

Weekly Alert

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RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2021 issue 19 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. List of Qualifying Debt Instruments (as at the end of 31 March 2021)

On 11 May 2021, the Inland Revenue Department (“IRD”) published the latest *List of Qualifying Debt Instruments* up to 31 March 2021.

The list included Short Term/ Medium Term Debt Instruments Eligible for Profits Tax Concession and Long Term Debt Instruments Eligible for Profits Tax Exemption.

List of Qualifying Debt Instruments (as at the end of 31 March 2021)

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

2. Stamp Duty statistics (April 2021)

On 11 May 2021, 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 April 2021. During the month, the IRD collected SSD of HK\$23.9 million, BSD of HK\$186.4 million and DSD/NRSD of HK\$656.5 million.

Stamp Duty statistics (April 2021)

<https://www.ird.gov.hk/eng/pdf/2021/3d042021.pdf>

3. Pursuing development in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area

On 12 May 2021, the Secretary for Constitutional and Mainland Affairs, Mr Erick Tsang Kwok-wai, replied to questions raised by the Hon Jeffrey Lam on pursuing development in the Mainland cities of the Guangdong-Hong Kong-Macao Greater Bay Area.

In particular, the Secretary for Constitutional and Mainland Affairs clarified the purpose of Sections 39E and 16EC of the Inland Revenue Ordinance, and explained that Hong Kong enterprises which use their own machinery or plant in or outside Hong Kong for production of Hong Kong chargeable profits may still claim depreciation allowance in Hong Kong for such machinery or plant.

LCQ9

<https://www.ird.gov.hk/eng/ppr/archives/21051201.htm>

TAX – International

1. CRA publishes guidance on new digital economy GST/HST measures

On 10 May 2021, Canada Revenue Agency (“CRA”) has launched a new webpage which help businesses prepare for their new GST/HST obligations under new measures for e-commerce transactions.

The new measures would take effect on 1 July 2021 and generally apply when a foreign business sells to customers in Canada, including:

- Cross-border digital products and services
- Goods supplied through Canadian fulfillment warehouses
- Short-term accommodation through digital platforms

Where the affected business and platform operators show that they have taken reasonable measures but are unable to meet their new obligations for operational reasons, the CRA will take a practical approach to compliance and exercise discretion in administering these measures during a 12-month transition period, starting from 1 July 2021.

GST/HST for digital economy businesses

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/gst-hst-businesses/digital-economy-gsthst.html>

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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