

# Weekly Alert

## 2022 ISSUE 29

### RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2022 issue 29 of Weekly Alert covering technical development in taxation around the globe.

#### TAX – Hong Kong

##### 1. Insurance agent convicted of tax evasion

An insurance agent was convicted on 15 July 2022 of evading tax.

An investigation by the Inland Revenue Department (“IRD”) revealed that the defendant made yearly false expenses claim of “office assistants” and false declaration that her father resided with her continuously for the full year during five years of assessment claiming additional dependent parent allowances.

The defendant was charged with 11 counts of wilfully with intent to evade tax by signing her tax returns, her business’s profit and loss accounts and employer’s returns of remuneration and pensions without reasonable grounds for believing the same to be true.

The IRD reminded taxpayers that tax evasion is a criminal offence under the Inland Revenue Ordinance. Upon conviction, the maximum penalty for each charge is three years’ imprisonment and a fine of HK\$50,000 plus a further fine of three times the amount of tax evaded.


**Press Release – Insurance agent convicted of tax evasion**

<https://www.ird.gov.hk/eng/ppr/archives/22071501.htm>

#### TAX – International

##### 1. New transfer pricing documentation requirements for UK businesses

On 20 July 2022, the HM Revenue & Customs published a policy paper to set out new transfer pricing documentation requirements for the largest UK businesses to retain, and produce upon request, a master file, local and summary audit trail.



The measure requires large multinational businesses operating in the UK to maintain a master file and local file in a prescribed and standardized format, as set out in the OECD transfer pricing guidelines. It also introduces a requirement to complete a summary audit trail, which is a short questionnaire detailing the main actions undertaken in preparing the local file.

The largest UK businesses in scope of the measure are those with a taxable presence in the UK (e.g. through a UK company or permanent establishment) and are within the Country-by-Country Reporting regime (i.e. with global revenues of 750 million euros or more).

**Policy paper - New transfer pricing documentation requirements for UK businesses**

<https://www.gov.uk/government/publications/new-transfer-pricing-documentation-requirements-for-uk-businesses>

## **2. ATO issued Taxpayer Alert on treaty shopping arrangements**

On 20 July 2022, the Australian Tax Office (“ATO”) released a Taxpayer Alert outlining its concerns about treaty shopping arrangements designed to obtain the benefit of a reduced withholding tax rate under a double tax agreement (“DTA”) in relation to royalty or dividend payments from Australia.

The ATO is concerned that the arrangements described in the Alert may be entered into or carried out by taxpayers for a principal or main purpose of obtaining a treaty benefit to which they would not otherwise be entitled. These arrangements may attract the operation of the anti-avoidance rules provided under Australia’s DTAs.

**Taxpayer Alert issued on treaty shopping arrangements**

<https://www.ato.gov.au/Business/Business-bulletins-newsroom/Public-advice-and-guidance/Taxpayer-Alert-issued-on-treaty-shopping-arrangements/>

## 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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