

Weekly Alert

2018 ISSUE 29

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

Welcome to 2018 issue 29 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Inland Revenue (Amendment) (No. 6) Ordinance 2018 – Key Elements and Effective Dates

On 16 July 2018, the Inland Revenue Department (“IRD”) summarised and released the key elements and effective dates of the Inland Revenue (Amendment) (No. 6) Ordinance 2018, which codify the transfer pricing principles, implement certain measures under the Base Erosion and Profit Shifting (“BEPS”) package and align the provisions in the Inland Revenue Ordinance with international tax requirements, in its website.

The effective dates of key elements of the Amendment Ordinance are summarized as follows:

- (a) Enhancements to double taxation relief provisions
 - Apply to tax payable for a year of assessment beginning on or after 1 April 2018
- (b) Transfer pricing rules and related provisions
 - Apply to a year of assessment beginning on or after 1 April 2018 for arm’s length principle, advance pricing arrangement and changes in trading stock;
 - Apply to a year of assessment beginning on or 1 April 2019 for separate enterprise principle and taxation of income from intellectual property accrued to non-Hong Kong resident associates;
 - Grandfathering of transactions effected or income accrued before 13 July 2018.
- (c) Transfer pricing documentation requirements relating to master file, local file and country-by-country (“CbC”) report
 - Apply to an accounting period beginning on or after 1 January 2018 for CbC report;
 - Apply to an accounting period beginning on or after 1 April 2018 for master file and local file;
 - Voluntary filing of CbC report allowed for an accounting period beginning in 2016 or 2017.
- (d) Amendments to preferential regimes, including extension of tax concession to domestic transactions and prescription of thresholds for substantial activities requirements
 - Apply to tax payable for a year of assessment beginning on or after 1 April 2018
 - Threshold requirements will be prescribed after consulting the relevant stakeholders

The IRD will provide further guidance to facilitate taxpayer's understanding of the requirements under the Amendment Ordinance.

Inland Revenue (Amendment) (No. 6) Ordinance 2018 - Key Elements and Effective Dates
<https://www.ird.gov.hk/eng/ppr/archives/18071601.htm>

Inland Revenue (Amendment) (No. 6) Ordinance 2018
<https://www.gld.gov.hk/egazette/pdf/20182228/es12018222827.pdf>

2. Fraudulent Email Purportedly Issued by IRD

On 16 July 2018, the IRD alerted members of the public to a fraudulent email purportedly issued by the IRD from the email account "revenue@inland.department.hk", inviting the recipient to claim tax refund. The email provides a hyperlink to a fake IRD website which seeks to obtain the recipient's personal particulars and credit card information.

The IRD confirmed it had no connection with the fraudulent email and had already reported the case to the Police for further investigation. Members of the public are reminded not to open any suspicious emails.

Fraudulent Email Purportedly issued by IRD
<https://www.ird.gov.hk/eng/ppr/archives/18071602.htm>

TAX – PRC

1. Notice on Expansion of the Coverage of the Preferential Income Tax Policy for Small and Thin-profit Enterprises (关于进一步扩大小型微利企业所得税优惠政策范围的通知)

The Ministry of Finance and the State Administration of Taxation (“SAT”) have jointly issued the “*Notice on Expansion of the Coverage of the Preferential Income Tax Policy for Small and Thin-profit Enterprises*”.

According to the Notice, effective for the period from 1 January 2018 to 31 December 2020, the upper limit of the annual taxable income of a small and thin-profit enterprise will be increased from RMB500,000 to RMB1,000,000. For the small and thin-profit enterprise which has annual income of RMB1,000,000 or below, only 50% of its income will be counted as taxable income and the applicable enterprise income tax rate is 20%.

财税〔2018〕77号
<http://www.chinatax.gov.cn/n810341/n810755/c3578208/content.html>

2. SAT Seeks Public Opinions on the Revised Draft Implementation Measures for the Formulation of Rules of Tax Administration

(国家税务总局关于《税务部门规章制定实施办法（修订征求意见稿）》公开征求意见)

On 13 July 2018, in order to enhance the quality of tax system in China, the SAT published the “*Revised Draft Implementation Measures for the Formulation of Rules of Tax Administration*” for public consultation.

Public can provide their comments by 11 August 2018.

税务部门规章制定实施办法（修订征求意见稿）征求意见

<http://www.chinatax.gov.cn/n810214/n810606/c3577381/content.html>

TAX – International

1. IRS Working on a New Form 1040 for 2019 Tax Season

The US Internal Revenue Service plans to streamline the personal income tax return (Form 1040) into a shorter, simpler form for the 2019 tax season.

The new Form 1040, only about half the size of the current version, consolidates the current Form 1040, Form 1040A and Form 1040EZ into one simple form. This new Form 1040 uses a “building block” approach in which taxpayers can provide additional schedules if required. Taxpayers with straightforward tax situations would only need to file this new Form 1040 with no additional schedules.

IRS Working on a New Form 1040 for 2019 Tax Season

<https://www.irs.gov/newsroom/irs-working-on-a-new-form-1040-for-2019-tax-season>

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.

The aim of Weekly Alert is to alert readers to recent developments. The information is general in nature and it is not to be taken as a substitute for specific advice. Accordingly RSM Hong Kong accepts no responsibility for any loss that occurs to any party who acts on information contained herein without further consultation with us. If you have any comments or require further information please contact:

Dicky To

T: +852 2508 2863
E: dickyto@rsmhk.com

Eric Chen

T: +852 2583 1259
E: ericchen@rsmhk.com

Lilian Poon

T: +852 2583 1241
E: lilianpoon@rsmhk.com

Samuel Chan

T: +852 2583 1242
E: samuelchan@rsmhk.com

Patrick Ho

T: +852 2583 1258
E: patrickho@rsmhk.com

Caesar Wong

T: +852 2508 2851
E: caesarwong@rsmhk.com

Catherine Tsang

T: +852 2583 1256
E: catherinetsang@rsmhk.com

Chan Ka Ho

T: +852 2583 1249
E: khchan@rsmhk.com

Joanna Lee

T: +852 2583 1317
E: joannalee@rsmhk.com

RSM Tax Advisory (Hong Kong) Limited

29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

T: +852 2598 5123
F: +852 2598 7230
E: solutions@rsmhk.com

rsm.global/hongkong

RSM Tax Advisory (Hong Kong) Limited is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network.

Each member of the RSM network is an independent accounting and consulting firm, each of which practices in its own right. The RSM network is not itself a separate legal entity of any description in any jurisdiction.

The RSM network is administered by RSM International Limited, a company registered in England and Wales (company number 4040598) whose registered office is at 50 Cannon Street, London EC4N 6JJ.

The brand and trademark RSM and other intellectual property rights used by members of the network are owned by RSM International Association, an association governed by article 60 et seq of the Civil Code of Switzerland whose seat is in Zug.

© RSM International Association, 2018