

Weekly Alert

2022 ISSUE 11

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2022 issue 11 of Weekly Alert covering technical development in taxation around the globe.

TAX – PRC

1. Announcement on relevant value-added tax policies for the relief and development of stranded industries in service sector 《關於促進服務業領域困難行業紓困發展有關增值稅政策的公告》

On 3 March 2022, the Ministry of Finance and the State Taxation Administration jointly announced the value-added tax (“VAT”) policies for the relief and development of stranded industries in the service sector:

- i) The production and life service industry VAT deduction policy under the “Announcement on Relevant Policies for Deepening VAT Reform” (Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No.39) and “Announcement on Clarifying Life Service Industry VAT deduction policy” (Announcement of the Ministry of Finance and the State Taxation Administration [2019] No.87) will be extended to 31 December 2022.
- ii) During the period from 1 January to 31 December 2022, VAT prepayment from the branches of air and rail transport enterprises will be suspended. VAT prepaid during the period from February 2022 tax filing to 3 March 2022 will be refunded.
- iii) During the period from 1 January to 31 December 2022, income derived from the provision of public transport services is exempt from VAT. The specific scope of public transport services shall be implemented in accordance with the “Regulations on Matters concerning the Pilot Program of Replacing Business Tax with VAT” (Caishui [2016] No. 36).

Relevant VAT collected before the issuance of this announcement can be credited against the taxpayer’s VAT payable in subsequent months or processed as a tax refund. If a special VAT invoice has been issued to the purchaser, the special invoice shall be recovered before tax exemption can be applied.

財政部 稅務總局公告 2022 年第 11 號

<http://www.chinatax.gov.cn/chinatax/n359/c5173293/content.html>

TAX – International

1. OECD releases the Commentary to the GloBE Rules

On 14 March 2022, the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (“BEPS”) released further technical guidance on the 15% global minimum tax previously agreed in October 2021 as part of the two-pillar solution to address tax challenges arising from economic digitalisation.

The Global Anti-Base Erosion (“GloBE”) Rules previously agreed provide a co-ordinated system to ensure that Multinational Enterprises (MNEs) with revenues above EUR 750 million pay at least a minimum level of tax (i.e., 15%) on the income arising in each of the jurisdictions in which they operate.

The release of the Commentary to the GloBE provides MNEs and tax administrations with comprehensive guidance on the operation, application of the GloBE Rules to various fact patterns and intended results under the rules. The commentary also provides further clarification of the meaning of certain terms in the guidance.

OECD releases detailed technical guidance on the Pillar Two model rules for 15% global minimum tax

<https://www.oecd.org/tax/oecd-releases-detailed-technical-guidance-on-the-pillar-two-model-rules-for-15-percent-global-minimum-tax.htm>

2. ATO provides detailed updates on the design and requirements of local file and master for 2021

On 14 March 2022, the Australian Taxation Office (“ATO”) updated its webpage with a detailed description about the design and requirements of the local file and master file for 2021. In particular, criteria for the two tiers local files and the related information requirements are provided.

The 2021 local file applies to reporting periods commencing for income tax years starting on or after 1 January 2020.

Local file/master file 2021

<https://www.ato.gov.au/Business/International-tax-for-business/In-detail/Transfer-pricing/Country-by-Country-reporting/Local-file/master-file-2021/>

3. IRS urges taxpayers to minimise cyber footprints, protect personal information online

On 16 March 2022, the Internal Revenue Service (“IRS”) urges taxpayers to stay resolute against ongoing scams and schemes through proper and solid cybersecurity protection and scam recognition. Tips are provided on the website to help minimize exposure to fraud and identity theft.

The IRS does not initiate contact with taxpayers by email, text messages, or social media channels to request personal or financial information. Taxpayers should be alert to scammers posing as the IRS to steal personal information.

Tax Time Guide: Minimize cyber footprints, protect personal information online

<https://www.irs.gov/newsroom/tax-time-guide-minimize-cyber-footprints-protect-personal-information-online>

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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