

Weekly Alert

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RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2021 issue 8 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Tax measures proposed in the 2021-22 budget

On 24 February 2021, the Financial Secretary proposed in his Budget the following tax measures:-

- i) a one-off reduction of 100% in Profits Tax, Salaries Tax and Personal Assessment for the year of assessment 2020/21, subject to a ceiling of \$10,000 per case. The reduction will reduce the tax payable by taxpayers in the year of assessment 2020/21.

The proposed reduction will only apply for final tax for the year of assessment 2020/21 and not for provisional tax at the same year. Therefore, taxpayers are still required to pay provisional taxes on time as specified in the demand note issued to them. The provisional tax paid will be used to pay the final tax for the year of assessment 2020/21 and the provisional tax for the year of assessment 2021/22. The surplus balance (if any) will be refunded.

The proposed tax reduction do not apply to property taxes. However, individuals with rental income who are eligible for the personal assessment may be able to enjoy such a reduction under the personal assessment.

Taxpayers who pay salary and profits taxes separately are eligible for each tax deduction. For taxpayers who have business profits or rental income and elect for personal assessment, the relief will be based on the amount of tax payable under personal assessment. Without an individual's assessment, the amount of tax relief he or she will receive may differ. The exact amount will need to be assessed on a case-by-case basis. Individuals with operating profits or rental income may choose to have a personal assessment on their tax return for the year of assessment 2020/21.

- ii) Waiver of business registration fees for 2021/22; and
- iii) Increase in the AD valorem stamp duty rate from 0.1 per cent to 0.13 per cent of the consideration or value of each Hong Kong stock transactions payable by buyers and sellers.

Tax measures proposed in the 2021-22 budget

<https://www.ird.gov.hk/eng/ppr/archives/21022403.htm>

TAX – International

1. OECD agrees new peer review process to make tax rulings more transparent

To maintain and further improve transparency in tax rulings, the OECD/G20 inclusive BEPS Framework approved the BEPS Action 5 Peer Review Process Transparency Framework for 2021-2025. This includes enhanced terms of reference and simplified methods for assessing the implementation of minimum standards, with a risk-based approach to peer review.

The new process builds on the first phase of peer review covering 2017 to 2020, with the latest statistics from 124 peer review jurisdictions showing that more than 20,000 tax rulings have been conducted in 3,600 transactions so far. Further, the latest peer review conducted by the BEPS Inclusive found that 81 jurisdictions fully met the minimum standards.

Following the agreement of the new peer review process, the 2021 review relating to 2020 is now under way and is expected to have a result later this year.

OECD agrees new peer review process to foster transparency on tax rulings

<http://www.oecd.org/tax/beps/oecd-agrees-new-peer-review-process-to-foster-transparency-on-tax-rulings.htm>

2. Deadline extensions and other tax breaks for victims of winter storms in Texas

On 22 February 2021, the Internal Revenue Service (“IRS”) announced that victims of this month's winter storm in Texas have until 15 June 2021 to file various personal and business tax returns and pay taxes.

Following the recent disaster declaration by the Federal Emergency Management Agency (“FEMA”), the IRS is granting this relief to the entire state of Texas as well as taxpayers in other states affected by these winter storms and receiving FEMA-like disaster declarations. A list of eligible areas is available on the disaster relief page at IRS.gov.

The tax relief defers various tax filing and payment deadlines. As a result, affected individuals and businesses will have until 15 June 2021 to file tax refunds and pay any taxes that are due during this period. The IRS provides this relief automatically to any taxpayer with an IRS address of record located in the disaster area.

Victims of Texas winter storms get deadline extensions and other tax breaks

<https://www.irs.gov/newsroom/victims-of-texas-winter-storms-get-deadline-extensions-and-other-tax-relief>

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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