

Weekly Alert

2020 ISSUE 34

RSM TAX ADVISORY (HONG KONG) LIMITED 羅申美稅務諮詢有限公司

Welcome to 2020 issue 34 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Department Interpretation and Practice Notes (“DIPN”) No. 1 (Revised)

On 18 September 2020, the IRD has revised the DIPN No. 1 to explain the profits tax principals in respect of computing assessable profits, recognition of revenue from Contract with Customers under HKFRS 15 and measurement of inventories or stock.

DIPN No. 1 (Revised)

<https://www.ird.gov.hk/eng/pdf/dipn01.pdf>

TAX – PRC

1. Public Comments Sought by the Shenzhen Tax Service of the State Taxation Administration on the interim Measures for the Management of the Practice of Hong Kong and Macao Tax Professionals in the China (Guandong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Area (Draft for Comment) 国家税务总局深圳市税务局关于公开征求《港澳涉税專業人士在中國(廣東)自由貿易試驗區深圳前海蛇口片區執業管理暫行辦法(徵求意見稿)》意見的通告

On 21 September 2020, the Shenzhen Tax Service of the State Taxation Administration released the draft to the interim Measures for the Management of the Practice of Hong Kong and Macao Tax Professionals in the China (Guandong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Area (Draft for Comment) for public comment. Comment can be sent by email to: szswsfwc@163.com, before 12 October 2020.

《港澳涉税專業人士在中國(廣東)自由貿易試驗區深圳前海蛇口片區執業管理暫行辦法(徵求意見稿)》公開徵求意見

<https://shenzhen.chinatax.gov.cn/sztax/xxgk/tzgg/202009/234700952345462895f3433ce6f2fe4d.shtml>

TAX – International

1. Inland Revenue Services (“IRS”) provides final regulations on deductions for estates and non-grantor trusts, including excess deductions on termination

On 21 September 2020, the IRS issued the final regulations that provide guidance for decedent’s estates and non-grantor trusts clarifying that certain deductions of such estates and non-grantor trusts are not miscellaneous itemized deductions.

Specifically, the following deductions are allowable in figuring adjusted gross income and are not miscellaneous itemized deductions:

- Deductions for costs paid or incurred in connection with the administration of the estate or trust which would not have been incurred if the property were not held in such estate or non-grantor trust.
- The deduction concerning the personal exemption of an estate or non-grantor trust.
- The distribution deductions for trusts distributing current income.
- The distribution deductions for trusts accumulating income.

The final regulations also provide guidance on determining excess deductions that beneficiaries succeeding to the property of a terminated estate or non-grantor trust may claim on their individual income tax returns.

IRS provides final regulations on deductions for estates and non-grantor trusts

<https://www.irs.gov/newsroom/irs-provides-final-regulations-on-deductions-for-estates-and-non-grantor-trusts-including-excess-deductions-on-termination>

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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, advice on identified deficiencies, quantify any potential exposure from such deficiencies, and further advice 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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