Richard Albuquerque & Co.
CERTIFIED PUBLIC ACCOUNTANTS (Practising)

OCTOBER 2020
Newsletter

Richard Albuquerque & Co.
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IRD updated guidance on the tax treatments of income and capital expenditures related to intellectual properties

In August 2020, the Inland Revenue Department ("IRD") issued revised Departmental Interpretation and Practice Notes ("DIPN") No. 22 and 49 in relation to the profits tax treatments on income and capital expenditures arising from intellectual properties ("IP").

Key updates under revised DIPN 22

- Instead of focusing on Section 21A of the Inland Revenue Ordinance ("IRO") which deals with the computation of the royalty amount deemed to be taxable under Section 15(1), the revised DIPN 22 explains that royalty income can be chargeable to profits tax in Hong Kong under either the basic charging section of Section 14 or the deeming provisions of Section 15(1) and 15F of the IRO.
- Section 15(1) does not exclude any person from chargeability to profits tax under the basic charge but simply extends the scope of Section 14.
- Royalty income derived by a person carrying on a business in Hong Kong from IP through licensing operations undertaken in Hong Kong is chargeable to profits tax under Section 14 instead of the deeming provision under Section 15(1).

Key updates under revised DIPN 49

- There is an expansion of scope of profits tax deduction for "specified IP rights" to cover three more types of IPs, namely (a) the performer's economic rights; (b) the protected payout-design (topography) rights and (c) the protected plant variety rights.
- One of the conditions for deduction of capital expenditures on IP is the IP must be purchased for use in the production of the purchaser's profits chargeable to tax in Hong Kong. The revised DIPN clarifies that the word "use" encompasses the use of IP in the operations, such as manufacturing or trading, or their licensing.

The changes highlighted the increased focus on the taxation of income derived from IP by the IRD in general.

For further enquiries, please email us at **tax@rjacpahk.com**

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REVISED 100% GOVERNMENT GUARANTEE BANK LOAN SCHEME FOR SME'S

For Hong Kong SME's suffering from the economic effects of Covid-19, the Hong Kong Government in September 2020 has further revised the 100% Government Guaranteed Non Collateral Loan Scheme for SME's, with a maximum loan facility of HK$4M.

For further enquiries, please email us at **banking@rjacpahk.com**

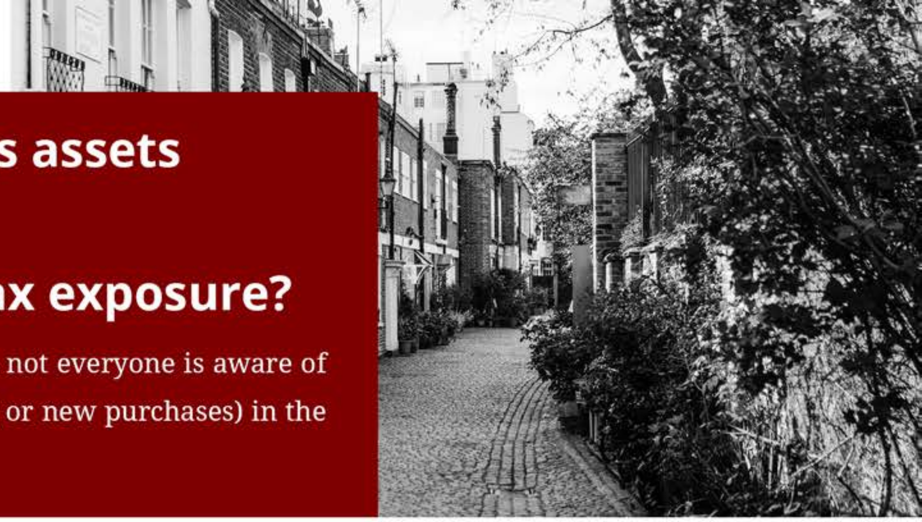
The main revised features are :

Applicable for companies which have suffered a significant loss of business in the year 2019-20.

Loan amount is calculated on the basis of 12 times the wages and rent paid, upto a maximum of HK$4M.

Interest rate to be around 2.75 p.a.

Maximum Loan Repayment period of 60 months with an optional principal moratorium for the 1st 12 months



Do you have any UK situs assets e.g. property?

Are you aware of your tax exposure?

Whilst UK property is an excellent asset class not everyone is aware of how to best structure their portfolio (existing or new purchases) in the most tax efficient way.

- **No Inheritance Tax - 40% after allowances (£325,000 single & £650,000 married)**
- **No Capital Gains Tax for life post transfer - buy and sell assets at any time**
- **No probate**
- **No Stamp Duty - hold over or Refund**
- **Every Nationality has these tax exposures now (HK, PRC, Aus, USA....)**
- **Income Tax – reduced from personal rates (max 45%) to corporate rates (19%)**
- **Asset protection - any asset class can be protected from predators**
- **Legacy Planning – multi generational**
- **Benefit from DTA's that exist inter country**
- **£9.4 Billion Capital Gains Tax (CGT) was collected by HMRC in 2018**
- **For further inquiries, please email us at opi@rjacpahk.com**

CONTACT US

Founder & CEO

Richard Albuquerque & Co.
Certified Public Accountants
2/F, Lee Kee Commercial Builidng
223-227 Queen's Road Central
Hong Kong

info@rjacpahk.com

+852 2544 4068

+852 2544 5568

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