

Weekly Alert

2020 ISSUE 18

RSM TAX ADVISORY (HONG KONG) LIMITED

羅 申 美 稅 務 諮 詢 有 限 公 司

Welcome to 2020 issue 18 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Interest on Tax Reserve Certificates

The Government published “*Interest on Tax Reserve Certificates*” on 29 May 2020.

Tax Reserve Certificates (“TRC”) bear simple interest, which is calculated monthly (including part of a month) from the date of purchase to the date of payment of tax.

The rate of interest payable on TRC is periodically revised in line with the market trend. The new annual rate of interest will be 0.2 per cent against the current rate of 0.2333 per cent, i.e. the new rate will be \$0.0167 per month per \$100. The new rate will apply to all TRC purchased on or after 1 June 2020.

Interest on Tax Reserve Certificates

<https://www.ird.gov.hk/eng/ppr/archives/20052902.htm>

2. IRD Issues Individual Tax Returns for 2019/20

On 1 June 2020, the Inland Revenue Department (“IRD”) issued about 2,770,000 Individual Tax Returns for the year of assessment 2019/20. In general, taxpayers should file their tax returns by 2 July 2020. For sole proprietors of unincorporated businesses, a three-month period is allowed and the filing deadline is 1 September 2020. Filing via eTAX will have an automatic extension of one month (i.e. deadline for general cases extended to August 3 whereas deadline for sole proprietors extended to 3 October 2020).

In this year's Budget, the Financial Secretary proposed a one-off reduction of 100% of profits tax, salaries tax and tax under personal assessment for 2019/20, subject to a ceiling of HK\$20,000. Upon enactment of the relevant legislation, the IRD will effect the tax reduction in this year's tax bills.

Issuance of Individual Tax Returns

<https://www.ird.gov.hk/eng/ppr/archives/20060101.htm>

TAX – PRC

1. Announcement on Tax and Fee Policies in Support of Epidemic Prevention and Control and to Security of Supplies Extended to the End of This Year (關於支持疫情防控保供等稅費政策實施期限的公告)

On 29 May 2020, the Ministry of Finance (“MOF”) and State Taxation Administration (“STA”) have jointly issued the “*Announcement on the Expiration Dates of Tax and Fee Policies in Support of Epidemic Prevention and Control and Security of Supplies*”.

The Announcement reads that the tax and fee relief policies stipulated in the following documents will be extended until 31 December 2020:-

- *Announcement on Relevant Tax Policies in Support the Prevention and Control of the COVID-19 Epidemic* (MOF STA Announcement [2020] No.8);
- *Announcement on Relevant Tax Policies for Donations in Support Prevention and Control of the COVID-19 Epidemic* (MOF STA Announcement [2020] No.9);
- *Announcement on Relevant Individual Income Tax Policies in Support Prevention and Control of the Pneumonia Epidemic Caused by Novel Coronavirus (COVID-19) Infection* (MOF STA Announcement [2020] No.10); and
- *Announcement on the Exemption from Certain Administrative Charges and Government Funds during the COVID-19 Epidemic* (MOF NDRC Announcement [2020] No.11).

財政部 稅務總局公告 2020 年第 28 號

http://szs.mof.gov.cn/zhengcefabu/202005/t20200529_3522780.htm

2. Announcement on Effectiveness and Implementation of the Fourth Protocol to the Mainland-Macao Double Taxation Arrangement (關於《內地和澳門特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》第四議定書生效執行的公告)

On 25 May 2020, the STA has issued the “*Announcement on the Effectiveness and Implementation of the Fourth Protocol to the Mainland-Macao Double Taxation Arrangement and the Prevention of Fiscal Evasion with Respect to Taxes on Income*”.

The Protocol introduces certain revisions (including foreword, person covered, resident, permanent establishment, capital gains, and entitlement to benefits under the arrangement) and adds a new article in respect of government investment. This additional provision shall apply to income paid on or after 14 May 2020, while the provisions of other articles shall apply to income derived in the taxable years beginning on or after 1 January 2021.

國家稅務總局公告 2020 年第 11 號

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5150713/content.html>

3. Announcement on Policy on Enterprise Income Tax (“EIT”) Final Settlement for 2019 for Integrate Circuit (“IC”) Design and Software Enterprise Clarified
(關於集成電路設計企業和軟體企業 2019 年度企業所得稅匯算清繳適用政策的公告)

On 29 May 2020, the MOF and STA have jointly issued the “*Announcement on the Policy Applicable to the Final Settlement of EIT for the Year 2019 for IC Design and Software Enterprise and Software Enterprises*”.

The Announcement reads that qualified IC design enterprise or software enterprise will be exempted from EIT in the first two years and only need to pay EIT at half of the 25% statutory EIT rate from the 3rd to 5th years.

財政部 稅務總局公告 2020 年第 29 號

http://szs.mof.gov.cn/zhengcefabu/202005/t20200529_3523096.htm

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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Mr. Eric Chen

T +852 2583 1259

E ericchen@rsmhk.com

Mr. Samuel Chan

T +852 2583 1242

E samuelchan@rsmhk.com

Ms. Lilian Poon

T +852 2583 1241

E lilianpoon@rsmhk.com

Mr. Patrick Ho

T +852 2583 1258

E patrickho@rsmhk.com

Mr. Caesar Wong

T +852 2508 2851

E caesarwong@rsmhk.com

Ms. Catherine Tsang

T +852 2583 1256

E catherinetsang@rsmhk.com

Ms. Joanna Lee

T +852 2583 1317

E joannalee@rsmhk.com

Ms. Dorothy Ng

T +852 2583 1366

E dorothyng@rsmhk.com

Mr. Alan Chow

T +852 2583 1378

E alanchow@rsmhk.com

Ms. Catherine Wong

T +852 2583 1396

E catherinewong@rsmhk.com

RSM Tax Advisory (Hong Kong) Limited

29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

T: +852 2598 5123

F: +852 2598 7230

E: solutions@rsmhk.com

rsm.global/hongkong

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