



## GES NewsFlash

### People's Republic of China ("PRC") – Amendments to the Capital Investment Entrant Scheme

October 21, 2010

In this issue:

**Summary**

**Transitional Provisions**

**Rationale**

**Background**

**Deloitte's View**

**People to Contact**

#### Summary

On 13 October 2010 the Hong Kong Government announced that the following amendments will be made to the Capital Investment Entrant Scheme (CIES) with effect from 14 October 2010:

- 1) The level of investment required for admission into Hong Kong under the CIES is raised from HK\$6.5 million (approximately US\$845k) to HK\$10 million (approximately US\$1.3 million); and
- 2) Real estate is temporarily removed as a class of Permissible Investment Asset (PIA) under the scheme.

#### Transitional Provisions

Currently applicants under the CIES are entitled to take into account investments made within a 6 month period prior to the date the application is made, and 6 months after being granted approval-in-principle. As a transitional arrangement, new applications involving investments (including real estate) of no less than HK\$6.5 million made within six months immediately preceding the commencement date of 14 October 2010 are eligible for approval, subject to the applicant meeting the other necessary criteria under the scheme. Any investment, however, in real estate completed on or after the commencement date, irrespective of the amount, will not be accepted for new applications under the CIES.

The increase to the investment threshold and suspension of real estate as a class of Permissible Investment Asset will thus not impact applications received prior to 14 October 2010, irrespective of whether these applications are already approved or are still being processed.

## Rationale

According to the Hong Kong Government, these amendments are designed to ensure that the CIES is in line with current market conditions and continues to serve in the best interest for the Hong Kong SAR. As part of the review of the scheme undertaken prior to the changes being announced the Government looked to overseas practices and changes in relevant economic indicators, together with the views of the general public and Legislative Council members.

In future, the investment threshold will be reviewed every 3 years. The temporary suspension or real estate an eligible class will be assessed at the next regular review (i.e. in 3 years time) or, if the Government deems necessary, at an earlier date.

### Deloitte's View

Despite the amendments to the CIES the scheme remains competitive compare with similar overseas schemes.

The removal of real estate as an eligible PIA is counter to the upward trend in real estate investment, which accounted for 42% of the total investment under the CIES for the first nine months of this year, and the fact that real estate investments under the scheme in recent years have only represented approximately 1% of the total market turnover.

## Background

The CIES was introduced in October 2003 with the purpose of facilitating the entry into Hong Kong for residence purposes of individuals who would not be involved in the running of any business or engaged in employment duties. Since October 2003 the schemes has seen approximately HK\$58 billion (US\$7.7 billion) inward investment from around 8,200 investors.

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[Back to Top](#)

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