

Weekly Alert

2018 ISSUE 32

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

Welcome to 2018 issue 32 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Interest on Tax Reserve Certificates

With effect from 6 August 2018, the annual rate of interest on Tax Reserve Certificates is increased from 0.0433% to 0.0767%. The new rate is applied to all certificates purchased on or after 6 August 2018.

Interest on Tax Reserve Certificates

<https://www.ird.gov.hk/eng/ppr/archives/18080301.htm>

2. List of Qualifying Debt Instruments (as at 30 June 2018)

On 8 August 2018, the Inland Revenue Department (“IRD”) released the updated list of the following qualifying debt instruments as at 30 June 2018:

a) Debt Instruments Eligible for Profits Tax Concession

According to Section 14A of the Inland Revenue Ordinance (“IRO”), qualifying debt instruments are eligible for profits tax concession and chargeable at 50% of the normal profits tax rate.

b) Long Term Debt Instruments Eligible for Profits Tax Exemption

According to Section 26A of the IRO, qualifying long term debt instruments are eligible for profits tax exemption.

List of Qualifying Debt Instruments

https://www.ird.gov.hk/eng/tax/bus_qdi.htm

3. Stamp Duty Statistics

On 10 August 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 July 2018. The IRD collected SSD of HK\$26.0 million, BSD of HK\$654.5 million and DSD/NRSD of HK\$2,149.9 million in July 2018.

Stamp Duty Statistics

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

TAX – PRC

1. Announcement on Matters Concerning the Tax Policies for Venture Capital Enterprises and Individual Angel Investors

(关于创业投资企业和天使投资个人税收政策有关问题的公告)

On 30 July 2018, the State Administration of Taxation (“SAT”) issued the “*Announcement on Matters Concerning the Tax Policies for Venture Capital Enterprises and Individual Angel Investors*”.

The Announcement clarifies the calculation basis of the two years investment duration period, the total research and development expenses against costs ratio, the contributions made by a partner of the venture capital partnership, the number of employees and total assets, etc.

国家税务总局公告 2018 年第 43 号

<http://www.chinatax.gov.cn/n810341/n810755/c3653128/content.html>

2. Announcement on Additional Tariffs on USD16 Billion US Imports

(关于国务院关税税则委员会对美 160 亿美元进口商品加征关税的公告)

On 8 August 2018, the Customs Tariff Commission of the State Council issued the “*Announcement on Imposing Additional Tariffs on USD16 Billion Worth of Imported Goods Originating from the US*”.

The Announcement lists out the products originating from the US which will subject to additional tariffs from 23 August 2018.

税委会公告〔2018〕7号

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201808/t20180808_2983770.html

TAX – International

1. Important Update and Changes on MSC Malaysia BOG 5

Malaysia has suspended its tax incentives granted under MSC (formally known as Multimedia Super Corridor) Malaysia Bill of Guarantee No. 5 (“BOD 5”), pending changes to bring it into line with recommendations from the Organisation for Economic Co-operation and Development’s (“OECD’s”) Base Erosion and Profit Shifting (“BEPS”) initiative.

MSC Malaysia tax incentives currently exempt income deriving from the approved MSC Malaysia Qualifying Activities, which may comprise income deriving from intellectual property (IP income) and/or income deriving from non-intellectual property (non-IP income). Under the OECD’s BEPS initiative, a regime exempting IP income will have to adopt the nexus approach and a regime exempting non-IP income will have to adopt the substantial activity requirements. Malaysia will review and amend its MSC Malaysia legislation to satisfy the new international standard.

No new approvals will be granted from applications for MSC Malaysia Status starting from 1 July 2018. New MSC Malaysia legislation and guidelines will be introduced by 31 December 2018.

Important Update and Changes on MSC Malaysia BOG 5

<https://www.mdec.my/news/important-updates-and-changes-on-msc-malaysia-bog-5#>

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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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

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