

Advanced Taxation (HKG)(P6)

June & December 2014

This syllabus and study guide is designed to help with planning study and to provide detailed information on what could be assessed in any examination session.

THE STRUCTURE OF THE SYLLABUS AND STUDY GUIDE

Relational diagram of paper with other papers

This diagram shows direct and indirect links between this paper and other papers preceding or following it. Some papers are directly underpinned by other papers such as Advanced Performance Management by Performance Management. These links are shown as solid line arrows. Other papers only have indirect relationships with each other such as links existing between the accounting and auditing papers. The links between these are shown as dotted line arrows. This diagram indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

Overall aim of the syllabus

This explains briefly the overall objective of the paper and indicates in the broadest sense the capabilities to be developed within the paper.

Main capabilities

This paper's aim is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

Relational diagram of the main capabilities

This diagram illustrates the flows and links between the main capabilities (sections) of the syllabus and should be used as an aid to planning teaching and learning in a structured way.

Syllabus rationale

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

Detailed syllabus

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

Approach to examining the syllabus

This section briefly explains the structure of the examination and how it is assessed.

Study Guide

This is the main document that students, tuition providers and publishers should use as the basis of their studies, instruction and materials.

Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session.

The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations. These outcomes are described using verbs indicating what exams may require students to demonstrate, and the broad intellectual level at which these may need to be demonstrated (*see intellectual levels below).

Learning Materials

ACCA's Approved Learning Partner - content (ALP-c) is the programme through which ACCA approves learning materials from high quality content providers designed to support study towards ACCA's qualifications.

ACCA has one Platinum Approved Learning Partner content which is BPP Learning Media. In addition, there are a number of Gold Approved Learning Partners - content.

For information about ACCA's Approved Learning Partners - content, please go to ACCA's Content Provider Directory.

The Directory also lists materials by Subscribers, these materials have not been quality assured by ACCA but may be helpful if used in conjunction with approved learning materials. You will also find details of Examiner suggested Additional Reading which may be a useful supplement to approved learning materials.

ACCA's Content Provider Directory can be found here—
http://www.accaglobal.com/learningproviders/alpc/content_provider_directory/search/.

Relevant articles will also be published in Student Accountant.

INTELLECTUAL LEVELS

The syllabus is designed to progressively broaden and deepen the knowledge, skills and professional values demonstrated by the student on their way through the qualification.

The specific capabilities within the detailed syllabuses and study guides are assessed at one of three intellectual or cognitive levels:

Level 1: Knowledge and comprehension
Level 2: Application and analysis
Level 3: Synthesis and evaluation

Very broadly, these intellectual levels relate to the three cognitive levels at which the Knowledge module, the Skills module and the Professional level are assessed.

Each subject area in the detailed study guide included in this document is given a 1, 2, or 3 superscript, denoting intellectual level, marked at the end of each relevant line. This gives an indication of the intellectual depth at which an area could be assessed within the examination. However, while level 1 broadly equates with the Knowledge module, level 2 equates to the Skills module and level 3 to the Professional level, some lower level skills can continue to be assessed as the student progresses through each module and level. This

reflects that at each stage of study there will be a requirement to broaden, as well as deepen capabilities. It is also possible that occasionally some higher level capabilities may be assessed at lower levels.

LEARNING HOURS AND EDUCATION RECOGNITION

The ACCA qualification does not prescribe or recommend any particular number of learning hours for examinations because study and learning patterns and styles vary greatly between people and organisations. This also recognises the wide diversity of personal, professional and educational circumstances in which ACCA students find themselves.

As a member of the International Federation of Accountants, ACCA seeks to enhance the education recognition of its qualification on both national and international education frameworks, and with educational authorities and partners globally. In doing so, ACCA aims to ensure that its qualifications are recognized and valued by governments, regulatory authorities and employers across all sectors. To this end, ACCA qualifications are currently recognized on the education frameworks in several countries. Please refer to your national education framework regulator for further information.

Each syllabus contains between 23 and 35 main subject area headings depending on the nature of the subject and how these areas have been broken down.

GUIDE TO EXAM STRUCTURE

The structure of examinations varies within and between modules and levels.

The Fundamentals level examinations contain 100% compulsory questions to encourage candidates to study across the breadth of each syllabus.

The Knowledge module is assessed by equivalent two-hour paper based and computer based examinations.

The Skills module examinations are all paper based three-hour papers. The structure of papers varies

from ten questions in the *Corporate and Business Law* (F4) paper to four 25 mark questions in *Financial Management* (F9). Individual questions within all Skills module papers will attract between 10 and 30 marks.

The Professional level papers are all three-hour paper based examinations, all containing two sections. Section A is compulsory, but there will be some choice offered in Section B.

For all three hour examination papers, ACCA has introduced 15 minutes reading and planning time.

This additional time is allowed at the beginning of each three-hour examination to allow candidates to read the questions and to begin planning their answers before they start writing in their answer books. This time should be used to ensure that all the information and exam requirements are properly read and understood.

During reading and planning time candidates may only annotate their question paper. They may not write anything in their answer booklets until told to do so by the invigilator.

The Essentials module papers all have a Section A containing a major case study question with all requirements totalling 50 marks relating to this case. Section B gives students a choice of two from three 25 mark questions.

Section A of both the P4 and P5 Options papers contain one 50 mark compulsory question, and Section B will offer a choice of two from three questions each worth 25 marks each.

Section A of each of the P6 and P7 Options papers contains 60 compulsory marks from two questions; question 1 attracting 35 marks, and question 2 attracting 25 marks. Section B of both these Options papers will offer a choice of two from three questions, with each question attracting 20 marks.

All Professional level exams contain four professional marks.

The pass mark for all ACCA Qualification examination papers is 50%.

GUIDE TO EXAMINATION ASSESSMENT

ACCA reserves the right to examine anything contained within the study guide at any examination session. This includes knowledge, techniques, principles, theories, and concepts as specified.

For the tax papers, ACCA will publish *examinable documents*, or tax rates and allowances tables, once a year to indicate exactly what legislation could potentially be assessed within identified examination sessions. These should be read in conjunction with the information below.

For **UK** tax papers, examinations falling within the financial year 1 April to 31 March will examine the Finance Act which was passed in the previous July. I.e. Exams falling in the period 1 April 2014 to 31 March 2015 will examine the Finance Act 2013.

For **SGP** tax papers, examinations falling within the year 1 April to 31 March will be based on legislation passed before the previous 30 September. I.e. examinations falling in the year 1 April 2014 to 31 March 2015 will be based on legislation passed by 30 September 2013.

For **MYS** tax papers, examinations falling within the year 1 October to 30 September will be based on legislation passed before the previous 31 March. I.e. examinations falling in the year 1 October 2014 to 30 September 2015 will be based on legislation passed before the previous 31 March 2014.

For **CYP** tax papers, June and December examinations will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September. I.e. June and December 2014 papers will be based on regulation or legislation published in the Official Gazette of the Republic of Cyprus ("the Gazette") on or before 30 September 2013.

For **CZE** tax papers, December and June examinations will be based on legislation passed before the previous 31 May. I.e. December 2014 and June 15 papers will be based on legislation in force at 31 May 2014.

For **VNM** tax papers, June and December examinations will be based on legislation passed before the previous 31 December. I.e. June and

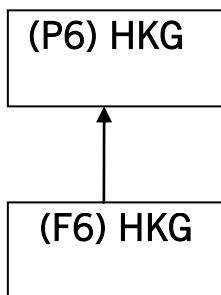
December 2014 papers will be based on legislation passed by 31 December 2013.

Tax papers for the following variants:

**BWA, CHN, HUN, HKG, IRL, LSO, MWI, MLA,
POL, PKN, ROM, RUS, ZAF, ZWE.**

The June and December examinations will be based on legislation passed before the previous 30 September. I.e. June and December 2014 papers will be based on legislation passed by 30 September 2013.

Syllabus



MAIN CAPABILITIES

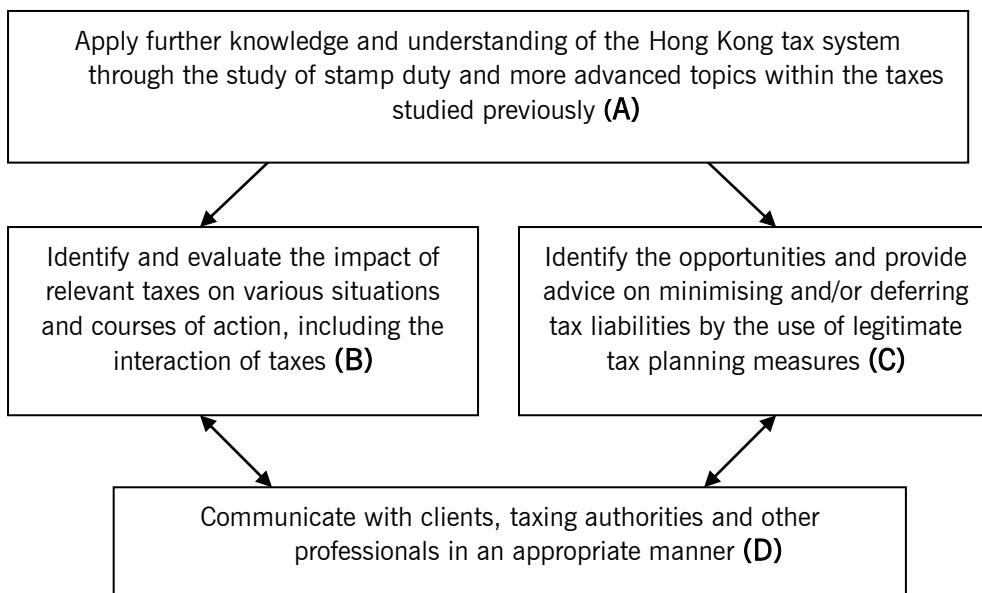
After completing this examination paper students should be able to:

- A** Apply further knowledge and understanding of the Hong Kong tax system through the study of stamp duty and more advanced topics within the taxes studied previously.
- B** Identify and evaluate the impact of relevant taxes on various situations and courses of action, including the interaction of taxes.
- C** Identify the opportunities and provide advice on minimising and/or deferring tax liabilities by the use of legitimate tax planning measures.
- D** Communicate with clients, taxing authorities and other professionals in an appropriate manner.

AIM

To apply relevant knowledge, skills and exercise professional judgement in providing relevant information and advice to individuals and businesses on the impact of the major taxes on financial decisions and situations.

RELATIONAL DIAGRAM OF MAIN SYLLABUS CAPABILITIES



RATIONALE

The *Advanced Taxation* syllabus further develops the key aspects of taxation introduced in the compulsory Taxation syllabus within the Skills module and extends the candidates' knowledge of the tax system, together with their ability to apply that knowledge to the issues commonly encountered by individuals and businesses; such that successful candidates should have the ability to interpret and analyse the information provided and communicate the outcomes in a manner appropriate to the intended audience.

The syllabus builds on the basic knowledge of core taxes from the earlier taxation paper and introduces candidates to the additional tax of stamp duty. As this is an optional paper, aimed at those requiring/desiring more than basic tax knowledge for their future professional lives, the syllabus also extends the knowledge of salaries tax, profits tax and property tax, to encompass, further overseas aspects of taxation, and additional exemptions and reliefs.

Candidates are not expected to concentrate on the computational aspects of taxation. Instead this paper seeks to develop candidates' skills of analysis, interpretation and communication. Candidates are expected to be able to use established tax planning methods and consider current issues in taxation.

DETAILED SYLLABUS

- A. Knowledge and understanding of the Hong Kong tax system through the study of stamp duty and more advanced topics within the taxes studied previously**
 - 1. Salaries tax liabilities in situations involving more complicated arrangements in relation to an individual's office, employment or pension; including impacts on remuneration package and the interaction of employment-type income with other sources of income.
 - 2. Profits tax liabilities in situations involving further overseas and group aspects including mergers and acquisitions and intra-group activities.
 - 3. Property tax liabilities in situations involving more complicated scenarios and the interaction

of property income with other sources of income.

- 4. Relevant tax liabilities in relation to special industries for which special tax treatments are required.
- 5. Stamp duty.
- 6. Personal assessment and tax administration.
- 7. Current issues and developments in Hong Kong taxation, including international aspects of inbound investments of non-Hong Kong residents and outbound investments of Hong Kong residents; issues arising from double tax agreements/arrangements; and transfer pricing issues and requirements.

- B. The impact of relevant taxes on various situations and courses of action, including the interaction of taxes**
 - 1. Taxes applicable to a given situation or course of action and their impact.
 - 2. Alternative ways of achieving personal or business outcomes that may lead to different tax consequences.
 - 3. Taxation effects of the financial decisions made by businesses (corporate and unincorporated) and by individuals.
 - 4. Tax advantages and/or disadvantages of alternative courses of action.
 - 5. Statutory rights and obligations given to tax authorities and imposed on taxpayers in different situations, including any time limits for action and the implications of non-compliance.
- C. Minimise and/or defer tax liabilities by the use of legitimate tax planning measures**
 - 1. Availability of various exemptions, allowances and reliefs that may result in a reduction in tax liabilities for an individual and/or a business.
 - 2. Legitimate tax planning ideas, by which the tax liabilities arising from a particular situation or course of action may be mitigated.

3. The mitigation of tax in the manner recommended, by reference to numerical analysis and/or reasoned arguments.
4. Potential tax risks associated with any tax plans or arrangements or courses of action taken, including possible actions that may be taken by tax authorities; and providing appropriate advice on how the related tax risks may be mitigated or avoided.
5. Ethical and professional issues associated with the delivery of tax planning advice.

D. Communicate with clients, taxing authorities and other professionals in an appropriate manner

1. Communicate with taxpayers in relation to delivery of tax advice, recommendations and information in the required format.
2. Communicate with tax authorities in relation to issues arising from tax filings, assessments and payments, including seeking advance rulings and other issues as appropriate.
3. Present written information, in language appropriate to the purpose of the communication and the intended recipient.
4. Communicate conclusions reached, together where necessary with relevant supporting computations.
5. Assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis.
6. Other appropriate non-tax factors that should be considered.

APPROACH TO EXAMINING THE SYLLABUS

The paper consists of two sections:

Section A consists of two compulsory questions. Question 1 has 35 marks, including 4 professional marks, and question 2 has 25 marks.

Section B consists of three 20-mark questions, two of which must be answered.

Questions will be scenario based and will normally involve consideration of more than one tax together with some elements of tax planning and the interaction of taxes.

Tax administration and the tax assessment/collection system may be examined as part of any of the five questions.

Computations will normally only be required in support of explanations or advice.

The examination is a three hour paper.

Tax rates, statutory allowances and reliefs/deductions will always be given in the examination paper, regardless of whether or not they are relevant to the questions set.

Study Guide

A APPLY FURTHER KNOWLEDGE AND UNDERSTANDING OF THE HONG KONG TAX SYSTEM THROUGH THE STUDY OF STAMP DUTY AND MORE ADVANCED TOPICS WITHIN THE TAXES STUDIED PREVIOUSLY

1. Salaries tax liabilities in situations involving more complicated arrangements in relation to an individual's office, employment or pension; including impacts on remuneration package, and the interaction of employment-type income with other sources of income
 - a) The contents of the Paper F6 study guide for salaries tax liabilities, under headings:
 - B1 The scope of the salaries tax charge
 - B2 Basic understanding of the source principle
 - B3 Income from employment, office and pension
 - B4 The comprehensive computation of net chargeable income and salaries tax liability
 - B5 The use of exemptions and reliefs in deferring and minimising salaries tax liabilities

The following additional aspects are also examinable:

- b) The scope of the salaries tax charge:^[3]
 - i) Understand the salaries tax treatment of overseas income
 - ii) Understand the relevance of the Hong Kong double tax arrangements/treaties to given situations
 - iii) Understand and advise on the double taxation relief available to individuals
- c) The source principle:^[3]
 - i) Understand and apply the principles for determining the source of income by reference to statute, case law, Board of Review decisions, and relevant Departmental Interpretation and Practice Notes
- d) The use of exemptions and reliefs in deferring and minimising salaries tax liabilities:^[3]

- i) Understand and apply exemptions and reliefs in the given situations to defer and/or minimise the salaries tax liabilities
- ii) Understand the applicability and impact of general and specific anti-avoidance legislations

Excluded topics

- *Income from trusts and settlements.*
2. Profits tax liabilities in situations involving further overseas and group aspects including mergers and acquisitions and intra-group activities
 - a) The contents of the Paper F6 study guide for profits tax liabilities, under headings:
 - C1 The scope of the profits tax charge
 - C2 Basic understanding of the source principle
 - C3 Profits and deemed receipts chargeable to profits tax
 - C4 The comprehensive computation of assessable profits and profits tax liabilities
 - C5 Basis period for profits tax assessments
 - C6 The use of exemptions and reliefs in deferring and minimising profits tax liabilities

The following additional aspects are also examinable:

- b) The scope of the profits tax charge:^[3]
 - i) Understand and calculate the profits tax liabilities of companies in receivership and liquidation, reorganisations, mergers and acquisitions
 - ii) Identify service companies and disguised employments, and advise on the tax consequences of all parties involved
- c) The source principle:^[3]
 - i) Understand and apply the principles for determining the source of profits by reference to statute, case law, Board of Review decisions, and relevant Departmental Interpretation and Practice Notes
- d) The comprehensive computation of profits tax liability:^[3]

- i) Evaluate the meaning and implications of a permanent establishment
- ii) Advise on the tax position of overseas companies investing in Hong Kong; or earning income from Hong Kong
- iii) Advise on the Hong Kong tax position of a Hong Kong taxpayer investing overseas or earning income from overseas
- iv) Assess the impact of the Hong Kong double tax arrangements/treaties on a company's profits tax liabilities

e) Basis period for profits tax assessments:^[3]

- i) Ascertain the 'year of change' of accounting date, 'basis period' and relevant year of assessment for an affected business; and calculate the assessable profits for the year of change and the preceding year.^[2]

f) The effect of a group structure for profits tax purposes:^[3]

- i) Advise on the tax consequences of a transfer of business assets and liabilities in a merger and acquisition scenario
- ii) Advise on the tax consequence of a transfer of shares in a subsidiary or an associate in a merger and acquisition scenario
- iii) Advise on the associated tax risks in a merger and acquisition scenario and how the tax risks may be sheltered by way of a tax indemnity or warranty

g) The use of exemptions and reliefs in deferring and minimising profits tax liabilities:^[3]

- i) Understand and apply exemptions and reliefs in the given situations to defer and/or minimise the profits tax liabilities
- ii) Understand the applicability and impact of general and specific anti-avoidance legislation

3. Property tax liabilities in situations involving more complicated scenarios and the interaction of property income with other sources of income

a) The contents of the Paper F6 study guide for property tax liabilities, under headings:

- D1 The scope of the property tax charge
- D2 Income chargeable to property tax
- D3 The comprehensive computation of net assessable value and property tax liabilities

- D4 The use of exemptions and reliefs in deferring and minimising property tax liabilities

The following additional aspects are also examinable:

- b) The scope of property tax charge:^[3]
- i) Understand the interaction of property tax with other types of tax

4. Relevant tax liabilities in relation to special industries for which special tax treatments are required

- a) Understand and calculate the relevant tax liabilities of special industries including clubs and trade associations, insurance companies, financial institutions, shipping companies and airline companies.^[3]

5. Stamp duty

- a) The scope of stamp duty:^[3]
 - i) Describe the general principles of stamp duty liability including documentary and jurisdictional issues
 - ii) Explain the heads of charge and definitions
- b) Identify and advise on liabilities arising on documented transfers:^[2]
 - i) Distinguish between agreements for sale and purchase of property and assignment of property; and identify the appropriate stampable instrument
 - ii) Explain the concept of Hong Kong stock and the documentary procedures and implications of the sale of such stock and of bearer instruments
 - iii) Explain voluntary dispositions inter vivos and their implications
 - iv) Calculate the dutiable value and the amount of stamp duty and, in the case of conveyance of property, special stamp duty
- c) The use of exemptions and reliefs in deferring and minimising stamp duty liabilities:^[3]
 - i) Understand and apply the statutory exemptions including the exemptions for transfers between associated corporations
 - ii) Understand and apply basic techniques for mitigating stamp duty liabilities

d) The system by which stamp duty is administered:^[2]

- Explain the time limits and penalties
- Describe the effect of not stamping documents and of late stamping
- Explain the documentary requirements for stamping
- Explain the adjudication procedures and the need for adjudication

6. Personal assessment and tax administration

a) The contents of the Paper F6 study guide for personal assessment, under headings:

- E1 The election for personal assessment
- E2 The comprehensive computation of total income under personal assessment and tax liabilities

b) The contents of the Paper F6 study guide for the rights and obligations of taxpayers and/or their agents/employers and the implications of non-compliance; the rights and powers of the taxing authorities in the context of tax assessment, collection and recovery, under headings:

- F1 Duties and liabilities of taxpayers and/or their agents/employers
- F2 Powers of the taxing authorities to issue tax assessments, collect taxes and/or recover taxes
- F3 Rights of taxpayers of objection, correction of errors, appeal and holdover
- F4 Offences, penalties and other consequences of non-compliance

The following additional aspects are also examinable:

c) The application of the above aspects in the tax investigation and tax audit procedures including back duty investigations.^[2]

7. Current issues and developments in Hong Kong taxation, including international aspects of inbound investments of non-Hong Kong residents and outbound investments of Hong Kong residents; issues arising from double tax agreements/arrangements; and transfer pricing issues and requirements

a) Be aware of and explain the effects of any significant changes to existing legislation or its

interpretation arising from decisions in recent cases or as a result of the issue of guidance/interpretations by the tax authorities.^[3]

b) Discuss any major changes or developments to the Hong Kong tax system, their rationale and impact on the economy and society; and measures to guard against possible tax avoidance.^[3]

c) Double taxation agreements (DTAs):

- Be aware of the current development of DTAs entered into between Hong Kong and other jurisdictions and related international taxation issues relevant to Hong Kong taxpayers
- Be able to demonstrate an understanding of the HK-PRC DTA and its interactive application with the Hong Kong tax system^[2]

d) Be aware of and understand the development of contemporary Hong Kong tax issues as proposed, such as goods and services tax and green tax.^[2]

B. THE IMPACT OF RELEVANT TAXES ON VARIOUS SITUATIONS AND COURSES OF ACTION, INCLUDING THE INTERACTION OF TAXES

1. Identify and advise on the taxes applicable to a given course of action and their impact^[3]
2. Identify and understand that the alternative ways of achieving personal or business outcomes that may lead to different tax consequences^[3]
- a) Calculate the receipts from a transaction, net of tax and compare the results of alternative scenarios and advise on the most tax efficient course of action.^[3]
3. Advise how taxation can affect the financial decisions made by businesses (corporate and unincorporated) and by individuals
- a) Understand and compare and contrast the tax treatment of the sources of finance and investment/financing options available to individuals and businesses.^[3]

- b) Understand and explain the tax implications of the raising of equity and loan finance.^[3]
- c) Explain the tax differences between decisions to lease, use hire purchase or purchase outright.^[3]
- d) Understand and explain the impact of taxation on the cash flows of a business.^[3]

4. **Assess the tax advantages and/or disadvantages of alternative courses of action^[3]**

5. **Understand the statutory rights and obligations given to tax authorities and imposed on taxpayers in different situations, including any time limits for action and advising on the implications of non-compliance^[3]**

C. **MINIMISE AND/OR DEFER TAX LIABILITIES BY THE USE OF LEGITIMATE TAX PLANNING MEASURES**

- 1. Identify and advise on the available exemptions, allowances and reliefs that may result in a reduction in tax liabilities for an individual and/or a business.^[3]
- 2. Advise on legitimate tax planning ideas, by which the tax liabilities arising from a particular situation or course of action may be mitigated.^[3]
- 3. Advise on the mitigation of tax in the manner recommended, by reference to numerical analysis and/or reasoned arguments.^[3]
- 4. Identify and evaluate the potential tax risks associated with any tax plans or arrangements or course of actions taken, including possible actions that may be taken by tax authorities

and provide appropriate advice on how the related tax risks may be mitigated or avoided.^[3]

- 5. Be aware of the ethical and professional issues associated with the delivery of tax planning advice.^[3]

D. COMMUNICATE WITH CLIENTS, TAXING AUTHORITIES AND OTHER PROFESSIONALS IN AN APPROPRIATE MANNER

- 1. **Communicate with taxpayers in relation to delivery of tax advice, recommendations and information in a required format:^[3]**

For example the use of:

- Reports
- Letters
- Memoranda
- Meeting notes

- 2. Communicate with tax authorities in relation to issues arising from tax filings, assessments and payments, including seeking advance rulings and other issues as appropriate^[3]
- 3. Present written information, in language appropriate to the purpose of the communication and the intended recipient^[3]
- 4. Communicate conclusions reached, together, where necessary with relevant supporting computations^[3]
- 5. State and explain assumptions made or limitations in the analysis provided; together with any inadequacies in the information available and/or additional information required to provide a fuller analysis^[3]
- 6. Identify and explain other appropriate non-tax factors that should be considered^[3]

SUMMARY OF CHANGES TO P6 (HKG)

ACCA periodically reviews its qualification syllabuses so that they fully meet the needs of stakeholders such as employers, students, regulatory and advisory bodies and learning providers.

The main areas that have been amended in the syllabus are shown in Table 1 below:

Amendments to P6 (HKG)

Section and subject area	Amendment
A2 Profits tax liabilities	New part e) on change of accounting date for basis period purposes, moved up from F6 HKG.