



# Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 08 June 2017



## Asia Pacific Tax Developments

### Australia

#### **Australia: Countries sign Multilateral Instrument in Paris, Australia's position**

The Organisation for Economic Co-operation and Development (OECD) Multilateral Instrument (MLI) was signed by 68 countries, including Australia, in Paris overnight. Australia has not signed up to the modified Permanent Establishment article that dealt with Dependent Permanent Establishments (Article 12 of the MLI which refers to Commissionaire and similar arrangements).

[More details](#)

#### **Australia: End of Financial Year R&D Issues**

As 30 June, which marks the year end of for most companies approaches, KPMG Australia outline the top R&D issues to consider.

[More details](#)

#### **Australia: Foreign resident CGT withholding tax: first lot of Budget changes**

Following the Federal Budget 2017-2018 announced in May, the Treasury Laws Amendment Bill 2017 was introduced into Parliament on 1 June 2017 which addresses the proposal to increase the CGT withholding rate for foreign tax residents from 10.0% to 12.5%, and a reduction in the withholding threshold from AU\$2 million to AU\$750,000. These amendments apply in relation to acquisitions of property that occur on or after 1 July 2017.

[More details](#)

#### **Australia: Major Bank Levy**

Major Bank Levy Bill 2017 was introduced recently and will apply from 1 July this year to Authorised Deposit taking Institution (ADIs) with total liabilities of more than AU\$100 billion. The levy will be imposed on a quarterly basis at a rate of 0.015% on an ADI's applicable liabilities amount. The Treasury Laws Amendment (Major Bank Levy) Bill 2017 was also introduced to amend several existing Acts to specify the administrative features associated with the levy.

[More details](#)

## **Australia: No harmonisation but States singing from the same song book**

Following the 2017 Budget announcements in the Northern Territory and Victoria, the New South Wales Government has announced housing affordability measures ahead of the 2017 State Budget to be delivered on 20 June 2017.

The measures, proposed to take effect from 1 July 2017, are intended to boost housing supply and deliver infrastructure to growing communities. Concessions which could fuel demand by first home buyers are countered by surcharges which could cool that of investors and foreign buyers.

[More details](#)

## **Australia: Superannuation fund expense apportionment: new ATO guidance**

The Australian Taxation Office (ATO) has recently released guidance on the acceptable expense apportionment methodologies regarding exempt income. The most notable change here is the increased emphasis on the concept of 'fair and reasonable' as a fundamental apportionment principal.

[More details](#)

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## **China**

### **China: China's NEV landscape may be ready for consolidation**

China has become the largest market for new energy vehicles (NEVs) in the world, primarily due to ambitious governmental policies. However, with more than 170 players manufacturing models for the local market, there are restructuring opportunities, especially for non-Chinese original equipment manufacturers that are motivated by strategic or regulatory reasons.

This report looks at the reasons the NEV sector could experience a realignment in 2017, as well as emerging opportunities for consolidation in the industry.

[More details](#)

### **China: China Tax Weekly Update – Issue 21**

The following matters are covered in this issue:

- Measures for tax information exchange rollout in China (SAT and other five authorities Announcement [2017] No. 14)
- OECD discussion draft on hard-to-value intangibles
- Rules on formulation of local tax authority tax guidance (SAT Order No. 41)
- SAT clarifies interest WHT relief in China-Portugal DTA (SAT Announcement [2017] No. 15)
- China-Spain social security agreement signed
- Mainland China-Hong Kong Bond Connect

[More details](#)

### **China: China VAT, CIT and IIT reductions to drive growth and innovation**

Planned tax reduction measures were recently announced in China. These include:

- Reduction of VAT brackets for general VAT taxpayers from four to three;
- Increase to research and development expense super deduction for science and technology-related small and medium enterprises;

- Preferential tax treatment for premiums paid to eligible commercial health insurance providers shall be applied on a nationwide basis.

[More details](#)

### **China: Customs Policy Update – May 2017**

KPMG China provides various customs policy updates:

- PRC Customs Further Issued 12 Working Priorities to Provide Full-range Services for the Belt and Road Construction
- China and Georgia Officially Signed the Free Trade Agreement
- GAC Issued the Announcement for the Service Plan of Customs Pre-declaration Portal and Interface for Data Exchange
- Ministry of Commerce (“MOFCOM”) Issued the Announcement (MOFCOM [2017] No.26) on the Safeguard Measures for Imported Sugar
- Ningbo Customs Issued Notice of the Adjustment on the Customs Declaration Procedures of Solid Waste
- Chongqing Customs Issued the Announcement on Matters Related to Voluntary Disclosure for Import and Export Companies and Units
- Qingdao Customs Issued an Announcement to abolish the Straight-through Port Supervision Mode

[More details](#)

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## **India**

### **India: Evaluating advertising and marketing promotion expenses as international transaction**

The Delhi Bench of the Income-tax Appellate Tribunal remanded issues relating to advertising and marketing promotion expenses for a new determination.

The tribunal, however, agreed with the Transfer Pricing Officer’s treatment of the taxpayer’s marketing activity as a “function” and in considering the advertising and marketing promotion expenses in the profit rates of comparable companies in the transfer pricing adjustment.

[More details](#)

### **India: Exempt provident trusts must file monthly statements electronically using new software**

The Employees’ Provident Fund Organisation issued a circular announcing that exempt funds and trusts must file monthly statements under the Employees’ Provident Fund Act and various related measures using a new software.

[More details](#)

### **India: Government authorisations (or approvals) are not eligible for depreciation**

The Delhi Bench of the Income-tax Appellate Tribunal held that government authorisations or approvals are not licenses or rights having a business or commercial nature that, in turn, could be transferred to the taxpayer. Therefore, depreciation is not allowed on the value assigned such government authorisations. The tribunal also held that the taxpayer could not allocate the value of such government authorisations towards goodwill. [More details](#)

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## New Zealand

### New Zealand: New rules for feasibility expenses and start-ups' share schemes

The government of New Zealand is seeking feedback on two tax proposals:

- New rules for “feasibility expenditure,” with deductibility to be based on the treatment of these costs under International Financial Reporting Standards, and proposals to address “black hole” expenditures
- New rules for employee share schemes of start-up companies, aimed at addressing liquidity and valuation issues

[More details](#)

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## Philippines

### Philippines: Tax-free and stress-free (?) exchange

KPMG in the Philippines reviews the conditions for tax-free exchange of properties, and the importance of having BIR certifications in filing an application for tax-free exchange of properties.

[More details](#)

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## Singapore

### Singapore: Revisions to the Financial Sector Incentive schemes

The Monetary Authority of Singapore has recently released details on revisions to the Financial Sector Incentive (FSI) schemes. Under the latest revisions, the FSI schemes will be streamlined to remove currency, counterpart and investment instrument restrictions. Correspondingly, the concessionary tax rate for FSI-ST scheme will be increased from 12% to 13.5% to maintain tax neutrality.

The changes to the FSI schemes will apply to new and renewal awards approved on or after 1 June 2017.

[More details](#)

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## Thailand

### Thailand: The New Customs Act has been introduced - Customs Act B.E. 2560

The Customs Act B.E. 2560 (2017) was published in the Royal Gazette on 17 May 2017, and will take effect on 13 November 2017. This will be the largest development in Thailand's customs landscape since the customs law was first introduced in 1926.

The key changes include:

- Revision of penalties in relation to smuggling and duty evasion

- Revision of penalties in relation to a false declaration
- Revision of regulations concerning commission paid to the customs officer and whistleblower
- Limitation of surcharge collection and a new provision inserted for the reduction of the surcharge and fine
- Reduction of the period of time that imported goods should remain in the custody of the customs
- Extension of duty refund period

[More details](#)

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## Calendar of Events

Date	Event	Location
19 June 2017	IRAS consultation on reverse charge and import of digital services and low-value goods Contact person: <a href="#">Shirley Tay</a> <a href="#">More details</a>	NTUC Centre, 1 Marina Boulevard, Singapore 018989

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## Thought Leadership



### India's new GST: the countdown is on

After 10 years of effort, India's new Goods and Services Tax (GST) seems set to take effect on 1 July 2017, ushering in one of the most significant reforms in the country's history. But even though the tax has been at least a decade in the making, detailed rules have only started being published recently. Many businesses in India have been left with little time to understand their new obligations and get ready to comply.

GST implementation is likely to have impact across a company's operations, from cash flow to supply chain to people, systems and processes. Planning for the transition offers an excellent opportunity for organizations to take a transformative approach, assessing and realigning business models to drive efficiencies, gain competitive edge and boost profits.

In this article, we explore how the tax is likely to apply and what businesses with operations in India should be doing in the short timeframe to get ready.

[More details](#)

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# Significant International Tax Developments



## **OECD: Countries sign multilateral instrument, implementing BEPS in tax treaties**

Representatives from over 70 jurisdictions participated in an OECD ceremony on 7 June 2017 for the signing of a multilateral convention to implement tax treaty-related measures to prevent base erosion and profit shifting (BEPS).

[More details](#)

## **OECD: CRS disclosure facility identifies retirement schemes in Hong Kong**

The OECD announced initial results of a disclosure facility for information on schemes designed to circumvent the application of the common reporting standard.

[More details](#)

## **OECD: Thailand joins BEPS inclusive framework**

The OECD announced that Thailand has joined the “inclusive framework” for purposes of the BEPS project and will participate on an equal footing with all other members at the next plenary meeting scheduled for 21-22 June 2017.

[More details](#)

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## Beyond Asia Pacific

### **Italy: Flat tax for new individual residents, new guidance**

Under the flat-tax regime, individuals who previously have not been tax residents of Italy and who transfer their tax residence to Italy will pay, instead of ordinary tax, a flat-rate substitute tax of €100,000 per year on all their non-Italian sourced income (and a flat tax of €25,000 for eligible family member).

[More details](#)

### **Nigeria: Legislative proposals to reorganize the petroleum industry**

Nigeria’s Senate recently passed the Petroleum Industry Governance Bill that would establish a framework for the creation of commercially oriented, profit-driven petroleum entities and allow for internationalization of the petroleum industry.

[More details](#)

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## **TaxNewsFlash by Region**

For the latest tax developments from other regions see the following links:

[Africa](#)

[Americas](#)

[Europe](#)

[United States](#)

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