

<b>Subject Code</b>	<b>AF5222</b>
<b>Subject Title</b>	<b>Strategic Tax Management in Hong Kong and China</b>
<b>Credit Value</b>	3
<b>Level</b>	5
<b>Normal Duration</b>	1-semester
<b>Pre-requisite / Co-requisite/ Exclusion</b>	<b>Pre-requisite:</b> Completion of 5 core subjects (including AF5206 Hong Kong Tax Framework) <b>Exclusion:</b> Taxation Management in Hong Kong and China (AF5208)
<b>Role and Purposes</b>	This subject aims to enable students to consolidate prior Hong Kong tax knowledge of both individuals and businesses and specifically provide them with advanced and practical knowledge to apply established tax principles, practices and case law decisions to analyze various business situations and problems for making their business operation and investment decisions in the specific business setting of Hong Kong and the mainland China, with particular reference to cross-jurisdiction tax issues. It specifically contributes to the achievement of PPA / MPA Programme Outcomes by enabling them to <u>develop additional tax expertise in both Hong Kong and China tax (Programme Outcome 5).</u>
<b>Subject Learning Outcomes</b>	Upon completion of the subject, students will be able to: (a) <u>apply advanced aspects of the corporate and individual tax laws, rules and practices</u> in the Hong Kong context for strategic tax planning opportunities and decisions on cross-border transactions and investment structures; (b) <u>explain the impact of changes in tax laws, practices and tax cases</u> on business transactions, organizations and individuals from a tax management perspective with particular reference to Hong Kong situation; (c) <u>analyze various types of structure of business transactions</u> for individual and foreign-invested entities operating business in the mainland China and <u>evaluate their tax implications</u> ; and (d) <u>formulate and carry out</u> basic China tax planning ideas and strategies in relation to individual and business transactions in order to minimize their explicit tax liabilities or enhance their tax efficiency and effectiveness.
<b>Subject Synopsis/ Indicative Syllabus</b>	<b>Taxation of Inbound and Outbound Investments</b> Concept of permanent establishment. Forms of investments. Source principles. Non-residents persons. Equity versus loan financing. Withholding taxes on investment income and profit repatriation. Double taxation reliefs. Tax treaty and model convention. Tax Sparing. Beneficial ownership. Tax incentives. Exchange of information. Exemption of offshore funds, private

	<p>equity funds and open-ended funds. Taxation of intellectual properties. Taxation of corporate treasury centres. Taxation of aircraft leasing. Transfer pricing rules.</p> <p><b>Strategic Corporate Tax Planning – Principles, Practices and Anti-avoidance Provisions</b>  Basic tax planning principles and mitigation strategies. Tax avoidance devices: re-invoicing, transfer pricing, advance pricing arrangement, tax haven companies, treaty shopping, use of trusts and holding companies. Thin capitalization rules. Controlled foreign corporation rules. Harmful tax practices. Base erosion and profit shifting. Transfer pricing documentation. Automatic exchange of information. Common reporting standards. General and special anti-avoidance provisions. Fundamentals of international tax planning.</p> <p><b>Overview of PRC Taxation System and Tax Administration</b>  Forms of business establishment in China. Current tax structure and types of tax. Structure of PRC tax laws and regulations. Structure of PRC tax administrative system. Tax collection and administration law and implementing rules. Individual income tax and its reforms. Business tax. Value-added tax. Consumption tax. B2V reform and its implementing issues. New taxes such as Real Property Tax, Environmental Protection Tax, Tobacco Leaf Tax.</p> <p><b>Corporate Income Tax and Anti-avoidance Provisions</b>  Forms of business presence of foreign investment in China. Scope of charge – foreign invested enterprises and domestic enterprises. Assessment and exemptions. Applicable tax rates. Preferential tax treatments. Tax incentives – location and industry. Tax holidays. R&amp;D super deduction. High and new technology enterprises. Advanced technology service enterprises. Reforms of corporate income taxes. Special tax adjustments. Anti-avoidance provisions. Taxation of indirect transfer of assets. Transfer pricing rules and defense pricing strategies. Transfer pricing documentation. Automatic exchange of information. Common reporting standards. Mergers and acquisitions.</p> <p><b>Double Taxation Arrangement</b>  Application of Memorandum of Understanding between the Mainland China and Hong Kong for the Avoidance of Double Taxation. Comprehensive agreement and subsequent protocols. Treaty benefits. Treaty Shopping. Beneficial ownership. Taxation of capital gains. Implementation issues.</p>
<p><b>Teaching/Learning Methodology</b></p>	<p>The three hours of seminar per week will be used flexibly by the lecturer for discussing key concepts and their applications with students and carrying out other learning activities with them. To maximize benefits, students are encouraged to share their views and experiences actively with their lecturers and other classmates.</p>

<b>Assessment Methods in Alignment with Intended Learning Outcomes</b>	Specific assessment methods/tasks	% weighting	Intended subject learning outcomes to be assessed				
			a	b	c	d	
	Participation and discussion in group presentation	10%	√	√	√	√	
	Mid-term Test	20%	√	√	√	√	
	Group presentation	20%	√	√	√	√	
	Final Examination	50%	√	√	√	√	
	Total	100 %					
<b>Student Study Effort Expected</b>	Explanation of the appropriateness of the assessment methods in assessing the intended learning outcomes:						
	<b>Participation and discussion in group presentation</b> – These allow students to share their views, clarify and consolidate their knowledge during the lecture time, especially during the group presentation.						
	<b>Mid-term Test</b> – The test ensures that students would review and study the lecturing materials during the middle of the semester comprehensively.						
<b>Group presentation</b> – Students can develop their research ability in the contexts of latest PRC and HK tax knowledge.							
<b>Final Examination</b> – 3 hours open book examination, and students will be required to analyze the facts/tax issues and apply tax concepts/principles to provide tax solutions/explanations of tax implications/advice in respect of the chosen problems/cases.							
<b>Note: To pass this subject, students are required to obtain Grade D or above in BOTH the Continuous Assessment and Examination components. In addition, the specific requirements on individual assessment components discussed above could be adjusted based on the pedagogical needs of subject lecturer(s).</b>							
Class contact:							
13 weeks of 3 hours seminar each					39 Hrs.		
Other student study effort:							

	Depends on their backgrounds, on average students are expected to spend around 2 more hours for each contact hour for reading subject materials/textbook, preparing tutorial participation and doing discussion questions and assignments.	78 Hrs.
	Total student study effort	117 Hrs.
<b>Reading List and References</b>	<p><i>Weekly reading materials recommended/supplied in the subject.</i></p> <p><b>Textbooks and References</b></p> <p>Arnold, B.J. and M.J. McIntyre, <i>International Tax Primer</i>, latest edition, The Hague: The Netherlands, Kluwer Law International</p> <p>CCH, <i>Taxation in Hong Kong: A Practical Guide</i>, latest edition, Hong Kong, Wolters Kluwer Hong Kong Limited</p> <p>CCH, <i>Hong Kong Master Tax Guide</i>, latest edition, Hong Kong, Wolters Kluwer Hong Kong Limited</p> <p>CCH, <i>China Master Tax Guide</i>, latest edition, Hong Kong, Wolters Kluwer Hong Kong Limited</p> <p>CCH, <i>Hong Kong Revenue Legislation</i>, (Updated), CCH Asia Pte Limited</p> <p>Departmental Interpretation and Practice Notes, Inland Revenue Department / Stamp Office, at <a href="http://www.ird.gov.hk">www.ird.gov.hk</a></p> <p>Halkyard, A.J., J. VanderWolk and W. Chow, <i>Hong Kong Tax Law: Cases and Materials</i>, latest edition, LexisNexis Hong Kong</p> <p><i>Hong Kong Inland Revenue Board of Review Decisions</i> (updated), Hong Kong Special Administrative Region Government, at <a href="http://www.info.gov.hk/bor/eng/decision.htm">www.info.gov.hk/bor/eng/decision.htm</a></p> <p><i>Hong Kong Tax Cases</i>, Latest Volumes and Supplements, Hong Kong Special Administrative Region Government, at <a href="http://www.legalref.judiciary.gov.hk">www.legalref.judiciary.gov.hk</a></p> <p>Ho, P., <i>Hong Kong Taxation and Tax Planning</i>, latest edition, Hong Kong, Pilot Publishing Company Limited</p> <p>Lee, D., <i>Advanced Taxation in Hong Kong</i>, latest edition, Hong Kong, Longman Hong Kong Education</p> <p>Macpherson Lau, A., and J. Pearce, <i>Hong Kong Taxation: Law and Practice</i>, latest edition, Hong Kong, The Chinese University Press</p> <p>OECD, <i>Model Tax Convention on Income and on Capital</i>, condensed version, Paris, Organization for Economic Co-operation and Development</p> <p>Raffaele Russo, <i>Fundamentals of International Tax Planning</i>, latest edition, International Bureau of Fiscal Documentation</p> <p>Scholes, M.S., M.A. Wolfson, M. Erickson, E. Maydew and T. Shevlin. <i>Taxes and Business Strategy – A Planning Approach</i>, latest edition, New Jersey: Upper Saddle River, Pearson Prentice Hall</p> <p>Willoughby, P. and A.J. Halkyard, <i>Encyclopaedia of Hong Kong Taxation</i></p>	

(Updated), Vol. 1-4, Butterworths

《中華人民共和國稅法基本法規》（最新版）  
出版社：中國稅務出版社

《稅法》(Taxation Laws)（CICPA教材最新版）  
作者：中國註冊會計師協會  
出版社：經濟科學出版社

國家稅務總局網頁: [www.chinatax.gov.cn/n8136506/index.html](http://www.chinatax.gov.cn/n8136506/index.html)

**Ordinances**

Inland Revenue Ordinance (Chapter 112) and Inland Revenue Rules, Revised Edition and Amendments, Hong Kong Special Administrative Region Government, at [www.legislation.gov.hk](http://www.legislation.gov.hk)

Stamp Duty Ordinance (Chapter 117), Revised Edition and Amendments, Hong Kong Special Administrative Region Government, at [www.legislation.gov.hk](http://www.legislation.gov.hk)