

# Weekly Alert

## 2020 ISSUE 5

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Welcome to 2020 issue 5 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Arrangement between the Mainland and Hong Kong for Automatic Exchange of CbC Reports in Effect

The Mainland and Hong Kong have entered into an arrangement for automatic exchange of Country-by-Country (“CbC”) reports. The exchange arrangement applies to accounting periods beginning on or after 1 January 2018 (i.e. ended on or after 31 December 2018).

Some Hong Kong entities of reportable groups whose ultimate parent entities are resident for tax purposes in the Mainland are now relieved from their filing obligation because of the exchange arrangement. However, they are still required to notify the Inland Revenue Department (“IRD”) through the CbC Reporting Portal on or before 31 March 2020.

#### Arrangement between the Mainland and Hong Kong for Automatic Exchange of CbC Reports in Effect

<https://www.ird.gov.hk/eng/ppr/archives/20030403.htm>

#### 2. Gazettal of Inland Revenue (Amendment) (Tax Concessions) Bill 2020

The Inland Revenue (Amendment) (Tax Concessions) Bill 2020 was gazetted on 6 March 2020.

The 2020/21 Budget has proposed one-off reductions of salaries tax, tax under personal assessment and profits tax for the year of assessment 2019/20 by 100 per cent, subject to a ceiling of HK\$20,000 per case.

The above Bill seeks to implement the tax concessions proposed in the 2020/21 Budget. The Bill will be introduced into the Legislative Council on 18 March 2020.

#### Gazettal of Inland Revenue (Amendment) (Tax Concessions) Bill 2020

<https://www.ird.gov.hk/eng/ppr/archives/20030401.htm>

### 3. **Gazettal of Rating (Exemption) Order 2020 and Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020**

The Rating (Exemption) Order 2020 and the Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020 were gazetted on 6 March 2020.

The 2020/21 Budget has proposed to waive rates for four quarters of 2020/21. For domestic tenements, the concession ceiling is HK\$1,500 per tenement per quarter. The ceiling for non-domestic tenements is HK\$5,000 per tenement per quarter for the first and second quarters; and HK\$1,500 per tenement per quarter for the third and fourth quarters. Moreover, the Budget has proposed to waive the business registration fees and branch registration fees for 2020/21.

The above two Orders seek to implement one-off rates concession and waiver of business registration fees as proposed in the 2020/21 Budget. The two Orders will be tabled at the Legislative Council for negative vetting on 18 March 2020.

#### **Gazettal of Rating (Exemption) Order 2020 and Revenue (Reduction of Business Registration Fees and Branch Registration Fees) Order 2020**

<https://www.ird.gov.hk/eng/ppr/archives/20030402.htm>

### 4. **Renewable Energy Facilitation Measure Takes Effect**

The Exemption from Profits Tax (Feed-in Tariff Scheme) Order and the Business Registration (Amendment) Regulation 2019, which exempt individuals installing renewable energy (“RE”) systems at their residential premises from the relevant taxation obligations and business registration requirements, came into force from 1 March 2020.

The Feed-in Tariff (“FiT”) Scheme, introduced in 2018, allows investors in RE systems to receive payments of HK\$3 to HK\$5 for each unit of electricity they generate, thereby shortening the payback period to about 10 years.

To simplify the relevant procedures and facilitate participation as far as practicable, the Government pursued legislative amendments to exempt individuals (not in the course of any other business) installing RE systems at their residential premises from the payment of profits tax in respect of the FiT payments received through participation in the FiT Scheme, and also exempt them from the requirement to apply for a business registration.

#### **Renewable Energy Facilitation Measure Takes Effect**

<https://www.ird.gov.hk/eng/ppr/archives/20030101.htm>

## TAX – PRC

### 1. **Announcement on the First Set of Exclusion Lists for the Second Batch of US Imports Which are Subject to Additional Tariffs**

(国务院关税税则委员会关于第二批对美加征关税商品第一次排除清单的公告)

The Customs Tariff Commission of the State Council has recently issued the “*Announcement on the First Set of Exclusion Lists for the Second Batch of US Imports Which are Subject to Additional Tariffs*”.

The additional tariffs imposed by China as a countermeasure against the US Section 301 measures will not be levied on goods specified on the Exclusion List I and Exclusion List II of the Announcement during the period between 28 February 2020 and 27 February 2021.

The additional tariffs charged and collected on the goods specified in Exclusion List I will be refunded and the relevant importers can apply for the refund within six months from the date of issuance of the Exclusion List. However, the additional tariffs charged and collected on the goods specified in Exclusion List II are non-refundable.

税委会公告〔2020〕3号

[http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200221\\_3472600.htm](http://gss.mof.gov.cn/gzdt/zhengcefabu/202002/t20200221_3472600.htm)

## 2. **Notice on Working Effectively on Export Tax Refund (Exemption) during the Period of Prevention and Control of the Novel Coronavirus Pneumonia (COVID-19) Epidemic** (关于做好新型冠状病毒感染的肺炎疫情防控期间出口退(免)税有关工作的通知)

The State Taxation Administration (“STA”) has issued the “*Notice on Working Effectively on Export Tax Refund (Exemption) during the Period of Prevention and Control of the Novel Coronavirus Pneumonia (COVID-19) Epidemic*”.

The Notice states several “no direct contact” taxation service measures to facilitate taxpayers' handling their export tax refund (exemption) affairs. Taxpayers will be allowed to submit electronic documents for their export tax refund (exemption) application during the ongoing epidemic. Tax authorities will review and examine the electronic data provided. Tax authorities may request taxpayers to provide additional information through WeChat, email, or other “no direct contact” method when reviewing their application.

税总函〔2020〕28号

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5144752/content.html>

## 3. **2020 Spring Breeze Action to Facilitate Taxpayers Handling Their Tax Affairs** (关于开展2020年“便民办税春风行动”的意见)

On 27 February 2020, the STA distributed the details of 2020 Spring Breeze Action Plan to facilitate taxpayers to handle their tax affairs.

The Action Plan covers 24 measures from different perspectives e.g. implementation of preferential tax policies for enterprises which are heavily affected by the COVID-19 epidemic, introduction of more online services, helping enterprises to resume their business etc.

税总发〔2020〕11号

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5145213/content.html>

#### 4. Notice on Extending the Tax Declaration Deadline for March 2020

(关于延长 2020 年 3 月纳税申报期限有关事项的通知)

On 3 March 2020, the STA issued the “*Notice on Extending the Tax Declaration Deadline for March 2020*”.

According to the Notice, the tax declaration deadline for March 2020 will be extended from 16 March 2020 to 23 March 2020. If taxpayers have difficulties to submit their tax declaration due to the COVID-19 epidemic, they may apply to tax authorities for a further extension.

税总函〔2020〕37号

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5145504/content.html>

## TAX – International

### 1. OECD Releases IT-tools to Support the Implementation of TRACE and the Wider Exchange of Tax Information

The Organisation for Economic Co-operation and Development (“OECD”) has released IT-formats and guidance to support the technical implementation of the OECD Treaty Relief and Compliance Enhancement (“TRACE”) initiative, as well as to facilitate the wider use of the OECD Common Transmission System (“CTS”) for the exchange of information between tax administrations.

The OECD also released a dedicated XML Schema and User Guide, to allow tax administrations to provide structured feedback to the sender on errors encountered with respect to tax information exchanged through the CTS.

The CTS was launched in 2017 and currently supports the automatic exchange of Common Reporting Standard information, CbC Reports and tax rulings by over 100 jurisdictions. As of Autumn 2020, the CTS will also support a wide range of other exchanges, including on-request and spontaneous exchanges, transmission of information pertaining to Mutual Agreement Procedure, TRACE and other forms of co-operation.

#### OECD Releases IT-tools to Support the Implementation of TRACE and the Wider Exchange of Tax Information

<http://www.oecd.org/tax/exchange-of-tax-information/oecd-releases-it-tools-to-support-the-implementation-of-trace-and-the-wider-exchange-of-tax-information.htm>

## RSM Tax Advisory (Hong Kong) Limited

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- Assist clients to discuss and clarify matters with tax officials, including transfer pricing and advance rulings.
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- Advise on human resources and structuring employment arrangements in a tax-efficient manner.
- Advise on tax equalization schemes.
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