

# 1997 fears for holders of foreign passports

By SCOTT MCKENZIE

FOREIGN passport holders are being warned that just having a non-Chinese passport may not be enough for them to be recognised as a foreign national and get full consular protection after 1997.

Hong Kong people who hold Canadian passports are being told that whether they are treated as Chinese nationals after the change to Chinese sovereignty revolved around the question "Where is your home?"

And government officials warn that the price of a home in Canada, and consular protection, will be worldwide taxation at Canada's high tax rates.

An article to be published in the July/August edition of the Canadian Chamber of Commerce magazine, *Canada Hong Kong Business*, comments on the importance of establishing an overseas domicile as opposed to "just having a foreign passport".

"Chinese nationals who have acquired a foreign passport while living in Hong Kong will have problems simply because that other nationality will not be recognised," the article said.

Hong Kong University constitutional law expert Dr Nihal Jayawickrama told the chamber publication that ethnic Chinese in Hong

Kong would automatically become Chinese nationals at midnight on June 30, 1997.

"Basically, the position is that if a Hong Kong Chinese person has acquired foreign nationality and been physically domiciled abroad, he might have lost Chinese nationality... it's a question of fact for the authorities to determine," Dr Jayawickrama said.

Canadian diplomats say such concerns are lowering the "comfort levels" of many Hong Kong-Chinese with Canadian passports.

"Uncertainty over what status people will have even if they have foreign passports is increasingly becoming an issue," one diplomat said.

Commenting on the concerns, a Hong Kong government official acknowledged that the decision to have a home overseas for foreign passport holders was now a priority with only two years left until the handover.

"If to be treated as a foreign national with all the consular protection that brings you need a home in the country of your passport and for many people, especially those on Canadian passports, that means paying income tax twice."

Canadian tax laws are such that it becomes necessary to pay tax on earnings elsewhere in the world if a solid link with Canada can be established by tax author-

ities. Such a link would be home ownership.

Many Hong Kong businessmen continue to work in Hong Kong despite holding Canadian passports. They plan to leave for Canada if things become difficult after the change of sovereignty.

However, the Hong Kong government official, who was supported privately by Canadian diplomats, said people may have to bear the double tax burden of paying tax in Canada as well as Hong Kong if they did not wish to be treated as Chinese nationals after 1997.

On the strength of such concerns, the Canadian Commission in Hong Kong has advised Hong Kong Canadian passport holders to enter Hong Kong on their Canadian passports rather than their Hong Kong identity cards.

The Commission has publicly said residency issues would probably not affect Canada's trade and investment.

China does not recognise dual nationality and has stated that permanent residents with foreign passports will continue to have right of abode if they are in the territory at the time of the handover.

Those with foreign passports who return after 1997 will be required to spend seven years in Hong Kong to be given permanent resident status.