



The 5th BRITACOF

Deepening Tax Administration Cooperation for
High-Quality Belt and Road Development

Hong Kong, China 24-26 / 9 / 2024



Hong Kong Tax in Practice

Jeremy Choi | AOTCA President | Hong Kong / PwC





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1

Quality of Tax Laws and Regulations





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Clarity and Stability

- Territorial source principle
- Highly transparent legislative process
- Consultation with stakeholders before the introduction of any new laws or tax initiatives
- Decisions of the Board of Review and related judgments of the Courts are published
- Regularly issues guidance on the application of tax laws



Inland Revenue Department

The Government of the Hong Kong Special Administrative Region
of the People's Republic of China

DEPARTMENTAL INTERPRETATION AND PRACTICE NOTES

NO. 21 (REVISED)

LOCALITY OF PROFITS

These notes are issued for the information of taxpayers and their tax representatives. They contain the Department's interpretation and practices in relation to the law as it stood at the date of publication. Taxpayers are reminded that their right of objection against the assessment and their right of appeal to the Commissioner, the Board of Review or the Court are not affected by the application of these notes.

These notes replace those issued in December 2009.



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Fairness

- Same principles applied across the board
- Two-tiered profits tax rate system

Consistency with International Standards

- Foreign-sourced Income Exemption (FSIE) regime
- BEPS 2.0 – Pillar Two
- Concept of tax residence under tax treaties
- Transfer pricing rules
- Definition of permanent establishment





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2

Public Services Provided by Tax Authorities





Efficiency

“Assess first, audit later”
approach to streamline
the assessing procedures

Transparency

- Tax laws being clearly set out and accompanied by guidance
- Clear appeal process for tax audit and investigation cases

The Hong Kong Inland Revenue Department

Accessibility

- Direct contact with the in-charge officer by either phone or email
- General enquiry hotline
- A wealth of resources is offered on the IRD’s website

Flexibility

- Phased implementation of electronic filing for tax returns
- Tax payments can be made via the internet through various methods



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3

Efficiency of Tax System in Practice





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Public-Private Collaboration



LEGISLATION FORMULATION PROCESS

- Solicit feedback on proposed legislation from relevant industry players and professionals (e.g. FSIE regime, patent box, Pillar Two, etc.)
- Consider the practical issues and concerns raised during the legislation process to the fullest extent possible



REGULAR UPDATES TO ADDRESS PRACTICAL ISSUES

- Engage regularly through annual meetings with the HKICPA to discuss and exchange views on tax technical issues, as well as administrative matters of mutual concern
- Update resources regularly to provide guidance to taxpayers (e.g. DIPNs, FAQs and illustrative examples) to reflect changes in practice.



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Digitalization

- Implementation of electronic filing (e-filing)
- Facilitation of diverse tax payment options with more online payment choices

Risk Management

- Selection of audit targets via financial data analytics
- Establishment of a Large Business Office for coordinated and consistent assessments of entities within multinational groups





The 5th Belt and Road Initiative Tax Administration Cooperation Forum



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Thank you

