

# Taxing imported services in Asia Pacific

## New rules impact service providers and online businesses

### Are you supplying services across international borders or online to customers in Asia Pacific?

If so, you may face increased indirect tax regulatory costs with the introduction of measures to tax supplies where they are consumed. These changes may require you to register for VAT/GST, collect tax and report liabilities even though you may have no local physical presence. The changes are being driven by the debate on tax Base Erosion and Profit Shifting (BEPS), the challenges of taxing new global business models and in particular the digital economy.

We are seeing countries refine their measures to tax services imported by businesses and introduce additional provisions to capture the tax on services imported by private consumers. In the latter case, the Organisation for Economic Co-operation and Development (OECD)'s preferred model is to require non-resident businesses to register for VAT/GST and to collect tax, report the liability and pay it over to tax authorities – even though the business may have no permanent establishment or other physical presence in that country.<sup>1</sup>

Taxing cross-border services is part of a global trend. The European Union (EU), Norway and South Africa have implemented similar measures relating to electronic services supplied to private consumers, and the US has legislation before the Senate.<sup>2</sup> In Asia Pacific, Korea and Japan have implemented changes which mean that non-resident businesses must determine whether they need

to register, collect, report and pay local indirect taxes on electronic services supplied to businesses and private consumers in these countries with effect from 2015. Australia has announced measures applying to the import of services by private consumers in general which, subject to Parliamentary approval, will be implemented in 2017. We expect other countries in the region to follow suit as the OECD's proposals gain traction.

However, unlike in the EU where taxpayers can use the VAT Mini One-Stop Shop (MOSS), a simplified method of registering with a single tax authority and reporting and paying tax liabilities in multiple EU jurisdictions to that same single tax authority, in Asia Pacific taxpayers will need to register, file returns and pay VAT/GST separately in each jurisdiction. Businesses will therefore have to familiarize themselves with the different compliance requirements across the Asia Pacific region.

KPMG's Global Indirect Tax team has developed offerings which enable clients to obtain many of the same benefits of the 'one-stop shop', but in the Asia Pacific region. You can outsource the VAT/GST registration, return preparation and lodgment processes to a single point of contact: KPMG's Asia Pacific Indirect Tax Compliance Center of Excellence. By using our compliance technologies, rapid access to local specialists and leveraging the scale in doing this for multiple clients, we help you achieve peace of mind in managing your new VAT/GST compliance obligations efficiently and effectively throughout the region from one location.

<sup>1</sup> International VAT/GST guidelines. Guidelines on place of taxation for business-to-consumer supplies of services and intangibles. Provisions on supporting the guidelines in practice. 18 December 2014 - 20 February 2015. Organisation for Economic Co-operation and Development.

<sup>2</sup> Market Place Fairness Act 2015.

## What does it mean for your business?

Case Study	Republic of Korea	Japan	Australia
Who is affected:	Non-resident suppliers of electronic services to Korean business and private customers. Intermediaries such as app stores.	Non-resident suppliers of digital services to Japanese business and private customers.	Non-resident suppliers of anything other than goods or real property to Australian private customers.
Potential impact on supplier:	Register with the local Tax Authority. Determine taxability of each transaction.		Collect local indirect tax from customers. Report and pay the tax to the authorities.
Implementation date:	1 July 2015	1 October 2015	1 July 2017

XYZ Pte Ltd\* is the developer of popular PC computer games and sells them for download to customers across Asia Pacific, including Korea and Japan. As a result of recent law changes, XYZ must now register for VAT in Korea, develop a process for calculating its Korean VAT liability and file periodic returns with the Korean tax authorities. XYZ will also soon need to

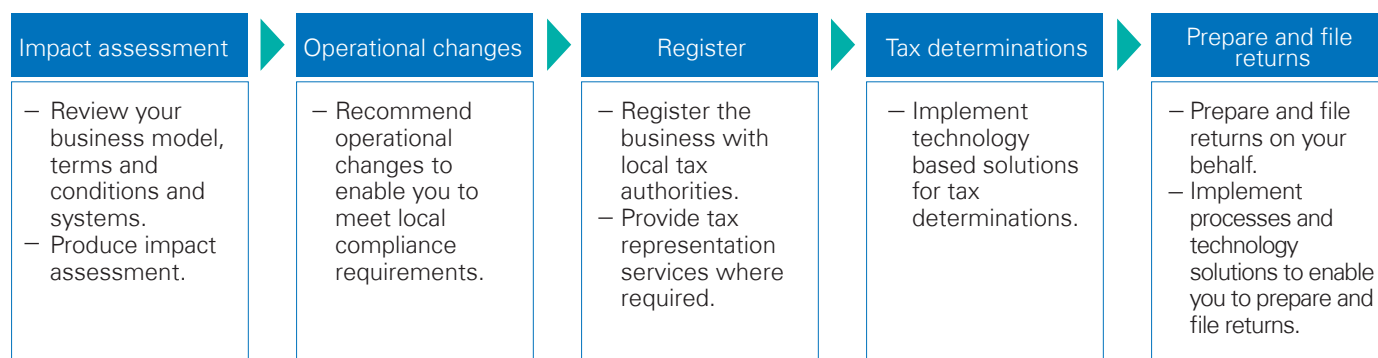
register for Consumption Tax in Japan. KPMG's Asia Pacific Indirect Tax Compliance Center of Excellence can help XYZ register and meet these ongoing compliance requirements as a single point of contact with regional experience and deep connections with local firm specialists.

\*For illustration purposes only. Does not refer to an actual client of a KPMG member firm.

## How KPMG can help your business?

The scope of the changes, the rules and compliance requirements vary from country to country across the Asia Pacific region. KPMG's Asia Pacific Indirect Tax Compliance

Center of Excellence can help cut through the complexity and provide you with a single point of contact for your compliance service needs in the region.



Our defined, step-by-step approach, outlined above, helps to give you:

- reduced management effort via a single point of contact for the Asia Pacific region, with rapid access to local firm specialists

- increased control, efficiency and tax risk management through streamlined processes and standardized deliverables in each jurisdiction
- transparent and competitive fees for compliance services.

KPMG's Global Indirect Tax team has a team of specialists located in the Asia Pacific region to assist you with your indirect tax needs.

For more information, contact the following specialist in Asia Pacific or your regular KPMG advisor.

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