



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會



**Module Preparation Seminar (Part I)**  
**for**  
**Module D on Taxation**

**Speaker**  
**Dr. Fiona Lam**

**18 April 2013**



# EXECUTIVE TRAINING COMPANY (INTERNATIONAL) LTD



# About the Lecturer



## Dr Fiona Lam

**Managing Director and Principal Lecturer - MC & MD**

*PhD, ACA(UK), FCCA, FAIA,  
CPA(Practising), BBA(Acc & Fin), ATIHK*

- ❖ **Practising partner of a medium size firm**
- ❖ **Practical experience in corporate governance, risk management, auditing and tax**
- ❖ **Passed QP exams and other exams ie ACCA, AIA, PC all in one go**
- ❖ **Professional training 10 years ago and has been teaching MC & MD since then**
- ❖ **Taught over 5000 students**



## Module Preparation Seminar on Major or Difficult Syllabus Topics (Part I)

- **Chargeability and deductibility of intellectual properties**
- **Clubs and trade association**
- **Ethics in tax practice**



# Passing MD – Basic Technique



## Expectations from Students:

- Quote correctly sections (sub-sections), DIPN and cases
- Correct application of the tax rules
- Correct conclusion given – answer the question
- Count marks for each question ie 5 marks question – at least 7 minor points
- Present your answer in a logical manner
- Use assumption

# Answer Plan for each question



**Step 1** – Which kind of tax?

**Profits Tax, Salaries Tax and Property Tax?  
Involve Stamp Duty?**

**Step 2** – Is the question related to income or expense?

**Step 3** – Consider the charging section or the general rule first? Then consider any DIPN & cases in support.

# Answer Plan for each question



**Step 4** – Apply to the question's facts

**Step 5** – Discuss different applications under different assumptions

**Step 6** – Suggest further evidence and give a reasonable conclusion





# **Chargeability and deductibility of intellectual properties**



# MD – Intellectual properties



## Royalties income

- Deemed trading receipts

**Section 15** of the IRO extends the scope of charge of S14 by providing that certain sums “shall be deemed to be receipts arising in or derived from Hong Kong from a trade, profession, or business carried on in Hong Kong.

# MD – Intellectual properties



- S15(1)(a) and S15(1)(b)

Royalty income (re s.15(1)(a) – receipts from the “use” of audio and visual materials in Hong Kong and s.15(1)(b) - sums received from the 'use' of or right to “use” in Hong Kong patent, design, trademark, copyright and other intellectual property rights.

Under Section 15(1)(a) and (b), if a non-resident registers an intellectual property outside Hong Kong and permits the intellectual property to be used in Hong Kong in return for a royalty, the royalty income received by the non-resident is chargeable to Hong Kong profits tax under the deemed trading receipts section.



# MD – Intellectual properties



- *Emerson case*

As a result of the decision of Emerson Radio Corporation case, royalty paid for goods manufactured **outside Hong Kong is exempt** from Hong Kong profits tax. Only those royalty paid for goods manufactured in Hong Kong is taxable. A practical meaning rather than intellectual property related definition is given to the word **“use”** in *Emerson case*.



# MD – Intellectual properties



- s.15 (1)(ba)

s.15(1)(ba) – sums received from the “use” of or right to “use” outside Hong Kong patent, design, trademark, copyright and other intellectual property rights).

The purpose of the new added section 15(1)(ba) in June 2004 is to differentiate royalty paid for the use of intellectual property outside Hong Kong and restrict the effect of *Emerson case*. The new section widens the scope of the charge of profits tax on royalty received by a non-resident. If the royalty is a deductible expense of a person carrying on a business in Hong Kong, the recipient of the royalty is chargeable with profits tax under Section 15(1)(ba).

# MD – Intellectual properties



- *Lam Soon Trademark case*

Only **profits arising in or derived from Hong Kong** are subject to Hong Kong profits tax. Hence it is important to determine the **source** of royalties income. In **DIPN 21 (Revised)**, the IRD takes the position that the source of royalty income is the place **where the acquisition and granting of the intellectual property** which gives rise to the royalty.



# MD – Intellectual properties



- *Lam Soon Trademark case*

Though it is arguable, the source of royalties income can be determined according to the **location where the intellectual property is managed and controlled**. For example, the trademark is considered **sourced in HK** when the agreements are made in Hong Kong and the company **manages** the agreements from Hong Kong under the master agreement. In addition, if the management and control of the taxpayer are in Hong Kong and the **agreements are made in Hong Kong**, in such case the full amount of the fees received will be subject to tax under Section 14.



# MD – Intellectual properties



- **DIPN 49 Part B**

## **Taxation of royalties derived from licensing of intellectual property rights**

**Whether royalties derived from licensing activities are chargeable to tax in Hong Kong depends on the facts of each case.**

# MD – Intellectual properties



- **DIPN 49 Part B**

Where the IPR is **created or developed** by the licensor

If an IPR is **created or developed by a taxpayer** carrying on business in Hong Kong and is licensed by the taxpayer to another party **for use outside Hong Kong**, the royalties so derived will generally be regarded as **Hong Kong sourced income** and hence will be subject to Hong Kong tax. This is because the royalty income is primarily generated by the taxpayer using his wits and labour to create or develop the IPR in Hong Kong. The expenses incurred in creating or developing the IPR will be deductible under section 16B if such expenses are related to R&D.

# MD – Intellectual properties



- **DIPN 49 Part B**

Where the IPR is **purchased** by the licensor

If a taxpayer has **purchased** the proprietary interest of an IPR and licenses that IPR to another party for use outside Hong Kong, the **royalties so derived will generally be regarded as non-Hong Kong sourced income** and hence will not be subject to Hong Kong tax



# MD – Intellectual properties



- **DIPN 49 Part B**

Where the IPR is **not owned** by the licensor

If a taxpayer only **obtains a licence to use an IPR from its owner** (i.e. the taxpayer has not obtained the proprietary interest of the IPR) and then **sub-licenses the IPR** to another party for use outside Hong Kong, the Department will, in ascertaining whether the royalties so derived are Hong Kong sourced income, **take the place of acquiring and granting the licence as the source of income.**

# MD – Intellectual properties



- **DIPN 49 Part B**

As such, if the taxpayer **acquires** in Hong Kong the licence for use of the IPR, and grants a **sub-licence also in Hong Kong**, the royalties derived from sub-licensing the IPR will be regarded as derived from Hong Kong. As the taxpayer has not acquired the proprietary interest of the IPR which is a Relevant Right, he is not eligible to obtain the deduction for the capital expenditure incurred on the Relevant Right

The **licence fee incurred by the taxpayer** will be deductible if it satisfies the conditions provided under the general deduction provisions of section 16(1).



# MD – Intellectual properties



- **Assessable amount**

In general, **30%** of such sums are assessable under **s.21A** and as such, the effective tax rate applicable to these sums would be **4.95%**

However, if the sums are derived from an **associate** and that the corresponding right to the intellectual property has been **wholly or partly owned** by any person carrying on a trade, profession or business in Hong Kong, the sums are **100%** assessable.



# MD – Intellectual properties



- Tax collection methods targeting NR (non residents)

The relevant tax liability rests with the NR as well as the **local agent** who shall retain assets for tax payment – **s. 20A**. In case the NR is receiving sums like royalty under **s. 15(1)(a), (b) or (ba)** or the NR are entertainers or sportsmen participating in any commercial events in Hong Kong, the resident payer of the sums is also liable to pay the tax – **s. 20B**

**Section 20B** also provides that IRD can raise an assessment on a NR in the name of the **payer (the Hong Kong resident)** and recover the tax from the payer. Hence the Hong Kong resident is required to file a return on behalf of the NR.



# Exam Questions Review

## May 2008 – Case Qu 1a (amended)

# MD – Exam Questions Review



## May 2008 – Case Qu 1a (amended)

### Question

**Nick is a famous composer. He transferred all the rights of his musical works to a Hong Kong company namely Nick Production Workshop Limited (“NPWL”) for commercial exploitation. Nick is the major shareholder and director of NPWL. During the year ended 31 March 2007, NPWL’s profit and loss account shows the following particulars:**

**Royalty income (Note 1): 379,266**



# MD – Exam Questions Review



**May 2008 – Case Qu 1a (amended)**

## Question

**Note 1** – The royalty income was derived from XYZ Music Publishing Limited (“XYZ”), a company incorporated in the UK. In February 2006, the Managing Director of XYZ visited Hong Kong and was impressed by the songs written by Nick. By a licensing agreement dated 16 February 2006 (“the Agreement”), NPWL agreed to grant an exclusive licence to XYZ to exploit the rights of certain music works in the territory of Germany, Australia and New Zealand (“the Territory”) in return for a fee. The fee payable by XYZ to NPWL under the Agreement would be a percentage of the actual income received by XYZ from performance and broadcast of NPWL’s musical works in the Territory.

# MD – Exam Questions Review



**May 2008 – Case Qu 1a (amended)**

## Question

**XYZ settled the royalties under the Agreement by transfer from its bank account in Australia to NPWL's bank account, also maintained in Australia. The sum of \$379,266 was the net royalty income after the deduction of applicable overseas withholding tax of \$31,119 in Australia and New Zealand.**

# MD – Exam Questions Review



**May 2008 – Case Qu 1a (amended)**

## Question

**1) Explain the profits tax position of NPWL in respect of:**

**a) The royalty income derived from XYZ (Note 1 above).**

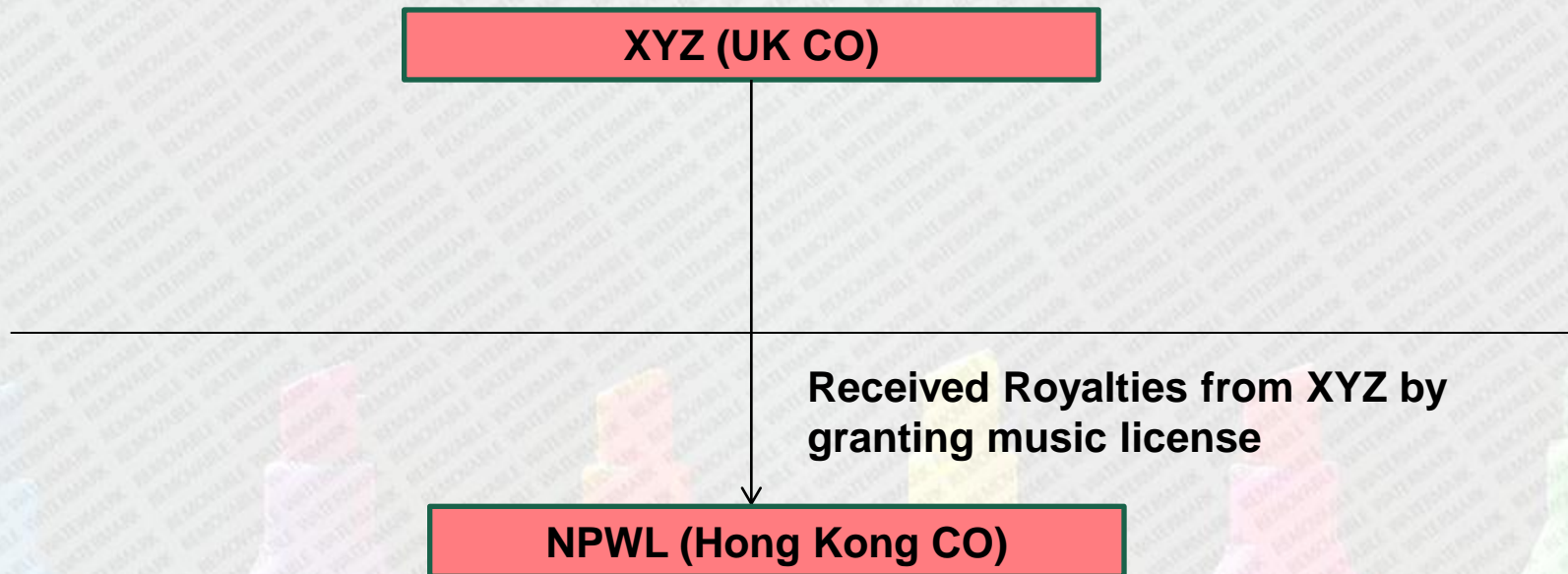
**(12 marks)**



# MD – Exam Questions Review



## May 2008 – Case Answer 1a (amended)



# MD – Exam Questions Review



## May 2008 – Case Answer 1a (amended)

Under **s14(1)**, profits tax shall be charged on every person carrying on a trade, profession or business in Hong Kong in respect of his assessable profits arising in or derived from Hong Kong.

The broad guiding principle is that “**one looks to see what the taxpayer has done to earn the profit in question and where he has done it**”. [*Hang Seng Bank; TVBI Case*] – using the operation test

It is only the **operations of the taxpayer** which are the relevant consideration.

# MD – Exam Questions Review



## May 2008 – Case Answer 1a (amended)

### Applying to the case:

NPWL was **carrying on business** in Hong Kong. There is no evidence that it had any permanent establishment outside Hong Kong.

The issue is whether the royalty income arose in or was derived from Hong Kong.

NPWL **acquired** the music licence rights from Nick in Hong Kong. NPWL executed a licencing agreement in Hong Kong to **grant a licence** in respect of the music works.



# MD – Exam Questions Review



## May 2008 – Case Answer 1a (amended)

NPWL derived the royalties from the **acquisition and granting** of the music rights.

As the acquisition and granting of the music rights were carried out in Hong Kong, the source of the royalties was in Hong Kong.

The **place of payment has no bearing in determining** the locality of profit in the present case.

Although the broadcast and performance of the musical works took place overseas, they were not relevant considerations. These were the operations of XYZ and not NPWL.



# Exam Questions Review

## May 2008 – Qu 6

# MD – Exam Questions Review



**May 2008 – Qu 6**

## Question

**The Newton Corporation is an international company carrying on a business providing logistics services. The aim of Newton Corporation and its subsidiaries (“the Newton Group”) is to offer flexible logistics solutions to their customers.**

**The Newton Group is planning to set up a company (“XCo”) in Cyprus or Malta and hereinafter transfer the group's trade-marks to this company. The transfer of trademarks will be made at fair market value. XCo will receive royalty payments from its subsidiaries in various countries, including Hong Kong, where the Newton Group has business activities (Assume that the transfer is at arm's length and for commercial reasons).**



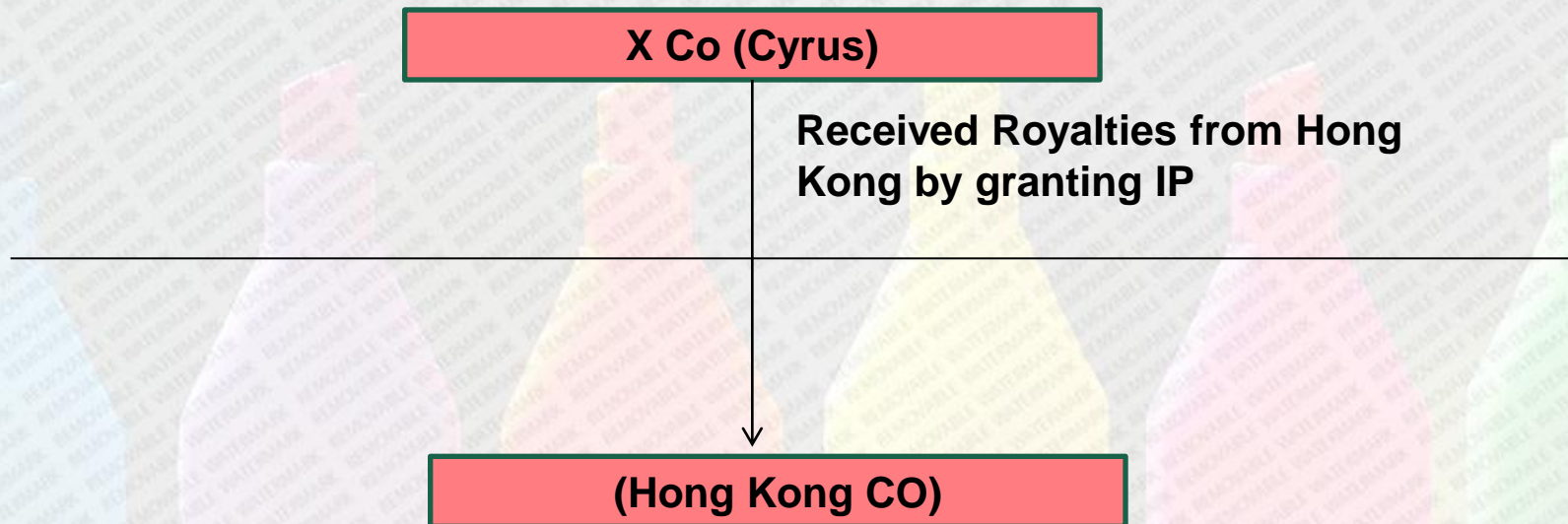
# MD – Exam Questions Review



May 2008 – Qu 6

## Question

The royalty rate will be approximately 0.5% on the turnover (assume this is on arm's length basis and in line with the Newton Group's transfer pricing policy).



# MD – Exam Questions Review



**May 2008 – Qu 6**

## Question

**Required:**

- a) **Outline the relevant tax rules and explain whether the royalty payments received by XCo from the Hong Kong subsidiary will be liable to tax in Hong Kong? (Assume year of assessment to be 2006/07) (8 marks)**
- b) **Will the royalty payments incurred by the Hong Kong subsidiary be deductible? (1 mark)**
- c) **Is there any stamp duty in Hong Kong in connection with royalty payments? (1 mark)**

# MD – Exam Questions Review



## May 2008 – Answer 6a

Pursuant to Section **15(1)(b)** of the Hong Kong Inland Revenue Ordinance ("IRO"), any sums, not otherwise taxable in the hands of the **non-resident**, received or accrued to a person for imparting knowledge connected with **(1) the use of, or (2) right to use**, in Hong Kong any patent, design or trademark, copyright material, secret process or formula, or any other similar property (collectively referred to as the "IP") shall be deemed as Hong Kong sourced trading receipts.



# MD – Exam Questions Review



## May 2008 – Answer 6a

The assessable profits, by reference to **Section 21A** of the IRO, will be deemed to be **30% of the royalties** (or 100% if the payments were made to an associate. The 100% would not be applicable if the Commissioner is satisfied that no person carrying on a trade, profession or business in Hong Kong has at any time wholly or partly owned the relevant property.)

# MD – Exam Questions Review



## May 2008 – Answer 6a

### Applying to the case:

The Newton Corporation's subsidiary in Hong Kong would be required to **withhold** the appropriate level of tax for submission to the Hong Kong Inland Revenue Department. The current applicable effective withholding tax rate is **5.25%** (i.e. only 30% of the sums received by XCo would be deemed as assessable profits and subject to Hong Kong profits tax at rate of 17.5% for IP that had never been wholly or partly owned by a person carrying on a trade, profession or business in Hong Kong. Otherwise, 100% of the sums received by XCo from the Hong Kong subsidiary would be deemed as assessable profits and subject to Hong Kong profits tax at rate of 17.5%.) → **(Now: 2011/2012 onwards – Profit tax rate 16.5%)**



# MD – Exam Questions Review



## May 2008 – Answer 6a

Following the enactment of the Inland Revenue (Amendment) Ordinance 2004, a further deeming section i.e. Section 15(1)(ba) was introduced. This rule effectively deems any sums of royalty paid by a Hong Kong company, for the use of or right to use outside Hong Kong any IP on or after 25 June 2004 as trading receipt if the royalty payments are treated as deductible in ascertaining Hong Kong Company's assessable profits. Based on our assumptions that (1) the IP (i.e. the trademark) would be used in Hong Kong and (2) the Hong Kong subsidiary would have the right to use the IP in Hong Kong and (3) the IP had never been wholly or partly owned by a person carrying on a trade, profession or business in Hong Kong, 30% of the royalty payments from the Hong Kong subsidiary to XCo would be subject to tax in Hong Kong.



# MD – Exam Questions Review



## May 2008 – Answer 6b

If the royalties are incurred by the Hong Kong subsidiary in the production of assessable profits, these expenses should be deductible. (Section 16 IRO)

## May 2008 – Answer 6c

There is no stamp duty on royalties.



# Exam Questions Review

## Jun 2011 – Case Qu 2a

[www.etctraining.com.hk](http://www.etctraining.com.hk)

# MD – Exam Questions Review



**Jun 2011 – Case Qu 2a**

## Question

**A Ltd. was a leading supplier of audio and visual equipment in Hong Kong. In the early nineties, A Ltd. closed its factory in Hong Kong and subcontracted the manufacturing process to four unrelated contractors in mainland China (“the Mainland”). Whilst the company had its own representative office in the Mainland to liaise with the contractors, it did not involve itself in the production work. In Hong Kong, A Ltd. maintained a sales department to solicit orders from customers and a merchandising department to source raw materials and arrange shipments of them as well as the finished products. Most of its directors also stationed themselves in Hong Kong to manage the daily operation of the company.**



# MD – Exam Questions Review



**Jun 2011 – Case Qu 2a**

## Question

All along A Ltd. had been assessed as per its profits tax returns without query, until recently when the Inland Revenue Department (IRD) commenced an audit on the tax affairs of A Ltd. for the years of assessment 2008/09 to 2010/11.

Upon a review of the relevant documents and records for 2 months, the Assessor revealed the following:

# MD – Exam Questions Review



**Jun 2011 – Case Qu 2a**

## Question

A Ltd. claimed that **half of its profits** were derived from the manufacturing activities outside Hong Kong. It also claimed depreciation allowance in respect of the plant and machinery which had been provided to the Mainland contractors for production without consideration.

One of the audio and visual products sold by A Ltd. involved a patented technology held by B Inc., a U.S. company which had no relationship with A Ltd. and did not carry on any business in Hong Kong. During the relevant years, A Ltd. paid substantial royalties in respect of the technology and charged the payments in its accounts. It did not, however, report to the IRD the receipt of royalties by B Inc.



# MD – Exam Questions Review



**Jun 2011 – Case Qu 2a**

## Question

**2) Discuss whether A Ltd. has acted properly under the Inland Revenue Ordinance (IRO) in respect of:**

**a) the royalty payments to B Inc.**

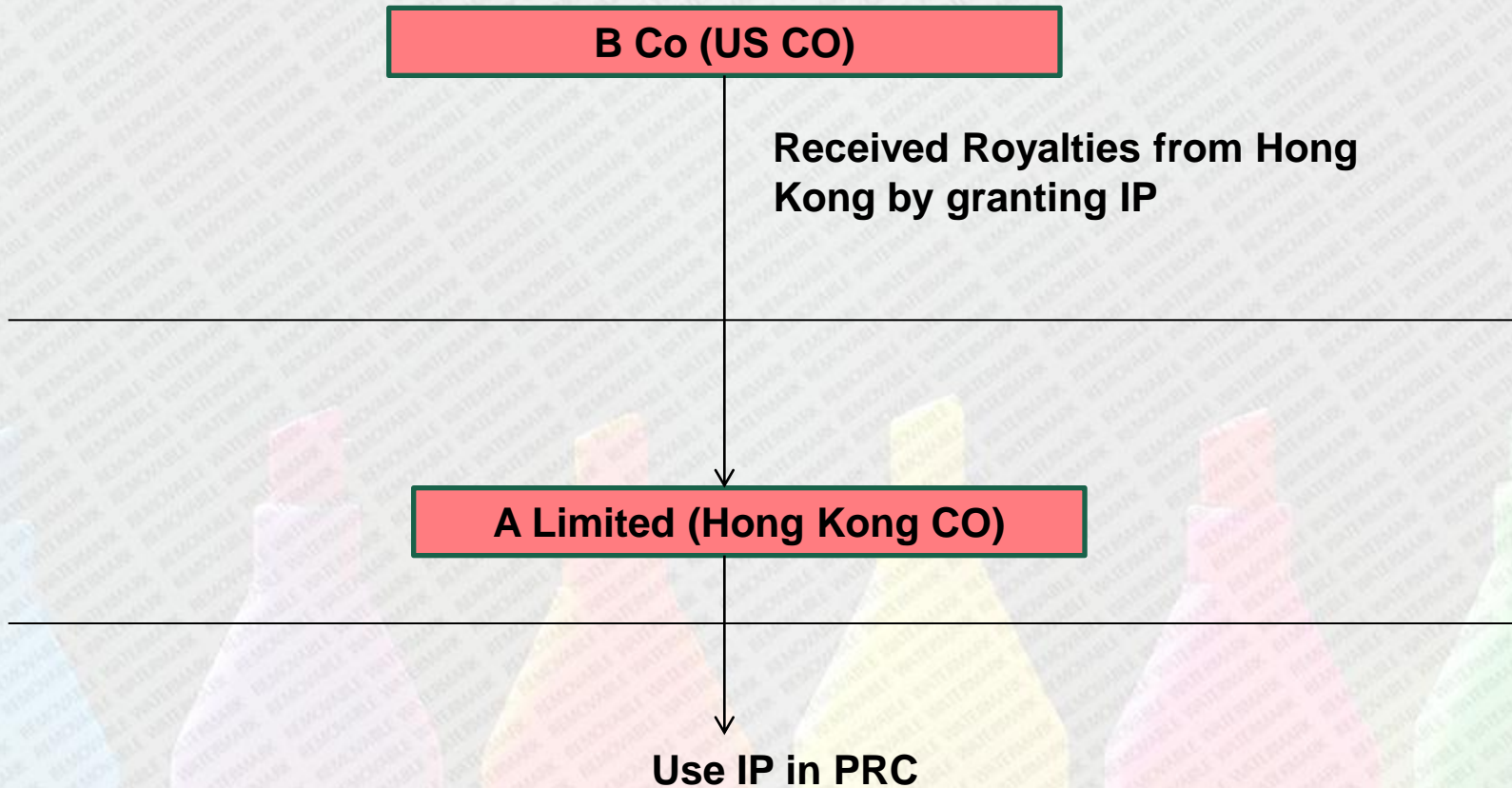
**(8 marks)**



# MD – Exam Questions Review



## Jun 2011 – Case Answer 2a



# MD – Exam Questions Review



## Jun 2011 – Case Answer 2a

Though B Inc. did not carry on any business in Hong Kong, it **received royalties** from A Ltd. in respect of the patented technology used for the production of audio and visual equipment in the Mainland. Such royalties were deducted in ascertaining the assessable profits of A Ltd. By virtue of **s.15(1)(ba)** of the IRO, the royalties are deemed to arise in or be derived from Hong Kong from a trade, profession or business carried on by B Inc. in Hong Kong.

Since B Inc. is a **non-resident**, **s.20B(2)** of the IRO provides that A Ltd., **who paid the royalties to B Inc., is chargeable to tax on behalf of B Inc.** in respect of the royalties. As the tax so charged is recoverable from A Ltd., it should deduct from the royalties a sum sufficient to pay the tax due by virtue of **s.20B(3)** of the IRO.

# MD – Exam Questions Review



## Jun 2011 – Case Answer 2a

Being the person chargeable to tax on behalf of B Inc., **A Ltd. failed to report the royalty payment to the IRD.** Such failure is contrary to s.51(2) of the IRO, which requires the taxpayer to inform his chargeability to tax within 4 months after the end of the basis period of the relevant year of assessment.



# MD – Intellectual properties



## Deduction

- **General deduction rule**

The general principles for expense deduction are laid down **under s.16(1) and s.17(1)**. In essence, **all outgoings and expenses to the extent to which they are incurred by the taxpayer during the basis period of the year of assessment in the production of chargeable profits shall be deducted [s.16(1)]**.

# MD – Intellectual properties



- Deduction of Patent

**Section 16E [DIPN 5 (Revised)]** allows such purchase of patent rights or know-how rights for use in Hong Kong in the production of chargeable profits. The purchase **shall not be made from associate**. The subsequent sale of such rights is nevertheless taxable. If the patent rights or know-how rights are purchased partly for use in Hong Kong and partly for use outside Hong Kong, a deduction is only allowed for that part of the expenditure which is reasonable and appropriate according to the extent of the use of the patent or know-how in Hong Kong. (“**know-how**” – any industrial information or techniques likely to assist in the manufacture or processing of goods or materials.)

# MD – Intellectual properties



- **DIPN 49**

**Part A: Profits Tax deduction of capital expenditure on relevant intellectual property rights**

**Part B: Taxation of royalties derived from licensing of intellectual property rights**



# MD – Intellectual properties



- **DIPN 49 [Recap]**

The Financial Secretary proposed in the **2010 - 2011 Budget** that profits tax deduction should be extended to cover capital expenditure incurred on the purchase of three types of commonly-used IPRs, namely, copyrights, registered designs and registered trademarks (“the Specified IPRs”). In December 2011, the Legislative Council passed the Inland Revenue (Amendment) (No. 3) Ordinance 2011 (“the 2011 Amendment Ordinance”) to implement the above budget proposal.

# MD – Intellectual properties



- DIPN 49 [Brief Summary] – 2011 amendments to section 16E

## To remove the “use in Hong Kong” condition

The “use in Hong Kong” condition imposed by section 16E(1) on the deduction for patent rights and rights to any know-how is removed. Capital expenditure on the purchase of patent rights and rights to any know-how would be **deductible irrespective of whether they are used in Hong Kong** so long as other deduction conditions are satisfied and that the deduction is not otherwise precluded under the provisions of section 16EC.



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Part A**

**Following the enactment of the 2011 Amendment Ordinance, deduction is provided for capital expenditure to acquire patent rights, rights to any know-how, copyrights, registered designs and registered trademarks.**

**What are:**

- ✓ **Registered designs** - means features of shape, configuration, pattern or ornament applied to an article by any industrial process, being features which in the finished article appeal to and are judged by the eye designs registered under the RDO



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Part A**

- ✓ **Registered trademarks** - any sign which is capable of distinguishing the goods or services of one undertaking from those of other undertakings and which is capable of being represented graphically - registration for trademarks provides legal protection in the jurisdictions or territories where they are registered

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Patents, registered designs and registered trademarks

The Relevant Rights have to be registered where a registration system is in place, namely patents, designs and trademarks. For the other two IPRs, i.e. know-how and copyrights, no registration is required. **To qualify for deduction, a patent must have been granted or registered with the relevant authorities while a design or trade mark must have been registered, on the date of acquisition.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Registration in Hong Kong or overseas

**Capital expenditure incurred to acquire any Relevant Rights registered in Hong Kong or overseas will qualify for deduction.**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Registration of assignment in process

**A Relevant Right undergoing the registration process would also be accepted for claiming deduction**

**Deduction would be allowed for the capital expenditure incurred on the purchase of the Relevant Rights on the conditions that:**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Registration of assignment in process

- ✓ the Relevant Rights have already **been registered by the previous owners** with the relevant authorities; and
- ✓ the taxpayers have already submitted applications for registering the Relevant Rights under their names.
- ✓ When the registration of a Relevant Right is subsequently invalidated, revoked or surrendered, the Relevant Right concerned will not be eligible for the deduction from the date when the invalidation, revocation or surrender becomes effective.



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Legal and economic ownership

**Outright purchase** – If a deduction is to be allowed, a taxpayer must possess both the legal and economic ownership (or proprietary interest).

**License of Relevant Rights** – Any expenditure incurred on the acquisition of a “licence” of a Relevant Right is not deductible. Expenses relating to the licensing of Relevant Rights may be deducted under the normal deduction rules under S16(1).



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Legal and economic ownership

**Self- Created Relevant Rights** – Under section 16E or 16EA because the owner and creator has not incurred expenditure to purchase the Relevant Right. The **R&D expenditure in relation to the new invention may be deductible** under section 16B provided that the prescribed conditions are fulfilled.

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Legal and economic ownership

**Relevant Rights which are partly owned** – A taxpayer having **partial ownership** of a Relevant Right is also eligible to claim for the deduction so long as he has a share or interest in the Relevant Right. The taxpayer will be granted for the amount of capital expenditure incurred by him for acquisition of such share in the ownership of the Relevant Right.



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction Allowable – Conditions for deduction.**

## Legal and economic ownership

**Requirement of “use”** - If taxpayers can prove to the satisfaction of the Department that they have carried out concrete steps in relation to the **use of the Relevant Right for production of chargeable profits**, the Department would accept that the taxpayers have fulfilled the requirement.

To be eligible for deduction, the **Relevant Rights have to be used in producing profits chargeable to tax in Hong Kong.**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## Legal expenses and valuation fees

Capital expenditure incurred on the purchase of a Relevant Right is **deductible** and it includes **legal expenses and valuation fees** incurred in connection with the purchase of that right.

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## Capital expenditure incurred prior to commencement of business

**Where a taxpayer incurs capital expenditure on the purchase of a Relevant Right for the purposes of a trade, profession or business which is about to commence, the expenditure is to be treated as if it has been incurred on the first day on which the taxpayer carries on the trade, profession or business.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## One-off deduction in the year of purchase

**For patent rights or rights to know-how, a full deduction is allowed when the expenditure is incurred.**

## Deduction over five succeeding years

**For copyrights, registered designs or registered trademarks (i.e. the Specified IPRs), the deduction should be spread over five succeeding years on a straight-line basis starting from the year of purchase (section 16EA(3)).**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## *[Example 1]*

**Company HK purchased a copyright at a consideration of \$400,000.**

**The maximum period of protection for which the copyright could subsist is due to expire in the 4th year after the year of purchase.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## *[Example 1]*

**The deductible amount is to be spread over the four years of assessment in equal amount, that is, \$100,000 [i.e. \$400,000 ÷ 4] for each of the four years of assessment provided that the other deduction criteria are fulfilled for each of the years of assessment concerned.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## *[Example 2]*

**If the maximum period of protection for which the copyright in Example 1 could subsist is due to expire in the year of purchase, the purchase consideration of the copyright, i.e. \$400,000 will be fully deductible in the year of purchase provided that the other deduction criteria are fulfilled.**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## Valuation

In the normal course of event, it is the duty of **the taxpayer who wishes to claim a deduction of the capital expenditure on a Relevant Right to state the same in his tax return.** The taxpayer may need to provide documentary evidence such as valuation reports for the valuation upon the request of IRD. For warranted cases, the Commissioner may seek separate valuation from independent professional valuers on the “true market value” of the Relevant Right concerned.

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## Valuation

**The Commissioner is empowered to determine the “true market price” for any sale or purchase of any Relevant Right if he is of the opinion that the consideration does not represent the true market value.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Qualifying Expenditure**

## Valuation

Where a Relevant Right is purchased or **sold together with other assets** for a single price, the Commissioner is empowered to allocate the purchase price of the Relevant Right having regard to all the circumstances of the transaction. Any disagreement about the allocation, the taxpayer can object to the profits tax assessment in which the valuation or allocation is adjusted.



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] –  
Apportionment of related capital expenditure**

If a Relevant Right is purchased for use **partly** in the production of chargeable profits and partly for any other purposes, the deduction allowable in relation to the capital expenditure incurred shall be **the extent of the use** of the Relevant Right in the production of the chargeable profits (sections 16E(2) and 16EA(7)). In practice, the method used to apportion will depend on the individual circumstances of the case.

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Subsequent Disposal**

Where a patent or know-how in respect of which a deduction has been allowed is sold, the **relevant proceeds of sale**, not otherwise chargeable to profits tax and **not exceeding the amount of deduction previously allowed**, will be treated as a trading receipt.

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Subsequent Disposal**

**If the unallowed amount of the Specified IPR exceeds the relevant proceeds of sale, the excess will be deducted in the basis period during which the sale occurs.**

**Where only part of the cost of such rights has been allowed, only that part of the proceeds as is attributable to the relevant cost of the rights will be assessed as a trading receipt**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction not allowed under certain circumstances**

**S16EC (1) Provides that no deduction is allowable in respect of any Specified IPR purchased by a taxpayer if**

- **at any time **before the commencement date** of 16 Dec 2011**
- **the licence was **terminated** before the expiry date; and**
- **The Commissioner having regard to the early termination of the licence, the **consideration** for the purchase is not reasonable consideration in the circumstances.**

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction not allowed under certain circumstances**

**IRD will take the following factors in consideration :**

- **Reasons for entering in such a transaction**
- **The terms and condition agreed**
- **The basis of computation for the purchase price**
- **Whether there is an option for the original owner to buy back the Specified IPR**



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction not allowed under certain circumstances**

## S16EC (2) Purchase of the Relevant Rights from associates

No deduction is allowable if the Relevant Rights are **purchased wholly or partly from an associate**, irrespective of whether or not the price is at an arms-length.

## S16EC(4)(a) Sale and license back arrangement

Deduction would not be allowed for **a sale and license back** of a Relevant Right. However there is Section 16EC(5) is a carve-out provision excluding genuine commercial financial arrangement from the anti-avoidance provisions.



# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction not allowed under certain circumstances**

## S16EC (4)(b) - Used “wholly or principally” outside Hong Kong by persons other than the Taxpayer

**No deduction is allowable under section 16E or 16EA in respect of any Relevant Right by a person if at any time when the Relevant Right is owned by that person, another person holds rights as a licensee under a licence of the Relevant Right, and the Relevant Right is, while the licence is in force, **used wholly or principally outside Hong Kong by a person other than the person who owns the Relevant Right.****

# MD – Intellectual properties



- **DIPN 49 [Brief Summary] – Deduction not allowed under certain circumstances**

## ***Leveraged licensing arrangement***

A leveraged licensing arrangement is typically one in which a **partnership of companies acquires a Relevant Right which it licenses for a fixed term**, say 10 years, to a licensee and where, by reason of the “leverage” obtained from the borrowing of a substantial non-recourse loan.



# MD – Intellectual properties



## *Examples from DIPN 49 (1)*

Company HK obtained the right to use a Relevant Right from the owner by way of a 10-year licence. The consideration included an upfront payment of \$1,000,000 for the **grant of the licence and an annual licence fee** of \$100,000. Since Company HK has **not acquired the legal ownership** of the Relevant Right, it is **not entitled to the deduction** under section 16E or 16EA for whatever payments made under the licensing arrangement. Nevertheless, the annual licence fee of \$100,000 which is revenue in nature is deductible under the general deduction provisions of section 16(1). However, the upfront payment in the amount of \$1,000,000 which is capital in nature would be prohibited for deduction under section 17(1)(c).



# MD – Intellectual properties



## *Examples from DIPN 49 (2)*

Company HK purchased a Mainland registered design which was used on products sold by it in the Mainland and the profits are chargeable to profits tax in Hong Kong. Company HK is **eligible to claim deduction** for the purchase cost of the registered design in the year of purchase (over five years of assessment) because: **(i) the design was registered in the Mainland and was in force where it was used; (ii) Company HK possessed the legal and economic ownership of the registered design at the end of the basis period; (iii) the registered design has been used by Company HK itself in the Mainland; and (iv) the registered design has been used for production of profits chargeable to tax in Hong Kong.**

# MD – Intellectual properties



## *Examples from DIPN 49 (3)*

Company HK purchased a patent at the cost of \$500,000 during the year of assessment 2011/12 (the company closes its accounts on 31 March). The patent was used partly in the production of chargeable profits and the allowable proportion is 50%. Deduction of the patent cost in the amount of \$250,000 (i.e. **\$500,000 x 50%**) was allowed in the year of purchase. During the year of assessment 2012/13, Company HK **sold the patent** for \$200,000. The relevant proceeds of sale are \$100,000 (i.e. \$200,000 x 50%). Since the relevant proceeds of sale do not exceed the deduction previously allowed (i.e. \$250,000), it is deemed as a trading receipt for the year of assessment 2012/13.





# Exam Questions Review

Jun 2011 – Qu 6

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# MD – Exam Questions Review



**Jun 2011 – Qu 6**

## Question

**As the tax rate in Country X is very high, Global Inc. would like to transfer the intellectual properties (IP) which it has developed over the years to its subsidiary incorporated in Hong Kong “Star Ltd.”. After the transfer, Star Ltd. will be collecting royalties from related companies which are using the IP in their jurisdiction.**

# MD – Exam Questions Review



**Jun 2011 – Qu 6**

## Question

**Required:**

**Explain the tax implications of the following:**

- (i) Would the cost of IP be deductible for Star Ltd.?**
- (ii) If the cost of IP includes the cost of one trademark, would the trademark cost be deductible?**
- (iii) Would the royalties be taxable?**

**(6 marks)**

# MD – Exam Questions Review



## Jun 2011 – Answer 6(i)

Costs incurred in acquiring IP are **capital** expenditure and are not deductible.

Under s.16E, specific deductions for patent rights or rights to any know-how which are not acquired from related companies and not for use outside Hong Kong are allowed. In the present case, the IP was **acquired from a related company, therefore it is not deductible under s.16E.**



# MD – Exam Questions Review



## Jun 2011 – Answer 6(ii)

The trademark is also not deductible as it is not covered by S16E  
[Refer to DIPN 49]

## Jun 2011 – Answer 6(iii)

As the IP would be owned by Star Ltd., the royalty income from group companies would be taxable under s.14. Royalties withholding tax incurred in the various jurisdictions should be deductible.

# MD – Clubs and trade association



## Clubs and trade association

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# MD – Clubs and trade association



## Clubs

**Clubs is not defined in the IRO.**

**Generally, a club refers to an association of persons who gather together for their mutual benefits (not financial interests) and is usually in receipt of mutual profits which are not taxable.**

## Trade Associations

**Generally, a trade association refers to a body of persons that is formed for the purpose of furthering the trade interests of its members. [Kowloon Stock Exchange], the Privy Council decided that an association formed by traders to hold and manage premises for the purposes of their trade was a trade association.**



# MD – Clubs and trade association



## Clubs

**S24(1)** – tests whether the receipts of a club are business receipts and the profits arising therefrom are chargeable to profit tax. The test is :

- (a) If not less than **half of the club's gross receipts on the revenue account (entrance fee and subscriptions)** are from voting members, the club is deemed not carry on business .
- (b) Otherwise, the club is deemed to carry on a business. All the club's receipts (including entrance fees) are deemed to be trading receipts chargeable to profits tax.

Members means those with voting rights,

# MD – Clubs and trade association



## Trade associations

Where more than **half of the receipts from subscriptions are from persons who either claim or would be entitled to claim, that their subscription are allowable deductions** against their own business profits under s.16, the association is deemed to be carrying on a business and the whole of its income (including entrance fees and subscriptions) is subject to profits tax.

It should be noted that even if the above test is satisfied, s.24(2) does not operate to deem the trade not to be carrying on a business. **Its profits might still be chargeable to profits tax under s.14(1) if it is in fact carrying on a trade** (based on the badges of trade) or business.



# MD – Clubs and trade association



## Trade associations

Same as for clubs, 'members' refers to those with voting rights (2.24(3)), and 'receipts' include entrance fees (s.241)).

'Subscriptions' refer to those recurrent payments and do not include founders' contributions and entrance fees.

If a trade association is not chargeable to profits tax, it may still be subject to property tax if it has rental income from the letting of property in Hong Kong.





# ETC Question

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# MD – ETC Question



## Question

**The All Friends Club was established in 2010 as a social club. As at 31 December 2011, the total number of members was 4,000. According to the Articles of Association, all members are voting members at all general meetings held by the Club. The Club owns a property in Clear Water Bay which is used partly for the Club's own activities and partly for leasing out to the public.**

# MD – ETC Question



## Question

**Required:**

**Explain under what circumstances the All Friends Club would be subject to tax under the Inland Revenue Ordinance.**

**(4 marks)**



# MD – ETC Question



## Answer

**A club is an association formed for other than business purposes. The association should not exist for financial advantage of its members: Kowloon Stock Exchange Ltd (1984). Whether or not a club is subject to profits tax depends on whether it is deemed under s.24(1) to be carrying on a business in Hong Kong.**

# MD – ETC Question



## Answer

**A club is deemed not to be carrying on a business if not less than half of its gross receipts on revenue account (including entrance fees and subscriptions) are received from members who are entitled to vote in general meetings. As a result, no profits tax liability arises. On the other hand, if less than half of its gross receipts are received from its voting members, then the club is deemed to be carrying on a business. As a result, the whole of its income including entrance fees (although they are capital in nature) and subscriptions will be chargeable to profits tax after adjustments for allowable deductions.**

**Even if the club is not deemed to carry on a business, it will still be liable to property tax in respect of rental income from non-members.**



## Ethics in tax practice



# MD – Ethics in tax practice



## Ethical issues include the following:

- **Integrity**
- **Objectivity**
- **Competence**
- **Fairness**
- **Confidentiality**
- **Professionalism**
- **Diligence**

## MD – Ethics in tax practice



Members of the Institute are required to comply with the Code of Ethics for Professional Accountants (Revised June 2010). Tax representatives should pay particular attention to **s.430 "Ethics in Tax Practice"** which is reproduced below:

A member rendering professional tax services is entitled to put forward the best position in favour of his client, provided he can render the service with **professional competence**, it does not in any way impair his standard of integrity and objectivity, and is in his opinion consistent with the law. He may resolve doubt in favour of his client if in his judgment there is reasonable support for his position.



## MD – Ethics in tax practice



A member should not hold out to clients **the assurance that the tax return** he prepares and the tax advice he offers are beyond challenge. Instead, he should ensure that his clients are **aware of the limitations attaching to tax advice** and services so that they do not **misinterpret an expression of opinion** as an assertion of fact.

A member who undertakes or assists in the preparation of a tax return should advise his client that the **responsibility for the content of the return rests primarily with the client**. The member should take the necessary steps to ensure that the tax return is properly prepared based on the information received from the client.



# MD – Ethics in tax practice



**A member may prepare tax returns involving the use of estimates if such use is generally acceptable or if it is impractical under the circumstances to obtain exact data. When estimates are used, they should be presented as such in a manner so as to avoid the implication of greater accuracy than exists. The member should be satisfied the estimated amounts are reasonable under the circumstances.**

# MD – Ethics in tax practice



A member **must not associate himself** with any return or communication which he has reason to believe:

- contains a false or misleading statement;
- contains statements or information furnished by the client recklessly or without any real knowledge of whether they are true or false; or
- omits or obscures information required to be submitted and such omission or obscurity would mislead the Inland Revenue Department.

## MD – Ethics in tax practice



If any of the above situations prevails, the member's responsibility is to **resign from acting as the client's tax representative**. Having resigned the member should:

- inform the Inland Revenue Department that he has **withdrawn his services**.
- give no further information to the authorities without the consent of the client, unless required to do so by law.



## MD – Ethics in tax practice



The member's responsibility when he learns of a **material error or omission** in a client's tax return of a prior year (with which he may or may not have been associated), or of the failure of a client to file a required tax return, is as follows:

- **He should promptly advise his client of the error or omission and recommend that the client make disclosure to the Inland Revenue Department.** Normally, the member is not obligated to inform the Inland Revenue Department, nor may he do so without his client's permission

# MD – Ethics in tax practice



If the client **does not correct the error**:

- the member should inform the client that he cannot act for him in connection with that return or other related information submitted to the authorities;
- the member should consider whether continued association with the client in any capacity is consistent with his professional responsibilities;
- and if the member concludes that he can continue with his professional relationship with the client, he should take all reasonable steps to assure himself that the error is not repeated in subsequent tax returns.



# MD – Ethics in tax practice



If because of the error or omission, the member **ceases to act for the client**, in these circumstances, the member should advise the client of the position before informing the authorities of his having ceased to act and should give no further information to the authorities without the consent of the client, unless required to do so by law.





# Exam Questions Review

## Dec 2011 – Case Qu 5

# MD – Exam Questions Review



## Dec 2011 – Case Qu 5

### Question

Recently, D & Co. has been engaged to review the tax affairs of A Ltd. and B Ltd. for the year of assessment 2009/10. D & Co. had the following findings:

First, A Ltd. acquired the only issued share (par value of HK\$1) in B Ltd. in March 2009. In August 2009, Mr. Y approached A Ltd. and showed great interest in acquiring the Building. A Ltd. sold the share in B Ltd. to Mr. Y in the same month and made a substantial profit.

A Ltd. applied the proceeds from the sale of the share in B Ltd. to launch its property consultancy business in the Mainland of China (“the Mainland”).

# MD – Exam Questions Review



**Dec 2011 – Case Qu 5**

## Question

**5) Discuss from the ethical perspective of a tax advisor, how D & Co. should act in view of A Ltd.'s failure to report to the IRD its profits from selling the share in B Ltd. and its consultancy income from Mainland clients.**

**(5 marks)**



# MD – Exam Questions Review



## Dec 2011 – Case Answer 5

**Having noticed the failure of A Ltd. to return the profits on sale of the share in B Ltd. and the consultancy service income from the Mainland clients for profits tax purposes, D & Co. should take the following actions in accordance with s.430 of the Code of Ethics for Professional Accountants:**

**D & Co. should promptly advise A Ltd. of the above irregularities and recommend that A Ltd. makes disclosure to the IRD. The firm is not obligated to inform the IRD, nor may it do so without A Ltd's consent.**

# MD – Exam Questions Review



## Dec 2011 – Case Answer 5

**If A Ltd. does not correct the irregularities, D & Co. should inform A Ltd. that it cannot continue the representation in connection with the relevant tax return and/or other related information submitted to the authorities. The firm should also consider whether continued association with A Ltd. in any capacity is consistent with its professional responsibilities and if it decides to continue with its professional relationships with A Ltd., it should take all reasonable steps to assure that the irregularities are not repeated in subsequent tax returns.**



# MD – Exam Questions Review



## Dec 2011 – Case Answer 5

**If because of the irregularities, D & Co. ceases to act for A Ltd., it should advise A Ltd. of the position before informing the authorities of it having ceased to act and should give no further information to the authorities without the consent of A Ltd., unless required to do so by law.**





# Exam Questions Review

Jun 2012 – Qu 8b

# MD – Exam Questions Review



**Jun 2012 – Qu 8b**

## Question

**Herbert has carried on an insurance agency business on his own account. Three months ago, the IRD informed Herbert that a tax audit would be conducted in respect of his business accounts for the year ended 31 March 2011. Herbert engaged J & Co. to handle the audit.**

# MD – Exam Questions Review



**Jun 2012 – Qu 8b**

## Question

After examining the relevant accounts and records, J & Co. found that Herbert had omitted from his accounts an initial signing fee received pursuant to his service contract with the insurance company he joined on 1 July 2010. If he terminates his service contract within five years, he would be required to repay a portion of the initial signing fee. In addition, J & Co. failed to locate certain invoices and receipts in relation to the expenses claimed in the accounts.



# MD – Exam Questions Review



**Jun 2012 – Qu 8b**

## Question

**b) Assuming that you are the partner of J & Co., evaluate, from the ethical perspective,**

**(i) how you will advise Herbert in light of the findings stated in the question; and**

**(3 marks)**

**(ii) what you should do if Herbert has made some fictitious invoices and receipts, and asks you to submit them to the IRD to substantiate the expense claims.**

**(5 marks)**

# MD – Exam Questions Review



## Jun 2012 – Answer 8b(i)

**J & Co. should advise Herbert of the irregularities (i.e. the omission of the initial signing fee in the accounts and the missing invoices and receipts in relation to certain expense claims) and recommend him to make full disclosure to the IRD. The firm is, however, not obligated to inform the IRD, nor may it do so without Herbert's consent.**

**If Herbert **refuses to disclose and rectify the irregularities**, J & Co. should inform Herbert that it can no longer act for him in matters of taxation.**



# MD – Exam Questions Review



## Jun 2012 – Answer 8b(ii)

**J & Co. should decline Herbert's request immediately and inform him of the seriousness of his intended act (i.e. willful submission of incorrect information in relation to expense claims) and the possible consequences (including criminal prosecution and the possibility of imprisonment upon conviction). The firm should also cease to act for Herbert and dissociate itself from the fictitious invoices and receipts provided by Herbert.**





# Exam Questions Review

## Dec 2012 – Case Qu 6b

# MD – Exam Questions Review



**Dec 2012 – Case Qu 6b**

## Question

**Dr. A operates a medical practice in his own name in Hong Kong. Apart from treating patients from the general public, he was also contracted by Company B to provide medical services to its employees. With the implementation of the Mainland and Hong Kong Closer Economic Partnership Arrangement, Dr. A has also been engaged as a visiting doctor at a Mainland hospital.**

# MD – Exam Questions Review



**Dec 2012 – Case Qu 6b**

## Question

**Company E is a corporation of which Dr. A and Mrs. A are the only shareholders and directors. It incurred a significant loss from share dealing in 1997, and has been left dormant since then. Dr. A is considering to carry on his medical practice through Company E. He consults his accountant as whether it is a good idea from a tax perspective.**



# MD – Exam Questions Review



**Dec 2012 – Case Qu 6b**

## Question

- 6) Discuss the following issues in relation to Dr. A's idea of carrying on his medical practice through Company E:**
- b) What ethical considerations should the accountant be aware of in advising Dr. A on such a tax planning idea?**

**(5 marks)**

# MD – Exam Questions Review



## Dec 2012 – Case Answer 6b

In advising Dr. A on his tax planning idea, the accountant should be aware of the following:

Tax is a major source of the government's income. To preserve the welfare of the community, the accountant should act honestly in advising Dr. A on his tax planning idea.

The accountant is **entitled to put forward tax advice** as to the best position for Dr. A, provided that he does so within his professional competence and it does not in any way impair his standard of integrity and objectivity, and is in his opinion consistent with the law.



# MD – Exam Questions Review



## Dec 2012 – Case Answer 6b

The accountant should not hold out to Dr. A the assurance that the tax advice he offers is beyond challenge. Instead, the accountant **should ensure that Dr. A is aware of the limitations attaching to the advice** (such as the possibility that the Commissioner may invoke ss.61 and 61A of the IRO to deny any tax benefit obtained from the tax plan), so that he does not misinterpret an expression of opinion as an assertion of fact. Moreover, the accountant should remind Dr. A of his exposure to penalty provided under the IRO if the tax plan fails eventually.



# MD – Exam Questions Review



## Dec 2012 – Case Answer 6b

**If the accountant also assists Dr. A in preparing his tax return in accordance with the tax advice, he should advise Dr. A that the responsibility for the content of the return rests primarily with Dr. A.**

**The accountant should not disclose any information acquired in the course of advising Dr. A to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose.**



# Exam Techniques for MD

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# Specific Techniques to pass MD



## A. What kinds of taxes involved?

<b>Profits Tax</b>	<b>50%</b>
<b>Salaries Tax</b>	<b>30%</b>
<b>Others (Property tax, Tax admin, Stamp Duty, China Tax)</b>	<b>20%</b>



# Specific Techniques to pass MD



## B. Income or expenses?

### Profits Tax income

- **S14(1) Charging section**
- **DIPN 21 (Revised)**
- **Operation test [Hang Seng Bank Case , TVBI case]**
- **S15 (Deeming Provisions) – Royalties**

### Profits tax expenses

- **Always give General Deduction Rule S16(1) first + Specific Deduction Rules if applicable**

# Specific Techniques to pass MD



## C. Give whole set of answer

**For example: Royalties income**

- **Scope of Charge – S15(1)(b) or S15(1)(ba)**
- **Tax adjustments – S21A – 30% or 100%**
- **Tax administration – S20A or S20B**
- **Emerson case / Lam Soon Trademark case**

# Specific Techniques to pass MD



## D. Count marks

**5 marks question: around 7 points**

## E. Tax computation

**10 marks question : 3 out of 10 for calculation ;  
7 out of 10 for explanation**

- **Remember to use cross referencing**
- **Explanations are the most important**



# Final Techniques to pass MD



- A. Consideration of **commencement of business and termination** of business
- B. Always consider **capital or revenue** – capital gain S14(1) not taxable Capital expenditure S17(1)(c)
- C. Disposal of properties or shares – **tax implication and stamp duty implication** – always consider profits tax and stamp duty
  - Profits tax: Badges of Trade
  - Stamp Duty: Heads
- D. Watch out for **most updated cases**

# Common Techniques to pass MD



- A. Prepare your critical files**
- B. Only need 1 set of notes**
- C. Time yourself**
- D. Start practice writing**
- E. Don't just copy – use key words for application**
- F. Demonstrate logical thinking – sometimes no right or wrong**
- G. No need to highlight everything in the question booklet**
- H. Writing – legible to read**



# MD Preparation with ETC



## Knowledge Course: 10 Sessions

→ Boost your knowledge

## Revision Course: 9 Sessions

→ Practice past papers and other ETC questions

## **Only got 2 and ½ months left – What shall you do?**

- Do past papers with updated answers
- Practice writing out:  
Progress test + Exam Pack (2 additional tests) + Final Mock
- Write as many questions out as possible
- Practice using your critical file
- Time yourself



# Final Advice



- **The time to look-up the textbook is limited during an open-book exam**
- **Students should:**
  - ❑ **have a good understanding of the topics before going into the exam**
  - ❑ **read the case and questions carefully**
  - ❑ **answer what is being asked, not what they wanted to be asked**
  - ❑ **identify the core issues of the question and allocate their time accordingly**
  - ❑ **analyse the facts of the case and apply the tax rules or principles to arrive at the conclusion**
  - ❑ **not copy large passages from the textbook**
  - ❑ **use logical thinking to understand and respond to the questions**

At **ETC**, it is our aim to encourage you. Thank you!



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