

# Weekly Alert

## 2019 ISSUE 22

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

Welcome to 2019 issue 22 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Departmental Interpretation and Practice Notes No. 23 (Revised)

On 31 May 2019, the Inland Revenue Department (“IRD”) issued the revised Departmental Interpretation and Practice Notes No. 23 (“DIPN 23”) on Recognized Retirement Schemes.

The DIPN 23 has been updated to reflect changes brought about by various legislative amendments concerning Mandatory Provident Fund schemes; and set out the IRD’s assessing practice relating to defined benefit schemes.

##### DIPN 23 (Revised)

<https://www.ird.gov.hk/eng/pdf/2019/dipn23.pdf>

#### 2. Community Service Order for Taxpayer Convicted of False Claims for Additional Dependent Parent Allowance

On 14 May 2019, a taxpayer was convicted at West Kowloon Magistrates' Courts on four charges of evading salaries tax. On 4 June 2019, he was sentenced to 180 hours' community service.

The defendant made false statements in his tax returns for claiming additional dependent parent allowance for the years of assessment 2011/12, 2012/13 and 2014/15. In addition, the defendant submitted a false answer in writing to the IRD, stating that his mother had resided with him at the same property from January 2012 onwards. The total tax involved was HK\$13,607.

The IRD reminds taxpayers that tax evasion is a criminal offence under the Inland Revenue Ordinance. Upon conviction, the maximum penalty for each charge is three years' imprisonment and a fine of HK\$50,000 plus a further fine of three times the amount of tax evaded.

##### Community Service Order for Taxpayer Convicted of False Claims for Additional Dependent Parent Allowance

<https://www.ird.gov.hk/eng/ppr/archives/19060401.htm>

### 3. Annual Report on Performance Pledge 2018/19

On 6 June 2018, the IRD uploaded its Annual Report on Performance Pledge 2018/19 on its website. The IRD has achieved all the targets of its performance pledges in year ended 31 March 2019.

The IRD has also uploaded its Performance Pledge as from April 2019 (i.e. for 2019/20). Some key performance targets for 2019/20 are summarised below:

<u>Services</u>	<u>Standard Response Time</u>	<u>Performance Targets</u>
Processing profits tax returns	Assessments made within 9 months from the date of issue of tax returns	First 9 months: 80% Next 3 months: 15% Next 3 months: 5%
Processing property tax returns and composite tax returns (individual tax returns)	Assessments made within 6 months from the date of issue of tax returns	First 6 months: 85% Next 3 months: 11% Next 3 months: 3.5%
Processing of field audit and investigation cases	Within 2 years after receipt of substantive information to initial investigation enquiry	First 6 months: 60% First year: 70% Second year: 80% Third year: 90%

#### Annual Report on Performance Pledge 2018/19

[https://www.ird.gov.hk/eng/abo/per\\_tcp.htm](https://www.ird.gov.hk/eng/abo/per_tcp.htm)

## TAX – PRC

### 1. Announcement of Retention of Documents Concerning "Six Taxes and One Levy" for Future Examination

(关于城镇土地使用税等“六税一费”优惠事项资料留存备查的公告)

On 28 May 2019, the State Taxation Administration (“STA”) issued the “*Announcement of Retention of Documents Concerning "Six Taxes and One Levy" for Future Examination*”.

According to the Notice, for taxpayers who can enjoy preferential treatment on “Six Taxes and One Levy” i.e. urban land use tax, real estate tax, farmland occupation tax, vehicle and vessel tax, stamp duty, urban maintenance and construction tax, and educational levy, starting from 28 May 2019, they would not be required to provide supporting documents when applying for the preferential treatment. However, they are required to retain relevant information and supporting documents for future examination.

国家税务总局公告 2019 年第 21 号

<http://www.chinatax.gov.cn/n810341/n810755/c4399746/content.html>

## 2. **Announcement of the Continuation of Value Added Tax (“VAT”) Exemption Policy on Domestic Anti-HIV Drug**

(关于延续免征国产抗艾滋病病毒药品增值税政策的公告)

On 5 June 2019, the Ministry of Finance and STA jointly issued the “*Announcement of the Continuation of VAT Exemption Policy on Domestic Anti-HIV Drug*”.

Pursuant to the Announcement, domestically produced Anti-HIV drugs are exempted from VAT during the period from 1 January 2019 to 31 December 2020.

The Anti-HIV drugs manufactures and distributors shall separately calculate the sales of VAT-free drugs and other goods. Otherwise, such sales will not be able to enjoy the VAT exemption policy.

财政部 税务总局公告 2019 年第 73 号

<http://www.chinatax.gov.cn/n810341/n810755/c4404754/content.html>

## TAX – International

### 1. **International Community Agrees on a Road Map for Resolving the Tax Challenges Arising from Digitalisation of the Economy**

On 31 May 2019, the 129 members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) adopted the “*Programme of Work to Develop a Consensus Solution to the Tax Challenges Arising from the Digitalisation of the Economy*” which committed to continue working toward a long-term solution by the end of 2020.

For digital economy, the Programme of Work will explore potential solutions for determining where tax should be paid and on what basis, as well as what portion of profits could or should be taxed in the jurisdictions where clients or users are located. The Programme of Work will also explore the design of a system which would provide jurisdictions with a right to “tax back” where other jurisdictions have not exercised their primary taxing rights or the payment is otherwise subject to low levels of effective taxation.

**International Community Agrees on a Road Map for Resolving the Tax Challenges Arising from Digitalisation of the Economy**

<https://www.oecd.org/tax/international-community-agrees-on-a-road-map-for-resolving-the-tax-challenges-arising-from-digitalisation-of-the-economy.htm>

## RSM Tax Advisory (Hong Kong) Limited

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- 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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