



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 21 January 2016



Asia Pacific Tax Developments

Australia

Australia: ATO to clarify when foreign currency transactions are GST-free

KPMG in Australia welcomes the ATO's planned guidance on determining when foreign currency transactions are GST-free.

As financial supplies are otherwise likely to be "input taxed", the practical significance of GST-free treatment is that it increases the recovery of GST on related expenses. It is proposed that the guidance will cover products such as: international bank drafts, traveler's cheques, credit cards, foreign currency loans and a range of forex derivatives such as forwards, swaps and options.

[More details](#)

Australia: Commissioner wins Part IVA case

The Commissioner was successful in the recent Part IVA Federal Court decision of Orica Limited v Commissioner of Taxation [2015] FCA 1399. The only issue in dispute was s 177D(b) of the Income Tax Assessment Act 1936, namely whether the scheme was for the purpose of obtaining a tax benefit (it was conceded there was a scheme and a tax benefit).

KPMG in Australia analyses the Federal Court decision in Orica Limited v Commissioner of Taxation.

[More details](#)

Australia: CRS implementation scheduled for 1 July 2017

The Australian Taxation Office (ATO) on 13 January 2016 announced that the OECD common reporting standard (CRS) will be implemented, effective from 1 July 2017. Accordingly, the first exchange of information will occur in 2018.

[More details](#)

Australia: New company tax rules: what do they mean for you?

Company tax loss rule modifications received Royal Assent (*Tax and Superannuation Laws Amendment (2015 Measures No.2) Act 2015*). These rules may enable taxpayers to revisit prior tax loss positions and access the continuity of ownership test (COT) provisions, rather than the SBT.

KPMG in Australia highlights the new company tax rules and the amendments that could apply to tax returns.

[More details](#)

Hong Kong SAR

Hong Kong: Corporate Treasury Centres in Hong Kong almost a reality

The Hong Kong Government recently gazetted the Inland Revenue (Amendment) (No. 4) Bill 2015 which introduces a concessionary profits tax rate for Qualifying Corporate Treasury Centres (Qualifying CTCs), new rules to deem certain interest income and other gains as Hong Kong sourced and amendments to the existing interest deduction provisions to enable a deduction for interest on certain intra-group lending transactions.

[More details](#)

Hong Kong: Update on CRS / AEOI legislation

The Hong Kong government gazetted the Inland Revenue (Amendment) Bill 2016, which seeks to provide the legal framework for Hong Kong to implement the OECD's standard for the automatic exchange of financial account information (AEOI).

The wider approach is permitted under the Bill so that Financial Institutions can carry out due diligence procedures in relation to financial accounts even if the account holder is not a tax resident of a reportable jurisdiction. It is expected that the Inland Revenue (Amendment) Bill 2016 will be introduced into the Legislative Council for first reading on 20 January 2016.

[More details](#)

India

India: Action Plan on 'Startup India'

The Prime Minister of India has recently launched the 'Startup India' initiative. This initiative is part of the 19 points Action Plan through which government aims to empower start-ups to grow through innovation and design.

The Action Plan is divided across the following areas:

- Simplification and Handholding

- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

This Action Plan shall accelerate the spreading of the start-up movement across:

- The digital/technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education etc.; and
- Existing tier I to tier II and tier III cities including semi-urban and rural areas.

[More details](#)

India: Amendments to “combination regulations” under the Competition Act, 2002

The Competition Commission of India (CCI) originally issued regulations in May 2011, and then amended them from time to time. The CCI issued the fifth set of amendments to the original combination regulations effective 7 January 2016.

[More details](#)

India: Interest income on application money in a separate bank account is taxable in year of share allotment

The Supreme Court of India held that interest income on application money kept in a separate bank account is taxable in the year when the entire allotment procedure is completed—and not in the year of public issue.

[More details](#)

India: Land on which building is under construction is subject to wealth tax

The Supreme Court of India held that land on which building construction is under progress is subject to wealth tax. The land would not be excluded from the scope of “urban land” if the building were still under construction. It would be excluded when the building construction is completed.

[More details](#)

India: No five-day grace period for remitting of monthly provident fund contributions

Under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) the employee and the employer must pay 12% of the salary towards the provident fund. Employers are required to pay their contributions and administrative charges within 15 days of the close of every month. There had been a five-day grace period for employers to remit their contributions. That grace period has been removed. Employers must now remit their contributions and administrative charges within 15 days of the close of every month.

[More details](#)

Indonesia

Indonesia: New electronic tax payment system, mandatory after June 2016

Tax payments in Indonesia—made after 30 June 2016—must be made using a new electronic tax payment system.

As with many new programs, this electronic tax payment system is not without certain challenges. Taxpayers need to be familiar with the new system and its advantages and disadvantages, in order to make timely tax payments. [More details](#)

Korea

Korea: Real estate fund trust dividends; withholding tax refunds

An official public tax ruling from the South Korea Ministry of Strategy and Finance allows for a reduced rate of withholding tax on dividends distributed from South Korean real estate fund trusts.

The ruling may provide opportunities for refunds of withholding tax paid, for a three-year period (the statute of limitations). An application to the Korean tax authorities proving that the required conditions are satisfied will be required to maintain a refund claim.

[More details](#)

Singapore

Singapore: The AEC presents opportunities, challenges and changes for SMEs

KPMG in Singapore has released a report providing insights into the Asean Economic Community (AEC) opportunities, challenges and changes facing small and medium-sized enterprises (SMEs). This report also discusses defence plans for SMEs to capitalise on the AEC.

[More details](#)

Singapore: New 2016 guidance released by IRAS

On 4 January 2016, the Inland Revenue Authority of Singapore (IRAS) released the third edition of its transfer pricing guidance (TPG3) for Singapore taxpayers.

Compared to the previous edition, TPG3 contains expanded IRAS' viewpoints on several fronts - especially on:

- The administrative process leading to an Advance Pricing Arrangement (APA).
- The derivation of the cost base to which the cost plus mark-up is to be applied.

[More details](#)

Vietnam

Vietnam: Tax incentives, certain products of “supporting industries”

Vietnam offers certain preferential treatment or incentives to foster the development of “supporting industries.” Specifically, with respect to certain products of supporting industries, the corporate income tax incentives include:

- A preferential tax rate of 10% is available for a 15-year period.
- A tax exemption applies for four years, and a 50% tax reduction for the subsequent nine years

The tax incentives for supporting industry products is an emerging field. Potentially eligible companies will want to review their product portfolios and match this against the information provided under the recent guidance.

[More details](#)

Calendar of Events

Date	Event	Location
27 January 2016	Automotive Industry Tax Workshop - R&D Bonus Deduction and High and New Technology Enterprise ("HNTE") regulation changes, BEPS action plan and common customs issues, etc. ✓ Beijing	Beijing
Week of 9 May 2016	2016 KPMG Asia Pacific Tax Summit	Beijing

Beyond Asia Pacific

Brazil: Oil and gas industry taxes in Rio de Janeiro

Companies operating in the State of Rio de Janeiro may face immediate tax consequences concerning the state sales tax (ICMS) charged on "upstream" transactions involving oil and gas extraction in light of two legislative amendments directly affecting the oil and gas industry.

[More details](#)

Canada: Withholding tax relief, foreign employers of cross-border workers

Non-Canadian resident employers with non-resident employees working in Canada can now apply to be eligible for a new exception from the withholding tax requirements under Regulation 102 of the Income Tax Act. This exception is effective 1 January 2016.

[More details](#)

South Africa: Treatment of direct, indirect operating expenses of insurers

Binding General Ruling (BGR) No. 30 has been issued to clarify the treatment of expenses of insurance companies, acceptable to the South African Revenue Service (SARS).

[More details](#)

TaxNewsFlash by Region

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

[Africa](#)

[Americas](#)

[Europe](#)

[United States](#)

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