

## International Tax - Asia & MENASA Newsletter



This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific & MENASA regions between **1 July and 31 July 2015**.

<a href="#">Australia</a>	<a href="#">Indonesia</a>	<a href="#">New Zealand</a>
<a href="#">China</a>	<a href="#">Japan</a>	<a href="#">Singapore</a>
<a href="#">India</a>	<a href="#">Korea</a>	<a href="#">Vietnam</a>

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>
<b>Australia</b>			
Tax legislation adopted and regulatory update	Various tax areas	July 2015	The Australian Taxation Office's (ATO) tax risk management and governance review guide elevates the ATO's expectations of how a corporate board is to manage tax risk. <a href="#">Read more</a>

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<b>China</b>			
Treaties	Free trade agreement	June 2015	Representatives of the governments of China and Australia in June 2015 signed a free trade agreement. Once the China-Australia free trade agreement enters into force and is effective, 85.4 percent of merchandise in both countries will be duty-free. The percentage of duty-free goods will ultimately be phased in for tariff items and trade value at 100 percent in Australia and at 96.8 percent and 97 percent, respectively, in China. These tariff reduction rates exceeded other free trade agreement tariff reduction rates (generally, approximately 90 percent). <a href="#">Read more</a>

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## India

Administrative and case law	Various tax areas	July 2015	KPMG in India has prepared reports concerning the following developments: <ul style="list-style-type: none"><li>• certified R&amp;D expenditure cannot be examined. The case is: <i>Tejas Networks Ltd.</i></li><li>• concessional rate of central excise duty available only to manufacturers, not importers</li><li>• no penalty for delayed income tax return because of withholding agent's failure to remit the withheld tax to the government. The case is: <i>Zulfikar Jeewanjee Moriswala &amp; Anr.</i></li><li>• design and drawing services not taxable as "fees for technical services" under tax treaty with Finland: The case is: <i>Nokia India Private Ltd.</i></li><li>• business development and marketing-related services not "fees for included services" under tax treaty with United States. The case is: <i>ABB Inc.</i></li><li>• rules for valuation of undisclosed foreign assets.</li></ul> <a href="#">Read more</a>
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## Indonesia

Other	Various tax areas	July 2015	In Indonesia, there is no specific tax regulation stipulating the tax treatment of cyber businesses—including cloud computing. Thus, the tax treatment of cloud computing activities requires interpreting the current tax regulations. <a href="#">Read more</a>
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## Japan

Treaties	Double tax treaties	16 July 2015	The Japanese Ministry of Finance on 16 July 2015 announced that the governments of Japan and Germany reached an "agreement in principle" for a new income tax treaty. The new treaty would replace the existing agreement signed in 1966, and subsequently amended in 1979 and in 1983. According to a press release, the new tax treaty would provide for: <ul style="list-style-type: none"><li>• reduced rates of tax withheld at source on investment income (dividends, interest, and royalties)</li><li>• an update of the treaty provision concerning the taxation of business profits</li><li>• introduction of an arbitration system for the mutual agreement procedure and an article concerning assistance in the collection of taxes.</li></ul> <a href="#">Read more</a>
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		1 April 2016/6 April 2016	<p>Japan's Ministry of Finance announced the exchange of diplomatic notes concerning application of Article 7 (Business profits) under the new income tax treaty between Japan and the United Kingdom. Japan's Ministry of Finance issued a press release announcing that Japan and the UK had exchanged notes concerning the Article 7 on 22 July 2015. With the exchange of notes, it was agreed that the provisions of new Article 7 will be effective:</p> <ul style="list-style-type: none"> <li>in Japan—with respect to profits for any tax year beginning on or after 1 April 2016</li> <li>in the UK—(1) in respect of profits charged to income tax or capital gains tax, for any year of assessment beginning on or after 6 April 2016; and (2) in respect of profits charged to corporation tax, for any financial year beginning on or after 1 April 2016.</li> </ul> <p><a href="#">Read more</a></p>
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<b>Korea</b>			
Tax legislation adopted and regulatory update	VAT	1 July 2015	<p>New provisions require non-resident vendors to register for and charge VAT on sales of electronic services to the end-user consumer in South Korea. The changes are effective 1 July 2015.</p> <p><a href="#">Read more</a></p>

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<b>New Zealand</b>			
Treaties	Double tax treaties	1 August 2015	<p>A new income tax treaty between New Zealand and Canada, signed in 2012, has entered into force. The new treaty includes provisions for reduced withholding tax rates on interest, dividends, and royalties, effective from 1 August 2015.</p> <p><a href="#">Read more</a></p>

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<b>Singapore</b>			
Tax legislation adopted and regulatory update	Tax incentives	July 2015	<p>With Singapore's budget 2015, the Finance Minister announced the consolidation of two investment regimes:</p> <ul style="list-style-type: none"> <li>the investment allowance for energy efficiency (IAEE)</li> <li>the investment allowance for energy efficiency for green data centers.</li> </ul> <p>The tax benefits include an investment allowance based on a specified percentage (not to exceed 100 percent) of the amount of the fixed capital expenditure incurred on an approved project. Typically, the investment allowance is 30 percent or 50 percent of the qualifying fixed capital</p>

expenditure. The qualifying investment period is from 1 March 2015 to 31 March 2021.

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Vietnam			
Tax legislation adopted and regulatory update	Corporate income tax	2015/1 January 2016	<p>Vietnam's Ministry of Finance issued guidance concerning corporate income tax. Specifically, the guidance—Circular 96/2015/TT-BTC (22 June 2015)—contains provisions concerning:</p> <ul style="list-style-type: none"><li>corporate income tax declarations and tax payments for income derived from offshore investment projects</li><li>timing for revenue recognition</li><li>deductible expenses (e.g. advertising and promotion expenses to be fully deductible, instead of being capped at 15 percent of total deductible expenses; depreciation expense rule changes; fully deductible life insurance for employees; treatment of housing for expatriates working in Vietnam)</li><li>income from processing agricultural and aquatic products in specific zones to be tax-exempt</li><li>treatment of losses carried forward on a company separation or division (reorganization)</li><li>new conditions for applying tax incentives for investment projects.</li></ul> <p>Circular 96 applies for the 2015 tax year, with certain provisions effective as of 1 January 2015.</p> <p><a href="#">Read more</a></p>
		July 2015	<p>Corporate income tax guidance from the tax authority in Vietnam includes “official letters” providing:</p> <ul style="list-style-type: none"><li>guidelines for allocation of taxable income for an “expansion investment project” in the 2009-2013 period</li><li>rules for deducting salary payments when for overtime in excess of stipulated hours under the labor law</li><li>the criteria for determining “hi-tech enterprises” and foreign companies that transfer an interest in another foreign company with an investment in Vietnam.</li></ul> <p><a href="#">Read more</a></p>
	Individual income tax	30 July 2015	<p>The Ministry of Finance issued guidance concerning the individual (personal) income tax treatment of income received by individuals from salaries and wages. The guidance, effective 30 July 2015, concerns items such as:</p> <ul style="list-style-type: none"><li>benefits-in-kind changes—for example, utilities as part of taxable housing; changes to the calculation; value of car rental no longer included</li></ul>

- non-compulsory insurance without accumulated premiums not subject to income tax under certain circumstances
- rules for exchange of foreign currency into Vietnamese currency (dong).

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Designed by Evaluateserve.  
Publication Number: 132661B-G