

# Weekly Alert

2019 ISSUE 5

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

Welcome to 2019 issue 5 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Suspension of Internet Filing Service for Individual Tax Return

On 28 January 2019, the Inland Revenue Department (“IRD”) announced that the Internet filing service for Tax Return - Individuals will be temporarily suspended from 30 March 2019 for a system upgrade.

Any partially completed return previously saved will be deleted after 29 March 2019. Taxpayers should complete their Internet filing on or before 29 March 2019 or opt for paper filing.

##### **Suspension of Service for Filing of Tax Return - Individuals through eTAX**

[https://www.ird.gov.hk/eng/tax/efiling\\_20190128.htm](https://www.ird.gov.hk/eng/tax/efiling_20190128.htm)

#### 2. List of Qualifying Debt Instruments (as at 31 December 2018)

On 29 January 2019, the IRD released the updated list of the following qualifying debt instruments as at 31 December 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](https://www.ird.gov.hk/eng/tax/bus_qdi.htm)

## TAX – PRC

### 1. Notice on the Individual Income Tax Policy for Individual Partners of Venture Capital Firms (关于创业投资企业个人合伙人所得税政策问题的通知)

On 10 January 2019, the Ministry of Finance ("MOF"), State Administration of Taxation ("SAT"), National Development and Reform Commission and China Securities Regulatory Commission jointly released the "Notice on the Individual Income Tax Policy for Individual Partners of Venture Capital Firms" which is valid from 1 January 2019 to 31 December 2023.

According to the Notice, a venture capital firm (under partnership) can elect for separate assessment on its each single investment or in a consolidated manner based on the firm's total profit. If a venture capital firm chooses to be assessed by separate investment fund method, the dividend income and gain received by its individual partners will be subject to individual income tax at a flat rate of 20%. If the latter method is chosen, the firm's profit apportioned to their individual partners will be assessed under individual income tax at a progressive tax rate between 5% to 35%. Once the venture capital firm has elected the tax filing position of the individual partners, it must be followed for three years.

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[http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201901/t20190123\\_3131369.html](http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201901/t20190123_3131369.html)

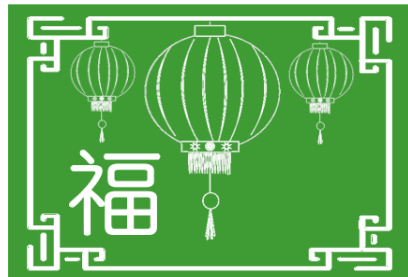
### 2. Notice on the Value-added Tax Policy on the Winter Olympic Games and Winter Paralympics Corporate Sponsorship (关于冬奥会和冬残奥会企业赞助有关增值税政策的通知)

On 18 January 2019, the MOF and the SAT jointly issued the "Notice on the Value-added Tax ("VAT") Policy on the Winter Olympic Games and Winter Paralympics Corporate Sponsorship" which took effect retrospectively from 12 July 2017.

The Notice states that the services provided by corporate sponsors and its subordinate bodies to the Organizing Committee of the Beijing Winter Olympics which are free of charge under the sponsorship agreements and supplementary sponsorship agreements in relation to the Beijing 2022 Winter Olympics, Winter Paralympics and test matches will be exempted from VAT.

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[http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201901/t20190128\\_3133739.html](http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201901/t20190128_3133739.html)



*Wishing you a happy, healthy  
and prosperous year of the PIG  
from all of us at RSM*

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## TAX – International

### 1. International Community Makes Important Progress on the Tax Challenges of Digitalisation

A new Policy Note on Addressing the Tax Challenges of the Digitalisation of the Economy was released by the Organisation for Economic Co-operation and Development (“OECD”) following the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) meeting on 23 and 24 January 2019.

Two central pillars are identified in the Policy Note for further discussions in order to reach a consensus on a long-term solution in 2020. The first pillar will focus on how the existing rules that divide up the right to tax the income of multinational enterprises among jurisdictions could be modified to take into account the changes that digitalisation has brought to the world economy. This will require a re-examination on how to determine the connection a business has with a given jurisdiction and how much profit should be allocated to the business conducted there.

Meanwhile, the second pillar aims to resolve remaining BEPS issues and will explore two sets of interlocking rules designed to give jurisdictions a remedy in cases where income is subject to no or only very low taxation.

#### **International Community Makes Important Progress on the Tax Challenges of Digitalisation**

<http://www.oecd.org/tax/international-community-makes-important-progress-on-the-tax-challenges-of-digitalisation.htm>

#### **Policy Note**

<http://www.oecd.org/tax/beps/policy-note-beps-inclusive-framework-addressing-tax-challenges-digitalisation.pdf>

#### Note:

In view of the Chinese New Year Holiday, the next Weekly Alert will be issued on 15 February 2019. We wish you a Happy, Healthy and Prosperous Year of the Pig!

## 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.
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- 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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