

# Weekly Alert

2019 ISSUE 25

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

Welcome to 2019 issue 25 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Hong Kong and Cambodia Enter into Tax Pact

On 26 June 2019, the Secretary for Financial Services and the Treasury, Mr James Lau, on behalf of the Hong Kong Special Administrative Region Government, signed a comprehensive avoidance of double taxation agreement (“CDTA”) with Cambodia in order to promote further bilateral investment and trade between the two jurisdictions.

The Hong Kong-Cambodia CDTA is the 41<sup>st</sup> agreement that Hong Kong has concluded. Under this CDTA, Cambodia’s withholding tax rates for Hong Kong residents on dividends, interest, royalties and fees for technical services will be reduced from 14% to 10%. This CDTA will come into force after the completion of ratification procedures by both jurisdictions.

#### Hong Kong and Cambodia Enter into Tax Pact

<https://www.ird.gov.hk/eng/ppr/archives/19062601.htm>

### TAX – PRC

#### 1. Announcement of Application of Taxable Income Items on Certain Income Received by Individuals

(关于个人取得有关收入适用个人所得税应税所得项目的公告)

The Ministry of Finance and the State Taxation Administration have jointly released the “*Announcement of the Application of Taxable Income Items on Certain Income Received by Individuals*”, which took effect retrospectively from 1 January 2019.

According to the Announcement, guarantee income is taxed under “incidental income” for individual income tax (“IIT”) purposes. For pension income under the tax-deferred commercial pension insurance scheme, 25% of such income will be exempted for IIT purposes and the remaining 75% will be taxed as 10%.

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[http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201906/t20190625\\_3284467.html](http://szs.mof.gov.cn/zhengwuxinxi/zhengcefabu/201906/t20190625_3284467.html)

## 2. Notice on the Preferential IIT Policy for the GBA (关于贯彻落实粤港澳大湾区个人所得税优惠政策的通知)

On 17 June 2019, in order to support the development of the Guangdong-Hong Kong-Macao Greater Bay Area (the "GBA"), the Guangdong Finance Department and Guangdong State Taxation Administration jointly released the "Notice on the Preferential IIT Policy for the GBA".

The Notice confirms that subsidy will be provided to the qualified foreign high-end talents and urgently-needed talents (including persons from Hong Kong, Macau and Taiwan regions) who are working in the nine cities of the GBA's Pearl River Delta i.e. Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing based on the tax difference between the PRC IIT and the Hong Kong standard tax rate of 15%. This subsidy will also be exempted from IIT.

The Notice also clarifies the scope of the taxable income covered and the qualification requirements of the talents for the above preferential tax treatment.

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[http://czt.gd.gov.cn/czfg/content/post\\_2519383.html](http://czt.gd.gov.cn/czfg/content/post_2519383.html)

## TAX – International

### 1. OECD Releases International Exchange Framework for CRS-related Mandatory Disclosure Rules and Updates its XML Schemes for the Exchange of CRS, CbC and Tax Ruling Information

On 27 June 2019, the Organisation for Economic Co-operation and Development ("OECD") released the *International Exchange Framework for Mandatory Disclosure Rules ("MDRs") on Common Reporting Standard ("CRS") Avoidance Arrangements and Opaque Offshore Structures*.

The MDR Exchanges will be based on a multilateral Competent Authority Agreement ("MCAA"). The above Exchange Framework provides a draft MCAA which enables a jurisdiction that received information about a CRS Avoidance Arrangement or Opaque Offshore Structure under the MDRs to exchange such information with all jurisdictions of tax residence of the concerned taxpayers. This will allow tax authorities of such jurisdictions to carry out compliance activities with respect to both the taxpayers and the intermediaries involved in such arrangement.

The OECD has released MDR XML Schema and User Guide to support MDR exchanges. The OECD has also released updated XML Schemas and Guidance to support the exchange of tax information under the CRS, on Country-by-Country ("CbC") Reporting and in relation to tax rulings ("ETR"). The CRS and CbC-related Schemas will become effective for all exchanges on or after 1 January 2021, whereas the ETR-related Schemas will take effect as from 1 April 2020.

### OECD Releases International Exchange Framework for CRS-related Mandatory Disclosure Rules and Updates its XML Schemes for the Exchange of CRS, CbC and Tax Ruling Information

<https://www.oecd.org/tax/oecd-releases-international-exchange-framework-for-crs-related-mandatory-disclosure-rules-updates-xml-schemas-for-exchange-of-crs-cbc-and-tax-ruling-information.htm>

## RSM Tax Advisory (Hong Kong) Limited

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- 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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