



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 30 March 2017



Asia Pacific Tax Developments

Asia Pacific

Asia Pacific: Tax update for financial institutions (March 2017)

The implementation of BEPS measures is now in full swing. As expected, we are starting to see divergence in the implementation of the measures. Of particular interest is the Indonesian implementation of Master/ Local File and CbC reporting which provided a very short window for compliance and mandated entity by entity reporting for CbC.

[More details](#)

Australia

Australia: Bill to increase R&D benefit

On 27 March 2017, the Treasury Laws Amendment (Enterprise Tax Plan) Bill 2016 passed the House of Representatives and will now move to the Senate for consideration. The Bill contains a number of proposed measures to reduce the corporate tax rate in Australia for small to medium sized companies.

[More details](#)

Australia: Joining the Crowd – Crowd Sourced Equity Funding (CSEF) legislation passed

On 22 March 2017, the Corporations Amendment (Crowd-sourced Funding) Bill 2016 was passed by both Houses of Parliament. The measures of the said Bill will allow eligible unlisted public companies to raise up to \$5 million from investors each year through the use of CSEF.

[More details](#)

Australia: Pre-empt and prepare: Employee Share Scheme (ESS) Reporting

KPMG Australia looks at the lessons learned from financial year 2016 regarding the ESS Reporting specifications introduced last year.

[More details](#)

China

China: SAT released its announcement on Special Tax Investigations and Adjustments

On 28 March 2017, the SAT released its long-awaited Announcement on Special Tax Investigations and Adjustments (Announcement 6). Announcement 6 integrates some of the OECD BEPS work, particularly those on intangibles, into domestic regulations.

[More details](#)

Hong Kong SAR

Hong Kong SAR: Inheritance tax on UK residential property reaches non-residents

From 6 April 2017, UK inheritance tax (IHT) will extend to UK residential property held through certain non-UK structures - regardless of the domicile or residence status of the ultimate owner. This means anybody in Hong Kong (or elsewhere) holding residential property in the UK, even through a non-UK company, could be subject to UK inheritance tax of up to 40% on the value of that residential property. In addition, loans made to finance such property will also become subject to IHT in the lender's hands.

[More details](#)

India

India: Employees' Provident Fund Organisation directs its field offices to pay Provident fund and pension withdrawal benefit to eligible International Workers in their Indian bank accounts on the date of leaving service in India

International workers who are covered under a Social Security Agreement (SSA) between India and any other country can withdraw their accumulated provident fund balances under the Employees' Provident Funds Scheme, 1952 on ceasing to be an employee in an establishment. Further, the notification stipulated that provident fund accumulations will be paid to international workers in their bank account directly or through the employer.

[More details](#)

India: Government issues guidelines for waiver of interest charged for default in deduction and payment if tax under the Income tax Act

The government has issued a circular as guidelines for waiver of interest charged for default in deducting and payment of tax under the Income-tax Act, 1961. The CBDT has directed that the Chief Commissioner of Income-Tax and Director General of Income-tax may reduce or waive such interest in certain specified classes of cases.

[More details](#)

India: India and Brazil sign SSA

The Ministry of External Affairs, Government of India issued a press release notifying that the SSA between India and Brazil has been signed. The key benefits under the India-Brazil SSA includes:-

- Exemption from social security contribution in the host country
- Totalisation of contributory periods
- Export of benefits

[More details](#)

India: KPMG in India releases report on employee pensions in India at FICCI's conference on pension sector

KPMG in India conducted an 'Employer pension plans survey' in 2017, to have an overview of the pension plans from industry representatives. Responses were received from 167 organisations, with representation from diverse sectors.

[More details](#)

India: Long-term capital loss set-off against long-term capital gain

The Pune Bench of the Income-tax Appellate Tribunal held that long-term capital loss on the sale of listed shares of a subsidiary company is allowed to be set-off against the long-term capital gain on the sale of unlisted shares.

[More details](#)

India: Penalty for concealment of income is to be deleted even though adjustment made by the TPO is accepted by the taxpayer

The Delhi High Court upheld the Tribunal's order deleting penalty under Section 271(1)(c) of the Income-tax Act, 1961. The High Court held that since the taxpayer's claim was in respect of a new line of business of manufacturing, taxpayer's failure to disclose the benefits and advantages from the services per se could not have triggered the automatic presumptive application of Explanation of Section 271(1)(c) of the Income-tax Act, 1961 as perceived by the tax department.

[More details](#)

India: Proposed amendments to Finance Bill, 2017

The following key amendments were passed in the Finance Bill, 2017:-

- Amendments with respect to Section 56(2)(x)
- Interpretation of 'terms' used in the tax treaty
- Limitation of interest deduction (thin capitalisation) in certain cases
- Proposals for MAT-Ind AS compliant companies
- Clarity relating to 'indirect transfer' provisions vis-à-vis FII/FPI
- Amendment in Section 206C of the Act dealing with cash sales of jewellery
- Restriction on cash transactions
- Quoting of Aadhaar number in certain cases
- Amendments to various Acts regarding merger of Tribunals and other authorities

[More details](#)

India: Since lessee is not the owner of the asset, depreciation is not allowed in the hands of lessee – Supreme Court

The Supreme Court of India held that the taxpayer is not entitled to depreciation on the property since it is not the owner of such property. The building belonged to the lessor firm and title in the building could not pass unless it were executed on a proper stamp paper and also were duly registered with the sub-registrar. In the absence thereof, the taxpayer did not become the owner of the property.

[More details](#)

India: The CBDT issues FAQs on income computation and disclosure standards

The CBDT has issued a circular of “frequently asked questions” clarifying certain income computation and disclosure standards-related issues.

[More details](#)

India: The Government of India issues notification on reducing the administrative charges under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952

Recently, the Government of India has issued a notification to revise the rate of administrative charges which is effective from 1 April 2017.

[More details](#)

Japan

Japan: 2017 Tax Reform - Passage of the Bills

The 2017 tax reform bills were passed by the 193rd ordinary session of the Japanese National Diet on 27 March 2017. The 2017 tax reforms covered the following areas of taxation:

- Corporate taxation
- International taxation
- Individual taxation
- Inheritance tax/Gift tax
- Consumption taxation

[More details](#)

Korea

Korea: Korean Tax Brief - March 2017

This version of Korean Tax Brief provides the updates on the current issues and trends as below:

- New rule on the arm’s length interest rate for loan transactions with foreign related parties
- A payment statement should be submitted even if there is no tax withheld from a foreign corporation’s domestic source income due to a loss from transfer of stocks
- A foreign engineer who is a Korean national shall not be entitled to the tax holiday of 50% reduction of income tax on the employment income under Article 18 of the Restriction of Special Taxation Act

- Guidelines and clarification on the deduction of company car expenses
- The MOSF introduced draft revisions to the Corporate Tax Act and the Income Tax Act
- Korea-Hong Kong Agreement on Automatic Exchange of Financial Account Information

[More details](#)

Singapore

Singapore: Global Trader Programme (GTP) and the Finance and Treasury Centre (FTC) incentives

To enhance the competitiveness of tax incentives and to alleviate the compliance burden of incentive companies, Budget 2017 has introduced several welcoming changes to simplify the GTP and the FTC incentives. KPMG in Singapore provides comments on the salient changes announced.

[More details](#)

Vietnam

Vietnam: Corporate tax incentives; foreign contractor tax on bank charges

Guidance from Vietnam's tax authorities includes "official letters" providing:

- The corporate income tax incentive tax rate is not applicable for investment projects located in industrial parks.
- A company generating income from agricultural and fishery processing is not entitled to multi-corporate income tax incentive schemes simultaneously.
- A bonus granted to a group but then distributed to individuals is subject to individual (personal) income tax.
- A "gross-up" of the assessable income in case an expatriate employee is remunerated on a net basis of individual income tax and health insurance.
- The difference between capital assignment and securities transfer in a joint stock company for foreign contractor tax purposes.
- Transfer charges that a foreign bank earns for money transfers leaving Vietnam to be received overseas are not subject to foreign contractor tax.
- Income earned from the distribution of television channels and content of television channels in Vietnam is subject to value added tax.
- Material imported for trading purposes but then used in the production of export goods is not subject to a material finalisation report.
- A representative office not having business functions is not subject to a business license fee.

[More details](#)

Calendar of Events

Date	Event	Location
11 April 2017 – 26 April 2017	KPMG 2016-2017 Annual Customs Update Conference Contact person: KPMG China Market Services More details	Hangzhou, Suzhou, Shanghai, Guangzhou, Shenzhen, Xiamen, Fuzhou, Beijing, Tianjin, Shenyang, Qingdao
18 April 2017 - 19 April 2017	KPMG Goods and Services Tax (GST) Seminar 2017 Contact person: Shirley Tay More details	InterContinental Hotel, 80 Middle Road, Singapore 188966
19 April 2017	The Trump Administration and U.S. Tax Reform Contact person: KPMG China Market Services More details	KPMG office, 8/F, Prince's Building, 10 Chater Road, Central, Hong Kong

Beyond Asia Pacific

United Kingdom: Brexit is triggered: expert reaction to Article 50

KPMG in the UK responds as UK triggers the process of leaving the EU.

[More details](#)

United States: Income tax implications of “Brexit”

KPMG in the US reports on the US GAAP income tax accounting implications of the UK’s notice that it will leave the EU.

[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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