

Weekly Alert

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RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2018 issue 18 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Press Conference 2 May 2018 – The Gist of CIR’s Speech

On 2 May 2018, the Commissioner of Inland Revenue (“CIR”) gave a speech on issuance of the 2017/18 tax returns for individuals, tax treaty negotiations, automatic exchange of financial account information in tax matters (“AEOI”), property demand-side management measures; and revenue collections in the financial year 2017/18.

The Inland Revenue Department (“IRD”) issued 2.6 million tax returns for individuals for the year of assessment 2017/18 on 2 May 2018. The filing due dates for these 2017/18 tax returns are as follows:

	<u>Due Date</u>
For individuals	2 June 2018
For sole proprietors	2 August 2018

An automatic extension of 1 month will be granted to taxpayers who file their tax returns through the Internet.

Up to 31 March 2018, Hong Kong has signed Comprehensive Double Taxation Agreements (“CDTAs”) with 39 jurisdictions and concluded CDTA negotiations with 4 countries.

Hong Kong has signed bilateral Competent Authority Agreements with 15 countries for conducting AEOI. The Government has sought the assistance of the Central People’s Government in depositing the declaration for territorial extension with the Organisation for Economic Co-operation and Development (“OECD”) so that the application of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters signed by China can be extended to Hong Kong. The relevant procedures are expected to be completed by September 2018, the deadline for undertaking the first AEOI as required by the OECD.

In the year 2017/18, the IRD collected revenue of HK\$328.6 billion which is 13% more than that of last year and the increase mainly came from stamp duty receipts.

Press Conference 2 May 2018 - The Gist of CIR's Speech

https://www.ird.gov.hk/eng/pdf/2018/cir_speech.pdf

2. Inland Revenue Ordinance (Amendment of Schedule 16) Notice 2018 gazetted

On 27 April 2018, the Inland Revenue Ordinance (Amendment of Schedule 16) Notice 2018 was gazetted.

The Notice seeks to add a new transaction to the list of transactions specified in Part 1 of Schedule 16 to the IRO and the relevant definitions to Part 2 of Schedule 16 to the IRO. It aims at encouraging offshore venture capital funds to participate in the Innovation and Technology Venture Fund (“ITVF”) set up by the Government. With the proposed amendment, offshore venture capital funds will continue to enjoy offshore fund exemption for their investments under ITVF scheme.

The Notice will be tabled before the Legislative Council on 2 May 2018 for negative vetting and will come into operation on 22 June 2018.

Press Release

<https://www.ird.gov.hk/eng/ppr/archives/18042701.htm>

TAX – PRC

1. Announcement on Tax Collection and Administration Issues for the Pilot Scheme on the Deferred Individual Income Tax Treatment for Commercial Pension Insurance (关于开展个人税收递延型商业养老保险试点有关征管问题的公告)

On 28 April 2018, the State Administration of Taxation issued the “*Announcement on Tax Collection and Administration Issues for the Pilot Scheme on the Deferred Individual Income Tax Treatment for Commercial Pension Insurance*”, which took effect from 1 May 2018.

The Announcement provides guidance on completion of tax return and the related tax administration on claiming the deduction for individuals’ expenses incurred for qualified pension schemes.

国家税务总局公告 2018 年第 21 号

<http://www.chinatax.gov.cn/n810341/n810755/c3423039/content.html>

2. Guiding Opinions on Regulating Asset Management Business of Financial Institutions (关于规范金融机构资产管理业务的指导意见)

The People's Bank of China, China Banking Insurance Regulatory Commission, China Securities Regulatory Commission and the State Administration of Foreign Exchange have jointly released the “*Guiding Opinions on Regulating Asset Management Business of Financial Institutions*”.

The Opinions clarify the definitions of asset management products and qualified investors. The Opinions also specify the financial institutions’ duties and procedures for providing their asset management services.

国家外汇管理局联合发布《关于规范金融机构资产管理业务的指导意见》

<http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3529600/index.html>

1. Workers in OECD Countries Pay One Quarter of Wages in Taxes

On 26 April 2018, the OECD released a Report, “*Taxing Wages 2018*”, summarising an analysis of the taxation of labour income across 35 OECD member countries in 2017.

As indicated in the Report, in 2017, the average net personal average tax rate (“NPATR”) (i.e. income tax and social security contributions paid by employees, minus any family benefits received, as a share of gross wages) for single workers with no children earning the average wage is 25.5% across the OECD whereas Belgium has the highest NPATR at 40.5% and Chile has the lowest NPATR at 7%.

Workers in OECD Countries Pay One Quarter of Wages in Taxes

<http://www.oecd.org/tax/workers-in-oecd-countries-pay-one-quarter-of-wages-in-taxes.htm>

RSM Tax Advisory (Hong Kong) Limited

RSM Hong Kong's dedicated and experienced tax specialists can:

- Advise on tax efficient holding and operational structures for new cross-border investment, including the formation of Hong Kong and Chinese business entities.
- Review existing cross-border investment structures, advise on identified deficiencies, quantify any potential exposure from such deficiencies, and further advise on restructuring approach and procedures.
- Assist clients to discuss and clarify matters with tax officials, including transfer pricing and advance rulings.
- Act as client representative in tax audits and tax investigations.
- Provide transaction support services on mergers and acquisitions, including tax due diligence, deal structure advice, tax health checks, related human resources arrangements and other tax compliance and consultation services.
- Advise on human resources and structuring employment arrangements in a tax-efficient manner.
- Advise on tax equalization schemes.
- Provide tax compliance services for individual and corporate clients in Hong Kong and China.

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