



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 14 July 2016



Asia Pacific Tax Developments

Australia

Australia: BEPS – Where are we at?

Both politically and socially, the debate about tax transparency has resonated loudly in Australia. The Australian Government has actively endorsed the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) work.

KPMG Australia takes a stocktake of the Australian Government's approach to the key BEPS Action Items following the 2016 Federal Election.

[More details](#)

Australia: Jobs Accelerator Grant Scheme – South Australia

Last week's South Australia (SA) Budget included an exciting opportunity for employers to invest in SA growth, by providing a grant of up to \$10,000 for each additional employee hired since 1 July 2016. An amount of up to \$4,000 is also available to small business and start-up employers (those not subject to payroll tax).

KPMG Australia discusses the SA Jobs Accelerator Grant Scheme and highlights how companies can qualify.

[More details](#)

Australia: Minority government? Not so unusual and not to be feared

KPMG Australia takes a look at the history of minority governments and hung parliaments in Australia and around the world and sheds some light on what will happen on the tax front when the 45th Parliament is sworn in.

[More details](#)

Australia: New angel investor tax break

The Australian Tax Office (ATO) has released further information on the new angel investor tax break that came into effect on 1 July 2016. Under the new tax break, angel investors can receive a 20 percent tax rebate and capital gains tax (CGT) exemption (for the first 10 years) when they invest in a company that qualifies as an early stage innovation company (ESIC).

While the policy intent behind the new rules is clear, there are many issues that still require clarification.

[More details](#)

Australia: NZ Inland Revenue takes aim: BCPs, risk reviews and audits

In a post-BEPS world, the New Zealand (NZ) Inland Revenue (IRD) is taking a keen interest in the NZ operations of global groups. Australian companies with NZ operations are amongst those in IRD's crosshairs.

The NZ income tax return is a 'light touch' return. It provides summarised and partial information to IRD. To fill this gap, IRD has initiated the Basic Compliance Package (BCP). The information provided by taxpayers under the BCP will be used by IRD to tailor its subsequent interactions. This may include formal risk reviews and, in some cases, direct audits.

[More details](#)

China

China: China Tax weekly update – Issue 26

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

- OECD releases a series of documents on the continuity BEPS work
- New DTA signed between China and Romania
- Administration for tax residence certificates clarified (SAT Announcement [2016] No.40)
- Rules on Customs Inspection revised (State Council Order No. 670)
- Further VAT implementation rules from MOF and SAT
- Further rules to push forward business system reform
- Further efforts to deepen reform of state tax and local tax collection administration systems
- Public consultation on new framework for formulation of local tax authority-issued tax guidance

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

China: Customs policy update – for the period of June 2016

KPMG China has prepared a summary that highlights various customs developments in China in June 2016.

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

China: Transfer pricing documentation, related-party reporting guidance from BEPS project

The State Administration of Taxation released new rules concerning the reporting of related-party transactions and of contemporaneous transfer pricing documentation. The new rules will apply for fiscal years beginning from 1 January 2016.

[More details](#)

Hong Kong SAR

Hong Kong: BEPS participation, recommendations pending government action

Hong Kong has accepted the OECD's invitation to join, as an "associate", the project and framework under the OECD's final reports and recommendations of the BEPS project.

[More details](#)

India

India: Corporate social responsibility expenditure is business expenditure

The Raipur Bench of the Income-tax Appellate Tribunal held that the voluntary nature of corporate social responsibility payments are expenditures that are allowable as a business expenditure.

[More details](#)

India: No tax for cancelled trademark

The Hyderabad Bench of the Income-tax Appellate Tribunal held that a payment received by the taxpayer for restraining the use of the trademark that was cancelled and no longer available for use (it had ceased to exist is a capital receipt) was not subject to tax.

[More details](#)

India: Retention bonus as business expenditure

The Delhi Bench of the Income-tax Appellate Tribunal held that a retention bonus paid by the taxpayer to retain employees of a transferred company were allowable as a business expenditure of the taxpayer.

[More details](#)

India: Services rendered in India

The Chennai Bench of the Income-tax Appellate Tribunal held that a taxpayer, providing satellite capacity and related services to Indian customers by means of communication system monitoring equipment owned by a related party in India, was rendering services in India.

[More details](#)

India: "Slot charter" arrangements eligible for tonnage tax treatment

The Supreme Court of India held that benefits under the tonnage tax scheme is also available to the income from the "slot charter" arrangements.

[More details](#)

India: The proviso to Section 40(a) (ia) of the Income-tax Act is retrospective in nature; conflicting decisions

The Raipur Bench of the Income-tax Appellate Tribunal (the Tribunal) held that second proviso to Section 40(a) (ia) of the Income-tax Act, 1961 (the Act) is declaratory and curative in nature and therefore retrospective in effect.

In case of conflicting High Court decisions, the Tribunal is required to be followed the beneficial decision to the taxpayer.

[More details](#)

India: Associated enterprises; parameters laid down in Section 92A of the Income-tax Act

The Bangalore Bench of the Income-tax Appellate Tribunal (the Tribunal) held that the taxpayer and Jockey International Inc., U.S. (JII) are not associated enterprise(s) for Assessment Year 2010-11 as their relationship does not meet the parameters of Section 92A (1) of the Income-Tax Act (the Act) which requires direct/indirect ownership in the management/control/capital of the other enterprise.

[More details](#)

India: Valuation of intangibles; only future projections, no hindsight allowed

The Hyderabad Bench of the Income-tax Appellate Tribunal held that concerning the valuation of intangible assets transferred by the taxpayer to a foreign related party, only future projections can be considered. Valuation cannot be reviewed in hindsight, with actual amounts of income realized at a later date.

[More details](#)

Malaysia

Malaysia: East Coast Economic Region Tax Incentives

KPMG in Malaysia summarises tax incentives relating to the East Coast Economic Region provided for under the recently gazetted income tax exemption orders, tax deduction rules and stamp duty exemption order.

[More details](#)

New Zealand

New Zealand: Proposals for reporting interest, dividends, investment income

The Inland Revenue Department continues to issue proposals for business transformation, with the latest proposals focusing on the reporting of investment income information.

Payers of interest and dividends, portfolio investment entities (PIEs) and Maori authorities would be required to report investors' income and tax details more frequently, and more investor details would be provided.

[More details](#)

Singapore

Singapore: Assessing the impact of Brexit on Asia

Given how much interconnected the UK is with the global economy, there is no doubt that Brexit will have far-reaching economic consequences to businesses operating in the Asia region.

KPMG in Singapore provides some insight into the impact of Brexit on Asia.

[More details](#)

Calendar of Events

Date	Event	Location
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: BEPS status update

The OECD on 12 July 2016 conducted a “tax talks” event at which the status of the BEPS project was reviewed.

[More details](#)

OECD: Discussion draft, “group ratio rule” under BEPS Action 4

The OECD released a discussion draft which addresses the design and operation of the “group ratio rule” under Action 4, Interest deductions and other financial payments, of the BEPS project.

[More details](#)

OECD: Discussion draft under BEPS Action 7, profits attributed to permanent establishments

The OECD earlier this week released a discussion draft concerning the attribution of profits to permanent establishments under work in relation to Action 7 of the BEPS project.

[More details](#)

KPMG in India has prepared a report summarising the discussion draft. [More details](#)

OECD: Discussion draft under BEPS Actions 8-10, profit split guidance

The OECD earlier this week released a discussion draft concerning the use of “profit splits” in the context of global value chains as follow-up work in relation to Actions 8-10 of the BEPS project.

[More details](#)

OECD: Standardised format, common reporting standard (CRS) information feedback

The OECD released a standardised IT-format, “CRS status message XML schema”, for providing feedback on exchanged common reporting standard (CRS) information.

[More details](#)

Beyond Asia Pacific

France: Tax incentives intended to attract new investments, business relocation

French Prime Minister announced certain tax measures and incentives as part of a plan to attract new investments, particularly in the financial sector, into France.

[More details](#)

Mexico: Judgment concerning taxpayer electronic records

The second chamber of Mexico's Supreme Court of Justice in early June 2016 issued a judgment, in a case of "first impression," concerning the tax mailbox (buzón tributario), electronic accounting, and electronic reviews as provided for under provisions of the tax law of 2014.

[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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