



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 07 July 2016



Asia Pacific Tax Developments

Australia

Australia: Country-by-Country implementation guidance

With many multi-national enterprises (MNEs) now in their first year of Country-by-Country reporting, a number of questions are emerging on implementation.

KPMG Australia discusses the implementation of Country-by-Country reporting.

[More details](#)

Australia: D Marks Partnership case – limited partnership and debt interests

The Full Federal Court handed down its decision on 22 June 2016 in D Marks Partnership by its General Partner Quintaste Pty Ltd v Commissioner of Taxation [2016] FCAFC 86 with the majority concluding the partnership was not a limited partnership (Logan J dissenting) and that redeemable shares issued to the partnership were debt interests for tax purposes.

[More details](#)

Australia: The Second Johnson Report – Progress Stalls

KPMG Australia discusses the Second Johnson Report released this week and its progress for financial services.

The second report provides a snapshot on the progress of each of the 10 key recommendations, and the report card is not great. Since the original report, only the Investment Manager Regime has been legislated. All other measures remain in progress or have been parked.

[More details](#)

China

China: China Tax Weekly Update - Issue 25

KPMG China has issued a newsletter that provides various tax updates on:

- New administrative guidelines for recognition of high and new technology enterprises
- SAT revised tax filing forms for Resource Tax (SAT Announcement [2016] No.38)
- Further VAT reform implementation rules
- China sets up two new National Independent Innovation Demonstration Zones (NIIDZs)
- Guidelines on cooperation between the State Tax Bureau and the Local Tax Bureau [Version 3.0]
- Hong Kong joins global inclusive framework for implementation of BEPS
- SAT response to reply Beijing enforcement case clarifies position on deductibility of insurance payments (Shui Zong Han [2016] No. 274)
- Beijing State Tax Bureau (BSTB) anti-avoidance activities
- Real time information exchange of customs data under China-South Korea FTA (GAC Announcement [2016] No. 39)
- List of Key Tax Policies in the first half of 2016

[More details](#) | [Chinese version](#)

China: Evaluating the impact of Brexit on your supply chain

According to the referendum result on 24 June 2016, UK will exit EU. Although it may take around two years for UK and EU to complete the exit negotiation, it is necessary to evaluate the potential impact now, for those enterprises whose supply chain arrangements are connected with UK and EU.

[More details](#) | [Chinese version](#)

China: VAT exemptions expanded for financial services sector

A circular, *Caishui* [2016] 70 (30 June 2016), jointly issued by the Ministry of Finance and the State Administration of Taxation, expands the categories of VAT exemptions for the financial services sector.

The new guidance is effective retroactively to 1 May 2016, meaning that the expanded VAT exemptions will affect all transactions of the financial services sector from the inception of the VAT regime.

[More details](#) | [Chinese version](#)

Hong Kong SAR

Hong Kong: Transfer pricing and BEPS considerations – intangible property and R&D

Companies that perform Hong Kong-based research and development (R&D) activities, or that own any intangible property (IP) developed or used in Hong Kong, and especially if that IP is owned by means of an offshore entity, need to determine if they are compliant and ready for implementation of the base erosion and profit shifting (BEPS) provisions. Companies that pay royalties to any related party may also be affected.

[More details](#)

India

India: CBDT's central action plan for FY 2016-17

India's Central Board of Direct Taxes issued the "central action plan" and targets for the tax department for the financial year 2016-17.

[More details](#)

India: Fair market value and reporting requirements in relation to indirect transfers

The Central Board of Direct Taxes issued draft rules to prescribe the manner of computation of the fair market value of assets of a foreign company and the reporting requirements by the Indian concern. Draft forms for reporting requirements have also been provided.

[More details](#)

India: Foreign tax credit rules

The Central Board of Direct Taxes issued new rules with respect to the allowance of a foreign tax credit. The new rules have an effective date of 1 April 2017.

[More details](#)

India: Income from sale of software not royalty under India-Netherlands income tax treaty

The Mumbai Bench of the Income-tax Appellate Tribunal held that income from the sale of software is not a royalty within the meaning of Article 12(4) of India-Netherlands income tax treaty because the taxpayer did not allow the end-user to use a process under the software.

[More details](#)

India: No transfer pricing adjustment; license agreement with U.S. company

The Bangalore Bench of the Income-tax Appellate Tribunal found only a license agreement of a brand-name and concluded that the taxpayer and the U.S. entity were not related parties because there was no direct or indirect ownership by the U.S. company of the taxpayer's management, control, or capital.

[More details](#)

India: Stamp duty payment allowed as revenue expenditure

The Gujarat High Court held that the amount of stamp duty is allowed as revenue expenditure because the stamp duty paid by the taxpayer during the year was a compulsory statutory levy; would not restrict the profits of the future years; and was an ordinarily revenue expenditure incurred wholly and exclusively for the purpose of the taxpayer's business.

Accordingly, the stamp duty must be allowed in its entirety in the year in which it is incurred and was not to be spread over a number of years.

[More details](#)

Indonesia

Indonesia: Expanded tax incentives for apparel, leather and footwear industries

A government regulation expands the locations where tax incentives are available for investments made by certain business lines. With the government regulation (No. 9, 2016), tax incentives, previously either not available or limited to investments in certain regions, are being available for the apparel industry and for the leather and footwear sector in all regions.

[More details](#)

Japan

Japan: Guidance under new transfer pricing documentation rules

Japan's national tax agency on 30 June 2016 released guidance concerning new transfer pricing documentation rules.

The guidance includes certain reference materials – i.e. explanations, examples of required information, and examples of documents to be prepared – for taxpayers to follow as they comply with the transfer pricing documentation rules.

[More details](#)

Vietnam

Vietnam: Corporate tax incentives; interest-free loans; foreign contractor tax

KPMG in Vietnam has released a technical update that discusses various “official letters” and other releases by the tax authorities concerning Corporate tax incentives, Value Added Tax and Foreign Contractor Tax.

[More details](#)

Calendar of Events

Date	Event	Location
24 June – 12 July 2016	Automotive Industry Tax Workshop More details	Shanghai, China
14- 15 July 2016	Corporate Treasury Management Course 2016: Insight for bankers Contact person: Kieran Marnell More details	Singapore Marriott Tang Plaza Hotel, Singapore
20 July 2016	Update on IRAS GST e-Tax Guides and Singapore personal income tax, focusing on taxation of benefits-in-kind Contact person: Shirley Tay More details	Orchard Hotel, 442 Orchard Hotel, Singapore
26 July 2016	Transfer Pricing – Latest Update Contact person: Sharon Leong	Malaysia
16 August 2016	Tax/Immigration Planning for Global Mobility Employees to Malaysia and GST from HR Perspective Contact person: Carmen Yong	Malaysia
21 October 2016	2017 Budget Announcement Contact person: Karen Lee	Parliament House, Kuala Lumpur, Malaysia
26 October 2016	KPMG in Malaysia Tax Summit 2016 Contact person: Karen Lee	One World Hotel, Petaling Jaya, Malaysia

Significant International Tax Developments



OECD: Comments invited on revised transfer pricing guidelines

The Organisation for Economic Cooperation and Development (OECD) on 4 July 2016 issued a release inviting comments concerning changes to the OECD transfer pricing guidelines, specifically with respect to Chapter IX, "Transfer Pricing Aspects of Business Restructurings", as prompted by changes to the guidelines set out in the BEPS recommendations.

[More details](#)

OECD: BEPS discussion drafts include revised guidance on profit splits

The OECD released discussion drafts concerning few actions listed under the BEPS project.

[More details](#)

OECD: New inclusive framework, 80+ countries at BEPS meeting

The OECD reported representatives of more than 80 countries and jurisdictions are gathering in Japan, 30 June – 1 July, to consider updating international tax rules pursuant to the BEPS project.

[More details](#)

Beyond Asia Pacific

Luxembourg: Law published (Bill 6983): 1/4 global tax rate for real estate capital gains (99ter - 131§1d LIR)

As announced by the Luxembourg government earlier this year, the reduction of the tax rate on gains realized from the disposal of certain real estate owned by private individuals is now in force as of 1 July 2016.

[More details](#)

Switzerland: Zurich proposes reduced cantonal corporate tax rate, from 21.1% to 18.2%

Following the latest discussions on federal level regarding the Corporate Tax Reform III, the Zurich cantonal government decided to reduce its ordinary tax rate from the current 21.1% to 18.2% (effective tax rate for federal, cantonal and communal tax purposes) which is ultimately beneficial to all Zurich companies.

[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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