

Weekly Alert

2022 ISSUE 5

RSM TAX ADVISORY (HONG KONG) LIMITED

羅申美稅務諮詢有限公司

Welcome to 2022 issue 5 of Weekly Alert covering technical development in taxation around the globe.

TAX – PRC

1. Announcement on Tax Policies for the Pilot Program of Infrastructure Real Estate Investment Trusts (REITs) 《關於基礎設施領域不動產投資信託基金（REITs）試點稅收政策的公告》

On 26 January 2022, the Ministry of Finance and State Taxation Administration jointly announced the tax policies for the pilot program of Infrastructure REITs. Details are as follow:

1) Before the establishment of REITs

Special tax treatments apply when the original owner transfers the infrastructure assets to the project company to obtain the project company's equity.

Assets involved	Tax base
Infrastructure assets obtained by the project company	The original tax base of the infrastructure assets
The project company's equity obtained by the original owner	The original tax base of the infrastructure assets

The original owner and the project company do not recognize gain and do not pay corporate income tax at this stage.

2) During the establishment of REITs

Special tax treatments apply in the following situations.

Valuation gain derived from	Tax treatments
The original owner transferred the equity of the project company to the infrastructure REITs	Corporate income tax ("CIT") payment can be deferred until the infrastructure REITs complete the fundraising and pay the equity transfer price
The asset transfer corresponding to shares of infrastructure REITs held by the original owner in accordance with the strategic placement requirements	CIT payment can be deferred until the actual transfer occur

3) REITs operation and distribution

Taxes involved in the operation and distribution of REITs should follow the current tax laws and regulations.

This announcement applies to infrastructure REITs pilot projects organized by the China Securities Regulatory Commission and the National Development and Reform Commission in accordance with the relevant regulations and takes effect from 1 January 2022.

財政部 稅務總局公告 2022 年第 3 號

<http://www.chinatax.gov.cn/chinatax/n362/c5172552/content.html>

TAX - International

1. ATO updated its compliance approach relating to foreign investment in residential real estate

On 31 January 2022, the Australian Taxation Office (“ATO”) updated its website with information about its compliance approach regarding foreign investment in residential real estate.

General obligations and responsibilities that foreign persons have when investing in Australian residential real estate include:

- Notify ATO, or request approval from the Treasury before purchasing any Australian residential real estates
- Follow and comply with the conditions listed on the approval from ATO, including a No-Objection Notification or an Exemption Certificate
- Register the investment with ATO and lodge a Vacancy Fee return annually

Foreign investment in residential real estate: Our compliance approach

<https://www.ato.gov.au/General/Foreign-investment-in-Australia/Foreign-investment-in-residential-real-estate--Our-compliance-approach/>

2. Important changes on the US Earned Income Tax Credit

On 28 January 2022, the Internal Revenue Service announced new law changes to expand the Earned Income Tax Credit (“EITC”) for 2021 and future years. These changes include:

- The amount of the credit has been increased, and the phaseout income limits at which taxpayers can claim the credit have been expanded.
- More workers and working families who have investment income can get the credit.
- Married but separated spouses can choose to be treated as not married for EITC purposes.
- Single people and couples with children who have Social Security numbers (“SSNs”) can claim the credit, even if the children do not have SSNs.

EITC Awareness Day: Important changes mean more people qualify for credit that helps millions of Americans

<https://www.irs.gov/newsroom/eitc-awareness-day-important-changes-mean-more-people-qualify-for-credit-that-helps-millions-of-americans>

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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