

Weekly Alert

2021 ISSUE 14

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2021 issue 14 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Interest on Tax Reserve Certificates

On 1 April 2021, a Legal Notice was released to the effect that the Secretary for Financial Services and the Treasury has authorised a change in the rate of interest payable on Tax Reserve Certificates. The new annual rate of interest will be 0.1167% against the current rate of 0.15% starting from 7 April 2021, i.e. the new rate will be \$0.0097 per month per \$100.

The new rate will apply to all certificates purchased on or after April 7, 2021. For the certificates purchased before April 7, 2021, that will continue to earn interest at the rates prevailing on their respective purchase dates.

Interest on Tax Reserve Certificates

<https://www.ird.gov.hk/eng/ppr/archives/21040101.htm>

2. Inland Revenue Department (“IRD”) issues profits tax, property tax and employer's returns for year of assessment 2020/21

On 1 April 2021, the IRD issued profits tax returns, property tax returns and employer's returns for the year of assessment 2020/21. The tax returns for individuals for the year 2021 will be issued on 3 May 2021. For cases with tax representatives appointed, the deadlines for filing returns are set out in the Block Extension Letter posted on the IRD's website.

In 2021/22 Budget, the Financial Secretary proposed a one-off reduction of 100% of profits tax, salaries tax and tax under personal assessment for 2020/21, subject to a ceiling of \$10,000. Upon enactment of the relevant legislation, the IRD will effect the tax reduction in this year's tax bills.

IRD issues profits tax, property tax and employer's returns for 2020-21

<https://www.ird.gov.hk/eng/ppr/archives/21040102.htm>

Block Extension Scheme - Block Extension Letter for 2020-21

<https://www.ird.gov.hk/eng/pdf/bel21e.pdf>

3. Tax Representatives' Corner

The IRD has updated the Tax Representatives' Corner for their preparation of tax returns for the year 2020/21, including the update on 2020/21 Profits Tax Returns, block extension scheme, notes on the completion of the returns and supplementary forms and other useful information. The key points to note are as follows:-

I. Major changes in 2020/21 Profits Tax Return [BIR51 & BIR52]

<u>Items</u>	<u>Amendments/Additions</u>
Item 3.4.2	Amended to cover taxpayers carrying on business as a specified insurer, a licensed insurance broker company, a qualifying ship lessor or a qualifying ship leasing manager chargeable to tax at concessionary tax rate under section 14B or 14P/14T of the Inland Revenue Ordinance
Item 3.9 of BIR51 & Item 2.8 of BIR52	Amended to require Hong Kong permanent establishments of non-Hong Kong resident persons to furnish information in accordance with Item (3)(t) and Item (3)(s) in Part 1 of Notes and Instructions G to BIR51 and BIR52 respectively.
Items 9.7.7 to 9.7.10 of BIR51	Added to indicate attachment of supplementary forms for taxpayers carrying on business as a qualifying ship lessor (S11), a qualifying ship leasing manager (S12), a specified insurer (S13) or a licensed insurance broker company (S14).
Part 12 of BIR52	Amended to allow “general partner in the limited partnership fund (“LPF”)”, “authorized representative as defined in section 2 of the Limited Partnership Fund Ordinance (Cap. 637)” or “investment manager of the LPF” to sign the tax return.

II. Extended due dates for “Active” files

<u>Accounting Date</u>	<u>Extended Due Date</u>
1 April 2020 – 30 November 2020 (N code)	31 May 2021
1 December 2020 – 31 December 2020 (D code)	16 August 2021
1 January 2021 – 31 March 2021 (M code)	15 November 2021

III. Further extension

To promote electronic filing, the IRD will grant a further extension of 2 weeks on application subject to the condition that the client will file the return through the Internet.

For the further extension for current year loss cases with “M” code accounts, it is intended that the lodgement programme should give priority to profit cases. A further extension to 31 January 2022 will be available for “M” code clients who sustained allowable losses for the year of assessment 2020/21. The further extension application must be received by the IRD no later than 1 November 2021.

Tax Representatives' Corner

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

TAX – International

1. IRS provides guidance for employers claiming the Employee Retention Credit for first two quarters of 2021

On 2 April 2021, the Internal Revenue Service (“IRS”) released a guidance for employers claiming the Employee Retention Credit under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) modified by the Taxpayer Certainty and Disaster Tax Relief Act of 2020.

There are some updates on the Employee Retention Credit for the first two quarters of 2021, which includes the following:-

- Increase in the maximum credit amount;
- Expansion of the category of employers that may be eligible to claim the credit;
- Modifications to the gross receipts test;
- Revisions to the definition of qualified wages; and
- New restrictions on the ability of eligible employers to request an advance payment of the credit.

IRS provides guidance for employers claiming the Employee Retention Credit for first two quarters of 2021

<https://www.irs.gov/newsroom/irs-provides-guidance-for-employers-claiming-the-employee-retention-credit-for-first-two-quarters-of-2021>

Guidance on the Employee Retention Credit under the CARES Act for the First and Second Calendar Quarters of 2021 - Notice 2021-23

<https://www.irs.gov/pub/irs-drop/n-21-23.pdf>

2. OECD releases new peer review results on the prevention of tax treaty shopping under the BEPS Action 6 minimum standard

On 1 April 2021, the OECD released the latest peer review report assessing jurisdictions' efforts to prevent tax treaty shopping and a revised peer review document forming the basis of the assessment of the Action 6 minimum standard.

The latest report includes the aggregate results of the peer review and data on tax treaties concluded by each of the 137 jurisdictions that were members of the Inclusive Framework on 30 June 2020. The data compiled for this peer review demonstrate that the BEPS Multilateral Instrument (“MLI”) has been the tool used by the vast majority of jurisdictions that have begun implementing the Action 6 minimum standard, and that the MLI has started to impact tax treaties of jurisdictions that have ratified it.

OECD releases new peer review results on the prevention of tax treaty shopping under the BEPS Action 6 minimum standard

<http://www.oecd.org/tax/beps/oecd-releases-new-peer-review-results-on-the-prevention-of-tax-treaty-shopping-under-the-beps-action-6-minimum-standard.htm>

Prevention of Tax Treaty Abuse – Third Peer Review Report on Treaty Shopping

<http://www.oecd.org/tax/beps/prevention-of-tax-treaty-abuse-third-peer-review-report-on-treaty-shopping-g-d6cecb8-en.htm>

BEPS Action 6 on Preventing the Granting of Treaty Benefits in Inappropriate Circumstances – Revised Peer Review Documents

<http://www.oecd.org/tax/beps/beps-action-6-preventing-the-granting-of-treaty-benefits-in-inappropriate-circumstances-revised-peer-review-documents.pdf>

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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