Weekly Alert

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RSM TAX ADVISORY (HONG KONG) LIMITED
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Welcome to 2019 issue 15 of Weekly Alert covering technical development in taxation around the globe.

TAX – PRC

1. Announcement of Tax Policies on the Pilot Scheme of Domestic Offering of Chinese Depository Receipts by Innovative Enterprises
（关于创新企业境内发行存托凭证试点阶段有关税收政策的公告）

The Ministry of Finance ("MOF"), State Taxation Administration ("STA") and China Securities Regulatory Commission have jointly issued the *"Announcement of Tax Policies on the Pilot Scheme of Domestic Offering of Chinese Depository Receipts ("CDRs") by Innovative Enterprises"*.

According to the Announcement, under the pilot scheme, the gain derived from disposal/transfer of CDRs offered by innovative enterprises will be exempted from individual income tax for 3 years (for individual investors). Dividend income and gain on disposal of such CDRs by corporate investors will also be exempted from enterprise income tax.

财政部 税务总局 证监会公告 2019 年第 52 号
http://www.chinatax.gov.cn/n810341/n810755/c4244429/content.html

2. Notice on Extending the Preferential Policies for VAT, Real Estate Tax and Urban Land Use Tax of Heat Supply Enterprises
（关于延续供热企业增值税 房产税 城镇土地使用税优惠政策的通知）

The MOF and STA have jointly released the *"Notice on Extending the Preferential Policies for Value-added Tax ("VAT"), Real Estate Tax and Urban Land Use Tax of Heat Supply Enterprises"*.

Pursuant to the Notice, heating fees received by the heat supply enterprises located in Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Liaoning, Dalian, Jilin, Heilongjiang, Shandong, Qingdao, Henan, Shaanxi, Gansu, Qinghai, Ningxia Hui Autonomous Region and Xinjiang Uighur Autonomous Region will be exempted from VAT during the period from 1 January 2019 to the end of heat supply period in 2020. Meanwhile, the workshops and land used for supplying heat will also be exempted from real estate tax and urban land use tax during the period from 1 January 2019 to 31 December 2020.

财税〔2019〕38 号
http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201904/t20190410_3220481.html

1. Reforms in a Few Countries Drive a Decline in Average OECD Labour Taxes

On 11 April 2019, the Organisation for Economic Co-operation and Development ("OECD") released a Report, "Taxing Wages 2019" which revealed that the average tax wedge (i.e. the total taxes on labour costs as a percentage of total labour costs) declined in 2018 as compared to previous year. The decline was mainly due to major income tax reforms and reduction in employer social security contributions in the US and some European countries.

The Report also includes a comparison of the net personal average tax rate ("NPATR"). In 2018, the highest average NPATR for single workers with no children earning average wage were in Belgium (39.8%), Germany (39.7%) and Denmark (35.7%). The lowest NPATR were in Chile (7%), Mexico (10.2%) and Korea (14.9%). The OECD average NPATR is 25.5%.

Reforms in a Few Countries Drive a Decline in Average OECD Labour Taxes
http://www.oecd.org/tax/reforms-in-a-few-countries-drive-a-decline-in-average-oecd-labour-taxes.htm

2. Austria Announces 5% Digital Tax

The Austrian Finance Minister has considered to introduce a 5% digital tax on large digital corporations, a liability clause for digital agency platforms and a compulsory VAT for digital retail platforms.

The 5% digital tax will be levied on online advertising revenue in relation to companies with global sales of EUR750 million, of which EUR 25 million originate from digital advertising sales in Austria. All goods purchased from third country foreign suppliers through digital retail platforms will be subject to VAT.

From 2020, digital agency platforms will assume full liability for tax disclosure obligations. In practice, this will mean that booking platforms will be required to notify all booking and sales to the tax authority.

Press Release: 5% Digital Tax on Large Digital Corporations
https://english.bmf.gv.at/ministry/press/Loeger_Fuchs_digital_tax_on_large_digital_corporations_.html

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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