

Weekly Alert

2019 ISSUE 37

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

Welcome to 2019 issue 37 of Weekly Alert covering technical development in taxation around the globe.

TAX – PRC

1. **Announcement on the Tax Deduction Policy of Loss Reserves for Agriculture-related Loans and SME Loans**

(关于金融企业涉农贷款和中小企业贷款损失准备金税前扣除有关政策的公告)

The Ministry of Finance and the State Taxation Administration have jointly released the “*Announcement on the Tax Deduction Policy of Loss Reserves for Agriculture-related Loans and Small and Medium-sized Enterprises (“SME”) Loans*”. The Announcement is effective from 1 January 2019 to 31 December 2023.

The Announcement clarified the definitions of agriculture-related loans and SME loans and stated that the deduction amount of the loss reserves for these loans will be based on their risk level as follows:

- 2% for special mention category;
- 25% for substandard category;
- 50% for doubtful category; and
- 100% for loss category.

财政部 税务总局公告〔2019〕85号

<http://www.chinatax.gov.cn/chinatax/n362/c5136789/content.html>

2. **Announcement on Issues Concerning the Collection and Administration of VAT Input Credit for Domestic Passenger Transport Services and Other VAT Issues**

(关于国内旅客运输服务进项税抵扣等增值税征管问题的公告)

On 16 September 2019, the State Taxation Administration issued the “*Announcement on Issues Concerning the Collection and Administration of Value Added Tax (“VAT”) Input Credit for Domestic Passenger Transport Services and Other VAT Issues*”.

According to the Announcement, the official VAT receipts for domestic passenger transport services issued on or after 1 April 2019 are allowed for VAT input credit.

The Announcement also clarified that the land reclamation projects started before 30 April 2016 would be treated as “old real estate project” for which taxpayer can choose to apply the simplified tax calculation method to calculate the VAT according to the VAT rate of 5%. It also clarified various VAT issues on insurance services, construction services, small-scale taxpayers, etc.

国家税务总局公告〔2019〕31号

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5136976/content.html>

TAX – International

1. Treasury, IRS Release Final and Proposed Regulations on New 100% Depreciation

On 13 September 2019, the U.S. Treasury Department and Internal Revenue Service (“IRS”) released final regulations and additional proposed regulations on the new 100% additional first year depreciation deduction which allows businesses to write off most depreciable business assets in the year they are placed in service by the business. The deduction is applicable on qualifying property acquired and placed in service after 27 September 2017.

The 100% additional first year depreciation deduction generally applies to depreciable business assets (e.g. machinery, equipment, computers, appliances and furniture) with a recovery period of 20 years or less and certain other property. The regulations provide guidance on the requirements that must be met for property to qualify the deduction, including used property.

Treasury, IRS Release Final and Proposed Regulations on New 100% Depreciation

<https://www.irs.gov/newsroom/treasury-irs-release-final-and-proposed-regulations-on-new-100-depreciation>

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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