

Preamble

The focus of the workshops under the Enhanced Qualification Programme is on formative development of skills, i.e. to train students to become future CPAs.

Many of the cases and issues discussed during the workshops were designed to encourage different points of view which may result in different conclusions being drawn by the students during the workshops.

The main topics covered during the workshops are listed below. They are not intended for any purpose other than for review purpose.

For Departmental Interpretation and Practice Notes (DIPN), they can be downloaded from the Inland Revenue Department (IRD) website: <http://www.ird.gov.hk/eng/ppr/dip.htm>.

Workshop Two – Tax Avoidance Cases

(Group Discussion Exercise)

Reason for activity

CPAs need to be familiar with anti-avoidance provisions in order to identify and manage the risk of possible challenges by the IRD on current or proposed arrangements.

Main topics discussed

- Acquisition of assets, including production machines, factory, office, patent etc, from a business
(Tax effect and potential challenges from the IRD on prices allocated to each asset)
- Deductibility of intellectual properties (DIPN 49)
- Stamp duty implications on transfer of properties and shares, and leasing of immovable properties
- Transfer pricing (tax avoidance issues on transfer of rights, acquiring a loss-making company, and selling at higher prices to a related company)

Workshop 2 – Cross Border Tax Issues

(Group Discussion Exercise)

Reason for activity

CPAs should have an awareness of the tax issues arising from cross-border transactions, especially due to the increase in cross border transactions between Hong Kong and the Mainland.

Main topics discussed

- Chargeability to Business Tax (BT) or Value Added Tax (VAT) (Learning Pack (LP) chapter 13, sections 5.1 to 5.3, and 9.1 to 9.4)
- Chargeability to Corporate Income Tax (CIT) including withholding tax, the tax position of a representative office in the Mainland and the basis in which the tax authorities can assess the amount of taxable income (LP chapter 12, section 3, and chapter 13, section 22)

Workshop 2 – Tax Planning for Individuals

(Group Discussion Exercise)

Reason for activity

CPAs should be able to apply up-to-date tax knowledge together with innovative and critical thinking to minimise the tax exposure of an individual in a legal and commercially realistic manner.

Main topics discussed

- Location of employment as determined by the factors in DIPN 10
- Comparison of a single contract arrangement (non-Hong Kong employment) which is assessed on a time-apportioned basis, versus a dual contract arrangement comprising of a Hong Kong contract (Hong Kong employment) which is fully chargeable to salaries tax

Workshop 2 – Tax Planning for Corporations

(Group Discussion Exercise)

Reason for activity

CPAs should be able to apply up-to-date tax knowledge together with innovative and critical thinking to minimise the tax exposure of a company or a group of companies in a legal and commercially realistic manner.

Main topics discussed

- DIPN 45 - Relief from double taxation due to transfer pricing or profit reallocation adjustments (LP chapter 13, section 4.1)
- DIPN 46 - Transfer pricing guidelines - Methodologies and related issues (LP chapter 13, section 4.2)
- DIPN 47 - Exchange of information under comprehensive double taxation agreements (LP chapter 13, section 4.3)
- DIPN 48 - Advance Pricing Arrangement (LP chapter 13, section 4.4)