Asian Institute of International Financial Law (AIIFL) Taxation Law Research Programme (TLRP) Seminar

1 November 2023

Should Hong Kong follow New Zealand's 'decision' to implement a Digital Services Tax (DST)?

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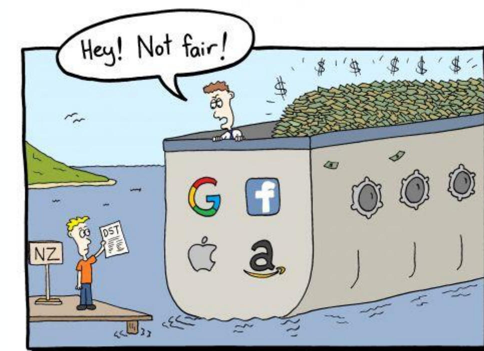
Overview

1. Introduction and background, DSTs globally
2. NZ's digital services tax (DST) proposal – June 2019 discussion document
3. NZ's draft DST legislation – 29 August 2023
4. The Hong Kong Special Administrative Region's (HKSAR) approach to BEPS - is there anything to learn from NZ's DST 'decision'?
5. Questions and comments

- NB: Early discussion draws upon the following paper: Adrian Sawyer, "Taxing the Digital Economy: Will New Zealand Tread Where Most Will Not Go?" (2019) 95 *Tax Notes International*, (August 12), 615-621.



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Introduction

- *I intend to:*
- Commence with observations on DSTs globally, then some background to the DST proposal in NZ (released in June 2019), and how this 'fits' into the OECD's BEPS 2.0 framework
- Outline the DST proposal & consultation
- Outline the draft Bill tabled on 29 August 2023, prior to the NZ Parliament rising for the 14 October 2023 General Election
- Comment on whether the HKSAR should follow a similar approach.

Options for taxing the digital economy

A Government discussion document

Hon Grant Robertson
Minister of Finance

Hon Stuart Nash
Minister of Revenue

Digital Services Tax Bill

Government Bill

Explanatory note

General policy statement

This Bill would allow the Government to implement, at an appropriate time, a digital services tax (**DST**) to be administered by Inland Revenue. The Bill proposes enabling a more comprehensive taxation of the digital economy.

The DST would be imposed at a rate of 3% on digital services revenues connected to New Zealand users or land that are derived by in-scope digital services groups. Taxable digital services revenues are revenues relating to intermediation platforms, social media and content sharing platforms, internet search engines, digital advertising and user-generated data. The tax would apply to large businesses with global digital services revenues of at least €750 million per revenue year and at least $3.5 million of New Zealand digital services revenue per revenue year.

The DST would be calculated based on the digital services group's revenue year and would be paid and reported via self-assessment by the due date in the following year. Members of the digital services group would be jointly and severally liable for the DST.

The Bill would introduce consequential amendments to the Tax Administration Act 1994.

The Digital Services Tax Act would come into force on 1 January 2025. However, the Government would be able to defer this commencement date for up to five years. The Government is working with other countries at the Organisation for Economic Co-operation and Development to achieve a multilateral agreement. The Government intends to ask Parliament to repeal the DST when an acceptable multilateral solution is implemented.

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Introduction (2)

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- I have a longstanding interest in HKSAR's taxation system, including the following publications and presentations with the support of the TLRP & AIIFL at the University of Hong Kong:
- *Double tax agreements:*
  - Sawyer, A.J., 'The Hong Kong Special Administrative Region's Emerging Double Tax Agreement Regime: A Case Study of the Hong Kong Special Administrative Region-New Zealand DTA', (2011) 41(3) *Hong Kong Law Journal*, 659-676.
- *Tax policy:*
  - Sawyer, A.J., 'New Zealand's Successful Experience with Introducing GST: Informative Guidance for Hong Kong?', (2013) 43(1) *Hong Kong Law Journal*, 161-187.
  - Sawyer, A.J., 'Establishing a Rigorous Framework for Tax Policy Development: Can New Zealand Offer Instructional Guidance for Hong Kong?', (2013) 43(2) *Hong Kong Law Journal*, 579-609.
  - Sawyer, A.J., 'Comparative Tax Policy Approaches in New Zealand and Australia: Instructional Guidance for Hong Kong?', (2016) 70(9) *Bulletin for International Taxation*, 526-537.

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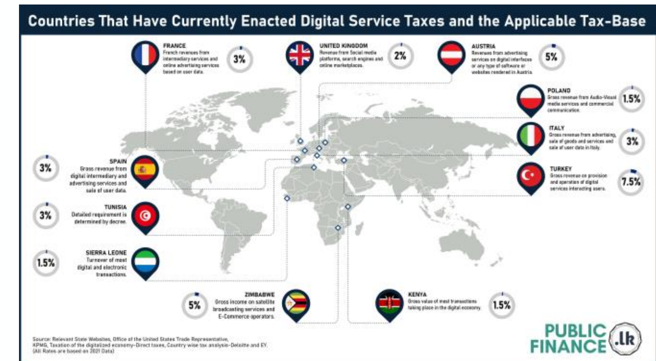
- *Exchange of information:*
  - Sawyer, A.J., 'Charting the Future: How is Hong Kong Responding to International Pressure for Enhanced Transparency, Cooperation and Information Exchange on Taxation Matters?', (2013) 17(1) *Asia Pacific Journal of Taxation*, 56-66.
  - Sawyer, A.J., 'Will Hong Kong Succumb to International Pressures on Taxation Matters?', (2014) 22(2) *Asia Pacific Law Review*, 3-32.
  - Sawyer, A.J., 'Hong Kong Continues to Enhance its Information Exchange on Taxation Matters – A Stocktake', (2015) 19(2) *Asia Pacific Journal of Taxation*, 26-36.
- *BEPS 1.0 & BEPS 2.0:*
  - Sawyer, A.J., 'An Update on Hong Kong's Exchange of Information Developments and Engaging with BEPS', (2017) 25(2) *Asia Pacific Law Review*, 170-189.
  - Freedman, J. and Sawyer, A., "BEPS 2.0", *TLRP & AIIFL Virtual seminar*, University of Hong Kong, 22 November 2019.
  - Sawyer, A.J., "Hong Kong and BEPS 2.0", *TLRP & AIIFL Webinar*, University of Hong Kong, 30 November 2021.

DSTs around the world – a summary

- As at 25/09/2023, globally there are 45 jurisdictions with DSTs (these vary in scope and coverage; see *DST Global Tracker*):
- *Europe: 20 jurisdictions* - 10 in operation (fully/partly), remaining paused/proposed
- *Asia/Pacific: 9 jurisdictions* – 7 in operation (fully/partly), remaining paused/proposed
- *Americas: 7 jurisdictions* – 5 in operation (fully/partly), remaining paused/proposed (NB: Brazil has 5 versions, Canada actively working on implementation for 2024!)
- *Africa & Middle East:* 9 jurisdictions – 7 in operation (fully/partly), remaining paused/proposed
- NB: many DSTs are "paused' until 2025 pending the outcome of the OECD's BEPS 2.0 Pillar 1 efforts.



NZ’s DST proposal: August 2019 discussion paper

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- NZ Government, *Options for taxing the digital economy* (June 2019):
- Intention - narrowly targeted tax on certain highly digitalised business models. Approach:

1. *Determine if the DST applies to the group. The DST would apply if both*:
   - The group’s business includes any of the activities defined to be in-scope; and
   - The group exceeds both the two de minimis thresholds for the DST
2. *If the DST applies, the group will need to calculate and pay its DST liability*:
   - The group determines the annual gross global revenue attributable to its in-scope business activities;
   - The group determines the proportion of those revenues attributable to NZ;
   - The group calculates the DST payable on those attributable revenues at the 3% DST rate; and
   - The group returns and pay the DST to Inland Revenue (IR) by the due date.

NZ’s DST proposal (2)

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- Threshold based on the size of the group (using CbCR threshold of €750m of consolidated annual turnover – about $NZ1.4b - $HK6.4b)
- Threshold based on the amount of the digital group’s global revenue attributable to NZ users (minimum $NZ3.5m - $HK16.0m - a year; producing $NZ100k ($HK450k) of DST)
- *Consultation responses were mixed* – some supported the concept but most urged caution, including potential risks with NZ’s DTAs, potential retaliation from the US with trade sanctions, and the tax will just be passed onto NZ consumers through higher prices
- Maintaining a commitment to the work of the OECD was generally preferred through the Pillar 1 and 2 solution. It was seen as critical that *any DST be repealed once an acceptable international solution is implemented through the OECD BEPS 2.0:*

  “*Any DST in New Zealand would be an interim measure*. The Government would look to repeal it if and when the OECD’s international solution was implemented.” (Ministerial release accompanying 2019 discussion document).

NZ’s draft DST legislation – August 2023

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- Officials’ advice to NZ Government - wait until 2024 to introduce a bill – ***not accepted***
- Digital Services Tax Bill 2023 proposes the ‘*same’ DST as in the discussion document*
- DST was compared against the status quo & the OECD’s Pillar One, Amount A, using:

  (1) addressing the tax policy problem; (2) minimisation of compliance costs; (3) minimisation of administration costs; (4) the effect on our international relationships; (5) retaining flexibility to change course; (6) ability to be deployed in a timely manner; (7) minimisation of negative impacts on New Zealand’s trading environment; and (8) the domestic impact
- In IR’s *Disclosure Statement* on the Bill (2023):

  “The Digital Services Tax Act would come into force on 1 January 2025. However, the *Government would be able to defer this commencement date for up to five years.* The Government is working with other countries at the Organisation for Economic Co-operation and Development to achieve a multilateral agreement. The *Government intends to ask Parliament to repeal the DST when an acceptable multilateral solution is implemented.*”

NZ’s draft DST legislation – August 2023 (2)

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- Purpose of the DST Bill: “… *to impose a digital services tax*.”
- DST will be a charge on digital revenues as defined – no allowance for expenses (not a tax on income or capital)
- MNEs affected - those: operating core taxable digital services through intermediation platforms; social media and content sharing platforms; and/or and internet search engines
- The DST will utilise financial reporting statements – see definitions in the Bill:

“**DST revenue year** means a relevant annual accounting period under generally accepted accounting practice for a group or on an entity basis;

generally accepted accounting practice means—

(a) International Financial Reporting Standards (IFRS); or

(b) other country-specific generally accepted accounting principles relevant for publicly traded entities outside New Zealand that require 2 or more entities to prepare consolidated financial statements in a similar manner to IFRS.”

NZ’s draft DST legislation – August 2023 (3)

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- *Bill has its own tax avoidance provision (similar in nature to ss BG 1 ITA 2007, 76 GSTA 1986 – **same judicial test to be used?**):*

18 Tax avoidance

(1) A tax avoidance arrangement entered into by a person is void against the Commissioner for tax purposes.

(2) A tax avoidance arrangement is an arrangement that has a purpose or effect, not being a merely incidental purpose or effect, of defeating the intent and application of this Act.

(3) If a tax avoidance arrangement is void against the Commissioner, the Commissioner may adjust the amount of digital services tax payable by, or refundable to, a person affected by the arrangement, whether or not the person is a party to the arrangement, in the manner the Commissioner considers appropriate to counteract any tax advantage obtained by the person from, or under, the arrangement.

IN THE SUPREME COURT OF NEW ZEALAND

I TE KŌTI MANA NUI O AOTEAROA

SC 81/2020
[2022] NZSC 113

BETWEEN	FRUCOR SUNTORY NEW ZEALAND LIMITED Appellant
AND	COMMISSIONER OF INLAND REVENUE Respondent

SC 92/2020

BETWEEN	COMMISSIONER OF INLAND REVENUE Appellant
AND	FRUCOR SUNTORY NEW ZEALAND LIMITED Respondent

Hearing:	8–10 June 2021
Court:	Winkelmann CJ, William Young, Glazebrook, O’Regan and Ellen France JJ
Counsel:	L McKay, M McKay and H C Roberts for Frucor Suntory New Zealand Ltd J B M Smith KC, E J Norris and L K Worthing for Commissioner of Inland Revenue
Judgment:	30 September 2022

JUDGMENT OF THE COURT

A The appeal is dismissed.

B The cross-appeal is allowed with the result that the appellant’s challenge to shortfall penalties is dismissed.

FRUCOR SUNTORY NEW ZEALAND LIMITED v COMMISSIONER OF INLAND REVENUE
[2022] NZSC 113 [30 September 2022]

NZ’s draft DST legislation – August 2023 (4)

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- Specific administrative provisions include changes to the Tax Administration Act 1993, such as registration, record keeping, returns, (re)assessments, rulings, and penalties
- Further guidance provided in the *Commentary to the Bill*, also released on 29 August 2023
- Inclusions and exclusions explained, along with examples to illustrate concepts
- Only a limited number of NZ taxpayers affected – estimated 15-20! *If enacted*, it is expected to bring a mere $NZ222m ($HK1.0b) over four years (a small amount)!
- Officials recognise much of the tax will be borne by NZ consumers and a risk of retaliatory tariffs on specific exports being imposed by jurisdictions such as the US
- NZ Attorney General stated (12 July 2023):

  “We have concluded that the Bill affirmed in the Bill of Rights Act.” *appears to be consistent with the rights and freedoms*
- Bill is not considered to be a *definitive NZ Government co*mmitment to impose a DST.

NZ’s draft DST legislation – August 2023 (5)

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- Early comments on the Bill - *NZ Taxpayers Union* (Aug 2023):

  “Where there are genuine loopholes in existing international tax arrangements, other countries are also incentivised to close these and we should work with them to do so. However, *if we take a unilateral approach without coordinating with our trading partners, we may be seen as undermining free trade principles and unfairly favouring domestic firms over foreign ones*. This has concerning implications for an export-based nation such as New Zealand that is reliant on free and open trade globally.

  If we proceed with this tax in the absence of an OECD-wide agreement, *we lose all moral authority to argue against retaliatory protectionist measures from our trading partners* with policies that, while neutral on paper, would go against the spirit of free trade through a structure that largely targets foreign firms.”

- *NZ Herald* article (29 Aug 2023):

  “*It’s a bit of a drop in the ocean, but a start*,” says Don Christie, co-founder of NZRise - a lobby group that represents local tech companies.”

NZ’s draft DST legislation – August 2023 (6)

- *Deloitte NZ* (Sept 2023):

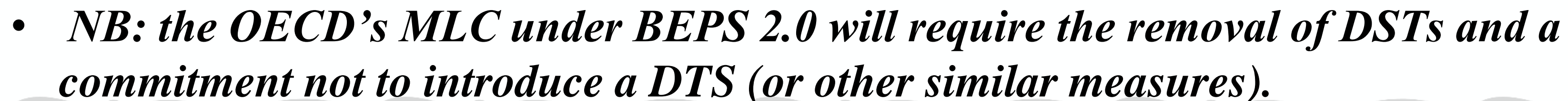
  “As with all tax questions, whether a DST should be introduced in New Zealand is debatable. A DST is targeted towards large multinational tech companies that have historically paid low rates of tax in New Zealand. However, *there is a possibility that New Zealand consumers will ultimately bear the cost of the DST, particularly if other countries do not implement one*.

  With the New Zealand Parliament dissolving for the election, *it will be a question for the new Government to decide whether to reinstate the Bill and continue with the legislative processes*. If so, the public will have the opportunity to comment on the legislation.”

- *KPMG NZ* (Sept 2023):

  “Introducing a DST at this stage may suggest the *government has reservations regarding the results of the OECD process and that it wants to be ready to address fairness concerns if the OECD process does not deliver the desired outcomes*.”

- ***NB: the OECD’s MLC under BEPS 2.0 will require the removal of DSTs and a commitment not to introduce a DTS (or other similar measures).***



NZ's draft DST legislation – August 2023 (7)

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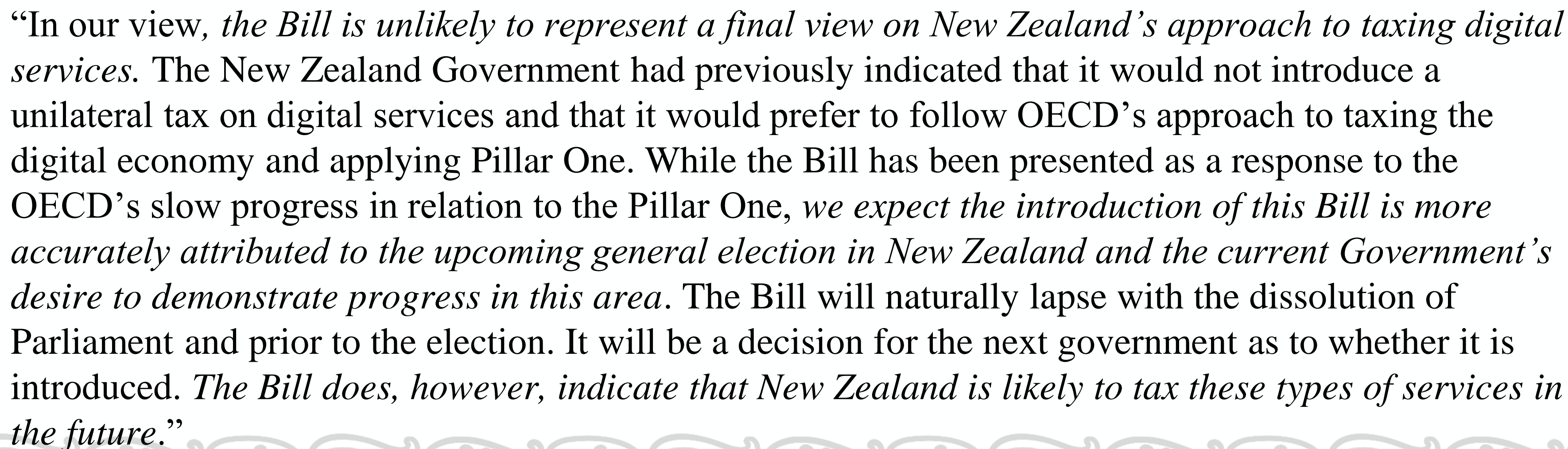
- *EY NZ* (Sept 2023):

  "If the new Government reinstates the DST Bill, it is likely to proceed through the normal stages of the New Zealand parliamentary process. This *process will include the opportunity for public submissions on the draft legislation and may include refinement of the current design*."

- *DLA Piper* (Sept 2023):



  "In our view*, the Bill is unlikely to represent a final view on New Zealand's approach to taxing digital services.* The New Zealand Government had previously indicated that it would not introduce a unilateral tax on digital services and that it would prefer to follow OECD's approach to taxing the digital economy and applying Pillar One. While the Bill has been presented as a response to the OECD's slow progress in relation to the Pillar One, *we expect the introduction of this Bill is more accurately attributed to the upcoming general election in New Zealand and the current Government's desire to demonstrate progress in this area*. The Bill will naturally lapse with the dissolution of Parliament and prior to the election. It will be a decision for the next government as to whether it is introduced. *The Bill does, however, indicate that New Zealand is likely to tax these types of services in the future*."

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NZ's draft DST legislation – August 2023 (8)

- *Brown & Handford (NZLJ, October 2023)*:
  - Obstacles to implementation of a DST include:
    - it must not be an income tax or may be contrary to NZ's DTAs
    - it must not be discriminatory – concern that excludes most NZ businesses with threshold
    - It has real implications for NZ's relations with the US – e.g., see the US over Canada's DST
  - Likely future post October 2023 General Election (p 296):

    "The extent to which the DST Bill proceeds to enactment will depend in the first instance on whether the next Parliament reinstates the Bill. Comments made on behalf of the *National Party indicate that that Party would likely support reinstatement of the Bill, but would proceed cautiously* (as regards implementing a DST) *given the trade-related risks*. As for the preferred alternative (of an OECD-led multilateral solution based on Pillar One, Amount A), more will be known later this year, but the necessary international consensus to implement such a solution is seeming less likely."
- NB: NZ has a change in government – a likely National, ACT (and NZ First?) coalition
- Pillar One's future *remains in the balance* as the point of critical decision-making looms.

NZ's draft DST legislation – August 2023 (9)

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- For a broader perspective that encompasses DSTs and their impact on developing countries, see Kelsey et al (2020*), How 'Digital Trade' Rules Would Impede Taxation of the Digitalised Economy in the Global South,* (at 3, my emphasis):

  "The past decade has seen the *significant expansion of trade rules that are designed to restrict the ability of governments to regulate the digitalised economy and to consolidate the dominance of existing MNEs*. This new digital trade regime, which has already been adopted in some free trade agreements (FTAs) and is being proposed in the WTO, would exacerbate the harmful tax practices of MNEs within a deeply integrated digitalised economy. … *These existing and proposed 'digital trade' rules could severely and permanently disadvantage developing countries by eroding their revenue base and constricting their policy space for digital development.* It is a travesty that many of these new trade rules are now being promoted as a vehicle for development. Complementary rules have been proposed in the plurilateral negotiation by some WTO Members on 'investment facilitation for development', which also lacks a WTO mandate, and on disciplines on the domestic regulation of services."

NZ’s draft DST legislation – August 2023 (10)

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- Kelsey et al (2020, at xii-xiii) also state with respect to DSTs (my emphasis):

  “*Transaction-based digital services taxes (DSTs) ... [have] the potential to conflict with national treatment, market access and local presence rules in trade in services agreements*. … Transparency rules would empower digital corporations and their parent states to lobby against such laws.

  The US has launched investigations under Section 301 of the Trade Act 1974 into ten countries’ versions of a DST. An earlier investigation into France’s tax indicates the kind of legal arguments the US is likely to make using existing and proposed trade rules:

  - the tax is discriminatory and unreasonably burdensome on US companies and negatively impacts on their competitive position;
  - it violates international tax norms through its extraterritoriality, taxing revenue not income, and penalising US companies for their commercial success;
  - the premises of the tax that digital MNEs do not pay corporate income tax and that users are deprived of the value of their data are flawed, so the tax is not a legitimate policy response; and
  - *unilateral action has impeded the chance of achieving multilateral consensus in the OECD*.”

HKSAR's approach to BEPS – a recap from 2021

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- HKSAR received a largely compliant report from the *Global Forum on Transparency and Exchange of Information* in its Peer Review in 2013, but with areas for improvement
- Enacted legislation in 2013, after much debate, to enable HKSAR to conclude *Tax Information Exchange Agreements* (TIEAs)
- Negotiated in 2014 an in-substance and final inter-governmental agreement (IGA) under US's *Foreign Account Tax Compliance Act (FATCA) 2010*
- Became a signatory through the Peoples Republic of China (PRC) signing the *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* (Multilateral Convention) on 27/08/13 – entered into force on 1/02/16
- *Automatic Exchange of Information* (AEOI) introduced by amendment to HKSAR's Inland Revenue Ordinance (IRO) in 2016.

HKSAR's approach to BEPS – a recap (2)

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- BEPS 1.0 - accepted invitation, as "Hong Kong, China", in June 2016 to be an *Associate on the BEPS initiatives*. This requires HKSAR to facilitate 15 BEPS Actions, as relevant, & work globally
- Consultation on BEPS commenced later in 2016: proposed to introduce draft legislation for first half 2017
- The HKSAR made *a priority for it to meet the 4 agreed BEPS minimum standards*:
  - Harmful tax practices & spontaneous EOI on certain tax rulings (Action 5);
  - Model tax treaty provisions to prevent treaty abuse (Action 6);
  - CbC Reporting (Action 13); and
  - Improvements to cross border tax dispute resolution (Action 14)
- Implemented the *MLI in February 2018* via an amendment to the IRO (NB: *ratification instrument to OECD in May 2022, effective 1 September 2022*).

HKSAR's approach to BEPS – a recap (3)

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- Launched a *Country by Country (CbC) Reporting portal* in March 2018, with first AEOI occurring later that year using the Common Reporting Standard (CRS)
- Implemented new *transfer pricing legislation* in July 2018 via an amendment to the IRO
- Set up the *Advisory Panel on BEPS 2.0* on 11 June 2020 (Chaired by Secretary for Financial Services and the Treasury, with bureaucrats and private sector members), with a specific *Terms of Reference:*
  - To review the possible impact of the latest requirements under BEPS 2.0 on the competitiveness of Hong Kong's business environment.
  - To advise the Financial Secretary on strategies and measures to facilitate the sustainable development of Hong Kong as an international financial, trading and business centre in light of the changing international tax landscape.
- **Next four slides contain recommendations from the Advisory Panel (my emphasis).**

HKSAR’s approach to BEPS – recent developments (with my emphasis)

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- **(A) Guiding Principles in Charting the Way Forward**

  8. Having considered the potential impact of BEPS 2.0 on Hong Kong, the Advisory Panel recommends that Hong Kong adhere to the following guiding principles in charting the way forward –

  (a) to maintain Hong Kong’s status as an international financial and commercial centre, *Hong Kong should actively implement the BEPS 2.0 according to international consensus*;

  (b) Hong Kong should *minimise the impact on the businesses not subject to the BEPS 2.0 rules*, in particular the small- and medium-sized enterprises, where possible when drawing up the response measures, and strive to maintain the simplicity, certainty and fairness of our tax regime which are our key advantages;

  (c) *Hong Kong should safeguard our taxing rights under BEPS 2.0 instead of ceding them unilaterally to other jurisdictions* with no benefits being conferred on businesses operating in Hong Kong, whilst seek to minimise the compliance burden on affected corporations; and

  (d) Hong Kong should keep up the efforts in improving our business environment and enhancing our competitiveness, with a view to attracting MNE groups to invest and operate in Hong Kong.

HKSAR's approach to BEPS – recent developments (with my emphasis) (2)

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- **(B) Recommended Measures**

  9. In line with the aforesaid guiding principles, the Advisory Panel draws up the following recommendations to address the challenges arising from the new BEPS 2.0 standards.

  (I) Specific Tax Measures to Implement BEPS 2.0

  10. The Advisory Panel recommends that *Hong Kong should implement Pillar One by adhering to the tax framework endorsed by the international community and by participating in the new multilateral convention*, as this would help affected businesses eliminate double taxation and reduce compliance costs.

  11. The Advisory Panel recommends that Hong Kong should *implement Pillar Two by amending our existing tax regime* as follows –

  (a) Hong Kong *should apply in full the GloBE rules stipulated by the OECD* to implement the global minimum tax, and the relevant amendment should only apply to in-scope MNE groups with ETR below the global minimum tax rate. Regarding the formulation of a specific amendment proposal under the framework of the GloBE rules, the Advisory Panel recommends that the Government should *protect Hong Kong's taxing rights and minimise the compliance burden of businesses operating in Hong Kong*;

HKSAR’s approach to BEPS – recent developments (with my emphasis) (3)

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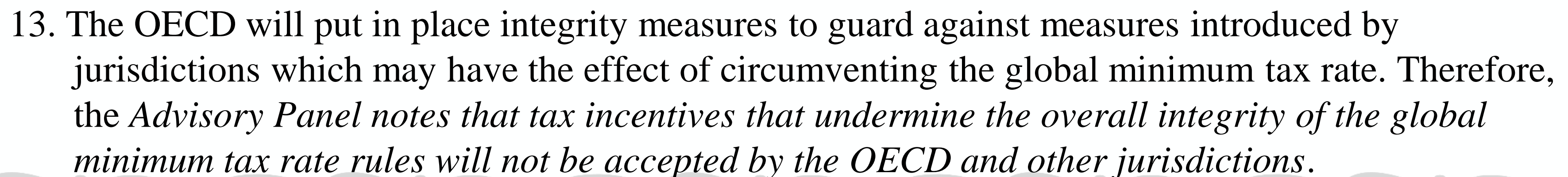
(b) Hong Kong should accept requests for inclusion of the subject to tax rule in our existing and future tax agreements with developing economies if requested, as this forms part of the requirements of Pillar Two.

(II) Reaffirming Hong Kong’s Territorial Source Principle of Taxation

12. The Advisory Panel recognises that the *territorial source principle of taxation is crucial to the competitiveness of Hong Kong’s tax system, and considers that any change to it should not be made lightly*. Although revising the territorial source principle of taxation can raise the ETRs of some MNE groups operating in Hong Kong beyond the global minimum tax rate, the Advisory Panel considers that this is not a precise and targeted measure to respond to the global minimum effective tax rate.

(III) Safeguarding the integrity of BEPS 2.0

13. The OECD will put in place integrity measures to guard against measures introduced by jurisdictions which may have the effect of circumventing the global minimum tax rate. Therefore, the *Advisory Panel notes that tax incentives that undermine the overall integrity of the global minimum tax rate rules will not be accepted by the OECD and other jurisdictions*.



HKSAR's approach to BEPS – recent developments (with my emphasis) (4)

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- **(IV) Non-Tax Measures to boost Hong Kong's competitiveness**

  14. With the introduction of BEPS 2.0, in particular the global minimum effective tax rule, the Advisory Panel notes that tax consideration will be of less importance to the MNE groups in the context of business and investment planning in the post-BEPS 2.0 era, and jurisdictions will be more inclined to consider the use of non-tax measures to enhance their competitiveness. In this regard, the *Advisory Panel welcomes the Government's plan to continue to engage members from various sectors to advise on strategies and measures to improve our business environment and competitiveness in a holistic manner.*

HKSAR's approach to BEPS – recent developments (5)

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- The *Inland Revenue (Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting) Order* was gazetted on September 30, 2022, which enables Hong Kong to implement BEPS 1.0
- The HKSAR has been *exchanging views with the affected MNEs on matters relating to the implementation of BEPS 2.0*, and have reaffirmed it will preserve the advantages of the HKSAR's tax regime in terms of its simplicity, certainty and transparency, maintain the territorial source principle of taxation, as well as minimise the compliance burden on MNEs
- In 2023 HKSAR Budget materials, it was confirmed that the *HKSAR Government will implement the international tax reform proposals in BEPS 2.0*. The HKSAR plans to apply the global minimum effective tax rate on large MNEs (over €750m - $HK6.4b) and implement the domestic minimum top-up tax starting from 2025 onwards.

What lessons are there for the HKSAR? – Should it pursue a DST?

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- The HKSAR has been a (reluctant) adopter of BEPS 1.0, and in principle BEPS 2.0 initiatives, developed by the OECD
- It has sought, to the extent it is feasible, to maintain its competitive advantage of a simple and low-rate tax system that minimises compliance costs
- It is increasingly facing challenges from the Mainland in many aspects of the Government's decision making, yet has been provided with relative 'freedom' to make many of its decisions on taxation
- With the Mainland extremely unlikely to pursue a DST, ***there is no compelling reason to follow NZ's approach***, which may change in the post general election environment
- A DST cost-benefit analysis, against other options, is needed.

Thank you!
Questions and Comments