

Weekly Alert

2022 ISSUE 25

RSM TAX ADVISORY (HONG KONG) LIMITED

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Welcome to 2022 issue 25 of Weekly Alert covering technical development in taxation around the globe.

TAX – Hong Kong

1. Passage of Tax Deduction for Domestic Rent

On 22 June 2022, the Legislative Council passed the Inland Revenue (Amendment) (Tax Deductions for Domestic Rents) Bill 2022, which gives effect to the measure proposed in the 2022-23 Budget for allowing a tax deduction for domestic rent.

Eligible taxpayers can provide information about their expected domestic rent paid in relation to the year of assessment 2022/23 in the tax returns for 2021/22. The Inland Revenue Department (“IRD”) will review and approve the deduction (up to HK\$100,000) when assessing the provisional salaries tax for 2022/23. General criteria are summarised below:

Eligible persons	Taxpayer subjects to salaries tax or tax charged under personal assessment
Eligible premises and qualifying tenancy	- Must be the taxpayer’s principal place of residence in Hong Kong, with certain exceptions; and - relevant tenancy must be stamped.
Allowable deduction amount	(i) Amount of rent paid under the tenancy in relation to the year of assessment; or (ii) maximum of HK\$100,000 per year of assessment, whichever is less.
Entitlement period	No limit

Government welcomes passage of tax deduction for domestic rent

<https://www.ird.gov.hk/eng/ppr/archives/22062203.htm>

2. Waivers of surcharges for payment of tax by instalments for taxpayers in need

On 22 June 2022, the IRD announced to waive surcharges for payment of tax by instalments for businesses and individuals who encounter financial difficulties in settling their tax bills on time.

Taxpayers are allowed to apply for payment of tax by instalments before the due dates of the demand notes. If the taxpayer obtained the IRD's approval for instalment settlement of the demand notes for 2021/22 between April 2022 and May 2023, no surcharge will be imposed for up to 1 year counted from the respective due dates of the demand notes, provided that the instalment plans are duly adhered to.

In addition, the IRD has extended the applicability of the previous support measures to waive the surcharge for instalment settlement of demand notes for 2018/19 to 2020/21 as follows:

<u>Year of assessment</u>	<u>Date of issue of demand note</u>
2018/19	From December 2019 to May 2023
2019/20	From August 2020 to May 2023
2020/21	From May 2021 to May 2023

Inland Revenue Department waives surcharges for payment of tax by instalments for businesses and individuals in need

<https://www.ird.gov.hk/eng/ppr/archives/22062204.htm>

TAX – PRC

1. Eight authorities including STA will promote phased reduction and exemption of commercial housing rents

On 21 June 2022, the State Taxation Administration ("STA"), together with other seven authorities, jointly issued the Circular on <Promoting Phased Reduction and Exemption of Commercial Housing Rents> 《關於推動階段性減免市場主體房屋租金工作的通知》 (the "Circular").

According to the Circular, the eight authorities will promote phased reduction and exemption of commercial housing rents, in order to ease the pressure on rentals for small and micro enterprises and individual industrial and commercial households. The relevant matters are as follows: -

- i. Emphasising on the work of rent relief
- ii. Accelerating the implementation of rent reduction and exemption measures
- iii. Issuing monthly reports in relation to rent relief
- iv. Strengthening the supervision and guidance of rent reduction and exemption work

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<http://www.chinatax.gov.cn/chinatax/n810341/n810825/c101434/c5176619/content.html>

TAX – International

1. IRS continues work on inventory of tax returns filed in 2021

On 21 June 2022, the Internal Revenue Service (“IRS”) announced that processing on a key group of individual tax returns filed in 2021 will be completed this week. Due to issues related to the pandemic and staffing limitations, extra time was required to process the paper tax returns and correspondence filed during 2021. The processing of individual tax returns without errors is on track, and business paper returns filed in 2021 will follow shortly after.

The IRS also reminds taxpayers who have not yet filed their 2021 tax returns this year to ensure their returns to be filed electronically to avoid delays. To avoid potential delays and assist the larger ongoing IRS efforts to complete processing tax returns this year, taxpayers are suggested to file as soon as they are ready and not to wait until the last minute before the October 17 extension deadline.

IRS continues work on inventory of tax returns; original tax returns filed in 2021 to be completed this week

<https://www.irs.gov/newsroom/irs-continues-work-on-inventory-of-tax-returns-original-tax-returns-filed-in-2021-to-be-completed-this-week>

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- 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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