

SE Business
HD CKI records reveal it pays little tax in Hong Kong
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Hong Kong tycoon Li Ka-shing is facing claims in Britain and Australia that companies he controls are dodging taxes there, but an analysis of his Hong Kong-listed Cheung Kong Infrastructure reveals it pays only a tiny fraction of the tax that a close competitor here pays.

In the first half of last year, the infrastructure firm enjoyed tax credits of HK\$11 million on a pre-tax profit of HK\$5.49 billion, which boosted its after-tax profit to HK\$5.51 billion.

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In comparison, NWS Holdings, a Hong Kong-listed infrastructure firm controlled by another Hong Kong tycoon, Cheng Yu-tung, paid HK\$640.9 million tax on a pre-tax profit of HK\$4.72 billion for the 12 months to June.

CKI's deferred tax liabilities - a provision for future taxation - jumped 153 per cent to HK\$714 million on June 30 from HK\$282 million at the end of 2012, according to its 2013 interim report.

NWS had much higher deferred tax liabilities, at HK\$2.56 billion for the financial year to June 30, 2012, and HK\$2.61 billion for the following year, but they did not grow anywhere near as fast at CKI's. UK Power Networks has avoided £38 million [in tax] since 2010 CORPORATE WATCH

CKI's deferred tax liabilities were HK\$254 million at the end of 2010 and HK\$187 million at the end of 2011, according to its annual reports.

In 2010, the company paid tax of HK\$8 million, just 0.15 per cent of its pre-tax profit of HK\$5.18 billion, according to its 2011 annual report. In 2011, it got a tax credit of HK\$6 million, which boosted its after-tax profit to HK\$8.27 billion.

UK Power Networks, a major British electric utility 40 per cent owned by CKI, has been accused of being involved in an international web of tax dodging by British non-profit watchdog Corporate Watch and the Independent on Sunday, a British newspaper.

"UK Power Networks has avoided an estimated £38 million [HK\$487 million] [in tax] since 2010 from paying £164.4 million via the Cayman Islands to firms controlled by Li Ka-shing," Corporate Watch says on its website.

Corporate Watch alleged that six British water companies, including Northumbrian Water, took high-interest loans from their owners and the interest payments reduced their taxable profits in the country due to a regulatory loophole. CKI owns a 40 per cent stake in Northumbrian Water.

"In the most brazen case, Northumbrian Water is paying 11 per cent interest on just over £1 billion of loans it has taken from the Cheung Kong group," it said.

Utility Week magazine said in October that borrowing costs for a typical water or energy network company had fallen from 7 per cent five years ago to closer to 4 per cent.

A spokeswoman at CKI said: "All our companies fully comply with regulatory, tax and legal requirements of the countries they operate in."

In the first half of last year, the **company**'s infrastructure investments in Britain and Australia paid no tax, while those on the mainland enjoyed tax credits of HK\$11 **million** and those in Canada and New Zealand paid HK\$1 **million** in tax.

Britain is CKI's largest source of profits, contributing HK\$2.86 **billion** of profits in the first half of last year, while Australia contributed HK\$587 **million**.

A spokesman with British Revenue & Customs declined to confirm if the country's tax authorities were investigating Li's British firms, but said: "If we find evidence of wrongdoing, we will look into it and take appropriate action. We are tackling tax avoidance and have secured more than £50 **billion** of additional tax since 2010, including £23 **billion** from large businesses."

In June last year, the Australian Taxation Office filed claims of unpaid taxes against CKI and sister **company** Power Assets.

The authorities are claiming roughly A\$116 **million** (HK\$803 **million**) from an Australian subsidiary of CKI.

The subsidiary had paid A\$58 **million** to the taxation office, CKI said in its 2013 interim report, adding that the unit believed it should not pay any of the claimed tax and would recover the A\$58 **million**.

CKI said the subsidiary would vigorously defend its case.

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