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
### 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 HKC FI 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**

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

If you have any questions, please contact our professionals:

Authors

Sarah Chan
Tax Partner
+852 2852 1628
sarahchan@deloitte.com.hk

Doris Chik
Tax Director
+852 2852 6608
dchik@deloitte.com.hk

Carmen Cheung
Tax Manager
+852 2740 8660
carmcheung@deloitte.com.hk

Global Business Tax Services

National Leader
Ryan Chang
Tax Partner
+852 2852 6768
ryanchang@deloitte.com

Hong Kong
Raymond Tang
Tax Partner
+852 2852 6661
raytang@deloitte.com.hk

Get in touch

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.
Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our global network of member firms and related entities in more than 150 countries and territories (collectively, the “Deloitte organization”) serves four out of five Fortune Global 500® companies. Learn how Deloitte’s approximately 330,000 people make an impact that matters at www.deloitte.com.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which are separate and independent legal entities, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

The Deloitte brand entered the China market in 1917 with the opening of an office in Shanghai. Today, Deloitte China delivers a comprehensive range of audit & assurance, consulting, financial advisory, risk advisory and tax services to local, multinational and growth enterprise clients in China. Deloitte China has also made—and continues to make—substantial contributions to the development of China’s accounting standards, taxation system and professional expertise. Deloitte China is a locally incorporated professional services organization, owned by its partners in China. To learn more about how Deloitte makes an Impact that Matters in China, please connect with our social media platforms at www2.deloitte.com/cn/en/social-media.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

© 2020 Deloitte Touche Tohmatsu in Hong Kong, Deloitte Touche Tohmatsu in Macau, and Deloitte Touche Tohmatsu Certified Public Accountants LLP in the Chinese Mainland. All rights reserved.

To no longer receive emails about this topic please send a return email to the sender with the word “Unsubscribe” in the subject line.