

Weekly Alert

2018 ISSUE 25

RSM TAX ADVISORY (HONG KONG) LIMITED 羅 申 美 稅 務 諮 詢 有 限 公 司

Welcome to 2018 issue 25 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. LCQ7: Claim for Disabled Dependent Allowance

On 20 June 2018, the Secretary for Financial Services and the Treasury, Mr. James Lau provided a written response to Hon Shiu Ka-chun's questions regarding the claim for Disabled Dependent Allowance ("DDA").

As indicated in Mr. James Lau's reply, a taxpayer can claim DDA if he/she maintains a dependent who is eligible to claim an allowance under the Government's Disability Allowance Scheme in any year of assessment. The Inland Revenue Department ("IRD") will process the claim for DDA by the taxpayer in respect of the eligible dependant even if the dependant who is eligible for the Disability Allowance ("DA") does not claim such an allowance or has opted for the Old Age Living Allowance ("OALA").

Taxpayers do not need to submit any proof when claiming the DDA. The IRD may require individual taxpayers to submit evidence of the dependant's eligibility for the DA when reviewing the applications. If the dependant has applied to the Social Welfare Department for the DA, the taxpayer can provide the file number of the dependant's application as proof. If the dependant has not claimed an allowance under the Government's Disability Allowance Scheme (including those eligible for the DA but have opted for the OALA), the IRD will send a review letter to the taxpayer and request the taxpayer to submit a medical assessment issued by a registered medical practitioner certifying that the disability condition is assessed in accordance with the definition of such a condition under the Comprehensive Social Security Assistance Scheme or the Social Security Allowance Scheme, so as to substantiate that the disability condition of the dependant warrants the DA in the relevant year.

LCQ7: Claim for Disabled Dependent Allowance

<https://www.ird.gov.hk/eng/ppr/archives/18062001.htm>

2. Performance Pledge Annual Report 2017/18

On 21 June 2018, the IRD uploaded its Annual Report on Performance Pledge 2017/18 on its website. The IRD has achieved all the targets, and exceed many, in its performance pledges in 2017/18.

The IRD has also uploaded its Performance Pledge for 2018/19. Some key performance targets for 2018/19 are summarised below:

<u>Services</u>	<u>Standard Response Time</u>	<u>Performance Targets</u>
Processing profits tax returns	Assessments made within 9 months from the date of issue of tax returns	First 9 months: 80% Next 3 months: 15% Next 3 months: 5%
Processing property tax returns and composite tax returns (individual tax returns)	Assessments made within 6 months from the date of issue of tax returns	First 6 months: 85% Next 3 months: 11% Next 3 months: 3.5%
Processing of field audit and investigation cases	Within 2 years after receipt of substantive information to initial investigation enquiry	First 6 months: 60% First year: 70% Second year: 80% Third year: 90%

Annual Report on Performance Pledge 2017/18 and Performance Pledge as from April 2018
https://www.ird.gov.hk/eng/abo/per_tcp.htm

TAX – PRC

1. Draft Individual Income Tax Amendment Bill

On 19 June 2018, the Draft Individual Income Tax Amendment Bill was submitted to the National People's Congress Standing Committee for first reading.

The Finance Minister, Mr. Liu Kun introduced the key amendments on the Draft Bill such as increasing the minimum threshold for Individual Income Tax to RMB5,000 per month (i.e. RMB60,000 per year), introducing special expense deduction items like children's education, continuing education, expenses for critical illness, housing loan interest and rent, adjusting tax bands to reduce tax burden etc.

个税起征点拟调至每年6万元 我国个税迈出综合征税第一步

http://www.mof.gov.cn/zhengwuxinxi/caijingshidian/xinhuanet/201806/t20180620_2935080.html

2. Announcement on the First Collection of VAT Invoices for New Taxpayers

(关于新办纳税人首次申领增值税发票有关事项的公告)

The State Administration of Taxation ("SAT") has issued the "Announcement on the First Collection of Value-added Tax ("VAT") Invoices for New Taxpayers".

According to the Announcement, tax bureau should complete the application for VAT invoices for new taxpayers within two days if the following three conditions are satisfied:

- (i) the real personal information of taxpayers' tax staff and legal representative have been collected and verified;
- (ii) taxpayers have applied for the issuance of VAT invoices; and
- (iii) taxpayers have complied with the requirements on equipment of tax control.

The maximum amount for VAT special invoices and VAT general invoices are both RMB100,000.

国家税务总局公告 2018 年第 29 号

<http://www.chinatax.gov.cn/n810341/n810755/c3504323/content.html>

3. **Announcement on Imposing Additional Tariffs on USD50 Billion Worth of US Imports** (国务院关税税则委员会关于对原产于美国 500 亿美元进口商品加征关税的公告)

In response to the additional tariffs imposed by the United States of America (“US”), the Customs Tariff Commission of the State Council issued the “*Announcement on Imposing Additional Tariffs on USD50 Billion Worth of Imported Commodities Originated from US*” on 16 June 2018.

According to the Announcement, China will impose additional 25% tariffs on 659 types of imported goods from the US. The additional 25% tariffs will be applied on 545 types of products (including agricultural, automotive and aquatic products) with worth of around USD34 billion from 6 July 2018. The effective date for the remaining 114 types of products (including chemical, medical and energy products) will be announced later separately.

税委会公告[2018]5号

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201806/t20180616_2930325.html

TAX – International

1. **The European Commission Finds Luxembourg Gave Illegal Tax Benefits to Engie; has to Recover around €120 million**

The European Commission has found that Luxembourg gave tax rulings to two Engie group companies which allowed them to pay an effective corporate tax rate of 0.3% on certain profits in Luxembourg for about a decade. The European Commission has considered that these tax rulings were illegal under European Union (“EU”) State aid rules.

The role of EU State aid control is to ensure that member states do not give selected companies a better tax treatment than others. The European Commission found that the tax rulings granted by Luxembourg endorsed an inconsistent tax treatment of the same structure leading to non-taxation at all levels which gave Engie a significant competitive advantage in Luxembourg and therefore were considered illegal tax treatment under EU State aid rules. Luxembourg must now recover about €120 million in unpaid tax from Engie, plus interest.

European Commission – Press Release

http://europa.eu/rapid/press-release_IP-18-4228_en.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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