

Weekly Alert

2019 ISSUE 3

RSM TAX ADVISORY (HONG KONG) LIMITED

羅 申 美 稅 務 諮 詢 有 限 公 司

Welcome to 2019 issue 3 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. LCQ22: Tax Measures for Aviation and Maritime Industries

On 16 January 2019, the Secretary for Transport and Housing, Mr. Frank Chan Fan provided a reply to Hon Holden Chow's questions regarding the tax measures for aviation and maritime industries.

As indicated in Mr. Frank Chan Fan's reply, since the dedicated tax regime for aircraft leasing had commenced in July 2017, eight qualifying aircraft lessors and one qualifying aircraft leasing manager have received relevant tax benefits under the regime. The Government will introduce tax measures to foster the development of the ship leasing business in Hong Kong, including ship leasing and ship leasing management. In addition, to strengthen Hong Kong's status as a regional insurance hub, the Government will propose providing 50% profits tax concession for marine insurance and the underwriting of specialty risks in order to promote the development of such business.

LCQ22: Tax Measures for Aviation and Maritime Industries

<https://www.ird.gov.hk/eng/ppr/archives/19011601.htm>

2. Stamp Duty Statistics

On 11 January 2019, the Inland Revenue Department ("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 December 2018. The IRD collected SSD of HK\$15.9 million, BSD of HK\$541.2 million and DSD/NRSD of HK\$2,260.3 million in December 2018.

Stamp Duty Statistics

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

TAX – PRC

1. **China Taxation National Work Conference in Beijing** (全国税务工作会议在北京召开)

On 17 January 2019, the National Work Conference of Taxation was held in Beijing.

The conference confirmed the success of tax work done in 2018 and the implementation of ‘Delegation, Supervision and Services’ to enhance the tax and business environment. For year 2019, tax authorities will adopt the theme of “New Taxation New Services” to improve the efficiency of the tax system.

把握新形势 展现新作为 开启高质量推进新时代税收现代化新征程
<http://www.chinatax.gov.cn/n810219/n810724/c4011935/content.html>

TAX – International

1. **European Commission Opens in-depth Investigation into Tax Treatment of Nike in the Netherlands**

The European Commission has initiated an in-depth investigation to examine whether tax rulings granted by the Netherlands to Nike may have given the company an unfair advantage over its competitors, which is in breach of European Union State aid rules.

Two Nike companies namely, Nike European Operations Netherlands BV and Converse Netherlands BV obtained licenses to use intellectual property rights (“IPRs”) relating to Nike and Converse products respectively in Europe, the Middle East and Africa (the “EMEA region”). These two companies develop, market and sales of Nike and Converse products in the EMEA region. From 2006 to 2015, the Dutch tax authorities issued five tax rulings endorsing a method to calculate these two companies’ royalty payment for the use of IPRS relating to Nike and Converse products. As a result of these ruling, these two companies are only taxed in the Netherlands on a limited operating margin based on sales.

The European Commission is concerned that the royalty payments endorsed by the Dutch tax rulings may not reflect economic reality as the recipients of the royalty are Nike group entities that have no employees and do not carry out economic activity. The Commission will investigate whether the Netherlands has granted a selective advantage to the Nike group since 2006 by allowing it to pay less tax than other stand-alone or group companies which are priced in accordance with market terms.

State Aid: Commission Opens in-depth Investigation into Tax Treatment of Nike in the Netherlands

http://europa.eu/rapid/press-release_IP-19-322_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.

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

