

Press release

Seminar on Mainland's new tax policy in eliminating double taxation

Monday, June 11, 2012

The Inland Revenue Department (IRD) hosted a tax seminar entitled "The Mainland's recent tax policy and updates on Hong Kong's tax treaty" today (June 11), offering some 600 participants from the business and accounting sectors a better understanding on how the Mainland's new tax policy helps the trade in eliminating double taxation.

Speakers at the seminar included the State Administration of Taxation (SAT) Chief Economist, Mr Zhang Zhiyong; the International Taxation Department Director General, Ms Gong Zuying; International Taxation Department Directors Mr Fu Shulin and Ms Fu Yao; the Commissioner of Inland Revenue, Mr Chu Yam-yuen; and Deputy Commissioners of Inland Revenue Mr Chiu Kwok-kit and Mr Wong Kuen-fai. The speakers gave detailed presentations on the recent tax developments in the Mainland and Hong Kong. The issues included the Mainland's change of Business Tax to Value Added Tax, tax incentives for low-profit small enterprises, and international tax policy; the recent development of Hong Kong's tax treaty network; the Advance Pricing Arrangement mechanism in Hong Kong; and the updates on the consultation for mapping out the legal framework for Hong Kong to enter into Tax Information Exchange Agreements.

In his opening remarks, Mr Chu said that the Mainland and Hong Kong had signed the "Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income" (the Arrangement) in 2006, with an aim of eliminating the incidence of double taxation encountered by companies and individuals from both sides in their cross-border activities resulting from the growing economic ties between the two places. The Arrangement has laid down provisions to assign the taxing rights between the two places, yet the Mainland and Hong Kong have to handle the tax matters in accordance with their respective domestic tax laws.

Since the implementation of the Arrangement, the Mainland and Hong Kong have met and discussed regularly to perfect the provisions of the Arrangement in a proactive and pragmatic manner, with opinions of various parties taken into account, he added.

On the local business sector's concern about issues arising from the implementation of the Arrangement by the two places, among which is the double taxation faced by cross-border workers, Mr Chu said that during the annual meeting between the SAT and the IRD held in Beijing more than two years ago the two sides raised the issue of double taxation for individual income tax in respect of cross-boundary employment for the first time. Taking into consideration the opinions of various parties and suggestions from the business and accounting sectors, the two sides, in a proactive and pragmatic approach, finally reached a consensus through rounds of discussion. Both sides agreed to adopt the "number of physical presence days" as the basis of allocation of taxable income. The new rules are undoubtedly good news to Hong Kong people engaged in cross-boundary employment.

The SAT released the Public Notice [2012] No.16 on April 26 this year introducing new rules with effect from June 1. The SAT adopts the basis of "number of physical presence days" in calculating the salary and bonus accountable within and out of the Mainland. This helps reduce the incidence of double taxation of individual income tax in respect of cross-border employment cases. Taking the opportunity, Mr Chu thanked the SAT for their understanding and support.

Ends