

Weekly Alert

2019 ISSUE 34

RSM TAX ADVISORY (HONG KONG) LIMITED 羅申美稅務諮詢有限公司

Welcome to 2019 issue 34 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Transfer Pricing Documentation – Master File and Local File

A Hong Kong enterprise of a group in the extended sense engaging in transactions with associated entities is required to prepare a master file and a local file, subject to certain exemptions on business size, amount of controlled transactions and specified domestic transactions. The requirements relating to master file and local file apply in relation to an accounting period beginning on or after 1 April 2018.

On 28 August 2019, the Inland Revenue Department (“IRD”) has set up a webpage in its website to explain the requirements in relation to master file and local file and the Department’s approach to ensure compliance with the requirements. As indicated in the Frequently Asked Questions Section of this webpage, if the overseas ultimate parent entity has already prepared the master file, the master file prepared by the ultimate parent entity can generally be considered appropriate and acceptable. However, the IRD may request the Hong Kong entity to provide supplementary or additional information if the master file (prepared by its ultimate parent entity) does not contain the information required under Schedule 17I to the Inland Revenue Ordinance.

While the Hong Kong entity is not required to furnish its master file and local file when filing its profits tax return, it is required to declare in its Profits Tax Return and Supplementary Form S2 whether it has conducted controlled transactions with associated entities and is required to prepare master file and local file or not. The IRD will conduct regular reviews to ensure compliance e.g. to review and ascertain if the information contained in the master file and local file is complete and accurate.

Transfer Pricing Documentation – Master File and Local File

https://www.ird.gov.hk/eng/tax/bus_tp.htm#a01

TAX – PRC

1. State Council's Customs Tariff Commission Announces Tariff Hikes on Some Imports from the US

(国务院税委会：对原产于美国部分进口商品加征关税等)

On 23 August 2019, the Customs Tariff Commission of the State Council issued the “*Announcement on Imposing Additional Tariffs on Some Imported Commodities (Third Batch) Originating from the United States (“US”)*” (“Announcement No. 4”) and “*Announcement on Resuming the Imposition of Additional Tariffs on Automobiles and Auto Parts Originating from the US*” (“Announcement No. 5”).

According to the Announcement No.4, China will impose additional tariffs of 5% or 10% on US\$75 billion worth of goods originating from the US and the new tariffs will be implemented in two batches, on 1 September 2019 and 15 December 2019 respectively.

Under the Announcement No.5, the additional 5% to 25% tariffs on US vehicle and automobile components will take effect from 15 December 2019.

税委会公告〔2019〕4号

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372928.html

税委会公告〔2019〕5号

http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201908/t20190823_3372941.html

2. Resource Tax Law Effective from 1 September 2020

(资源税法明年9月1日起施行)

On 26 August 2019, the Resource Tax Law was adopted by the Standing Committee of the 13th National People's Congress, which will take effect from 1 September 2020.

The Law stipulates that taxpayers will be entitled to select the resource tax returns filling and tax payment either on a monthly or quarterly basis, and the tax filing period is extended from 10 days to 15 days which is aligned with other tax types.

中華人民共和國資源稅法

<http://www.npc.gov.cn/npc/c30834/201908/d80a55c3e81d48ec861399d2c73fe0f6.shtml>

TAX – International

1. German to Cut Tax for Small and Medium-Sized Enterprises

On 29 August 2019, the German Economy Minister, Mr. Peter Altmaier announced a plan to reduce the tax on ‘Mittelstand’ i.e. the small and medium-sized enterprises (“SMEs”) in Germany.

Mr. Altmaier proposed to reduce the tax burden on SMEs by limiting tax on retained profits to 25%. He also proposed capping the tax for business partnerships at 45%.

German Minister Eyes Tax Cuts for ‘Mittelstand’ as Economy Cools

<https://www.reuters.com/article/germany-economy-tax/german-minister-eyes-tax-cuts-for-mittelstand-as-economy-cools-idUSL5N25P2JG>

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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