

Weekly Alert

2022 ISSUE 1

RSM TAX ADVISORY (HONG KONG) LIMITED 羅 申 美 稅 務 諮 詢 有 限 公 司

Welcome to 2022 issue 1 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Stock Borrowing Relief – Filing of Return of Stock Borrowing Transactions

On 3 January 2022, the Inland Revenue Department (“IRD”) released a stamping circular regarding the filing of return of stock borrowing transactions. The purpose of the circular is to remind the borrowers under stock borrowing and lending agreements registered with Stamp Office of their obligation of filing a return of stock borrowing transactions as required under section 19(13) of the Stamp Duty Ordinance.

The filing of the return for the 6 months period ending 31 December 2021 is due on 31 January 2022.

Stamping Circular No. 01/2022

https://www.ird.gov.hk/eng/pdf/sdo/ext_cir/so_ext_cir_01_2022_e.pdf

2. Change of Postal Address of Employer

On 6 January 2022, the IRD published a notice regarding the change of postal address of the Employer.

Since the “Employer’s Return of Remuneration and Pensions” (BIR 56A) will be issued on 1 April 2022, the IRD reminds companies to complete and return the “Notification of Change of Address” immediately if they have changed their postal address and not yet informed the IRD.

Inland Revenue Department Notice: Change of Postal Address of Employer

https://www.ird.gov.hk/eng/pdf/2021/er_change_address.pdf

TAX – PRC

1. **Announcements on the extension of IIT preferential policies relating to one-off annual bonuses and allowance and subsidies received by foreign individuals**

On 31 December 2021, the Ministry of Finance (“MOF”) and State Taxation Authority (“STA”) jointly announced the extension of certain transitional Individual Income Tax (“IIT”) preferential policies. The three major items are:

- (i) expatriate benefits and annual bonus for another 2 years (initially ended on 31 December 2021, further extend to 31 December 2023); and
- (ii) equity based compensation (e.g. stock option) for one year (i.e. extend to 31 December 2022).

財政部 稅務總局公告 2021 年第 42 號

<http://www.chinatax.gov.cn/chinatax/n363/c5171841/content.html>

財政部 稅務總局公告 2021 年第 43 號

<http://www.chinatax.gov.cn/chinatax/n363/c5171842/content.html>

2. **Announcement on matters concerning the annual EIT reconciliation and settlement**

On 31 December 2021, the STA announced the following relating to the annual Enterprise Income Tax (“EIT”) reconciliation and settlement:

- i) Relevant forms amended and updated; and
- ii) For any prepayment of EIT in excess of the annual settlement, the tax authority shall promptly handle the tax refund. The amount will no longer be used to offset any EIT payable for next year.

This Announcement applies to annual EIT reconciliation and settlement for the year 2021 and onwards.

國家稅務總局公告 2021 年第 34 號

<http://www.chinatax.gov.cn/chinatax/n362/c5171846/content.html>

TAX – International

1. **IRS revises Form 1024, used by most types of organizations to apply for exempt status, to allow electronic filing**

The IRS has revised Form 1024, Application for Recognition of Exemption Under Section 501(a) or Section 521 of the Internal Revenue Code, to allow electronic filing. From 3 January 2021, applications for recognition of exemption on Form 1024 must be submitted electronically online at Pay.gov. The IRS will provide a 90-day grace period during which it will continue to accept paper versions of Form 1024 (Rev. 01-2018) and letter applications.

IRS revises Form 1024, used by most types of organizations to apply for exempt status, to allow electronic filing

<https://www.irs.gov/newsroom/irs-revises-form-1024-used-by-most-types-of-organizations-to-apply-for-exempt-status-to-allow-electronic-filing>

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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