

Weekly Alert

2022 ISSUE 10

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2022 issue 10 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Extend Due Date for ‘M’ Code Returns for Loss Cases

The Inland Revenue Department (“IRD”) issued a circular letter to tax representatives in relation to the block extension scheme for lodgement of 2020/21 tax returns on 4 March 2022.

In view of the impact of the recent worsening of the COVID-19 pandemic situation on the daily operation of businesses and practitioners, the IRD decided to further extend the due date for filing 2020/21 Profits Tax returns for loss cases with Accounting Date Code ‘M’ (i.e. accounting date falls within 1 January 2021 to 31 March 2021) from 31 March 2022 to 30 April 2022.

Circular Letter to Tax Representatives (4 March 2022)

<https://www.ird.gov.hk/eng/pdf/bel21ec.pdf>

2. Stamp Duty Statistics (February 2022)

On 9 March 2022, 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 February 2022. The SSD, BSD and DSD/NRSD collected during the month are HK\$8.1 million, HK\$238.1 million and HK\$416.5 million respectively.

Stamp Duty statistics (February 2022)

<https://www.ird.gov.hk/eng/pdf/2022/3d022022.pdf>

TAX – International

1. IRS Highlights the Importance of Child and Dependent Care Credit

On 8 March 2022, the Internal Revenue Service (IRS) issued a filing season reminder to remind those taxpayers who pay expenses for the care of a qualifying person while working or looking for work may qualify for Child and Dependent Care Credit.

For tax year 2021, taxpayers with an adjusted income no more than US\$438,000 can get a credit worth 50% of their qualifying child and dependent care expenses. The maximum eligible expense for the credit is US\$8,000 for one qualifying person and US\$16,000 for two or more.

Qualifying person is defined by IRS as follows:

- A taxpayer's dependent who is 12 or younger (no age limit if incapacitated) when the care is provided.
- A taxpayer's spouse who is physically or mentally unable to care for themselves and lived with the taxpayer for more than half the year.
- Someone who is physically or mentally unable to take care of themselves and lived with the taxpayer for six months and is either:
 1. The taxpayers' dependent or
 2. Would have been the taxpayers' dependent except for one of the following:
 - The qualifying person received gross income of US\$4,300 or above
 - The qualifying person filed a joint return
 - The taxpayer or spouse, if filing jointly, could be claimed as a dependent on someone else's return

IRS Highlights Importance of Child and Dependent Care Credit

<https://www.irs.gov/newsroom/irs-highlights-importance-of-child-and-dependent-care-credit-can-help-families-others>

2. Botswana joins Yaoundé Declaration

On 4 March 2022, Minister of Finance and Economic Development of Botswana endorsed the Yaoundé Declaration, an important regional initiative for transparency and exchange of information for tax purpose.

Yaoundé Declaration was originally signed by 4 countries in November 2017. The purposes of initiating this declaration are to encourage the African Union to begin a high-level discussion on tax cooperation, fight against illicit financial flows and facilitate domestic resource mobilisation. With less than 5 years, the Declaration is now backed by 33 African ministers of Finance and the African Union Commission.

Botswana joins Yaoundé Declaration

<https://www.oecd.org/tax/exchange-of-tax-information/botswana-joins-yaounde-declaration.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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