

# Weekly Alert

## 2021 ISSUE 21

## RSM TAX ADVISORY (HONG KONG) LIMITED

### 羅 申 美 稅 務 諮 詢 有 限 公 司

Welcome to 2021 issue 21 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Profits tax

On 26 May 2021, the Secretary for Financial Services and the Treasury, Mr Christopher Hui, replied to questions raised by the Hon Wong Ting-kwong regarding the statistics of profits tax payers and future trend for study on profits tax rates. Mr Christopher Hui replied to the profits tax rates related questions as follows:

*Question – Following the implementation of the two-tiered profits tax rates regime from YA 2018/19 onwards, whether there has been an upward trend in which individuals changing their status from employees to providers of professional or personal services by setting up corporations, so as to reduce the amounts of tax payable?*

The Inland Revenue Department does not maintain statistics on the occurrence of the situation mentioned in the question. According to the Inland Revenue Ordinance (“IRO”), income earned from employment in Hong Kong is chargeable to salaries tax. Taxpayers cannot treat their employment income as business income from a sole proprietorship at will and report such income under profits tax. Taxpayers who provide incorrect information or statement, or engage in any fraudulent activities, are in violation of the IRO and subject to criminal sanction.

*Question – Whether the Government will study and consider introducing in future a progressive profits tax regime with more tiers of tax rates?*

When considering any proposed changes to the tax regime, the Government must take into consideration all factors, such as our economic development needs, our fiscal position, tax liability of businesses and international competitiveness. Amid the prevailing economic environment and the impact of the epidemic, businesses are generally under considerable financial pressure while the Government has to increase expenditure to cope with the epidemic and relieve people's hardship. Therefore, it is not the appropriate time to adjust the rates or tiers of profits tax.

#### LCQ10: Profits tax

<https://www.ird.gov.hk/eng/ppr/archives/21052601.htm>

## TAX – International

### 1. Disbursement of US\$1.8 million additional Economic Impact Payments under the American Rescue Plan

On 26 May 2021, the Internal Revenue Service (“IRS”), the U.S. Department of the Treasury (“U.S. Treasury”) and the Bureau of the Fiscal Service announced that US\$1.8 million additional Economic Impact Payments under the American Rescue Plan have been disbursed.

The IRS will continue to make Economic Impact Payments on a weekly basis. Ongoing payments will be sent to eligible individuals for whom the IRS previously did not have information to issue a payment but who recently filed a tax return, as well to people who qualify for "plus-up" payments.

**More than 1.8 million additional Economic Impact Payments disbursed under the American Rescue Plan; total payments reach nearly 167 million**

<https://www.irs.gov/newsroom/more-than-18-million-additional-economic-impact-payments-disbursed-under-the-american-rescue-plan-total-payments-reach-nearly-167-million>

### 2. U.S. proposes global minimum corporate tax rate of at least 15%

In the recent meetings with Steering Group of the Inclusive Framework on base erosion and profits shifting (“BEPS”) as part of the OECD / G20 international tax negotiations, discussions on the global corporate minimum tax rate began in earnest.

The U.S. Treasury proposed to the Steering Group that the global minimum tax rate should be at least 15%. According to the U.S. Treasury, the 15% is a floor and that discussions should continue to be ambitious and push that rate higher.

**U.S. Department of Treasury’s Office of Tax Policy Meetings**

<https://home.treasury.gov/news/press-releases/jy0189>

### 3. Opinions of the Conference of the Parties to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”)

The Conference of the Parties to the MLI approved an opinion that sets out a series of guiding principles for addressing questions about the interpretation and implementation of the MLI. Those principles were drawn from public international law, the design of the MLI itself and its drafting history.

The MLI became effective on 1 January 2021 for approximately 650 treaties concluded among the 65 jurisdictions, implementing the tax-treaty related BEPS measures on hybrid mismatch arrangements, treaty abuse and permanent establishment.

**Conference of the Parties to the MLI approve an opinion on interpretation and implementation**

<https://www.oecd.org/tax/treaties/conference-of-the-parties-to-the-mli-approve-an-opinion-on-interpretation-and-implementation.htm>

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- 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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**Mr. Eric Chen**  
T +852 2583 1259  
E [ericchen@rsmhk.com](mailto:ericchen@rsmhk.com)

**Mr. Samuel Chan**  
T +852 2583 1242  
E [samuelchan@rsmhk.com](mailto:samuelchan@rsmhk.com)

**Ms. Lilian Poon**  
T +852 2583 1241  
E [lilianpoon@rsmhk.com](mailto:lilianpoon@rsmhk.com)

**Mr. Patrick Ho**  
T +852 2583 1258  
E [patrickho@rsmhk.com](mailto:patrickho@rsmhk.com)

**Mr. Caesar Wong**  
T +852 2508 2851  
E [caesarwong@rsmhk.com](mailto:caesarwong@rsmhk.com)

**Ms. Catherine Tsang**  
T +852 2583 1256  
E [catherinetsang@rsmhk.com](mailto:catherinetsang@rsmhk.com)

**Ms. Joanna Lee**  
T +852 2583 1317  
E [joannalee@rsmhk.com](mailto:joannalee@rsmhk.com)

**Mr. Alan Chow**  
T +852 2583 1378  
E [alanchow@rsmhk.com](mailto:alanchow@rsmhk.com)

**Ms. Catherine Wong**  
T +852 2583 1396  
E [catherinewong@rsmhk.com](mailto:catherinewong@rsmhk.com)

**Ms. Shirley Lo**  
T +852 2583 1211  
E [shirleylo@rsmhk.com](mailto:shirleylo@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](mailto:solutions@rsmhk.com)

[rsm.global/hongkong](http://rsm.global/hongkong)

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