

Weekly Alert

2020 ISSUE 28

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2020 issue 28 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Latest arrangement of Inland Revenue Department public services

On 7 August 2020, the Inland Revenue Department (“IRD”) announced that the department will continue to suspend the provision of all of its services from 10 August, 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/20080701.htm>

2. Inland Revenue Department Notice – Stamp Duty Statistics

On 11 August 2020, the IRD released the statistics on Special Stamp Duty (“SSD”), Buyer’s Stamp Duty (“BSD”) and Doubled Ad Valorem Stamp Duty (“DSD”)/New Residential Stamp Duty (“NRSD”) collected in July 2020. During the month, the IRD collected SSD of HK\$13.2 million, BSD of HK\$143.6 million and DSD/NRSD of HK\$908.1 million.

Stamp Duty Statistics

<https://www.ird.gov.hk/eng/pdf/2020/3d072020.pdf>

3. **DIPN No. 22 (Revised)**

The IRD has revised the Departmental Interpretation and Practice Notes No. 22 (“DIPN 22”) to reflect the recent legislative amendments relating to the taxation of royalties and other income derived from intellectual property, original included in Part B of DIPN 49.

Departmental Interpretation and Practice Notes No. 22 (Revised)

<https://www.ird.gov.hk/eng/pdf/dipn22.pdf>

4. **DIPN No. 49 (Revised)**

The IRD has revised the DIPN 49 to reflect the legislative changes made by the Inland Revenue (Amendment) (No. 5) Ordinance 2018 to expand the scope of profits tax deduction for capital expenditure incurred for the purchase of intellectual property rights.

Departmental Interpretation and Practice Notes No. 49 (Revised)

<https://www.ird.gov.hk/eng/pdf/dipn49.pdf>

5. **Inland Revenue Department waives surcharges for payment of tax by instalments for businesses and individuals in need**

On 12 August 2020, the IRD announced a relief measure of waiving surcharges for payment of tax by instalments for business and individuals in need. Taxpayers who encounter financial difficulties in settling their tax bills on time may apply for payment of tax by instalments before the due dates of the demand notes.

For taxpayers who have obtained the IRD's approval for instalment settlement of the demand notes for salaries tax, profits tax and personal assessment for the year of assessment 2019/20 issued between August 2020 and August 2021, no surcharge will be imposed for a maximum period of one year counted from the respective due dates of the demand notes, provided that the instalment plans are duly adhered to.

The above relief measure is not applicable to individuals who have to settle their tax liabilities before departing Hong Kong and taxpayers paying property tax.

Inland Revenue Department waives surcharges for payment of tax by instalments for businesses and individuals in need

<https://www.ird.gov.hk/eng/ppr/archives/20081201.htm>

Relief Measure: Conditional waiver of surcharges for instalment settlement of demand notes for the Year of Assessment 2019/20

<https://www.ird.gov.hk/eng/tax/cws2.htm>

6. **DIPN No. 53 (Revised)**

The IRD has revised the DIPN 53 to reflect the legislative changes made by the Inland Revenue (Amendment) Ordinance 2019 in relation to the tax treatment of regulatory capital security.

Departmental Interpretation and Practice Notes No. 53 (Revised)

<https://www.ird.gov.hk/eng/pdf/dipn53.pdf>

TAX – PRC

1. Notice on Improving the Business Registration Services (關於進一步優化企業開辦服務的通知)

The State Taxation Administration (“STA”) recently noticed the improvements of business registration services.

The related improvements are as follows:

- a. Promoting the online business registration service and improving the online business registration service to reduce procedures of applications and face-to-face services.
- b. Reducing the processing time for business registration, simplifying the procedures of applications and reducing the cost of business registration. Encouraging the provision of free Ukey for taxation to the new companies in some selected areas.
- c. Promoting the applications for the electronic business licenses, electronic invoices and electronic seal. Encouraging the use of electronic business licenses for taxation services and the use of electronic VAT invoices.

國市監注 2020 年第 129 號

<http://www.chinatax.gov.cn/chinatax/n810341/n810755/c5155392/content.html>

TAX – International

1. IRS warned tax professional to be alert to new phishing scams

The Internal Revenue Service (“IRS”) and Security Summit partners warned tax professionals to be alert to new phishing scams that try to take advantage of COVID-19, Economic Impact Payments and increased teleworking by practitioners.

This year, the IRS identified a highly sophisticated attack against tax firms where thieves gained remote access either through phishing or malware and were able to enter the cloud storage accounts that held client files.

The IRS, state tax agencies and the nation's tax industry urged tax firms to review and heighten their data protection plans this summer as cybercriminals step up efforts to steal client tax information. Crooks are targeting tax professionals as well as taxpayers.

Virtual work: Avoid phishing scams

<https://www.irs.gov/newsroom/working-virtually-avoid-phishing-scams-part-4-of-security-summit-tips-for-tax-professionals>

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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