

Weekly Alert

2020 ISSUE 16

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2020 issue 16 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Stamp Duty Ordinance amended to lower transaction cost for primary market ETF activities

The Government published “*the Stamp Duty Ordinance (Amendment of Schedule 8) Regulation 2020*” (“the Regulation”) in the Gazette on 15 May 2020.

The Regulation will come into effect on 1st August 2020 and will waive the stamp duty on stock transfers involving the activities of exchange traded fund (ETF) market makers in the course of allotting and redeeming ETF units listed in Hong Kong. The stamp duty for trading ETF in the secondary market has been waived since 2015.

The new initiative seeks to spur the development of the ETF market, thereby reinforcing Hong Kong’s position as an international financial centre.

Stamp Duty Ordinance amended to lower transaction cost for primary market ETF activities

<https://www.ird.gov.hk/eng/ppr/archives/20051501.htm>

2. Order on Comprehensive Avoidance of Double Taxation Arrangement with Macao

The Comprehensive Avoidance of Double Taxation Agreement (“CDTA”) with Macao signed in November 2019 will come into force after the completion of the relevant ratification procedures of both side.

The Macao CDTA is the 43rd CDTA signed by Hong Kong which will bring a greater degree of certainty on tax liabilities for those who engage in cross-border business activities and help promote bilateral trade and investment activities.

Order on Comprehensive Avoidance of Double Taxation Arrangement with Macao

<https://www.ird.gov.hk/eng/ppr/archives/20052002.htm>

TAX – PRC

1. Announcement on Matters concerning the Pre-tax Deduction of Public Welfare Donations (《關於公益性捐贈稅前扣除有關事項的公告》)

On 13 May 2020, the Ministry of Finance issued the “*Announcement on Matters concerning the Pre-tax Deduction of Public Welfare Donations*”, retrospectively effective from 1 January 2020.

According to the announcement, donations made by individual or corporations to qualified charitable organizations are deductible from the taxable income. To be eligible for the deduction, the charities and other social organization shall fulfill eight requirements, including "meeting the conditions stated in Subparagraph 1 through Subparagraph 8 of Article 52 of the Implementing Regulations of the Enterprise Income Tax Law".

The pre-tax deduction for charitable donations is applicable nationwide and will be valid for three years.

財政部公告〔2020〕27號

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5150170/content.html>

TAX – International

1. IRS expands partner materials for Economic Impact Payments

On 15 May 2020, the Internal Revenue Service (“IRS”) announced that it has made additional materials available for partner groups to share information related to Economic Impact Payments (“EIP”). This expansion of partner materials is part of the IRS continual effort to further disseminate information on EIP as there are still people who do not realize that they may qualify for the EIP of US\$1,200 or more.

The IRS has placed a special emphasis on partnering with new organizations that work with groups focusing on veterans, homeless, low-income taxpayers as well as non-English speaking audiences to share information about EIP.

IRS expands partner materials for Economic Impact Payments

<https://www.irs.gov/newsroom/irs-expands-partner-materials-for-economic-impact-payments-continues-sweeping-effort-to-share-details-in-multiple-languages>

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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