



Prepayments or deferred expenses

- Prepayment or deferred expenses only deducted for tax purpose to the extent to be charged to Profit and loss account
- The accounting treatment are increasing relevant to how the transactions are taxed



50:50 claims in PRC

- It is difficult for taxpayer to claim 50:50 apportionment for setup in PRC under joint venture or or wholly owned foreign subsidiary from the Revenue's view



Employee Share Options

- Liability of tax is occurred when the rights is exercised, assignment or release
- Gain of the rights is subject to the salaries tax
- Value of consideration for the grants of the option/shares – open market of the shares at the time of exercise (the option is exercise)



Profits on E-commerce

S.14

- A person carrying on business in Hong Kong
- Hong Kong source
- Permanent establishment
- S.14 -> S.15
- S.15 if non-resident



Profits on E-commerce (Con't)

- Business operation > Physical location
 - Trading profits
 - Services income (DIPN21 : appointment =50:50 if 2 places involved)
 - Manufacturing profits
 - Server in HK & Business operation in overseas -> No Liability to tax in HK
 - Server in overseas & Business operation in HK -> Liability to tax in HK



Profits on E-commerce (Con't)

- Mere presence of a server does not constitute P.E.
- Royalty
- S15(1)(a)(b) & S.20B

Employee Share Options

(Con't)

- Gain of the rights is subject to the salaries tax
- Value of consideration given for the option – value of the consideration for the assignment or release (the option is assignment or release)