

Weekly Alert

2018 ISSUE 28

RSM TAX ADVISORY (HONG KONG) LIMITED 羅申美稅務諮詢有限公司

Welcome to 2018 issue 28 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Inland Revenue (Amendment) (No. 6) Ordinance 2018 Gazetted

On 13 July 2018, the Inland Revenue (Amendment) (No. 6) Ordinance 2018, which primarily implements the minimum standards of the Base Erosion and Profits Shifting (“BEPS”) package promulgated by the Organisation for Economic Co-operation and Development (“OECD”) and codifies the transfer pricing principles into the Inland Revenue Ordinance was gazetted.

Under the Amendment Ordinance, taxpayers are required to prepare transfer pricing documentation for accounting period beginning on or after 1 April 2018 unless it can meet **either one** of the following exemptions:

(a) Exemption based on size of business (satisfies any two of the three conditions)

- (i) Total annual revenue not more than HK\$400 million;
- (ii) Total assets not more than HK\$300 million; and
- (iii) Not more than 100 employees.

(b) Exemption based on related party transactions (by category of transactions)

- (i) Transfer of properties (other than financial assets and intangibles) less than HK\$220 million;
- (ii) Transactions of financial assets less than HK\$110 million;
- (iii) Transfer of intangibles less than HK\$110 million; and
- (iv) Any other transaction (e.g. service income and royalty income) less than HK\$44 million.

The Inland Revenue Department (“IRD”) will provide further implementation guidance to facilitate enterprises’ compliance with the new requirements through its Departmental Interpretation and Practice Notes.

Press Release

<https://www.ird.gov.hk/eng/ppr/archives/18071302.htm>

Inland Revenue (Amendment) (No. 6) Ordinance 2018

<https://www.gld.gov.hk/egazette/pdf/20182228/es12018222827.pdf>

2. Stamp Duty Statistics

On 11 July 2018, the IRD released the statistics on Special Stamp Duty (“SSD”), Buyer’s Stamp Duty (“BSD”) and Doubled Ad Valorem Stamp Duty (“DSD”)/New Residential Stamp Duty (“NRSD”) for June 2018. The IRD collected SSD of HK\$44.6 million, BSD of HK\$1,718.5 million and DSD/NRSD of HK\$3,805.1 million in June 2018.

Stamp Duty Statistics

https://www.ird.gov.hk/eng/ppr/mthly_statistics.htm

3. FAQ - Automatic Exchange of Financial Account Information – Technical Explanations Newly Published

On 12 July 2018, the IRD published four new Frequently Asked Questions (“FAQ”) which providing technical explanations on Automatic Exchange of Financial Account Information (“AEOI”) in its website.

The technical explanations clarify the definition of “investment entity” and “enforcer”, classification of private investment company (“PIC”) and PIC’s obligations under AEOI.

FAQ: AEOI - Technical Explanations

https://www.ird.gov.hk/eng/faq/dta_aeoi.htm

TAX – PRC

1. The Merger of Municipal-level State and Local Tax Bureaus (全国各市级国税局地税局合并)

On 5 July 2018, Municipal-level State and Local Tax Bureaus across China were merged and 535 new municipal-level tax authorities were unveiled.

Press Release

<http://www.chinatax.gov.cn/n810219/n810724/c3564950/content.html>

2. Announcement on Reporting of Tax Issues on Cross Region Transactions within China (关于明确跨区域涉税事项报验管理相关问题的公告)

The State Administration of Taxation (“SAT”) has recently issued the “*Announcement on Reporting of Tax Issues on Cross Region Transactions within China*”, which took effect from 5 July 2018.

In order to accommodate the merger of State and Local Tax Bureaus, the SAT clarifies the new reporting procedures on cross region transactions after the merger.

国家税务总局公告 2018 年第 38 号

<http://www.chinatax.gov.cn/n810341/n810755/c3565286/content.html>

TAX – International

1. OECD Releases BEPS Discussion Draft on the Transfer Pricing Aspects of Financial Transactions

The OECD has released a Discussion Draft on Financial Transactions, which deals with follow up work in relation to Actions 8-10 (Assure that Transfer Pricing Outcomes are in line with Value Creation) of the BEPS Action Plan.

The Discussion Draft addresses specific issues related to the pricing of financial transactions such as treasury function, intra-group loans, cash pooling, hedging, guarantees and captive insurance.

Interested parties are invited to send their comments on the Discussion Draft by 7 September 2018.

OECD Releases BEPS Discussion Draft on the Transfer Pricing Aspects of Financial Transactions
<http://www.oecd.org/tax/oecd-releases-beps-discussion-draft-on-the-transfer-pricing-aspects-of-financial-transactions.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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