

Weekly Alert

2020 ISSUE 29

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2020 issue 29 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Latest arrangement of Inland Revenue Department public services

On 14 August 2020, the Inland Revenue Department (“IRD”) announced that the department will continue to suspend the provision of all of its services from 17 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/20081401.htm>

2. Stamp Duty Exemption on the Sale and Purchase of Hong Kong Stocks by Exchange Traded Fund (“ETF”) market makers for the Allotment and Redemption of ETF Shares or Units

On 17 August 2020, the IRD released a circular on “Stamp Duty Exemption on the Sale and Purchase of Hong Kong Stocks by Exchange Traded Fund (“ETF”) market makers for the Allotment and Redemption of ETF Shares or Units”. The Stamp Duty Ordinance (Amendment of Schedule 8) Regulation 2020 comes into operation on 1 August 2020. The circular summarizes the details of the amendments in relation to exempting stamp duty on sale and purchase of Hong Kong stock involving the activities of ETF market makers in the course of allotting and redeeming ETF shares or units listed in Hong Kong.

Stamping Circular No. 03/2020

https://www.ird.gov.hk/eng/pdf/sdo/ext_cir/so_ext_cir_03_2020_e.pdf

3. List of Qualifying Debt Instruments (as at the end of 30 June 2020)

On 18 August 2020, the IRD announced a list of the short term / medium term debt instruments that are intended to be eligible for Profits Tax concession (i.e. chargeable at 50% of the normal profits tax rate) in accordance with s.14A(1) of the Inland Revenue Ordinance.

List of Qualifying Debt Instruments (as at the end of 30 June 2020)

https://www.ird.gov.hk/eng/tax/bus_qdi.htm

TAX – PRC

1. Two Laws Adopted for Implementaion as of 1 September 2021 (城市維護建設稅法和契稅法獲通過 明年 9 月 1 日起施行)

At the 21st meeting of the Standing Committee of the 13th National People’s Congress, the Law of the People’s Republic of China on Urban Maintenance and Construction Tax and the Law of the People’s Republic of China on Deed Tax are adopted.

Compared with the provisional regulations, the Law on Urban Maintenance of Construction Tax no longer stipulates the special purpose for such taxes. In addition, relevant provisions in relation to the refund of uncredited value-added tax is added.

The Law on Deed Tax expands preferential tax policies, simplifies tax declaration procedures, includes additional provisions on tax refund, and combines the declaration and payment for deed tax into one.

Both Laws will be in effect on 1 September 2021.

中華人民共和國主席令第 51 號

<http://www.npc.gov.cn/npc/c30834/202008/9591538ccd764bb787e01e729fe0cbbb.shtml>

中華人民共和國主席令第 52 號

<http://www.npc.gov.cn/npc/c30834/202008/bd0401b6f5a84ac5a7dc83f9f9d96bd9.shtml>

TAX – International

1. **IRS: Unemployment compensation is taxable; have tax withheld now and avoid a tax-time surprise**

On 18 August 2020, the Internal Revenue Service reminded people receiving unemployment compensation that they should have tax withheld from their unemployment compensation.

According to the Coronavirus Aid, Relief, and Economic Security (CARES) Act, enacted this spring, unemployment compensation is taxable and must be reported on 2020 federal income tax return.

The IRS mentioned the withholding is voluntary and taxpayer can choose to have a flat rate of 10% for the withholding. If the taxpayer does not choose withholding, they can make the quarterly estimated tax payment instead. The payment for the third and fourth quarters are due on 15 September 2020 and 15 January 2021.

The IRS also provided a list of other types of payments for the taxpayer to check whether withholding is required.

IRS: Unemployment compensation is taxable; have tax withheld now and avoid a tax-time surprise

<https://www.irs.gov/newsroom/irs-unemployment-compensation-is-taxable-have-tax-withheld-now-and-avoid-a-tax-time-surprise>

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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