

# HKICPA Aptitude Test – Syllabuses

(For Reference Only)

## HONG KONG TAXATION

### Aims

This paper aims at testing candidates' general knowledge of the principles of taxation in Hong Kong and their ability to interpret and apply the taxing statutes to practical situations.

### Contents

Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>1. Hong Kong taxation system</b>		
Understanding of the operation of the Hong Kong taxation system and the chargeability to Hong Kong income tax	• Distinguish between different classifications of taxes	1
	• Describe the characteristics of the Hong Kong taxation system	1
	• Describe the sources of Hong Kong tax law and how the tax statutes are interpreted	1
	• Describe the functions of different units of the Inland Revenue Department	1
	• Describe the appointment and powers of the Commissioner of Inland Revenue	2
	• Describe the structure, powers and functions of the Board of Inland Revenue	2
	• Describe the structure, powers and functions of the Board of Review	2
	• Describe and distinguish the scope of charge of different sources of income tax: - property tax - salaries tax - profits tax	2
<b>2. Property tax</b>		
Understanding of the computation of property tax liabilities of owners of land/buildings situated in Hong Kong	• Identify the persons and properties chargeable to property tax	1
	• Compute the assessable value and net assessable value	3
	• Explain the treatment of the irrecoverable consideration	3
.../to be continued		

Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>2. Property tax (continued)</b>		
	<ul style="list-style-type: none"> <li>• Explain the treatment of lump sum payment</li> <li>• Compute the amount of property tax and provisional property tax</li> <li>• Describe the requirements and conditions for hold over of payment of provisional property tax</li> <li>• Distinguish the circumstances where income from letting of property is subject to property tax or profits tax</li> <li>• Explain the conditions for exemption of property tax for corporations and set-off of property tax against profits tax</li> <li>• Explain the statutory requirements of retention of rent records</li> </ul>	<p style="text-align: right;">3</p> <p style="text-align: right;">3</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p>
<b>3. Salaries tax</b>		
<p>Understanding of the computation of salaries tax liabilities of individuals</p>	<ul style="list-style-type: none"> <li>• Describe the factors to be considered in the determining the locality of income of               <ul style="list-style-type: none"> <li>- employment</li> <li>- office</li> <li>- pension</li> </ul> </li> <li>• Distinguish between employment and profession</li> <li>• Explain the differences between the treatment of               <ul style="list-style-type: none"> <li>- Hong Kong offices and foreign offices</li> <li>- Hong Kong employment and foreign employment</li> </ul> </li> <li>• Explain the tax treatment of income of Hong Kong employment where foreign tax has been paid</li> <li>• Explain the tax treatment of the income received by aircrew and seamen</li> <li>• Identify the different types of income exempt from salaries tax</li> <li>• Identify the basis period</li> <li>• Explain the meaning of accrual of income and determine the date of accrual of different kinds of income</li> <li>• Explain the procedures and treatment for relating back lump sum receipts</li> <li>• Describe different kinds of income to be included as income from employment or office</li> </ul>	<p style="text-align: right;">3</p> <p style="text-align: right;">1</p> <p style="text-align: right;">3</p> <p style="text-align: right;">2</p> <p style="text-align: right;">3</p> <p style="text-align: right;">1</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p> <p style="text-align: right;">2</p>
.../to be continued		

Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>3. Salaries tax (continued)</b>		
	<ul style="list-style-type: none"> <li>• Describe and compute taxable benefits, including:               <ul style="list-style-type: none"> <li>- accommodation benefit</li> <li>- holiday warrant</li> <li>- share options</li> <li>- education expenses of a child of an employee</li> <li>- benefits-in-kind</li> </ul> </li> <li>• Compute assessable income, net assessable income and net chargeable income</li> <li>• Explain the conditions for any expenditure to be deducted from the assessable income</li> <li>• Describe the conditions for the deduction of concessionary deductions</li> <li>• Explain the conditions for the deduction of personal allowances</li> <li>• Compute salaries tax payable with reference to the lower of tax at progressive rate on net chargeable income or tax at standard rate on net assessable income as reduced by concessionary deductions</li> <li>• Compute provisional salaries tax payable</li> <li>• Describe the requirements and conditions for hold over of payment of provisional salaries tax</li> <li>• Explain the meaning of “husband”, “wife” and “husband and wife living apart”</li> <li>• Distinguish between the tax treatment of a husband and wife under separate taxation and joint assessment</li> <li>• Explain the procedures and time limit for the election of joint assessment</li> <li>• Explain the tax treatment of a husband and wife in the year of marriage, separation, divorce and death</li> <li>• Explain the implications of the arrangement between the Mainland of China and the HKSAR</li> </ul>	<p>3</p> <p>3</p> <p>2</p> <p>2</p> <p>2</p> <p>3</p> <p>3</p> <p>2</p> <p>1</p> <p>2</p> <p>2</p> <p>1</p> <p>3</p>
<b>4. Profits tax</b>		
<p>Understanding of the computation of profits tax liabilities of businesses of an individual, partnership and corporation</p>	<ul style="list-style-type: none"> <li>• Define the meanings of persons, trade and business</li> <li>• Describe the badges of trade</li> <li>• Define the meaning of profits arising in or derived from Hong Kong and identify the factors to be considered in determining the source of profit</li> </ul> <p style="text-align: right;">.../to be continued</p>	<p>1</p> <p>2</p> <p>2</p>

Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>4. Profits tax (continued)</b>		
	<ul style="list-style-type: none"> <li>• Distinguish between capital and revenue receipts and capital and revenue expenditures</li> <li>• Explain different kind of deemed trading receipts to be chargeable to profits tax and compute the relevant profits tax liability</li> <li>• Explain the profits tax implications of "qualified debt instruments" and "reinsurance and captive insurance business"</li> <li>• Identify different kind of income to be excluded from the charge to profits tax</li> <li>• Explain the conditions for the deduction of various types of expenses under profits tax in general</li> <li>• Explain the conditions for the deduction of specific expenses under profits tax, including:-               <ul style="list-style-type: none"> <li>- special contributions to recognised occupational retirement schemes</li> <li>- expenditure on scientific research</li> <li>- expenditure on refurbishment of building</li> <li>- expenditure on prescribed fixed assets</li> <li>- technical education payment</li> <li>- patent and know-how purchase costs</li> <li>- expenditure on specified intellectual property rights</li> <li>- expenditure on environmental protection facilities</li> </ul> </li> <li>• Identify the various types of non-deductible expenditure under profits tax</li> <li>• Recognise the presentation of a proper format in the computation of assessable profits</li> <li>• Determine when income from business should be assessed</li> <li>• Identify different acceptable methods of the valuation of stock</li> <li>• Explain the principle of <i>Sharkey v. Wernher</i></li> <li>• Determine the basis period for different circumstances</li> <li>• Compute the amount of profits tax and provisional profits tax</li> <li>• Explain the requirements and conditions for hold over of payment of provisional profits tax</li> <li>• Explain the treatment of losses for different kinds of businesses</li> <li>• Explain the person who is liable to pay the tax under partnership</li> </ul> <p style="text-align: right;">.../to be continued</p>	<p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">3</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">3</p> <p style="text-align: center;">1</p>
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Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>4. Profits tax (continued)</b>		
	<ul style="list-style-type: none"> <li>• Compute the profit/loss shared by each partner</li> <li>• Explain the treatment of share of profit/loss where there is a change in a partnership</li> <li>• Explain the treatment of losses of a partnership</li> <li>• Explain the implications of the arrangement between the Mainland of China and the HKSAR</li> </ul>	<p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p>
<b>5. Depreciation allowances</b>		
Understanding of the computation of depreciation allowances	<ul style="list-style-type: none"> <li>• Explain the meaning of plant and machinery and identify items which are plant and machinery</li> <li>• Identify the persons who are entitled to claim depreciation allowances on plant and machinery</li> <li>• Identify the qualifying expenditure for depreciation allowances on plant and machinery</li> <li>• Compute depreciation allowances (including balancing adjustments) under the pooling system and non-pooling system</li> <li>• Explain the meaning of an industrial building and identify a building/structure which is treated as an industrial building</li> <li>• Identify the persons who are entitled to claim the industrial building allowance</li> <li>• Identify the qualifying expenditure for an industrial building allowance</li> <li>• Compute the industrial building allowance (including balancing adjustments)</li> <li>• Explain the meaning of commercial building and identify a building/structure which is treated as a commercial building</li> <li>• Identify the persons who are entitled to claim the commercial building allowance</li> <li>• Identify the qualifying expenditure for a commercial building allowance</li> <li>• Compute the commercial building allowance (including balancing adjustments)</li> </ul> <p style="text-align: right;">.../to be continued</p> <p style="text-align: center;">*</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p>

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<b>6. Personal assessment</b>		
Understanding of the computation of tax payable under personal assessment	<ul style="list-style-type: none"> <li>• Explain the persons who are eligible to elect for personal assessment</li> <li>• Explain the requirements and conditions for electing personal assessment</li> <li>• Compute the tax payable under personal assessment in respect of                             <ul style="list-style-type: none"> <li>- an individual</li> <li>- husband and wife</li> </ul> </li> </ul>	<p style="text-align: center;">1</p> <p style="text-align: center;">2</p> <p style="text-align: center;">3</p>
<b>7. Administration of taxes</b>		
Understanding of the administration of taxes under the Inland Revenue Ordinance	<ul style="list-style-type: none"> <li>• Explain the powers of the assessor to obtain returns</li> <li>• Explain the powers of the following officers of the Inland Revenue Department to obtain information:                             <ul style="list-style-type: none"> <li>- assessor</li> <li>- inspector</li> <li>- assistant commissioner</li> <li>- commissioner</li> </ul> </li> <li>• Explain the obligations of a taxpayer and an employer</li> <li>• Explain the powers of an assessor in raising an assessment</li> <li>• Identify the persons responsible for compliance with the Inland Revenue Ordinance</li> <li>• Explain how notices issued by the Inland Revenue Department should be served</li> <li>• Explain the requirements and procedures for lodging a valid objection by a taxpayer</li> <li>• Explain the procedures at the Inland Revenue Department upon receipt of a valid objection</li> <li>• Explain the requirements of a valid appeal against the Commissioner of Inland Revenue's determination to the Board of Review</li> <li>• Explain how the Board of Review hears and disposes of an appeal</li> <li>• Explain the procedures required to lodge an appeal to the                             <ul style="list-style-type: none"> <li>- Court of First Instance</li> <li>- Court of Appeal</li> <li>- Court of Final Appeal</li> </ul> </li> </ul> <p style="text-align: right;">.../to be continued</p>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">3</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p>
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Competence Required	Activity to Develop and Demonstrate Competence	Indicative Level
<b>7. Administration of taxes (continued)</b>		
	<ul style="list-style-type: none"> <li data-bbox="542 336 1244 403">• Explain the right of a taxpayer to make an error or omission claim</li> <li data-bbox="542 436 1244 526">• Explain the powers of the Inland Revenue Department in respect of the demand of payment of tax under objection or appeal</li> <li data-bbox="542 560 1244 627">• Explain the powers of the Inland Revenue Department in the recovery of tax</li> <li data-bbox="542 660 1244 694">• Explain the procedures for claiming repayment of tax</li> <li data-bbox="542 728 1244 817">• Explain the penalties to be imposed by the Inland Revenue Department in respect of an offence committed by the taxpayer</li> <li data-bbox="542 851 1244 918">• Explain the procedures for raising an assessment to additional tax under section 82A</li> <li data-bbox="542 952 1244 1019">• Explain the requirements of a valid appeal against the assessment to additional tax under section 82A</li> </ul>	<p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">1</p> <p style="text-align: center;">2</p> <p style="text-align: center;">2</p>

**Reading list:**

<u>Author</u>	<u>Title</u>	<u>Publisher</u>
Lee, Dora	Advanced Taxation in Hong Kong	Pearson
Macpherson, Ayesha, Pearce, Justin	Hong Kong Taxation: Law & Practice	The Chinese University Press
Deloitte Touche Tohmatsu	Hong Kong Master Tax Guide	CCH
Ho Kin-wai Patrick	Hong Kong Taxation and Tax Planning	Pilot Publishing Co Ltd
	Departmental Interpretation and Practice Notes	Inland Revenue Department
	Hong Kong Board of Review Decisions	HKSAR
	Hong Kong Tax Cases	HKSAR
	Inland Revenue Ordinance, Chapter 112, including the subsidiary legislations	HKSAR

**Note: The above publications are subject to editorial amendments.**

**Many useful materials can be found in the IRD website (<http://www.ird.gov.hk>)**

**INDICATIVE LEVEL**

The levels of competence that have been indicated are as follows:

**Level 1 – Awareness**

The candidate demonstrates familiarity with the concept in question, can define it in overview terms and can relate the importance or relevance of the concept to the activities of a certified public accountant.

**Level 2 – Knowledge**

This builds upon awareness. The candidate is able to explain the concept; describe and discriminate between its component parts and describe their inter-relationships; recognise instances of the concept; describe processes, theories and judgement issues; without necessarily being able to perform in those areas with professional skill.

**Level 3 – Skill**

This builds upon knowledge. The candidate is able to execute or implement knowledge; apply the knowledge to real world problems in real world situations. In so doing, the candidate can display to a satisfactory degree the level of competence reasonably to be expected of a certified public accountant at career entrance level.

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