








Hong Kong Tax Newsflash: HKSAR announced new package of relief measures to support enterprises and individuals

On 4 December 2019, the Financial Secretary for the Hong Kong Special Administrative Region (HKSAR), Mr. Paul Chan Mo-po, announced another series of special relief measures in addition to those proposed in the 2019-20 Budget and in August this year. In relation to tax, the newly introduced measures include waiving the surcharge for the particular taxpayers who encounter financial difficulties in settling their tax bills on time and applying for payment of tax by instalments.

Key measures

	Waive the surcharge on profits tax, salaries tax and tax under personal assessment outstanding for up to one year for taxpayers in need who applied and obtained approval for payment of tax by instalments. For details, please see below.
	Provide an enhanced rates concession in the fourth quarter of 2019-20 (i.e. 1 January 2020 to 31 March 2020) to all non-domestic properties. The exemption ceiling for each non-domestic property chargeable to rates will be increased from HK\$1,500 to HK\$5,000 for that quarter.
	Provide an electricity subsidy to each eligible non-residential electricity account holder equivalent to 75% of their monthly billed electricity charges, subject to a ceiling of HK\$5,000 per account per month for four months, i.e. HK\$20,000 in total per account.
	Waive 75% of water and sewage charges for non-domestic households from 1 December 2019 to 31

March 2020, subject to a ceiling of HK\$20,000 and HK\$12,500 respectively per household per month.

	Provide fees and rent reduction for cruise lines and existing tenants for six months with effect from 1 December 2019.
	Launch a one-time rental subsidy scheme to recycling enterprises through the Recycling Fund.
	Waive the Securities and Futures Commission's annual licence fees for all licensed individuals and intermediaries for the financial year 2020-21.
	Enhance and extend the Love Upgrading Special Scheme by the Employees Retraining Board.
	Enhance the Youth Employment and Training Programme.

Payment of tax by instalments

Taxpayers who encounter financial difficulties in settling their tax demand notes for the year of assessment 2018/19 on time may apply to the Inland Revenue Department (IRD) for payment of tax by instalments. For the approved instalment plans, no surcharge will be imposed for a maximum period of one year counting from the respective due dates of the demand notes.

Who can apply

This measure is applicable to taxpayers in financial difficulties for settlement of Salaries Tax, Profits Tax and Personal Assessment demand notes for the year of assessment 2018/19 issued between December 2019 and the year 2020. Property Tax demand notes are not covered.

Taxpayers have to demonstrate to the IRD their financial difficulties in settling the tax demand notes on time.

How to apply

Instalments plans and waiver of surcharge could be applied by providing the following documents:

- A specified form downloaded from the IRD's website;
- A concrete payment proposal;
- Copies of bank statements showing the latest 3-month account balances;
- Debts repayment details with a copy of the latest statement;
- Details of income and expenditure showing the current financial position for the past 3 months;
- Management accounts for the latest 3 months (for business); and
- Cash flow position and forecast (for business).

Timing

After receipt of the application, the IRD pledges to reply to the applicants within 21 working days. Although there is no specific deadline for the application, taxpayers should submit the application before the payment due dates with sufficient time for the IRD to process the application.

Please note that instalment plans are generally granted for a duration of 6 months or less. Only in special circumstances will the instalment plans be granted for a longer duration, but generally not longer than 12 months.

If the tax demanded under the first instalment of the demand note has been settled on or before the due date and the instalment plan is only granted for settlement of the tax demanded under the second instalment, the one year period will count from the due date for the second instalment.

Consequence for failure to pay on time

If the taxpayer fails to pay according to the instalment plan granted, the instalment arrangement and the conditional waiver of surcharge will be cancelled immediately. In addition, a 5% surcharge will be imposed on the outstanding tax payment. A further 10% surcharge may be imposed on the amount remaining unpaid after 6 months from the due date.

Payment by Instalment or Holdover?

The payment by instalment and surcharge waiver measure apply to the tax demanded under both first and second instalments of the demand note (i.e. final tax for the year of assessment 2018/19 and provisional tax for the year of assessment 2019/20¹).

For the 2019/20 provisional tax, apart from the above special measure, taxpayers may still have an option to apply for holdover of all or part of the provisional tax demanded if specific requirements are met under the existing holdover regime.

Below is a high-level comparison of instalment settlement regime and the existing holdover regime:

	Payment by Instalment	Holdover
Type of tax	Profits Tax, Salaries Tax, Personal Assessment	Profits Tax, Salaries Tax, Property Tax
Applicable tax payments	2018/19 final tax & 2019/20 provisional tax	2019/20 provisional tax
Grounds	Financial difficulties	<90% of assessable profits / net chargeable income for preceding year <i>(the most commonly adopted grounds)</i>
Application due date	No specific due date, but suggest at least 21 days before the 1 st / 2 nd instalment payment due dates	28 days before payment due date; or 14 days after the date of issue of the notice for payment; whichever later

Supporting documents *	<ul style="list-style-type: none"> • Bank statements for 3 months • Management accounts for 3 months • Cash flow position and forecast • Concrete payment proposal 	<ul style="list-style-type: none"> • Management accounts for at least 8 months • Estimated tax computation
Outcome subject to IRD's approval	Payments by instalments of no longer than 12 months	Holdover of (whole or part of) provisional tax

* for corporations / profits tax

Our comments

We welcome the new measures introduced by the government with an intention to support taxpayers who encounter financial difficulties.

As illustrated above, it is not straight forward to apply for the instalment plan and the surcharge waiver. Taxpayers have to provide various information and documents to demonstrate that they are in financial difficulties and the approval is subject to discretion by the IRD. Yet, it provides a more flexible choice for taxpayers who may not be able to meet the requirement for holdover.

Taxpayers should review their financial situations to determine whether they are eligible to the application for instalment plan or holdover of provisional tax. As the applications would require various supporting documents, it is advised that taxpayers may seek professional's assistance to handle the applications.

¹ based on our understanding from the IRD enquiry hotline

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If you have any questions, please contact one of the following professionals:

Raymond Tang

Tax Partner

+852 2852 6661

raytang@deloitte.com.hk

Sarah Chan

Tax Partner

+852 2852 1628

sarahchan@deloitte.com.hk

Doris Chik

Tax Director

+852 2852 6608

dchik@deloitte.com.hk



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