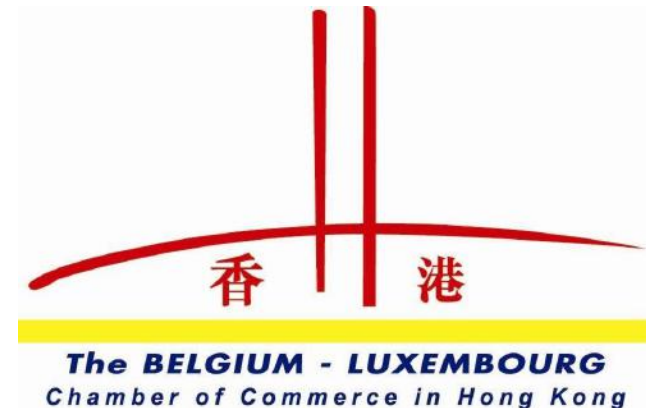


Webinar 13 April 2021

# Tax Declarations 2020

Did Covid-19 impact your situation?  
Best practices & recommendations

*fidinam*



# AGENDA

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- 1 Fiditam Group Worldwide
- 2 Tax Impacts of Covid19 for Businesses & Individuals
- 3 Profits Tax Return - 2020
- 4 Employer's Return - 2020
- 5 Salaries Tax Return - 2020
- 6

Fidinam

*f*idinam

# Fidinum Group

Created in  
**1960**

Net Trunover (USD)  
**55M**

**250+**  
Consultants

**15**  
Offices



**Switzerland**  
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Lugano  
Bellinzona  
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Dubai  
Singapore  
Sydney  
Ho Chi Minh City  
Mauritius

# Our Services

## Corporate Services

- Incorporation
- Legal Secretary
- Contacts Provider
- Bank Reference

## Business Consulting

- Accounting
- Financial planning
- CFO as a Service
- Audit (Connection)

## Human Resources Services

- Payroll
- Employment Contracts
- Work permit
- Insurance Reference

## Tax Consulting

- Corporate Tax
- International Taxation
- Wealth Planning
- Specialized Tax Services



# Speakers



Yan Hong  
Head of Tax



Anne de Roulhac  
Head of French Desk

# Tax Impacts of Covid19

Survey 1 - Which business difficulties did you suffer the most due to Covid19?

- a. Inability to travel
- b. Cash flow difficulties
- c. Staff management
- d. Lack of digital processes



Cashflow difficulties

Accelerated Digitalization

Decrease in Turnover

Remote Working

Salaries Cut & Staff Lay-Off

**Covid19**



*Do they bear tax consequences?*

# Profits Tax Return - 2020

**Cash-flow  
Difficulties**

*How to apply for tax payment deferral or instalments?*

**Decrease of  
Turnover**

# 1. Profits Tax Return 2020 – Calendar for filing & payment

## Seeking Deferrals &/or Instalments

Conditions	Documents Required	Tax Reliefs
Companies having <b>financial difficulties</b> settling their tax bills on time.	<b>Instalment</b> <ul style="list-style-type: none"> <li>- Payment Proposal</li> <li>- Last 3 months income &amp; expenditures</li> <li>- Last 3 months bank statements</li> <li>- Last 3 months management accounts</li> <li>- Debt repayment details</li> <li>- Cash flow position and forecasts</li> </ul>	<b>Waiver of surcharges</b> for late payment of taxes (5% to 10%)
	<b>Deferral</b> <ul style="list-style-type: none"> <li>- Last 8 months management accounts</li> <li>- Project of Profits Tax Computation</li> </ul>	<b>Holdover of provisional tax</b> or payment of tax by <b>instalments</b>

**Cash-flow  
Difficulties**

## *Tax Deductions – Smart Claims & Common Pitfalls*

**Decrease of  
Turnover**

## 2. Profits Tax Return 2020 – Tax Deductions

**Deductible Expenses** : incurred by the taxpayer in the production of **chargeable profits**

Non-Deductible Items	Under Scrutiny of IRD
<ul style="list-style-type: none"><li>• <b>Domestic</b> or <b>private</b> expenses</li><li>• Any expenditure of a <b>capital nature</b></li><li>• <b>Indemnities</b></li><li>• <b>Taxes</b> payable under the IRO</li></ul>	<ul style="list-style-type: none"><li>• <b>Mixed Expenses</b> Ex: IT equipment for professional &amp; private use</li><li>• <b>Related Parties Payments</b> Ex: Services fees paid to a shareholder</li></ul>

**Cash-flow  
Difficulties**

## *Profits Tax Rates in HK – 2 Tiers System*

**Decrease of  
Turnover**

### 3. Profits Tax Return 2020 – Two-tiered profits tax rates

Standard - One-Tier Tax system		
Assessable Profits	Corporations	Unincorporated Businesses
From 1 HKD	16.5%	15%
Optional - Two-Tiers Tax System		
Assessable Profits	Corporations	Unincorporated Businesses
First 2 million HKD	8.25%	7.5%
Remaining HKD	16.5%	15%

**Limitation:** to avoid abuses, **only 1 company** can apply for the 2 tiers-tax system **within 1 group**

- Corporations: connected entities under common control
- Sole Proprietorships: business carried by the same natural person



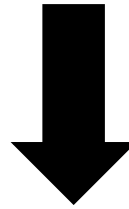
**Digital  
Acceleration**

*E-Commerce & Home-Working – Potential Tax Impacts*

**Remote  
Working**

## 4. Profits Tax Return 2020 – Offshore Claim

**Working Remotely**  
+  
**E-commerce Transition**



**Offshore  
Claim**

Documentation will be crucial – Keep track of supporting documents

## Survey 2 - Which staff-related issues did you face due to Covid19?

- a. Adjusting to Home Working
- b. Cutting Salaries &/or Terminating Employees
- c. Foreign Employees Leaving
- d. Immigration Related Issues


# Employer's Return - 2020

**Salaries  
Cuts**

*Employer's Return – Scope of Remunerations to Declare*

**Government  
Subsidies**

# 1. Employer's Return 2020 – Scope of Declarations

Issuance Date	Filing Date	Salaries	Others
April	1 month	<ul style="list-style-type: none"><li>- Employee's <b>Salaries</b></li><li>- <b>Housing</b> Benefits</li><li>- <b>Holiday/Journey</b> Benefits</li><li>- <b>Termination</b> payments</li><li>- <b>Share</b> Incentives</li><li>- <b>MPF</b> (or equivalents)</li></ul>	 <ul style="list-style-type: none"><li>- <b>Director's Fees</b></li><li>- <b>Part-Time Staff</b></li><li>- <b>Freelancer Fees</b></li></ul>

# 1. Employer's Return 2020 - ESS Subsidies

## Tax Treatment of ESS Subsidies ?

- **Not an Income** and thus not be declared within the Profits Tax Return
- Considered as **Salary** thus must be declared:
  - By the **Employer** within the **Employer's Return**
  - By the **Employees** within their **Salaries Tax Return**

**Digital  
Acceleration**

*Oversea Employees - Employers' Tax Declaration*

**Remote  
Working**



## 2. Employer's Return 2020 – Overseas Employees

- **Territorial basis** of taxation
- **Criteria** to assess whether an **oversea employee** is under **HK employment** (subject to HK taxes):
  - Employment Agreement: place of negotiations, conclusion and enforcement;
  - Employer's jurisdiction;
  - Place from where the tasks are executed;
  - **Duration of stay in the overseas jurisdiction = only 1 criteria among others**
  - Place of payment of the employee.
- **HK Employer**: shall **declare** salaries paid to overseas employees hired under HK employment
- **Overseas Employees**: may claim **double taxation reliefs**, under DTAs, if also subject to tax overseas



**Salaries  
Cuts**

*Layoff - Tax Declarations Upon Staff Termination*

**Staff  
Lay-Off**

# 3. Employer's Return 2020 – Staff Termination

## Exclusions

- **Pregnant** women
- While on **paid leaves**
- While on **paid sick leave**
- Work-Related **Injured**
- **Trade Union** employees

## Requirements

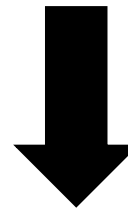
- **Prior notice**
- Or **payment in lieu**

## Termination Package

- Outstanding **wages**
- Untaken **annual leaves**
- Pro-rata guaranteed **bonus**
- Others as per **contract**

## Severance Payment (if any)

- **Continuous contract**  
(at least 24 months)
- If Lay-Off or **Redundancy**
- $2/3 \times$  average monthly wage  
 $\times$  reckonable years of service
- **Capped at HKD 390,000**



Form **56F** (laid-off staff who stay in HK)  
Form **56G** (laid-off staff who depart HK)

**Employer's  
Return  
Reporting**

Survey 3 - Does your employer provide extra benefits?

- a. Annual Leave (more than statutory min)
  - b. Educational Training
  - c. Home Working Arrangements
  - d. Housing Benefits

# Individual Tax Return - 2020

**Digital  
Acceleration**

*Oversea Employees - Employees' Tax Declaration*

**Remote  
Working**

# 1. Individual Tax Return 2020 – Hong Kong Tax Residency

- **Territorial basis** of taxation (HK Employment)
- **Progressive rates**
- **Exemptions** for overseas employees:
  - **Working outside** Hong Kong for the **whole fiscal year**
  - Visiting **Hong Kong** for **less than 60 days** within this fiscal year
  - Claiming **double tax relief** under a DTA – as already paying **IIT overseas**
- Standard **Deductions**: approved charitable donations, MPF contributions, allowances

Net Chargeable Income (HKD)	Rate
1 <sup>st</sup> 50,000	2%
2 <sup>nd</sup> 50,000	6%
3 <sup>rd</sup> 50,000	10%
4 <sup>th</sup> 50,000	14%
Over 200,000	17%

**Salaries  
Cuts**

*Salaries & Side Advantages - Housing Benefits*

**Remote  
Working**



## 2. Individual Tax Return 2020 – Housing Benefits

- Neutral for Employers
- Reducing Employees' Taxable Basis

Housing Arrangements	Benefits	Salaries Tax
1. Housing Allowance	Extra Cash	Full Amount
2. Rent-Free Accommodation	Advantage in Kind	Only the <b>Rental Value</b> (computed at 10% of the employee's remaining income)
3. Subsidized Accommodation	Reimbursement	

- Example

Scenario 1		Scenarios 2 & 3	
Salary	300,000 HKD	Salary	300,000 HKD
Housing Allowance	120,000 HKD	Rental Value	30,000 HKD
Taxable Income	<b>420,000 HKD</b>	Taxable Income	<b>330,000 HKD</b>

**Salaries  
Cuts**

*Employee's Deductions - Miscellaneous*

**Cash-Flow  
Difficulties**

## 3. Individual Tax Return 2020 – Cash Payout Scheme & MPF

### Tax Treatment of Cash Payout Scheme?

- **HK\$10,000** one-off subsidy granted to each **Hong Kong PR** aged 18 or above
- **Not an Income** and thus not be declared within the Individual Tax Return

### Deduction of MPF Contributions?

- **Mandatory** MPF contributions: deduction up to HK\$18,000/year
- **Voluntary** MPF contributions (MPF account under individual name): deduction up to HK\$60,000/year



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# Conclusion

We are ready,  
When you are.

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