

April 2007

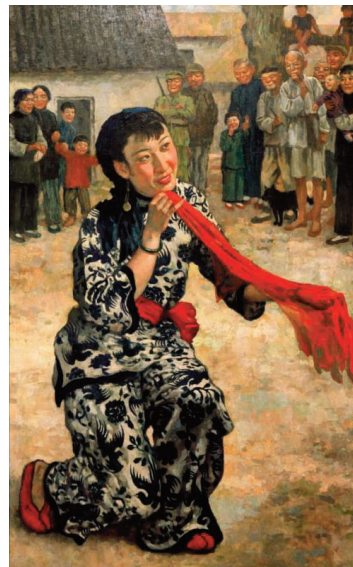
## Continuing Strength in the Market for Chinese Art

The Far East is a major growth area for the international art market and the new millionaire class in the People's Republic of China – 300,000 strong and growing quickly – is attracting particular attention. Sotheby's, Christie's and Bonhams all have bases in Hong Kong, the latter being new arrivals, although so far only Christie's has ventured into mainland China by forming an alliance with the Beijing-based saleroom Forever. Art fair organisers have spotted the potential of Shanghai because of the city's status as a financial powerhouse that acts as a gateway to the West. A new contemporary art fair called ShContemporary organised by entrepreneur Lorenzo Rudolf and Geneva dealer Pierre Huber will make its debut in Shanghai from 6-9 September.

Although some commentators confuse Chinese big spenders from Hong Kong, Taiwan and Singapore, who have been active in the market for some time, with the new rich of mainland

China, the latter are emerging as a potent force. After the most recent sales at Sotheby's in Hong Kong in early April the auction house produced a fascinating breakdown of buyers. In the contemporary section three quarters of the successful bidders were Asian with Hong Kong and Taiwan providing 28% and 26% respectively while 12% were from mainland China. Europeans and Americans accounted for almost 23%. Traditional Chinese paintings went overwhelmingly to Asian buyers with 44% from Hong Kong and an impressive 29% from the People's Republic. Ceramics and other works of art attract Americans, who bought one fifth of the lots, but the mainland Chinese were not far behind with 19%.

The sales showed that the market for contemporary Chinese art is still tremendously strong but there were some signs that the fever that has driven prices skywards over the past couple of years may have abated slightly.



XU BEIHONG  
*Put Down Your Whip*  
1939, oil on canvas, 56 7/8 by 35 3/8 in.

Almost 500 people packed the saleroom on 7 April and there were also plenty of telephone bidders but buyers were keener on works by established artists than on those by less well known names regarded as riskier bets. A stock market fall that wiped about US\$400 billion off the region's share values in March may have been the reason for this relative caution.

Despite this Sotheby's had plenty to be pleased about. Its contemporary sale, which included classic 20th century Chinese paintings as well as cutting edge works, totalled US\$27.4 million, a record for such an event at the auction house. By far the highest price of the sale was US\$9.2 million paid by an anonymous bidder for Xu Beihong's *Put Down Your Whip*, a record for any Chinese painting at auction. The picture, dating from 1939, was fresh to the market and its subject matter, an anti-Japanese

street play, appealed to nationalist sentiment so it is likely that the new owner is Chinese.

It is a sign of how quickly the Chinese contemporary market has moved that artists such as Zhang Xiaogang can be regarded as established. Zhang's reputation as one of the hottest names around was reinforced at Sotheby's when Asian private buyers paid almost US\$2 million for *Tiananmen No 1* and US\$757,405 for *Big Family Series* while a European collector bought *Little Graduate (From My Dream)* for US\$685,758. Two of the three works fetched well above their estimates.

Although 90% of the lots sold in the contemporary auction, results were more mixed for traditional Chinese ceramics and works of art. Pieces of real quality performed well with an exceptional collection of 25 pieces built up by a Parisian connoisseur all selling for a total of US\$16.4 million. Four out of five of a separate group of important pieces from the Qianlong period found buyers, all Asian collectors, with a set of jade imperial archer's rings selling for US\$6 million. But the general sale of Chinese ceramics and works of art was not an unqualified success with only 51% of the lots sold. Despite this wealthy Asian collectors have a tremendous appetite for the very best pieces with one paying US\$4.3 million for a rare Qianlong period falangcai enamel miniature vase and another parting with US\$3.9 million for a superbly decorated Yongzheng period doucai vase.



ZHANG XIAOGANG  
*Tiananmen No.1*, 1993, oil on canvas, 38 7/8 by 50 3/8 in.

# News in Brief

## Macclesfield Library Sale Nears £22 million

The series of auctions of books and manuscripts from the library of the Earls of Macclesfield have raised almost £22 million, a record for book sales at Sotheby's in London. The ninth sale in March brought in another £3.9 million and the highest single price has been almost £1.7 million paid in 2004 for the 14th century Macclesfield Psalter, which is now in the Fitzwilliam Museum in Cambridge.

There may be more sales from the library but Sotheby's has not yet fixed any dates. The auctions, which have already more than doubled the original £10 million estimate, were brought about by a legal dispute between the present Earl of Macclesfield and members of his family which forced him to leave Shirburn Castle, his ancestral home in Oxfordshire. The move to a smaller house meant that he could not take most of the library with him.

## Ashmolean Buys English Porcelain Masterpiece

The Ashmolean Museum, Oxford has bought *The Boar's Head Tureen*, one of the finest examples of 18th century English rococo porcelain, through the tax-concessionary scheme for private sales to museums. It had been on loan to the museum since 1993.

## Art Fund Commits £5 million to Contemporary Works Scheme

The Art Fund, Britain's leading independent arts charity, has launched the most ambitious scheme in its 104-year history, committing £5 million to a new initiative aimed at improving collections of international contemporary art in the UK's regional museums and galleries.

The scheme, called Art Fund International, will run over five years alongside the Fund's regular grant-giving programme. "Over the past 100 years we have all too often turned our backs on the most exciting works being made by living artists from overseas," said David Barrie, director of the Fund.

## Picture Slashed by Suffragette Doubles Its Estimate

*The Quarry Team*, by Stanhope Alexander Forbes, which was attacked with an umbrella by a militant suffragette because of its value while on view at the Royal Academy in 1894, fetched £132,000, twice as much as expected, at Bonhams in London. The canvas has since been repaired but the slash mark is still faintly visible.



STANHOPE ALEXANDER FORBES, RA  
*The Quarry Team*  
1894, oil on canvas, 60 x 96in.

## Tax and Law – Points of interest

### 1. Works of Art and Business Property Relief ('BPR')

Since 1998, Conditional Exemption from Inheritance Tax ('IHT') is only available to chattels of pre-eminent quality, leaving museum quality chattels vulnerable on the next taxable event.

BPR might be the answer for museum quality chattels provided the chattels consist of a business. The practical effect of BPR is that the taxable value of the business interest in the chattels can be reduced to zero. The interest in the chattels must be wholly or mainly used in the business throughout the whole of the two years immediately before the taxable event during which the asset was owned by the donor. Where a lifetime gift or a transfer on death is made of a business interest the donee must hold the interest for the requisite period if BPR is to be relied upon.

Not every family will be able to use their chattels in a business but for those that can, BPR could be a useful tool for long term collection management. In the right circumstances, Capital Gains Tax might be irrelevant or could be kept to a minimum.

### 2. UK Budget 2007

Taxpayers may elect for property that would otherwise fall within the Pre-Owned Asset income tax regime to be subject to IHT. The first deadline was 31st January 2007 for the tax year 05/06. HMRC may now accept late elections, which will bring comfort to taxpayers who missed that deadline.

HMRC has confirmed that bare trusts for children will not be subject to the more convoluted new trust rules involving the 6% tax charge nor will gifts in be taxed at 20% although gifts into bare trusts for adults will.