

Weekly Alert

2020 ISSUE 26

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2020 issue 26 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Latest arrangement of Inland Revenue Department public services

On 24 July 2020, the Inland Revenue Department (“IRD”) announced that the department will continue to suspend the provision of all of its services from 27 July, except the following:

Offices	Opening hours
Central Enquiry Counter (only for enquiries relating to tax clearance for taxpayers leaving Hong Kong)	From 9am to noon; 1.30pm to 4pm, Monday to Friday
Central Telephone Enquiry	From 9am to 12.30pm; 1.30pm to 4pm, Monday to Friday
Business Registration Office	From 9am to noon; 1.30pm to 4pm, Monday to Friday*
Stamp Office	From 9am to noon; 1.30pm to 4pm, Monday to Friday

The IRD also announced that deadlines for tax payments, lodgement of objections and holdover applications and submission of tax returns and information will be automatically extended.

Latest arrangement of Inland Revenue Department public services

<https://www.ird.gov.hk/eng/ppr/archives/20072401.htm>

TAX – International

1. Inland Revenue Service (“IRS”) announced the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provides reliefs to eligible taxpayers

In response to the COVID-19, IRS stated that CARES Act can provide favourable tax treatment, including withdrawals from retirement plans and expanded the loan repayable period, to eligible taxpayers.

From now until 22 September 2020, the eligible applicants can take coronavirus-related withdrawals from their own workplace retirement plan as much as \$100,000. Also, individuals can apply for extending the repayment deadline of the loan, for up to one year period. The suspended loan is subject to interest during the suspended period.

The above COVID-19 relief can only be made to an individual if:

- The individual, his/her spouse or dependent is diagnosed with COVID-19; or
- The individual experiences adverse financial consequences due to the quarantine, including having a reduction in pay, closing or reducing the office hour of their own business.

IRS: New law provides relief for eligible taxpayers who need funds from IRAs and other retirement plans

<https://www.irs.gov/newsroom/irs-new-law-provides-relief-for-eligible-taxpayers-who-need-funds-from-iras-and-other-retirement-plans>

2. IRS suggested tax professionals to use multi-factor authentication to avoid “cybercriminals”

Starting from 2021, IRS requests all tax software providers to offer multi-factor authentication options on their products to enhance the security protection on accessing the private client information.

Working virtually offers a great opportunity to “cybercriminals” to access the tax software account to alter tax return information and complete pending taxpayer returns.

Multi-factor or two-factor authentication options can effectively protect the client account by offering an extra layer of security the username and password used by the tax professional. It often involves a security code sent via text.

Working Virtually: Use multi-factor authentication to protect accounts

<https://www.irs.gov/newsroom/working-virtually-use-multi-factor-authentication-to-protect-accounts-part-2-of-security-summit-tips-for-tax-professionals>

3. The final regulations on business interest expense deduction limitation from IRS

On 28 July 2020, IRS issued the final regulations and guidance on the business interest expense.

For the tax year starting from 1 January 2018, business interest expense deductions are generally limited to the sum of:

- the taxpayer's business interest income;
- 30 percent (or 50 percent, as applicable) of the taxpayer's adjusted taxable income; and
- the taxpayer's floor plan financing interest expense.

There is exemption of this final regulations:

- businesses whose gross revenue does not exceed \$26 million;
- businesses electing real property trades or businesses;
- business electing farming businesses; and
- certain regulated public utilities.

IRS issues final regulations and other guidance on business interest expense deduction limitation
<https://www.irs.gov/newsroom/irs-issues-final-regulations-and-other-guidance-on-business-interest-expense-deduction-limitation>

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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