



Hong Kong Tax Update Newsletter Year in Review 2020



This newsletter recaps the key tax developments that took place in 2020. Details of most of these developments have been covered in our Tax Analysis and Tax Newsflash.

Ordinances enacted

Concessionary measures for ship leasing businesses

Inland Revenue (Amendment) (Ship Leasing Tax Concessions) Ordinance 2020

- Introduce concessionary profits tax rate (i.e. 0%) for qualifying ship lessors carrying on qualifying ship leasing activities
- Introduce concessionary profits tax rate (i.e. 0%/8.25%) for qualifying ship leasing managers providing qualifying ship leasing management activities
- Tax concession applies to sums received or accrued on or after 1 April 2020
- For details, see [Tax Newsflash Issue 114](#) and [Tax Newsflash Issue 123](#)

Budget 2020-21

Inland Revenue (Amendment) (Tax Concessions) Ordinance 2020

- Provide one-off reduction of profits tax, salaries tax and tax under personal assessment by 100%, subject to a ceiling of HK\$20,000 for each case for the year of assessment 2019/20

- For details, see [Tax Analysis Issue H92/2020](#), [Tax Newsflash Issue 115](#) and [Tax Newsflash Issue 122](#)

Limited partnership fund regime

Limited Partnership Fund Ordinance

- Enable funds to be registered in the form of limited partnerships in Hong Kong
- Came into operation on 31 August 2020
- For details, see our [publication](#) and [IRD's announcement](#)

Concessionary measures for Hong Kong insurers

Inland Revenue (Amendment) (Profits Tax Concessions for Insurance-related Businesses) Ordinance 2020

- Provide concessionary profits tax rate (8.25%) for all general reinsurance business of direct insurers, selected general insurance business of direct insurers and selected insurance brokerage business
- Target to give effect by early 2021
- For details, see [Tax Newsflash Issue 111](#) and [IRD's announcement](#)

Stamp Duty exemption for certain stock transfer involving Exchange Traded Fund (ETF)

Stamp Duty Ordinance (Amendment of Schedule 8) Regulation 2020

- Exempt stamp duty on sale and purchase of Hong Kong stock involving the activities of ETF market makers in the course of allotting and redeeming ETF shares or units listed in Hong Kong
- Came into operation on 1 August 2020
- For details, see [IRD's announcement](#)

Tax exemption for subsidies under the Anti-epidemic Fund

The Exemption from Salaries Tax and Profits Tax (Anti-epidemic Fund) Order

- Provide tax exemption to most of the financial assistance or relief under the Anti-epidemic Fund provided to businesses or individuals
- Apply starting from the year of assessment 2019/20
- For details, see [Tax Newsflash Issue 121](#)

Orders gazetted and amendment bill pending passage

Abolishing doubled ad valorem stamp duty on non-residential property transactions

Public Revenue Protection (Stamp Duty) Order 2020 *Stamp Duty (Amendment) Bill 2020*

- Abolish doubled ad valorem stamp duty on non-residential property transactions with effect from 26 November 2020
- For details, see [Tax Newsflash Issue 132](#)

Withdrawal of vacant property tax

The Rating (Amendment) Bill 2019

- Withdraw bill for introducing special rates on unsold first-hand units
- For details, see [HKSAR's announcement](#)

Court case

China Mobile Hong Kong Company Limited v. CIR [2020 HKCFI 1649]

- Deductibility of amortization of upfront lump sum spectrum utilisation fees
- Taxpayer is going to appeal
- For details, see [Tax Analysis Issue H98/2020](#)

Heath Brian Zarin v. CIR [[2020 HKCFI 330](#)]

- Whether certain payment received after the termination of employment chargeable to Salaries Tax
- Case not yet finalized

IRD's guidance



Equal treatment for spouses in same-sex marriages

[DIPN 18 \(Revised\)](#) | [DIPN 35 \(Revised\)](#) |

[DIPN 36 \(Revised\)](#) | [DIPN 37 \(Revised\)](#) |

[DIPN 56 \(Revised\)](#) | [DIPN 57 \(Revised\)](#) |

[Tax Newsflash Issue 116](#)



Updated guidance on

taxation of e-commerce transactions and digital assets

[DIPN 39 \(Revised\)](#) | [Tax Analysis Issue H93/2020](#)



New guidance on profits tax exemption for funds

[DIPN 61](#) |

[Tax Newsflash Issue 124](#) | [Tax Analysis Issue H95/2020](#)



Revised guidance on taxation of financial instruments and foreign exchange differences

[DIPN 42 \(Revised\)](#)



Revised guidance on advance rulings

[DIPN 31 \(Revised\)](#) | [Tax Analysis Issue H94/2020](#)



Tax guide for charitable institutions and trusts of a public character

[Tax guide \(updated\)](#) | [Chinese version](#)



Revised guidance on exchange of information on request

[DIPN 47 \(Revised\)](#)



Revised guidance on Advance Pricing Arrangement

[DIPN 48 \(Revised\)](#) | [Tax Analysis Issue H96/2020](#)



Revised guidance on taxation and deduction related to intellectual property

[DIPN 22 \(Revised\)](#) | [DIPN 49 \(Revised\)](#) |

[Tax Analysis Issue H97/2020](#)



Revised guidance on tax treatment of regulatory capital securities

[DIPN 53 \(Revised\)](#) | [Tax Newsflash Issue 79](#)



Revised guidance on computing assessable profits, revenue recognition and measurement of inventories or stock

[DIPN 1 \(Revised\)](#) | [Tax Analysis Issue H100/2020](#)















New guidelines on profits tax treatment of leases where HKFRS 16 applies

[IRD's announcement](#)








New guidance on taxation of ship leasing activities

International tax

-  BEPS 2.0
[Blueprint](#) | [Tax Analysis Issue H99/2020](#)
-  Hong Kong passes peer review for BEPS harmful tax practices
[Peer review results](#)
-  Hong Kong passes peer review on exchange of information on tax rulings
[Peer review results](#)
-  Arrangement between the Mainland and Hong Kong for automatic exchange of country-by-country reports in effect
[IRD's announcement](#) | [Tax Newsflash Issue 117](#)
-  Hong Kong-Macao tax treaty in force
[CDTA](#) | [Tax Newsflash Issue 126](#)
-  Hong Kong-Serbia tax treaty signed
[CDTA](#) | [Tax Newsflash Issue 128](#)
-  Hong Kong-Georgia tax treaty signed
[CDTA](#) | [Tax Newsflash Issue 131](#)
-  Termination of shipping agreement between Hong Kong and US
[HKSAR's announcement](#) | [US's announcement](#)
-  Updated rules on economic substance in BVI
[Rules](#)
-  Cayman Islands added to EU list of noncooperative jurisdictions
[Tax News](#)
-  Updated guidelines on economic substance in Cayman Islands
[Guidelines](#) | [Tax Analysis P318/2020](#) | [P319/2020](#)
-  Updated guidelines on economic substance in Bermuda
[Guidelines](#)

IRD's administrative measures

-  Profits tax return – fair value accounting
[IRD's announcement](#)
-  Extension of relief measure on payment of tax by instalments
[IRD's announcement](#) | [Tax Newsflash Issue 127](#)
-  Appointment of Commissioner of Inland Revenue
[IRD's announcement](#)
-  IRD requesting information on transfer pricing documentation
[Tax Newsflash Issue 129](#)
-  Financial Account Information Return XML Schema and User Guide updated for AEOI

[IRD's announcement](#)



Country-by-Country Return XML Schema (version 2.0) and User Guide updated for AEOI

[IRD's announcement](#)



Interest on Tax Reserve Certificates

[IRD's announcement](#)

Others



Hong Kong relief measures for COVID-19 epidemic

[Tax Newsflash Issue 119](#)



Proposed tax concession for carried interest

[Tax Newsflash Issue 125](#)



Annual meeting between HKICPA and the IRD

[Tax Newsflash Issue 130](#)

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