

Weekly Alert

2019 ISSUE 11

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

Welcome to 2019 issue 11 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. **Government Welcomes Passage of Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018**

The Government welcomed the passage of the Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018 by the Legislative Council on 20 March 2019.

The new Ordinance gives effect to the tax deductions proposed in the 2018/19 Budget. From the year of assessment 2019/20, taxpayers are entitled to tax deductions under salaries tax and personal assessment for their premiums paid to qualifying deferred annuities and contributions made to tax deductible Mandatory Provident Fund (“MPF”) voluntary contribution accounts. The maximum tax deductible limit is HK\$60,000 each year per taxpayer.

Under the new arrangement, a taxpayer can claim tax deduction for deferred annuity premiums covering the taxpayer's spouse as joint annuitant, or either the taxpayer or the taxpayer's spouse as a sole annuitant. A taxpaying couple is allowed to allocate tax deduction for deferred annuity premiums amongst themselves in order to claim the total deductions of HK\$120,000, provided that the deduction claimed by each taxpayer does not exceed the individual limit. Tax deductible MPF voluntary contributions are subject to "preservation requirements", meaning that the accrued benefits can be withdrawn only upon reaching the age of 65 or based on statutory grounds.

Government Welcomes Passage of Inland Revenue and MPF Schemes Legislation (Tax Deductions for Annuity Premiums and MPF Voluntary Contributions) (Amendment) Bill 2018

<https://www.ird.gov.hk/eng/ppr/archives/19032004.htm>

2. **Business Registration Advance Notice – Suspension of Instant Services**

Instant services for “new business registration” and “updating of change of business particulars” will be suspended from 1 April 2019 for conducting year-end closing. Normal services will be expected to resume at 3 pm on 2 April 2019.

Business Registration Advance Notice – Suspension of Instant Services

https://www.ird.gov.hk/eng/tax/bre_an_sis_20190321.htm

1. **Announcement on the IIT Policies for Non-resident Individuals and Resident Individuals Having No Place of Abode in China** (关于非居民个人和无住所居民个人有关个人所得税政策的公告)

On 14 March 2019, the Ministry of Finance (“MOF”) and the State Taxation Administration (“STA”) jointly released the “*Announcement on the Individual Income Tax (“IIT”) Policies for Non-resident and Non-PRC-domiciled Resident Individuals*”.

The Announcement clarifies the sourcing rules for employment income, methods for calculating non-domiciled individuals’ assessable income and their IIT.

财政部 税务总局公告 2019 年第 35 号

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201903/t20190317_3194513.html

2. **Announcement on the Criteria for Determining the Residence Period of Individuals without Domicile in China** (关于在中国境内无住所的个人居住时间判定标准的公告)

On 14 March 2019, the MOF and STA jointly released the “*Announcement on the Criteria for Determining the Residence Period of Individuals without Domicile in China*”.

If an individual without domicile stays in China for (1) 183 days or more in a year and (2) in the preceding six consecutive years the individual stays less than 183 days for any one year or leaves China for more than 30 days in single trip, the individual’s overseas-sourced income will be exempted from IIT. In counting the 183 days that an individual stays in China, any day with less than 24 hours in China will not be counted as a day. The Announcement took effect from 1 January 2019.

财政部 税务总局公告 2019 年第 34 号

http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201903/t20190315_3194018.html

3. **Notice on the Preferential IIT Policy for the Guangdong-Hong Kong-Macao Greater Bay Area** (关于粤港澳大湾区个人所得税优惠政策的通知)

On 14 March 2019, the MOF and STA issued the “*Notice on the Preferential IIT Policy for the Guangdong-Hong Kong-Macao Greater Bay Area (“GBA”)*”.

According to the Notice, the subsidies provided to overseas (including Hong Kong, Macao and Taiwan) talents working in the GBA on the tax difference arising from Hong Kong and China tax regimes will be exempted from IIT. This Notice is valid from 1 January 2019 to 31 December 2023.

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http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201903/t20190315_3194004.html

4. **Foreign Investment Law of the People's Republic of China** (中华人民共和国外商投资法)

On 15 March 2019, the National People's Congress released the “*Foreign Investment Law of the People's Republic of China*” which will take effect from 1 January 2020.

The new Foreign Investment Law contains measures to protect foreign investment. For example, pursuant to Article 22 of the new Law, foreign investors’ intellectual properties are under protection and government officials are prohibited from using administrative measures to pursue forced transfers of technology.

中华人民共和国外商投资法

http://www.npc.gov.cn/npc/xinwen/2019-03/15/content_2083532.htm

TAX – International

1. **New Beneficial Ownership Toolkit will Help Tax Administrations Tackle Tax Evasion More Effectively**

On 20 March 2019, the Organisation for Economic Co-operation and Development (“OECD”) released the Beneficial Ownership Toolkit in order to help governments implement the standards of Global Forum on Transparency and Exchange of Information for Tax Purposes on ensuring that law enforcement officials have access to reliable information on who the ultimate beneficial owners are behind a company or other legal entity so that criminals can no longer hide their illicit activities behind opaque legal structures.

The Toolkit is the first practical guide freely available for countries implementing the international tax transparency standards. The Toolkit covers the concepts of beneficial owners and ownership, the criteria used to identify them and technical aspects of beneficial ownership requirements. It will be frequently updated.

New Beneficial Ownership Toolkit will Help Tax Administrations Tackle Tax Evasion More Effectively

<http://www.oecd.org/tax/new-beneficial-ownership-toolkit-will-help-tax-administrations-tackle-tax-evasion-more-effectively.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:

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