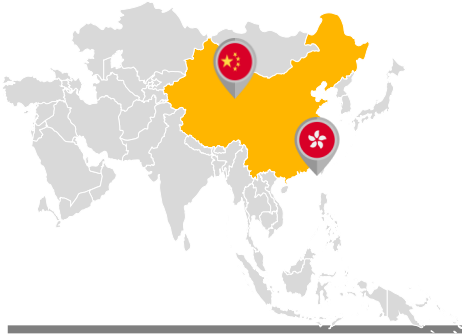


Global Mobility: Regional Tax Round-Up

September 2018



Welcome to our *Regional Tax Round-Up*, a quarterly series that features hot topics and recent changes affecting the personal income taxation of your internationally-mobile employees across the region.

To view the full publication online, please visit <https://www.gmsasia.pwc.com>



Hong Kong

[Read more here](#)

Changes to method of seeking double tax relief on employment income

What is happening?

New tax legislation has been passed into law which impacts the manner in which employees can seek relief for double tax on their employment income.

1. Clarification of means of double tax relief

From 2018/19, individuals whose income becomes taxable in a country with which HK has Double Tax Agreement (“DTA”) may only seek relief by claiming a foreign tax credit for the tax paid overseas. As credits are not always as beneficial as exemptions, this could result in greater global tax exposures.

If they become taxable in a country with which HK does not have a DTA (for example, Singapore), the individual may still seek relief by claiming an income exclusion on the doubly-taxed income.

2. Other changes

- Requirement for taxpayers to take all ‘reasonable steps’ to minimise foreign tax payable before making a tax credit claim in HK
- Tax credit claims may now be made up to 6 years after the end of the relevant year of assessment
- Individual must notify the IRD of any adjustments to foreign tax paid within 3 months of the adjustment.
- The IRD is empowered to adjust an individual’s salary tax liability if it regards the remuneration received as not on an arms’ length basis.

What does it mean for employers?

- Employers should closely manage their mobile employees’ tax positions outside HK to manage double-tax exposures, and to seek relief appropriately where necessary.
- Taxpayers seeking relief from the IRD should be prepared for greater scrutiny of claims.



Significant Individual Income Tax reform to take effect from 1 January 2019

What is happening?

A significant revamp of the Individual Income Tax (IIT) system will come into effect 1 January 2019.

Changes

Impacts on employers/employees

Introduction of a 183-day residence test

Tax residency

Not yet clear how the “5-year rule” will be affected. Could result in **greater resistance to long-term assignments** due to higher worldwide tax exposures

Revised taxable income categories to implement comprehensive taxation on income from wages & salaries, labour services and other categories

New tax system

Different tax systems for resident and non-resident individuals. **More complicated tax compliance process** going forward

Adjustment of tax brackets and tax rates, particularly for low and middle-income earners

Tax rates

Slightly reduced tax liability. New tax rates and tax bands took effect from 1 October 2018

Establishing a comprehensive tax deduction system, and introduction of new specific deductions (e.g. children’s education and housing costs)

Deductions

Not yet clear on **potential tax cost impacts** for foreigners enjoying the existing non-taxable fringe benefits

Incorporation of anti-tax avoidance rule e.g. arms’ length principle, CFC rules, GAAR provisions

Anti-avoidance

Greater **due diligence** and **conservativeness in tax reporting**

Introduction of a unique taxpayer identification number, information sharing amongst government authorities

Admin

Greater **transparency and sharing of information**

Let’s talk

Our mobility specialists are ready to solve your important mobility-related problems.



James Clemence
Asia Leader, Hong Kong
+(852) 2289 1818
james.clemence@hk.pwc.com



Jacky Chu
Lead Partner, China
+86 (21) 2323 5509
jacky.chu@cn.pwc.com

© 2018 PwC International Assignment Services Pte Ltd. All rights reserved.

Disclaimer: This publication is intended to provide only general information and it does not amount to professional, legal or tax advice. Readers should therefore not rely on the contents of this publication as a basis of specific action, without seeking professional advice.

*PricewaterhouseCoopers refers to PwC International Assignment Services Pte Ltd or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

Co. Reg. No. : 200607730N.