



Lee & Yu Certified Public Accountants

李志輝·余仲良會計師事務所

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客戶通訊 Newsletter NOV 2021



OECD's announcement of BEPS 2.0 implementation plan



A Government announce that the Organisation for Economic Co-operation and Development (OECD)'s announcement of the framework for international tax reform on base erosion and profit shifting (BEPS)(commonly known as BEPS 2.0) and its implementation plan on October 8. As an international financial and commercial centre, Hong Kong will actively participate in and implement this BEPS 2.0 package.

The BEPS 2.0 package consists of two pillars. The first pillar targets large multinational enterprise (MNE) groups with global turnover above 20 billion Euros and profitability above 10 per cent, and distributes the taxing rights in respect of a certain portion of the residual profit (residual profit is defined as profit in excess of 10% of revenue) of these enterprises to the market jurisdictions. The second pillar is the implementation of the global minimum effective tax rate, which targets large MNE groups with global turnover above 750 million Euros. If the effective tax rate of an MNE group in a jurisdiction is below 15 per cent, its parent or subsidiary companies will be required to pay top-up tax in respect of the shortfall in the jurisdictions where they are located. So far, a total of 136 jurisdictions (including Hong Kong) around the world have indicated acceptance of the package.

The OECD aims at completing the drafting of the BEPS 2.0 model rules by the end of this year to early next year to enable participating jurisdictions to roll out their domestic legislative exercises in 2022 and implement the package from 2023.



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The BEPS 2.0 package targets primarily large MNE groups that meet the above-mentioned specified conditions, and will not affect small and medium-sized enterprises in Hong Kong. The headline tax rate of Hong Kong's profits tax at 16.5 per cent is competitive internationally, and our simple and transparent tax regime is well received by investors. Following the implementation of the BEPS 2.0 reform framework, the effective tax rates of the above-mentioned large MNE groups in each jurisdiction will have to be at least 15 per cent. This will reduce the effectiveness for tax jurisdictions to introduce tax exemption or extremely low preferential tax rate as a means to increase their competitiveness in future. Hong Kong will be able to reinforce its competitive advantages under a more level playing field in terms of taxation.

The Financial Secretary of Hong Kong appointed in June 2020 the Advisory Panel on BEPS 2.0, which comprises scholars, experts and members of the business community who are experienced in the fields of international taxation and economic development, to follow up on and study the OECD's discussions on the BEPS 2.0 international tax reform. The Advisory Panel will submit to the Government specific recommendations on how Hong Kong should comply with the BEPS 2.0 requirements after the OECD finalises the model rules. Hong Kong Government will carefully study the recommendations of the Advisory Panel on BEPS 2.0 and, in consultation with stakeholders, undertake the domestic legislative exercise to implement the tax measures under BEPS 2.0 based on the BEPS 2.0 model rules to be finalised by the OECD.

Refinement of Administrative Measures on Public Registers Maintained by the Companies Registry

With effect from **1 November 2021**, searchers of the public registers maintained by the Companies Registry are required to provide their personal information including name and identification information before conducting searches. They have to continue stating their purpose of conducting the search, and confirming that information obtained should only be used for the stated purpose along prevailing practice. The measures will help ensure that the data contained in these public registers are used only for the legal purposes for establishing the registers.

New Arrangements for Search of Land Records and Owners' Corporations Records

With a view to enhancing the protection of privacy of the personal data contained in the land records and owners' corporations records ("OC records"), the Land Registry implement new arrangements for conducting search of land records and OC records with effect from **1 November 2021**. Individual and organisation searchers using the Integrated Registration Information System (IRIS), self-service terminals and service counters at Land Registry offices will be required to:

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This Newsletter is designed to provide information on subjects which may be of interest to our clients. It is not intended as professional advice. If you need more information or have a specific question, please contact us.



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- (i) provide their identification information (e.g. name and identification document number);
- (ii) give a confirmation statement that they do not intend to use and will not use the personal data contained in the land records and OC records in contravention of the Personal Data (Privacy) Ordinance (Cap. 486) (“PDPO”), or for purposes not related to the purposes for which the records are kept and made available to the public; and
- (iii) acknowledge the Personal Information Collection Statement which states that the personal data provided by the searchers may be disclosed or transferred to law enforcement agencies as permitted under the PDPO.

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