

International Tax - Asia & MESA

Newsletter

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific & MESA regions between **1 June and 30 June 2014**.

Asia Pacific	Cyprus	Japan	Pakistan
Australia	Hong Kong	Korea	Singapore
Cambodia	India	Malaysia	Turkey
China	Indonesia	New Zealand	Vietnam

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

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	Tax area concerned	Relevant date/case reference	Description of measures and publication link (<i>Considerations in italic where necessary</i>)
Asia Pacific			
KPMG publications	Tax developments for financial institutions	June 2014	KPMG's report of tax developments in the Asia Pacific region for financial institutions includes descriptions of recent legislative, regulatory, and judicial developments. Read more

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Australia			
Tax legislation adopted and regulatory update	Various tax areas	June 2014	KPMG in Australia prepared reports on the following developments: <ul style="list-style-type: none"> • Design R&D expenditure • Fixed trust for tax purposes • Foreign Investment Review Board's tax focus • Debt-equity classification • Joint venture arrangements Read more

			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • The fate of bank deposit levy • Contemporaneous documentation and the tax dispute lifecycle • Growth and infrastructure • New South Wales budget 2014-15 • MIT and foreign pension funds <p>Read more</p>
			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • Hybrid CIVs and the need for tax reform • Tax Counsel appointments • Proposed repeal of immediate deduction for mining rights • Employment tax • Value chain management in the digital economy • ATO's view on TOFA-compliant financial reports <p>Read more</p>
			<p>KPMG in Australia prepared reports on the following developments:</p> <ul style="list-style-type: none"> • Streamlined tax disclosures • Indexation of fuel excise tax rate • Grant funding as part of your investment strategy • Farewell to the MRRT <p>Read more</p>
	Insurance duty	June 2014	<p>The rules for Australian stamp "duty" law differ from the rules for Australian income tax. Concerning "insurance duty," there are different rates depending on "classes" of insurance, and the liability for the stamp duty can switch between the insurer and the insured, depending on the facts.</p> <p>Read more</p>
Proposed legislation	FATCA	19 June 2014	<p>The Australian Department of the Treasury released a discussion paper on 19 June 2014 that appears to propose what would be an Australian version of the U.S. FATCA law.</p> <p>Read more</p>

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Cambodia			
Tax legislation adopted and regulatory update	VAT	19 March 2014	Guidance issued by Cambodia's Ministry of Economy and Finance concerns the VAT rules for those industries or contractors that supply goods or services to certain export industries in the apparel sector—i.e., with respect to the production and export of garments, textiles, shoes, bags and wallets, and hats. Read more

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China			
Tax legislation adopted and regulatory update	Shanghai pilot free trade zone program	June 2014	The Shanghai head office of the People's Bank of China recently issued guidance for implementing account-based settlement and risk management under the Shanghai pilot free trade zone program. Read more
	Foreign currency management	June 2014	China's State Administration of Foreign Exchange issued guidance concerning a centralized foreign currency management for multinational corporations. Read more
KPMG publications	Financial services sector	First quarter of 2014	KPMG in China has prepared a 71-page report that covers current developments affecting the financial services sector for the first quarter of 2014. Read more

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Cyprus			
Treaties	DTT	1 January 2015/ 1 January 2014	The network of income tax treaties in Cyprus includes two new agreements. The income tax treaty between Cyprus and Spain has an entry into force date of 1 January 2015. The income tax treaty between Cyprus and the UAE was effective 1 January 2014. Read more
KPMG publications	Holding companies	2014	The Cyprus holding company regime is intended to provide tax advantages for those incorporating a Cyprus holding company. Read more

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Hong Kong			
Tax legislation adopted and regulatory update	Source of profits relating to branch transactions	June 2014	Hong Kong's Inland Revenue Department issued an "advance ruling" that addresses the locality of profits for Hong Kong tax purposes. Read more

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India			
Tax legislation adopted and regulatory update	Employees' Funds Scheme	June 2014	The Employees' Provident Funds Scheme requires employees and employers to make a contribution to the Indian Provident Fund (PF). Recent circulars address compliance in respect of establishments permitted to run in-house PF trusts. Read more
Proposed legislation	Budget	2014-2015	The new government in India, elected following the general election of April/May 2014, will present its budget for 2014-15 on 10 July 2014. Read more
	Maharashtra budget	2014-2015	The Finance Minister of Maharashtra presented the state budget for 2014-15 on 5 June 2014 in the State assembly, and includes indirect tax proposals and changes. Read more
Administrative and case law	Various tax areas	June 2014	Case law has been published in India with respect to the following subjects: <ul style="list-style-type: none">• Indian subsidiary found to be PE of U.S. company• Self-employed person allowed 182 days for determining residential status Read more
			Case law has been published in India with respect to the following subjects: <ul style="list-style-type: none">• Payment for pay-channel charges taxable as royalty Read more
			Case law has been published in India with respect to the following subjects: <ul style="list-style-type: none">• TDS credit cannot be denied because of mismatch of TDS amount with the details shown in Form 26AS Read more

		<p>Case law has been published in India with respect to the following subjects:</p> <ul style="list-style-type: none"> • Lump-sum contribution to defined benefit superannuation plan not taxable to employees • Fees paid to Sri Lankan executive for promoting sales and brand name not “fees for technical services” or taxable under “independent personal services” article of income tax treaty <p>Read more</p>
Transfer pricing	<i>Marubeni Corp., Japan</i> (ITA No: 5397/Del/2012)	<p>The Delhi Bench of the Income-tax Appellate Tribunal set aside a transfer pricing adjustment with respect to a taxpayer involved in performing what were found to be low-end mediation services in India for its foreign related parties.</p> <p>Read more</p>
	<i>Tecumseh Products India P. Ltd. v. ACIT</i> (ITA No.2228/Hyd/2011)	<p>The Hyderabad Bench of the Income-tax Appellate Tribunal accepted, as valid, an amended return and transfer pricing documentation filed by the taxpayer and reporting a transfer pricing adjustment. The tax authorities could not ignore the amended return filed with the missing transfer pricing information, the tribunal concluded.</p> <p>Read more</p>
	<i>CIT v. Cushman and Wakefield (India) Pvt. Ltd.</i> (ITA 475/2012/Del)	<p>The Delhi High Court rejected a taxpayer’s contention that since a related party had charged only for cost incurred, without any mark-up, further transfer pricing benchmarking was not required.</p> <p>Read more</p>

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Indonesia			
Tax legislation adopted and regulatory update	Export requirements	1 March 2014	<p>Indonesia’s Minister of Finance issue guidance concerning the required use of “cost, insurance and freight” as customs values in export notification documents.</p> <p>Read more</p>

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Japan			
Proposed legislation	Corporate tax system	2014	<p>The Cabinet of the Japanese government on 24 June 2014 approved a legislative package (known in English as: “Basic</p>

Policies for the Economic and Fiscal Management and Reform 2014”) that includes a proposal for reform of the corporate tax system.
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Korea			
Treaties	IGA (FATCA)	April 2014	Representatives of the governments of South Korea and the United States in early April 2014 reached an intergovernmental agreement (IGA) “in substance” under the FATCA regime. Read more

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Malaysia			
Tax legislation adopted and regulatory update	Transfer pricing	June 2014	The Malaysian tax authority is now handing out a “Transfer Pricing Awareness Survey” form at the commencement of a transfer pricing audit. The objective of the survey is to gauge the transfer pricing awareness of the taxpayer’s local management in order to facilitate the transfer pricing audit. Read more

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New Zealand			
Tax legislation adopted and regulatory update	Business transformation project	June 2014	The Inland Revenue’s “business transformation” project focuses on tax administration items. Read more
Proposed legislation	Tax avoidance	June 2014	Debt capitalisation and look-through company elections by liquidating companies are addressed in a recent draft “questions we’ve been asked” item by the Inland Revenue Department. Read more
	GST	6 June 2014	Reports from New Zealand reveal that the government has proposed to change the GST treatment of “bodies corporate” in New Zealand, and remove them from the GST rules. Read more The Inland Revenue Department has released guidance addressing how it will

			<p>approach to the government's announcement that the law will be amended retroactively from 6 June 2014 to remove GST registered bodies corporate from the GST rules.</p> <p>Read more</p>
Treaties	IGA (FATCA)	12 June 2014	<p>Representatives of the governments of New Zealand and the United States signed an Intergovernmental Agreement (IGA) to implement the FATCA.</p> <p>Read more</p>

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Pakistan			
Proposed legislation	Sales tax	June 2014	<p>Changes have been proposed to the sales tax laws for services within the provinces of Sindh and Punjab.</p> <p>Read more</p>
	Finance Bill	2014	<p>Tax provisions in Pakistan's Finance Bill 2014 are generally expected to be effective 1 July 2014.</p> <p>Read more</p>

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Singapore			
Tax legislation adopted and regulatory update	Taxation of trusts	21 February 2014	<p>The Monetary Authority of Singapore issued guidance concerning the tax changes affecting the "designated unit trust scheme" and that introduces new sunset clauses for the tax exemption provisions applicable for trusts.</p> <p>Read more</p>
	Tax incentives	May 2014	<p>Singapore's budget for 2014 included a proposal for the extension and enhancement of a tax incentive program for qualifying funds. The Monetary Authority of Singapore in late May 2014 issued guidance for implementing these expanded and enhanced incentives.</p> <p>Read more</p>
	Taxation of dividend income	May 2014	<p>The Inland Revenue Authority of Singapore in late May 2014 released the second version of guidance concerning an exemption from income tax. The guidance (known as an "e-Tax Guide") expands the scope of the tax exemption to include foreign-sourced dividend interest income</p>

			that originates from income from a qualifying offshore infrastructure project or asset. Read more
	Hybrid instruments	May 2014	The Inland Revenue Authority of Singapore in May 2014 issued a guide concerning the income tax treatment of hybrid instruments. Read more

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Turkey			
Tax legislation adopted and regulatory update	VAT	1 May 2014	All VAT general communiqués previously issued by the tax administration in Turkey have been repealed and replaced by a single communiqué. Read more

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Vietnam			
Tax legislation adopted and regulatory update	Various tax areas	June 2014	Guidance from the tax authorities in Vietnam concerns: <ul style="list-style-type: none"> • VAT on imported animal feed and with respect to unprocessed or semi-processed food products • Invoice compliance for export invoices • Foreign contractor tax and application of rules under the income tax treaty between Vietnam and Thailand on design services • Corporate income tax implications of interest income during the construction-in-progress period • Effect of airfare costs for rotational shifting of expatriate workers and individual income tax implications Read more
	Tax relief for companies affected by demonstrations	May 2014	Guidance providing relief to companies affected by May 2014 demonstrations in Vietnam was issued by the Ministry of Finance. Read more

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Designed by Evalueserve.
Publication Number: 131489