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Asia Pacific Banks: China offshore insurance income taxation: Clarification of existing rules

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On 7 August, local news reported that an official from China's State Taxation Administration (STA) clarified that overseas insurance income earned by Chinese tax residents falls within the scope of taxable income under China's Individual Income Tax Law. Importantly, the official noted that this is **not a new policy**, but rather reflects the long-standing principle that Chinese tax residents are subject to taxation on worldwide income. The official also stressed that the rules are **not specifically targeted at Hong Kong insurance products**, but apply broadly to overseas income regardless of source country or asset type. The statement further noted that overseas insurance proceeds, alongside other forms of offshore income, should be declared and taxed in accordance with existing regulations. While the announcement provides clarity on the authorities' position, it does not provide detailed guidance on implementation, reporting requirements, enforcement mechanisms or treatment of historical non-compliance.

In our view, the latest report is better characterised as a clarification of existing policy rather than the introduction of a new tax regime. Nonetheless, investors may question whether offshore wealth and investment income may face greater tax enforcement over time, and whether this could moderate wealth outflows from mainland China. While we acknowledge these concerns, we continue to see structural support for offshore wealth allocation given the broader investment universe, diversification benefits and portfolio construction considerations available outside mainland China. As such, we do not believe the clarification is sufficient to materially alter the long-term wealth accumulation trend. Instead, we see a risk of temporary disruption as investors seek greater clarity on tax reporting obligations and compliance requirements, particularly among individuals who may not have previously declared overseas income. This could result in moderation in net new money flows in the near term before normalising as implementation and filing requirements become better understood. At the same time, we do not view the announcements to date as suggesting a broad prohibition on offshore wealth accumulation or investment activity.

Exposure to insurance and Chinese wealth flows

For HSBC and Standard Chartered, insurance and bancassurance activities account for approximately 4% of group revenue and around 5% of earnings, suggesting direct insurance exposure remains relatively modest at the group level. To put this into context, HSBC disclosed that around 65% of ANP is generated in Hong Kong, of which 45% comes from non-Hong Kong residents, implying that non-resident Hong Kong insurance sales account for roughly 29% of total group ANP as highlighted in our earlier note "*China offshore insurance tax reports: separating sentiment from fundamentals*". For DBS, bancassurance contributes approximately 20% of wealth fees, translating into c.2% of group revenue in 2025. For OCBC, insurance profits contributed approximately 15% of group PAT in 2025, although we note that Great Eastern does not operate in Hong Kong.

More broadly, we believe investor focus is likely to centre on wealth management rather than insurance. Wealth income contributes approximately 25%/28% of operating income for both HSBC and Standard Chartered respectively as of 2025, while wealth-related fees account for roughly one third of fee income or non interest income. For HSBC, Hong Kong wealth fees contribute approximately 19-23% of total group wealth fees and 2-3% of group operating income, while for Standard Chartered, Hong Kong contributes approximately 40% of total Wealth Solutions income. Both banks have also highlighted the growing importance of Global Chinese clients, with Standard Chartered disclosing that Global Chinese clients accounted for approximately one third of group net new money in 2025 and more than half of Hong Kong net new money. For DBS and OCBC, wealth income contributes approximately 25% and 27% of operating income, respectively. DBS has also previously indicated that less than one third of net new money originates from Chinese clients.

What has been announced so far?

The latest clarification follows a series of regulatory developments relating to cross-border capital and wealth flows. Here are the following time lines.

1. **22 May:** The CSRC announced tighter oversight of online brokers, while the HKMA issued guidance reinforcing account opening procedures, source of funds verification and compliance requirements. In response, banks introduced additional declarations for investment accounts and accelerated the closure of dormant and zero balance accounts. *See our GS China Financial team's note here.*
2. **1 June:** China's State Council released new outbound investment regulations establishing a framework governing overseas investments by corporates and individuals. While the regulations focus primarily on cross border technology transfers, outbound investments and risk management, Article 33 stipulates that overseas financial investments will be governed by the regulations, with detailed implementation rules to be issued separately. *See our previous notes here and here.*
3. **7 July:** The PBoC, HKMA and SFC announced 11 measures to strengthen Hong Kong Mainland financial connectivity and offshore RMB development. Key measures included expanding the RMB Business Facility from RMB200bn to RMB500bn and extending available tenors. We viewed the package as supportive for Hong Kong banks through improved offshore RMB liquidity and greater RMB business activity. *See our previous note here.*

4. **24 July:** China's Ministry of Finance and State Taxation Administration issued detailed guidance on offshore trusts, introducing a 20% individual income tax framework across multiple stages of an offshore trust structure's lifecycle. Our channel checks suggest trust related assets represent a relatively small portion of AUM for banks under our coverage.
5. **7 August:** The State Taxation Administration clarified that overseas insurance income falls within China's existing worldwide income tax framework. Authorities stressed that this is not a new policy and is not specifically targeted at Hong Kong insurance products, but rather reflects long-standing tax obligations applicable to overseas income more broadly.