

Bus 405 tax planning homework

[Economics](#), [Tax](#)



HONG KONG SHUE YAN UNIVERSITY BUS 405 TAX PLANNING Homework 2

Question 1 Mr. Herbert Lee, a Singaporean, is being offered a job from a U. S. based company, Gateway Corporation. According to the proposed employment contract, Mr. Lee will have to meet the management team in the US and sign the contract there. His job is to oversee and supervise the operations of the Corporation's various affiliated companies in the Far East region, including Hong Kong.

He is expected to travel extensively in the region but for convenience purposes, he will be sent to and be accommodated in the office of Gateroom Ltd, a wholly owned subsidiary of Gateway Corporation in Hong Kong. No contract is to be signed between Mr. Lee and Gateroom Ltd but it is agreed that Gateroom Ltd will provide all administrative support to Mr. Lee especially when he stayed in Hong Kong to perform his duties. Gateroom Ltd will charge back its administrative costs (including travelling and telephone costs) to the US parent in respect of its support given.

Mr. Lee is required to report directly to the US parent in respect of the operation performance of respective companies in the region. His salary will however be paid in Singapore dollars into his bank account in Singapore. Mr. Lee understands that Hong Kong taxation system is limited by territorial ambit and he is concerned about the Hong Kong tax implication of his employment income under the new offer. He approached you for advice with his expected travelling schedule as below:

15. 5. 2011	Hong Kong	Arrived at Hong Kong and reported to Gateroom Ltd
5. 6. 2011 - 7. 6. 2011	Singapore	To attend meetings and seminars
1. 8. 2011 - 30. 8. 2011	China	To attend meetings and conferences
1. 11. 2011 - 18. 11. 2011	Indonesia	To attend

meetings 30. 12. 2011 - 23. 1. 2012 Thailand To attend meetings and vacation leave (leave days of 10 days) Required: Explain briefly the Hong Kong tax system in relation to income from employment, and advise Mr. Lee on his Hong Kong salaries tax position in respect of his new employment income.

Question 2 Mr Leung, the managing director of one of your clients, Global Trading Limited, came to your office.

He was concerned about restructuring his own salaries package, and that of the other employees. He wanted to ensure that all fringe benefits provided by the company were to be provided in a tax efficient manner, i. e. to minimize the salaries tax liabilities of the employees but at minimal costs to the company. Required: a) Explain to Mr Leung the extent to which fringe benefits are subject to salaries tax in Hong Kong with reference to the relevant statutory provisions and general principles.

According to Section 8(1A)(c), the income can be excluded from services rendered outside Hong Kong if taxpayer is chargeable to tax in the country in which services are rendered, and tax of substantially the same nature as salaries tax in Hong Kong has been paid in respect of the income attributable to the services rendered in the country. The income is fully exempt if service are rendered in HK during visit not exceeding 60 days and the income on which tax has been levied in the Mainland will be exempt from salaries tax.

According to Section 8(2)(j), income fully exempt if present in Hong Kong for not more than 60 days in that Y/A and 120 days in 2 consecutive Y/A. According to Section 8(2), Accrued benefit received under a MPF scheme in respect of employer's mandatory and voluntary contribution and sum withdrawn from other recognised retirement scheme. And Pension

attributable to service rendered outside Hong Kong. (b) Advise him how to provide the following fringe benefits to the employees of the company in a tax efficient manner: (i) a domestic helper (ii) low interest loan (iii) club membership (iv) education fee of child