

# Weekly Alert

## 2021 ISSUE 24

## RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2021 issue 24 of Weekly Alert covering technical development in taxation around the globe.

### TAX – Hong Kong

#### 1. Increase in stamp duty rate on stock transfers

The Revenue (Stamp Duty) Ordinance 2021, which was enacted by the Legislative Council on 2 June 2021, has been published in the Gazette on 11 June 2021.

According to the Ordinance, the rate of stamp duty on stock transfers will be raised from the current 0.1 percent to 0.13 percent of the consideration or value of each transaction payable by buyers and sellers respectively.

The new rate of stamp duty on stock transfers will come into effect on 1 August 2021.

#### Revenue (Stamp Duty) Ordinance 2021 gazetted

<https://www.ird.gov.hk/eng/ppr/archives/21061101.htm>

#### 2. Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021 gazetted

The Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021 (the “Bill”), passed by the Legislative Council on 2 June 2021, has been gazetted on 11 June 2021.

Key areas of amendments to the Inland Revenue Ordinance are summarized below:

##### 1) Tax treatment of court-free amalgamation of companies

A set of special treatments with regard to qualifying amalgamations upon election and the transfer or succession of specified assets are introduced in the Bill.

One of the highlighted key areas is the condition for setting-off pre-amalgamation losses. Three particular conditions were elaborated by the Government, including the “good commercial reasons” condition, the “same trade” condition, and the “financial resources” condition.

## 2) Refinement of the statutory framework for furnishing of tax returns

Taxpayers are allowed to engage service providers to furnish their tax returns on their behalf, irrespective of the mode of furnishing the return. The service provider is obligated to obtain a written confirmation from the taxpayer stating that the return which is furnished on taxpayer's behalf is correct and complete. This written confirmation should be retained for not less than seven years.

Some penal actions are also set out against certain acts of service providers, including failure to furnish returns, failure to obtain a written confirmation from the taxpayer, and furnishing incorrect tax returns.

## 3) Enhancement on foreign tax deduction regime

According to the Bill, tax deductions are allowed for:

- a) Both Hong Kong and non-Hong Kong resident persons on foreign taxes that were charged on a gross income basis in respect of non-interest types of income and paid in a jurisdiction that does not have a comprehensive avoidance of double taxation arrangement ("CDTA") with Hong Kong; and
- b) Non-Hong Kong resident person on foreign taxes that were charged on a gross income basis in respect of all types of income and paid in a Hong Kong's CDTA jurisdiction.

Non-Hong Kong resident person can only claim a tax deduction in Hong Kong referred above to the extent such foreign taxes are unrelieved from double taxation in the residence jurisdiction of the non-Hong Kong resident person.

The above amendments apply only to year of assessment beginning on or after 1 April 2021.

### **Government welcomes passage of Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021**

<https://www.info.gov.hk/gia/general/202106/02/P2021060200718.htm>

### **The Inland Revenue (Amendment) (Miscellaneous Provisions) Bill 2021**

<https://www.legco.gov.hk/yr20-21/english/bills/b202103195.pdf>

## TAX – International

### 1. Heads of tax crime investigation welcome new OECD report on fighting tax crimes

Heads of tax crime investigation from 44 countries had a meeting on 17 June 2021. During the meeting, they welcomed the launch of a new edition of global reference guide setting out ten core requirements for jurisdictions to effectively tackle tax crimes.

The latest edition of *Fighting Tax Crime – The Ten Global Principles* presents different countries' tax crime enforcement frameworks and their progresses made in implementing the Ten Global Principles. New global tax challenges are also addressed, including the tackling of small group of professionals who enable tax and other white-collar crimes. Moreover, some best practices in international co-operation for fighting against tax crimes are shared in the report.

### **Heads of tax crime investigation welcome new OECD report on fighting tax crimes**

<https://www.oecd.org/tax/crime/heads-of-tax-crime-investigation-welcome-new-oecd-report-on-fighting-tax-crimes.htm>

## 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.
- Provide tax expert witness services at Courts.
- Act as tax advisor on transfer pricing and tax compliance reviews for IPO applications.
- 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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