

NEWSLETTER

**Fidinam Group
Worldwide**

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Highlights

- The introduction of COMPASS in Singapore
- Tax support for Chinese SMEs in the manufacturing sector
- Real estate insights: investing in Melbourne

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THE INTRODUCTION OF COMPLEMENTARITY ASSESSMENT FRAMEWORK (COMPASS) IN SINGAPORE

COMPASS is a newly introduced framework that will be used to assess the Employment Pass (EP) applications in Singapore.

Starting in September 2023, applications for the Employment Pass will integrate a point system with a minimum threshold in order to be accepted. This point system has been named the *Complementarity Assessment Framework* (COMPASS) and was announced by Manpower Minister Tan See Lang in early March 2022. This new step in the application process aims to ensure that EP holders better complement the resident workforce of Singapore.

In order for an EP application to be approved, it must score a minimum score of 40 points in the COMPASS.



The framework assigns points (0, 10 or 20) for each of the following four foundational criteria, as well as two bonus criteria:

- **Salary:** relative to the salary norms of the professionals, managers, executives and technicians (PMETs) in the domestic workforce for the sector.
- **Qualification:** based on the EP candidate's qualifications.
- **Diversity:** whether the candidate improves nationality diversity in the firm.
- **Support for resident employment:** the firm's employment of resident PMETs as a percentage relative to industry peers.
- **Skills Bonus:** for candidates in jobs where skills shortages exist.
- **Strategic Economic Priorities Bonus:** for partnership with Government on ambitious innovation or internationalization activities.

There is no minimum points requirement for an individual criterion. A candidate who may score 0 points in certain categories but still meets the 40-point requirement will still be approved.

This new evaluation system will also apply to EP renewal procedures from September 1, 2024. This will also include a revision of requirements such as the minimum qualifying salary, amongst others.

Updates to EP qualifying salary

The Finance Minister, Lawrence Wong, stated during his Budget Speech in February that the qualifying salary for EP holders will be increased from SGD 4,500 to SGD 5,000.

For EP holders in the financial services sector, it will be raised to SGD 5,500 from the current SGD 5,000. These changes will apply to existing EP renewal applications from September 1, 2023 in order to give businesses time to adapt.

Below is a table provided by the Ministry of Manpower (MOM) setting out the criteria to be used in the COMPASS points-based system for evaluating Employment Pass applications.

FOUNDATIONAL CRITERIA	INDIVIDUAL ATTRIBUTES		FIRM-RELATED ATTRIBUTES	
	C1. Salary		C3. Diversity	
	Fixed monthly salary compared to local PMET salaries in sector by age		Share of candidate's nationality among firm's PMETs**	
	≥ 90 th percentile	20	< 5%	20
	65 th to 90 th percentile	10	5 to 25%	10
	< 65 th percentile	0	≥ 25%	0
	C2. Qualifications		C4. Support for Local Employment	
	Based on candidate's qualifications		Firm's share of local PMETs within its subsector**	
	Top-tier institution	20	≥ 90 th percentile	20
	Degree-equivalent qualification	10	20 th to 50 th percentile	10
	No degree-equivalent qualification	0	< 20 th percentile	0
BONUS CRITERIA	C5. Skills Bonus		C6. Strategic Economic Priorities Bonus	
	Job on the Shortage Occupation List	+20*	Firm meets specific assessment criteria on innovation or internationalisation activities	+10

* Skills bonus is reduced to +10 if the share of candidate's nationality among the firm's PMETs is one-third or higher.

** Small firms with fewer than 25 PMET employees score 10 points on C3 and C4 by default. PMETs are proxied by employees earning at least \$3,000 per month.

Conclusion

More points may also be earned on two bonus criteria, which recognize applications that bring in skills where there is a shortage and to support strategic economic priorities, thus creating good jobs for Singaporeans, MOM said.

The COMPASS framework was not designed to make it harder for companies to obtain an EP, noting that a good majority of applications would meet the criteria, Dr. Tan explained.

“Some firms would need to make adjustments under COMPASS. And they would know clearly which areas to improve on and how to respond accordingly, given the transparency, clarity, and predictability of Compass,” he said.

Dr. Tan concluded that: *“For Singapore, COMPASS will allow us to remain open to complementary talent in short supply here so we can grow our frontier industries to bring us into the next stage of growth.”*

Fidinam is here to support your business in the transition to COMPASS. Contact us at info@fidinamgw.com for more information.



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VIETNAMESE CERTIFICATES OF ORIGIN

According to the law of Vietnam, a Certificate of Origin (C/O) is a documentary proof issued by an authority of an exporting country, group of countries, or territory based on relevant regulations and requirements on origin, clearly identifying the source of the goods.

The C/O is an important document needed for international trade and shipments. Accordingly, a C/O may significantly reduce the tariffs or taxes of products, allowing importers to enjoy certain tax benefits or other preferential treatments.

Therefore, understanding the *Rules of Origin* and awareness of the required factors that determine the rules of origin of a good or a product that is traded is one of the most substantial prerequisites.



Rules of Origin

The origin of goods is determined according to the Preferential Rules of Origin and the Non-Preferential Rules of Origin.

Preferential Rules of Origin

“Preferential Rules of Origin” means regulations on Rules of Origin applicable to goods subject to agreements on tariff preferences and non-tariff preferences in accordance with international treaties to which Vietnam has signed or acceded and regulations guiding these international treaties.



Accordingly, a product is considered as goods made in Vietnam if it meets one of the following three criteria:

1. Changing in tariff classification (HS codes) criteria or (Code Transfer of Commodity - CTC):

According to this rule, in order to obtain originating status, non-originating materials used in export production are required to have undergone a change in HS code.

2. Regional Value Content (RVC) criteria:

The goods or materials originating in an FTA member Country, which are used as material in the manufacture of a product in the other FTA member Country, shall be considered as originating in such Country where the last operations have been carried out.

3. De Minimis

If not all of the non-originating inputs satisfy the applicable change in tariff classification, *De Minimis* allows goods where the non-originating materials have not undergone the requisite CTC to still qualify as originating, if the value of non-originating materials does not exceed a certain percentage depending on the regulation of the applicable FTA.



“Non-Preferential Rules of Origin”

“Non-preferential Rules of Origin” means regulations on Rules of Origin applicable to goods that are not subject to Preferential Rules of Origin and, in case of application of such non-preferential commercial instruments as most-favored-nation treatment, anti-dumping and countervailing duties, safeguard measures, quantitative restrictions or tariff quotas, government procurement and trade statistics.

Similar to preferential rules, a product is considered as goods made in Vietnam if it meets one of the following three rules:

- 1. Changing in tariff classification (HS codes) criteria or (Code Transfer of Commodity - CTC)**
- 2. Local value content” (LVC) criteria:**

This criterion requires that a certain percentage of the good’s value must originate in Vietnam for the goods to be considered as originating. The minimum LVC for each commodity is specified in Appendix I of Circular 05/2018/TT-BTC.

- 3. De Minimis**

If not all of the non-originating inputs satisfy the applicable change in tariff classification, De Minimis allows goods where the non-originating materials have not undergone the requisite CTC to still qualify as originating if the value of non-originating materials does not exceed 15% percent of the FOB value of the good (or 15% of the weight of good for garments).

Mechanism of Certification of Origin

The mechanism of Certification of Origin varies within Free Trade Agreements (FTAs). To illustrate, under the EVFTA and UKVFTA:

Vietnam’s export goods: with shipments worth less than 6,000 euros, any exporter is allowed to self-certification of goods origin (similar to current GSP regulations); shipments valued at over 6,000 euros shall be issued a C/O by agencies and organizations authorized by the Ministry of Industry and Trade.

Vietnam’s import goods: for shipments valued at less than 6,000 euros, any exporter can implement self-certification of goods origin. For shipments worth more than 6,000 euros, only exporters registered in the EU’s REX (EVFTA) or only qualified exporters under UK regulations (UKVFTA) can arrange self-certification of goods origin.

Want to learn more about Certificates of Origin and/or Rules of Origin? Our Fidnam professionals in Vietnam are here to support your business. Contact us at info@fidnamgw.com



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IDENTIFYING COMMON MONEY LAUNDERING METHODS IN HONG KONG

Understanding common money laundering methods helps governments in their assessment and application of corresponding mitigating measures. In addition, it promotes awareness and builds the capacity of private sector stakeholders to combat their own money laundering risks.

Hong Kong's first territory-wide Money Laundering and Terrorist Financing Risk Assessment Report (the "RA Report") was published in April 2018. It highlighted the common methods and sectors involved in converting proceeds of crime into various forms of assets and other factors affecting money laundering in Hong Kong. Four years later, the same methods are still being adapted by criminals to launder the proceeds of crimes.

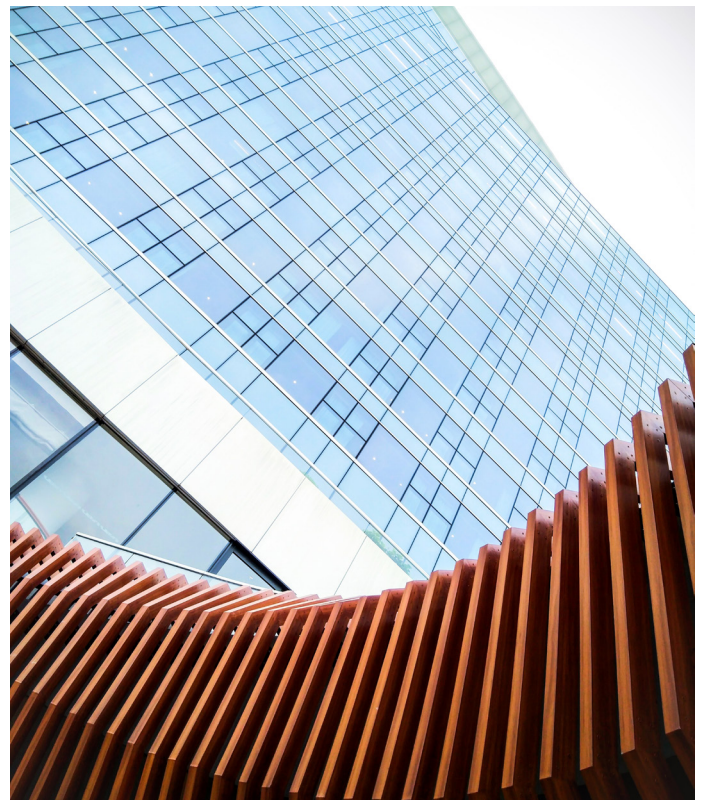
Here are the common methods from the RA report and sample case studies in Hong Kong published by the *Asia/Pacific Group on Money Laundering*.

Third-party money laundering (ML)

This method involves money mules and having the assets owned by third parties other than the criminals.

Case study

A person and two accomplices purchased 3,000 tael of gold bars with HKD 60 million (USD 7,724,993) cash at a goldsmith shop in Hong Kong. The trio was arrested, and an investigation revealed that they were paid to collect the cash from a Money Service Operator (MSO) to purchase and deliver the gold to others. Further investigation revealed that the monies were remitted from Jurisdiction X and the gold would be delivered to a syndicate in Hong Kong. Three syndicate members were then arrested with a total of 600 pieces of 5-tael gold.



Use of bank account

Money launderers exploit the banking system through personal or corporate accounts. Some of the personal accounts are opened, not by the criminal themselves, but by family members or associates, or operated by stooges, who may or may not be Hong Kong residents. Some accounts are opened using false identity documents. In the case of corporate accounts, after opening bank accounts, they immediately change the corporate structure (e.g. change of director or shareholders).

One technique that money launderers use involving bank accounts includes using them as a temporary repository of funds, then proceeding to withdraw or close the account upon receipt of fraudulent payments.

Use of remittance services

The growing integration between Hong Kong and mainland China has led to more frequent cross-border transfers using money service operators. This exposes the MSOs to the risk of being used for money laundering and terrorist financing purposes by moving cash without detection and obscuring the identity of those controlling the funds.

ML involving professionals

This includes the use of “gatekeepers” professional services (e.g. TCSPs, accountants, brokers, real estate agents or lawyers) to obscure the identity of beneficiaries and the source of illicit funds. This may also include corrupt professionals who offer “specialist” services for those who need expert advice to devise complicated ML schemes.



Complex ML techniques, including the use of shell companies and legal arrangements

Criminals use intricate techniques to conceal the sources of funds being used in financial transactions, using shell companies and legal arrangements. The companies are established to receive the crime proceeds from one country to another under the disguise of payments resulting from legitimate business activities.

Commingling of crime proceeds and funds from legitimate business activities provides multiple layers to disguise the source of funds. Corporate or legal arrangements, such as a trust structure, are being used in the layering process in an attempt to hide the identity of the beneficial owners or controllers of illicit funds. All of these techniques increase the difficulty and time required to trace the proceeds of crime.





Case study

A drug trafficker was arrested in Jurisdiction X and an investigation revealed that the drug trafficker had laundered HKD 540 million (USD 69,524,478) through four corporate accounts of two shell companies in Hong Kong, out of which HKD 138 million (USD 17,767,240) was remitted through remittance agents in Jurisdiction X. The directors of the two companies were convicted of ‘Conspiracy to Money Laundering’ and sentenced to 38 months’ imprisonment.

Trade-based money laundering

This involves fraudulent trade practices (e.g. under/over-invoicing, multiple invoicing of goods and services, under- or over-shipment of goods or provision of services, etc.) and uses trade finance routes and commodities to avoid financial transparency laws and regulations.

Use of virtual currencies

Virtual currencies have features including fast transaction processing, low transaction fees, and relative ease of use. However, they are vulnerable to being exploited by criminals because they allow transactions to occur without using their real names, do not always have reporting obligations and some do not require third-person intermediaries to carry out the transactions.

Conclusion

As a regulated company subject to Anti-Money Laundering laws, how prepared are you in identifying and assessing your vulnerabilities and risks on the current and emerging ML trends? Knowledge in identifying red flags and preparedness through robust compliance policies and procedures are key to mitigating your risk.

Fidinam provides a Compliance Health Check service, take your first step [here](#) by downloading our AML/CTF self-assessment checklist.



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TAX SUPPORT FOR CHINESE SMES IN THE MANUFACTURING SECTOR

China extends the tax payment deferral for certain manufacturing enterprises and provides immediate deductions for equipment and tools.

China's Ministry of Finance and the State Administration of Taxation have jointly issued Announcement No. 2 of 2022, which extends the tax payment deferral policy introduced by Announcement No. 30 of 2021 for SMEs in the manufacturing sector. The extension is one of several measures announced by the National Development and Reform Commission (NDRC) in Notice No. 273 of 2022 to support economic growth.

Announcement No. 2 of 2022 provides an extension of the tax payment deferral provided by Announcement No. 30 to 6 months for the fourth quarter of 2021 for micro-, small and medium-sized enterprises (originally, a 3-month deferral was provided). It is also provided that if a taxpayer qualifying for the extended deferral for the fourth quarter of 2021 has paid tax before the implementation of Announcement No. 2 (28 February 2022), then the taxpayer may claim a refund and enjoy the extended deferral policy.

Announcement No. 2 also provides a 6-month deferral for the payment of taxes for the first and second quarters of 2022, including a 100% deferral for manufacturing enterprises with annual sales revenue below CNY 20 million (micro and small enterprises) and a 50% deferral for enterprises with annual sales revenue of CNY 20 million to CNY 400 million (medium enterprises).



Announcement No. 2 of 2022 contains a similar approach as provided in the prior announcement for determining the sales revenue amounts. Annual sales are determined according to the sales in the period January to December 2021 if the enterprise has been established for at least one year as of 31 December 2021. If established for less than one year as of 31 December 2021, the annual figure is determined according to the sales for the reporting period (month) ending 31 December 2021 multiplied by 12 months. If established on or after 1 January 2022 the annual figure is determined according to the sales for the first reporting period multiplied by 12 months.

Announcement No. 2 also provides that the tax deferral is available for enterprise (corporate) income tax and personal income tax (except withholding) for the periods January, February, March, April, May, and June 2022 (monthly payment) or for the first and second quarters of 2022 (quarterly payment), as well as domestic VAT and consumption tax, urban maintenance and construction tax, education surcharge, and local education surcharge.

Another important tax measure included in NDRC Notice No. 273 of 2022 allows qualifying SMEs to fully deduct the costs of newly purchased equipment and tools exceeding CNY 5 million per unit if the regular depreciation period is 3 years. Where the standard depreciation period is 4, 5, or 10 years, a 50% deduction is allowed. Where these deductions result in a loss, the loss may be carried forward up to 5 years.

Qualifying enterprises include:

- Enterprises in the information transmission, construction, leasing, and business (commercial) service industries with fewer than 2,000 employees, or less than CNY 1 billion in operating income, or less than CNY 1.2 billion in total assets;
- Enterprises in real estate development and operation with less than CNY 2 billion in operating income or less than CNY 100 million in total assets; and
- Enterprises in other industries with fewer than 1,000 employees or less than CNY 400 million in operating income.

This measure is available for equipment and tools purchased in 2022. Further details from the Ministry of Finance and State Administration of Taxation are expected regarding the implementation of this measure.

Should you want more information on this or other tax and financial topics, feel free to reach out to us at info@fidinamgw.com and our professionals will provide you with any clarification you might need.



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MOVING AROUND THE GLOBE

Are you an expat and looking to move back home or to an opportunity elsewhere? Being prepared for the tax and administrative matters will help you smoothen the transition. In the first of this series, we explain what to do when moving out of Hong Kong.

Taxes

Before leaving Hong Kong, you will need to clear your tax position and obtain a 'Letter of Release' from the Inland Revenue Department (IRD). To that end, you shall file an Individual Tax Return (ITR) reporting the last items of income received in Hong Kong, so that you can settle the final amount of salaries tax due (if any). Upon this final settlement, the IRD shall issue a Letter of Release confirming you have no pending or overdue tax payment in Hong Kong.

Simultaneously, your employer shall notify the intended date of your departure to the IRD (no later than one (1) month before the expected departure date) and shall withhold the payment of your last salary until the issuance of the Letter of Release. This enables the tax authorities to secure any potential shortfall of salaries tax due before your departure.



Social Contributions

You are entitled to ask for an early withdrawal of MPF contributions because of your permanent departure from Hong Kong. Such withdrawal can only be made once. Hence, if coming back to Hong Kong, the opening of a new MPF account will be necessary, from which no early withdrawal will be possible.

The withdrawal procedure is pretty simple. You shall:

1. Submit an oath declaration to the Home Affairs Department Office;
2. File an application form with your MPF Trustee;
3. Supplement the application with supporting documents (including proofs of entitlement to reside in a place other than Hong Kong) and the Letter of Release issued by the IRD upon final payment of Hong Kong taxes.

The whole process takes around 30 days, upon which the MPF Trustee shall typically issue a cheque to be deposited in Hong Kong. Alternative payment methods are possible if/when you have already left Hong Kong or if you no longer have a bank account in Hong Kong.

Immigration

While arranging a departure from Hong Kong, no reporting to the Immigration Department is required, neither from the employer nor their employees.

This being said, you should keep in mind that an Employment Visa (and any related Dependent Visa) generally grants two distinct sets of rights to visa holders:

1. The right to work for one employer exclusively (which ends upon termination of your employment agreement).
2. The right to reside in Hong Kong (which remains valid until the original expiry date of your Employment Visa).



Others

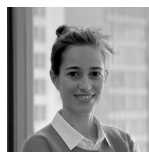
There are a few other financial matters which can be sorted out before moving out of Hong Kong.

For instance, if you received stock options, you can consider applying for preferential tax treatment of future capital gains in Hong Kong, before your departure (if conditions are met, it can prevent or reduce capital gain taxes in the country where you will become tax resident).

Similarly, employees, entrepreneurs, and investors entitled to dividends can consider seeking distributions before their departure, thus receiving non-taxable income while still residing in Hong Kong (dividends often becoming taxable upon change of tax residency).

Donations to children might also be considered before leaving Hong Kong, minimizing future capital gain taxes.

Potential anticipations all depend on the particulars of each situation. Seek advice upfront. Fidnam can help you address the tax and administrative challenges you will face along relocation. Contact us at info@fidnamgw.com to learn more.



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REAL ESTATE INSIGHTS: INVESTING IN MELBOURNE

Melbourne, Victoria is Australia's second-largest city and consistently ranks among the most liveable cities in the world.

It is favored for its abundance of employment opportunities, nightlife, sporting events, arts, culture and world-class universities. Based on projected population growth, it is set to become Australia's largest city by 2026 with an estimated population of 6.2 million people.

Melbourne benefits from Australia's political stability, limited corruption and Common Law System, ensuring transparency and eliminating the political risk that can be experienced in other parts of the Australasia region.

Melbourne has robust economic fundamentals, including a low unemployment rate and a well-educated workforce with high levels of "white collar" employment across a multitude of industries. "White collar" employment in Melbourne is now above pre-pandemic levels and is expected to continue to grow as international borders reopen. The seasonally adjusted Victorian unemployment rate sits at 4.2% in January 2022, showing a significant recovery from the COVID-induced peak of 7.5% in July 2020.

Australia holds an enviable AAA credit rating making it a cost-effective destination to borrow money and also invest. As such, Australia has long been an investment destination of choice for both on- and offshore capital.

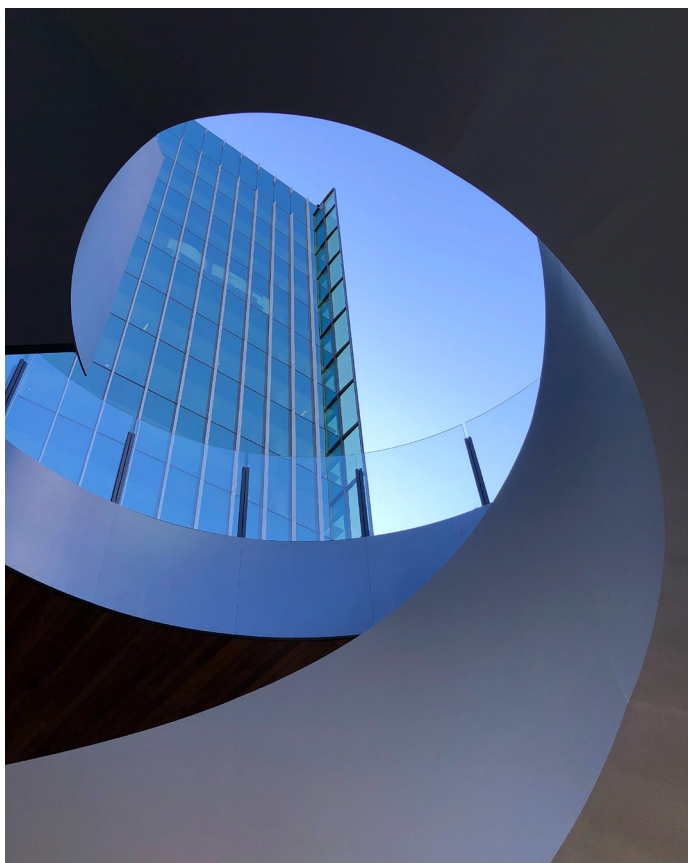
Here is a summary of the main classes of property available to investors;

Office Buildings

Typical yields of 5 – 7% p.a.

The Melbourne office market is a popular asset class for many investors given the high portion of "white collar" workers and the CBD-centric location of this workforce. Office investments are typically occupied by multiple tenants.

Melbourne's low unemployment rate and significant forecasted migration will likely result in greater demand for office accommodation over the coming years, resulting in higher rents and lower vacancy. Further, the abundance of both on- and offshore capital looking to purchase office buildings in Melbourne is likely to result in continued price growth.



Retail

Typical yields of 5 – 8% p.a.

Retail investments vary greatly from standalone shops in the suburbs to entire shopping centers. These investments can be highly nuanced and require a great level of special market knowledge to fully understand and manage.

The retail market has been heavily impacted by COVID-19 as a result of the associated lockdowns and pivot towards online shopping. Demand for retail space is returning; however, the achieved rents are below the pre-pandemic highs.

Industrial

Average yields 4 – 8% p.a.

Industrial assets are typically warehouses which may also have a small retail element. Warehouses can significantly vary in size from <100 m² to 10,000+ m².

As a result of COVID-19, many organizations have been “onshoring” their supply and logistics operations by moving back business processes from overseas, or at the very least keeping larger amounts of inventory in Australia. Therefore, demand has increased for warehouse space around key transit hubs – as well as the number of investors in this property class.

Residential

Average yields 2.5 – 4% p.a.

Residential real estate in inner-city Melbourne has typically offered low yields and moderate to high capital growth prospects. Residential real estate can be a relatively low-risk investment vehicle given the ease with which people can understand it, its relatively high ongoing demand and significantly shorter lease-up periods than many other real estate asset classes.

There was unprecedented demand for residential real estate through the COVID-19 pandemic, resulting in sharp price increases.

Conclusion

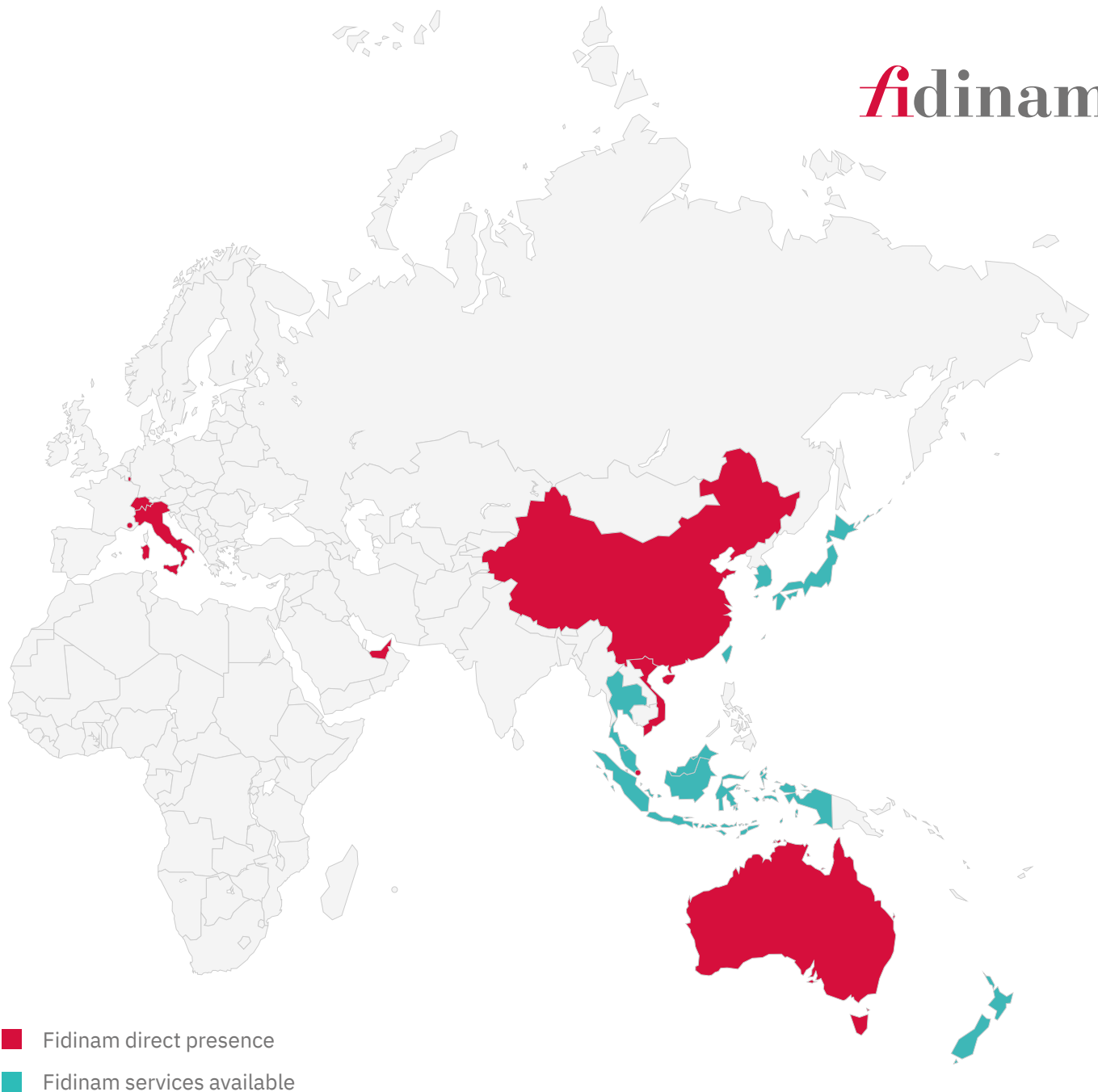
Offshore investment within Australian commercial property accounted for 79% of investment in 2021 and totaled \$16.6 billion, surpassing the previous record of \$15.5 billion in 2015 (JLL). This reaffirms Australia’s appeal as an investment destination for international property investors. All of the above factors and considerations culminate in strong fundamentals for commercial real estate investment in Melbourne.

Fidnam Australasia Real Estate (FARE) is a full-service real estate investment management firm, committed to driving value and maximizing your returns. For more information about investing in Melbourne, Australia or abroad, reach out to info@fidnamgw.com.



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