



International Tax Asia Pacific and MENASA February 2017

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific and MENASA regions between **1 February and 28 February 2017**.

Australia	India	Singapore
Bahrain	Japan	Thailand
China	Korea	Vietnam
Hong Kong	Oman	

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	Tax area concerned	Relevant date	Description of measures and publication link
Australia			
Tax legislation adopted and regulatory update	Capital gains	23 Feb 2017	Superannuation funds that are unsegregated for tax purposes face particular issues in relation to the transitional capital gains tax relief when members transfer part of their balance to an accumulation account prior to 1 July 2017. Read more
Proposed legislation	Diverted profits tax	9 Feb 2017	The Australian Government introduced legislation seeking to impose a 40 percent diverted profits tax (DPT) on significant global entities carrying on business in Australia. The DPT is expected to apply to income years commencing on or after 1 July 2017. Read more
Proposed legislation	Inbound	2 Feb 2017	Australian Taxation Office (ATO) released its much anticipated draft of the Australian Tax Framework (Framework). Given the recent changes with Foreign Investment Review Board (FIRB) and the requirement for tax conditions, the Framework provides an insight into the types of transactions where it will be critical for foreign investors to liaise with the ATO prior to

			these transactions being implemented. High risk issues identified in the paper may also influence the nature of the tax conditions imposed by FIRB. Read more
Administrative and case law	Import	27 Feb 2017	Last week, the Australian Government notified the World Trade Organisation of its intention to ban the importation and sale of cosmetic products that contain ingredients which have been tested on animals. Read more

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Bahrain			
Tax legislation adopted and regulatory update	VAT	22 Feb 2017	The Kingdom of Bahrain announced the signing of a unified agreement for VAT and selective tax in the Gulf Cooperation Council (GCC) countries. This follows approval of the region-wide VAT regime by the cabinet of the Kingdom of Saudi Arabia in late January 2017. Read more

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China			
Administrative and case law	Various	13 Feb 2017	An update on customs policies includes information concerning the newly-issued import tax policy of the '13th Five-Year Plan,' management of inspection and clearance of foreign aid materials, and items included into the catalogue of dual-use items and technologies prohibited from being exported to North Korea. Read more
Administrative and case law	R&D credits	7 Feb 2017	The State Administration of Taxation issued guidance for further implementation of the research and development (R&D) expense 'super deduction'. Read more
KPMG publication	BEPS	28 Feb 2017	China has adopted several of the BEPS recommendations, and already has rolled out the BEPS transfer pricing documentation requirements. It is reported that China is looking to localize the BEPS-updated transfer pricing guidance. Read more

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Hong Kong			
Administrative and case law	Transfer pricing	9 Feb 2017	The government's plan for implementing a statutory transfer pricing regime was mentioned in this year's budget speech, and implementing legislation is

			expected at some point in 2017. Read more
KPMG publication	Various	22 Feb 2017	KPMG provides a review of Financial Secretary, the Hon Paul MP Chan, first Hong Kong budget speech and provides commentary on proposed initiatives. Read more
KPMG publication	Various	15 Feb 2017	KPMG conducted a survey of 212 senior Hong Kong-based business executives on their expectations of the upcoming Budget. Based on the results of this survey as well as KPMG China's local expertise, KPMG provides a review of measures that should be introduced to improve people's standard of living; R&D initiatives and make use of the tax system to increase competitiveness. Read more

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India			
Proposed legislation	Various	1 Feb 2017	The Union Budget 2017 - 2018 was presented 1 February 2017, and includes tax provisions including BEPS and thin capitalization provisions. Read more
Administrative and case law	Permanent establishment	28 Feb 2017	Profits attributed to permanent establishment and the transfer pricing study was rejected. Read more
Administrative and case law	Royalty income	22 Feb 2017	A tribunal held that a payment for technology services (data centre, infrastructure, connectivity, and application technology) provided by the taxpayer from Hong Kong, is not taxable as 'royalty' income or as 'fees for technical services'. Read more
Administrative and case law	PE	15 Feb 2017	A tribunal held that an Indian subsidiary of the taxpayer — a Dutch group holding company, engaged in selling storage system equipment and products (including embedded software) and rendering certain services in India — is not a permanent establishment under provisions of the India-Netherlands income tax treaty. Read more
Administrative and case law	Various	6 Feb 2017	The Goods and Service Tax (GST) Council gave final approval to the GST Compensation Bill. The GST Council will meet in early March 2017 to discuss the GST laws, with an aim to table the laws before the Parliament in the second half of the session on the Union Budget 2017 - 2018, set for 9 March 2017. Read more
Treaties	Treaty interpretation	28 Feb 2017	The Special Bench of the Hyderabad Income-tax Appellate Tribunal held that certain tax law provisions do not override provisions of an applicable income

			tax treaty, to the extent that the treaty provisions are beneficial to the taxpayer. Read more
Treaties	Royalty payments	13 Feb 2017	A tribunal held that payments received by the taxpayer (operating a call center) for bandwidth connectivity charges are not taxable as royalty payments or as 'fees for technical services' under provisions of the Income-tax Act, 1961 or the India-United States income tax treaty. Read more
Treaties	India/Israel	5 Feb 2017	A Protocol amending the income tax treaty (1996) between India and Israel has been 'notified'. Read more

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Japan			
Administrative and case law	Corporate tax	9 Feb 2017	Japan's National Tax Agency released a statement concerning the tax treatment of income derived through a US limited partnership by Japanese resident partners. Read more

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Korea			
Tax legislation adopted and regulatory update	Various	10 Feb 2017	Tax law amendments, approved by the National Assembly in late 2016 and generally effective in 2017, include: (1) foreign companies allowed to apply a loss carryforward up to 80 percent of their taxable income for the tax year; (2) a change to the 'excess retained earning' tax rules; (3) new business types identified for tax incentives, to encourage foreign investment in new industries; and (4) tax deferral allowed for mergers between 'sister' companies. Read more
Tax legislation adopted and regulatory update	FATCA	16 Feb 2017	A revised version of regulations was issued for implementing the automatic exchange of financial information with foreign countries (territories) for tax purposes under the common reporting standard (CRS) and Foreign Account Tax Compliance Act (FATCA) regimes. Read more

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Oman			
Tax legislation adopted and	Various	26 Feb 2017	Changes to Oman's income tax law were published on 26 February 2017. The amendments are expected

regulatory update			to enhance tax revenue collection, but may be expected to increase the cost of doing business in Oman. For instance, taxes on dividends and interest will reduce the return on investments, and could increase the cost of borrowing. Read more
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Singapore			
Administrative and case law	FATCA	17 Feb 2017	The Inland Revenue Authority of Singapore issued an updated version of the 'frequently asked questions' (FAQs) to provide guidance on the implementation of the common reporting standard (CRS) in Singapore. Read more
Administrative and case law	Capital expenditures	13 Feb 2017	A court held fees paid by the taxpayer for access to a pool of funds for purposes of financing working capital requirements were not deductible expenses, but were capital in nature. Read more
KPMG publication	Treaties	22 Feb 2017	The KPMG member firm in Singapore has prepared a table listing income tax treaties to which Singapore is a treaty partner. Read more
KPMG publication	Tax incentives	13 Feb 2017	Tax incentives promoting innovation, R&D, and intellectual property management are intended to attract new technologies into Singapore. Read more
KPMG publication	Various	2 Feb 2017	The 2017 budget was presented this week, and includes measures concerning individual and corporate tax proposals. KPMG provides an overview of proposed changes. Read more

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Thailand			
Tax legislation adopted and regulatory update	Various	9 Feb 2017	Legislation was recently issued to amend certain provisions that were effective 25 January 2017. The amendments are aimed at encouraging continued investment in Thailand. Businesses considering making a new investment need to understand how these new rules may apply so as to benefit from the tax and non-tax incentives. Read more
Administrative and case law	Capital expenditures	7 Feb 2017	A 50 percent additional deduction that applies in addition to the standard tax depreciation that can be claimed on new capital assets will apply through 31 December 2017. However, the additional deduction

			has been reduced to 50 percent for expenditures made during 2017. Read more
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Vietnam			
Administrative and case law	Various	24 Feb 2017	New update on CIT, VAT and invoice, export duty, import duty, FCT and SCT on February 2017. Read more
Administrative and case law	FATCA	20 Feb 2017	Guidance was issued concerning an agreement between the 'competent authorities' of Vietnam and the United States concerning implementation of the FATCA regime in Vietnam. Read more
Administrative and case law	Sale of goods	14 Feb 2017	The UN agreement on contracts for the international sale of goods was ratified, effective 1 January 2017 — thereby expanding and complementing Vietnam's existing domestic legal framework for the sale of goods between Vietnamese and foreign entities. Read more

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