

International Tax – Asia Pacific Newsletter



This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific & Middle East and South Asian regions between **1 February and 28 February 2014**.

Asia Pacific	Hong Kong	Pakistan	Taiwan
Australia	India	Qatar	Turkey
Cambodia	Jordan	Saudi Arabia	United Arab Emirates
China	Middle East	Singapore	Vietnam
Cyprus	Oman	Sri Lanka	

To contact the International Tax Group in Russia and the CIS go to the [Contacts section](#).

	Tax area concerned	Relevant date	Description of measures and publication link (<i>Considerations in italic where necessary</i>)
Asia Pacific			
Tax legislation adopted and regulatory update	ASEAN Economic Community	Beginning 2015	Beginning 2015, the 10 member countries of ASEAN will form a common market—the ASEAN Economic Community (AEC)—based on the free flow of goods, services, investment, and skilled labour and the freer flow of capital. Read more

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Australia			
Tax legislation adopted and regulatory update	Various tax areas	February 2014	KPMG in Australia prepared reports on the following developments: <ul style="list-style-type: none"> • Australian R&D for foreign companies • BEPS: Dutch Supreme Court draws line on RPS issued by Australian company • To block or not to block – super investor's dilemma • Is everyone singing the same tax power ballad? Read more

			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • sovereign immunity exemption remains nebulous • petroleum resource rent tax • withholding on technology-related payments • Australian insurance duty • Global tax transparency <p>Read more</p>
			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • Has your tax sharing agreement had its annual service? • Beneficial ownership: unexploded grenade in the global tax treaty network? • Part IVA: The song remains the same... or does it? <p>Read more</p>
			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • design R&D expenditure • additional method to calculated monthly PAYG installments • removal of CGT discount for foreign residents. <p>Read more</p>
	Transfer pricing	2013	<p>Australian taxpayers are already subject to extensive transfer pricing recordkeeping rules, following last year's passage of Tax Laws Amendment (Countering Tax Avoidance and Multinational Profit Shifting) Act 2013, and also may be subject to significant disclosure requirements such as the International Dealings Schedule.</p> <p>Read more</p>
Proposed legislation	Group financing	1 July 2014	<p>The proposed repeal of section 25-90 triggered a flurry of (now redundant) activity in Australian multinational groups, as they looked to understand the use of loan funds.</p> <p>Read more</p>

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Cambodia			
Tax legislation adopted and regulatory update	Treatment of interest expense	22 January 2014	Cambodia's tax authority issued guidance—Instruction Circular no. 151GDT (22 January 2014)—to explain further how interest expenses

will be treated for tax purposes.

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China			
Treaties	DTT	1 January 2015	An income tax treaty, and Protocol, between China and France was signed in late November 2013. Read more

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Cyprus			
Tax legislation adopted and regulatory update	VAT	13 January 2014	The rates of VAT in Cyprus are: <ul style="list-style-type: none">• The “standard” VAT rate is 19 percent (increased from 18 percent) effective 13 January 2014.• The “reduced” VAT rate is 9 percent (increased from 8 percent) effective 13 January 2014. Read more
KPMG publications	Various tax areas	2014	A “tax guide” for 2014 provides an overview of the tax system in Cyprus and information for non-resident investors and corporations in Cyprus. Read more

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Hong Kong			
Tax legislation adopted and regulatory update	Stamp duty	27 October 2012	Hong Kong’s Legislative Council passed a bill to amend the stamp duty as imposed on residential property transactions. Read more
Proposed legislation	Budget	2014-2015	Hong Kong’s budget 2014-2015, presented 26 February 2014, contains tax proposals that would affect the financial services sector. Read more

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India			
Tax legislation adopted and regulatory update	Direct taxes	February 2014	KPMG in India prepared reports on the following developments: <ul style="list-style-type: none">• expenditure incurred in relation to exempt income disallowed• revised PAN allotment process change. Read more

Administrative and case law	Various tax areas	February 2014	<p>Case law has been published in India with respect to the following subjects:</p> <ul style="list-style-type: none"> • no AAR jurisdiction unless there has been a transaction or proposed transaction (not a mere intention) • R&D deduction available even though approval not signed by appropriate authority • payments to a Philippine company for business information services are not taxable, absent a FTS clause under the income tax treaty and absent a PE in India. <p>Read more</p>
	Transfer pricing	<i>DCIT v. GE BE Ltd. ITA [No. 815/Bang/2010]</i>	<p>The Bangalore Bench of the Income-tax Appellate Tribunal found that the Cost Plus Method was the most appropriate method for contract manufacturers.</p> <p>Read more</p>
		<i>Lever India Exports Ltd. v. ACIT (ITA No .7089/MUM/ 2010)</i>	<p>The Mumbai Bench of the Income-tax Appellate Tribunal upheld an administrative action by the Commissioner of Income-tax (Appeals), to reject a proposed transfer pricing adjustment for advertising expenses reimbursed by the taxpayer to its related entities because the advertising expenses were related to the taxpayer's export activity and because the Transfer Pricing Officer had accepted that the taxpayer's export activity was at arm's length.</p> <p>Read more</p>
Various tax areas	February 2014	<p>Case law has been published in India with respect to the following subjects:</p> <ul style="list-style-type: none"> • indian subsidiary of a foreign company providing "back office" support is not a PE in India • Supreme Court on application before AAR when the income tax return already been filed. <p>Read more</p>	

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Jordan			
Tax legislation adopted and regulatory updates	Indirect taxes	2014	<p>Jordan has increased the rates of certain indirect taxes, including:</p> <ul style="list-style-type: none"> • clean energy manufacturing inputs • imported clothes • cell phones and tablets • interest earned by insurers • classifying business activities. <p>Read more</p>

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Middle East			
Other	Investors' top tax concerns	2014	KPMG's New MESA Head of Tax outlines investors' top tax concerns. Read more

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Oman			
Tax legislation adopted and regulatory update	Withholding tax on software	February 2014	The Oman tax authority has focused on withholding tax on software and whether a payment to acquire software would be categorized as a "royalty" or as "consideration for use or right to use of software." Read more
	Compliance requirements	31 March 2014	For companies in Oman with fiscal years ending 31 December 2013, the due date for filing Provisional Returns of Income and tax payments is 31 March 2014. Read more
Proposed legislation	Budget	2014	The Oman government's 2014 budget was presented. Read more
Treaties	DTT	9 January 2014	The governments of Japan and Oman signed a new tax treaty on 9 January 2014. Read more

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Pakistan			
Tax legislation adopted and regulatory update	Tax incentives	1 January 2014	The Prime Minister announced a tax incentive and amnesty package in late November 2013. Read more

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Qatar			
Tax legislation adopted and regulatory update	Transfer pricing	February 2014	The Qatar Financial Centre tax authorities issued a transfer pricing manual that features non-binding guidance with respect to Qatar's transfer pricing regulations and rules. Read more

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Saudi Arabia			
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Tax legislation adopted and regulatory update	Various tax areas	2013-2014	KPMG in Saudi Arabia prepared a report on developments of interest to foreign investors. Read more
Treaties	DTT	1 January 2014	An income tax treaty between Saudi Arabia and Tunisia has entered into force and is effective 1 January 2014. Read more

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Singapore			
Tax legislation adopted and regulatory update	R&D	February 2014	Singapore's R&D tax incentive regime provides an enhanced tax deduction to businesses investing in R&D and a possible 60 percent "cash payout" on qualifying expenditures up to \$100,000 (approximately US\$78,000). Read more
Proposed legislation	Budget	2014	Singapore's 2014 budget statement reflects the following tax proposals: <ul style="list-style-type: none"> • productivity and innovation credit scheme • extending R&D tax incentives • write downs of allowances on intellectual property rights • deductions for qualifying intellectual property • registration costs • land intensification allowance scheme • waiver of withholding tax on payments to Singapore branches • extending and refining tax incentive scheme for qualifying funds / recovery of GST for qualifying funds • refining the designated unit trust scheme • treating Basel III additional Tier 1 instruments as debt for tax purposes • scheme for listed infrastructure registered business trusts • tax concessions for real estate investment trusts. Read more
Treaties	Free trade agreement	1 September 2013	Reports indicate that the member countries of the Cooperation Council for the Arab States of the Gulf (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates—were preparing in early 2014 to sign a comprehensive free trade agreement with Singapore. Read more

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Sri Lanka			
Proposed legislation	Budget	2014	The Sri Lankan government's 2014 budget was presented in late November 2013. Read more

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Taiwan			
Tax legislation adopted and regulatory update	Income tax on royalties & fees for technical services	1 January 2011	An amendment concerns the rules governing taxpayers (including foreign for-profit entities) that apply for an exemption from income tax on royalties and technical service fees related to the manufacturing, technical service, and energy-generating industries. Read more

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Turkey			
KPMG publications	Transfer pricing	2007	Since the release of transfer pricing regulations in 2007, transfer pricing has been a focus for both corporate taxpayers and the tax authorities in Turkey. The APA program in Turkey is an important part of the transfer pricing regulations, in that the APA program is considered to offer a valuable solution and a proactive approach for addressing transfer pricing risks. KPMG in Turkey has prepared a 12-page report that examines the APA process in Turkey. Read more

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United Arab Emirates			
Tax legislation adopted and regulatory update	Tax transparency	2014	UAE participates in OECD's tax transparency forum. Read more
	Property transfer fees	2014	The government of Dubai has increased property transfer fees to 4 percent (from 2 percent charged earlier). The fee is to be collected from both the seller and the buyer equally, unless otherwise agreed by the parties. Read more
Treaties	FATCA IGA	January 2014	Reports from the United Arab Emirates reveal that in late January 2014, representatives of the United States and the UAE were preparing to sign an

intergovernmental agreement to implement provisions under U.S. law known as FATCA.
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Vietnam			
Tax legislation adopted and regulatory update	Individual income tax	2013	Vietnam's General Department of Taxation in late January 2014 issued an "official letter" providing guidance on the individual income tax finalization rules for 2013. Read more

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