



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 11 May 2017



Budget Announcement



Australia: Federal Budget 2017 – Review

Key Budget decisions:

- **Major bank levy:** Major banks hit with a bank levy applying at an annualised rate of 0.06 percent of liabilities, anti-hybrid integrity measures for additional tier 1 regulatory capital and a number of measures to increase banking competition and strengthen accountability.
- **Infrastructure:** Commitment of \$75 billion in infrastructure and financing from 2017-18 to 2026-27 for critical airport, road and rail infrastructure.
- **Housing affordability:** Housing affordability package contains a number of measures, with a focus on first home buyers and increasing affordable housing stock for low to moderate income tenants, at the expense of foreign investors and investment property owners.
- **Personal taxes:** An increase in Medicare levy from 2 percent to 2.5 percent from 1 July 2019 to fund the National Disability Insurance Scheme.
- **Business taxes:** Besides the bank measures, and a 1-year extension of small business accelerated write-offs, there is very little in the Budget for corporates.

[More details](#)

Asia Pacific Tax Developments

Australia

Australia: Getting on with the job – Victorian Budget 2017-18

With the release of the Victorian Government's budget for 2017/18 on 2 May 2017, a number of key changes and new measures have been announced that will lead to an overall payroll tax cut of \$221 million.

[More details](#)

Australia: The new 'permanent establishment': how BEPS will impact business travellers

KPMG Australia examines how the OECD's BEPS project, and specifically Action 7, will affect multinational business travellers. The BEPS Action 7 Report suggests changing the definition of 'permanent establishment' (PE) for international tax law. Consequently, many countries, including Australia, are entering into a multilateral instrument to change the definition of PE (among others) in tax treaties.

[More details](#)

Australia: Victorian and Northern Territory Budgets – miscellaneous changes

KPMG Australia outline the key stamp duty and land tax changes proposed in the Victorian and Northern Territory Budgets respectively.

[More details](#)

China

China: Custom Policy Update, April 2017

KPMG China provides various customs policy updates:

- The State Council Issued the General Scheme for China (Liaoning, Zhejiang, Henan, Hubei, Chongqing, Sichuan, Shaanxi) Pilot Free Trade Zones
- The General Administration of Customs ("GAC") and the Office of Administration of the Imports and Exports of Endangered Species of the People's Republic of China jointly Issued the Announcement of Implementing the Pilot Project on the Networking and Paperless Customs Clearance of the Certificate of Imports and Exports of Endangered Wildlife in Harbin, Fuzhou, Xiamen and Kunming (Announcement [2017] No.15)
- The GAC Issued the Announcement for Promulgating Annotations (Adjusted and Abolished in 2017) on Domestic Sub-items of Customs Import and Export Tariff of the People's Republic of China (The GAC Announcement [2017] No.16)
- The GAC Issued the Announcement for Promulgating and Abolishing the Decisions on Certain Commodity Classification (The GAC Announcement [2017] No.17)
- China and Norway Reached Consensus on restarting Relevant Trade and Economic Arrangements

- General Administration of Quality Supervision, Inspection and Quarantine issued the Notice on the Quarantine Requirements of exporting Bananas to New Zealand and Importing Citruses from Italy
- The GAC Issued the Announcement for the Implementation of Anti-dumping Measures on Vinylidene Chloride-Vinyl Chloride Copolymer Resin Related Commodities Classification (Announcement [2017] No.18)
- The GAC Issued the Announcement for Exempting Submission of Paper-based Certificate of Levying or Exemption on Import and Export Goods of the Customs of the People's Republic of China (Announcement [2017] No.19)
- The GAC, the State Administration of Taxation and the State Administration of Foreign Exchange Jointly Signed the Framework Agreement on the Implementation of Information Sharing and Consolidated Supervision Mechanism and the Memorandum Regarding the Promotion of Information Sharing and Consolidated Supervision

[More details](#)

China: Foreign worker China visa application process simplified

The Ministry of Human Resources and Social Security promulgated decision on revising the Administrative Provisions on the Employment of Foreigners in China, to remove the requirement of obtaining an "Invitation Letter of Duly Authorized Unit" by the sponsoring entity for its foreign employees.

[More details](#)

India

India: Amended rules for valuation of unquoted equity shares

The Central Board of Direct Taxes (CBDT) issued a release along with a draft notification proposing to amend the rules used to determine the method of valuation of unquoted equity shares for the purpose of applying section 56(2)(x) and section 50CA of the Income-tax Act, 1961.

[More details](#)

India: Definition of "payable" under section 40(a)(ia)

The Supreme Court of India addressed the term "payable" when there is a requirement to withhold (deduct) tax at source and remit the withheld tax to the government. Section 40(a)(ia) applies not only to situations when the amount is "payable" but also when it is "paid".

[More details](#)

India: Profit-linked "tax holiday" benefit

The Delhi High Court upheld the constitutional validity of relevant provisions of the Income-tax Act, 1961, mandating the timely filing of income tax returns for the purpose of claiming profit-linked "tax holiday" benefit for exports and other qualifying activities.

[More details](#)

India: Report of APA statistics

The first annual report of the advance pricing agreement (APA) programme in India has been released by the CBDT, Ministry of Finance. The APA report provides insights into the progress of APA programme in India, as introduced in 2012.

[More details](#)

India: Resolution of “debatable” issues

The Supreme Court of India addressed when an Assessing Officer can make an adjustment when the issue is “debatable.” If the issue is settled by a High Court having jurisdiction, then the issue is “not debatable.”

[More details](#)

India: Status of country-by-country reporting

KPMG in India reviews a recent guidance released by OECD to be used in implementing country-by-country (CbC) reporting. The guidance addresses the issues relating to:-

- Definition of items
- Entities to be reported
- Filing obligation
- Sharing mechanism for the CbC report

[More details](#)

India: Tax reform bill advances

The Lok Sabha passed the Taxation Laws (Amendment) Bill, 2017, that advances certain reforms and repeals certain cesses. Passage of the bill may provide a smooth transformation of current indirect taxes into a goods and services tax (GST) and on imports of goods.

[More details](#)

Myanmar

Myanmar: De minimis threshold, exemptions, other withholding tax changes

Further to the announced changes to the withholding tax system, the Internal Revenue Department has issued further guidance to taxpayers to help them better understand the withholding tax regulations in Myanmar.

[More details](#)

Singapore

Singapore: Basis of Assessment for Service Companies

Recently, the Inland Revenue of Singapore (IRAS) did a review of the basis of assessment for service companies and noted that the cost plus mark up (CM) basis has not been consistently applied. The IRAS clarified that its administrative practice to allow adoption of the CM basis is strictly for service companies providing routine support services. Consequently, companies that fall outside the scope of the CM basis and have adopted the CM basis will have to transit to the Normal Trading Company basis of assessment with effect from the Year of Assessment 2019.

[More details](#)

Calendar of Events

Date	Event	Location
12 May 2017 - 2 June 2017	VAT reforms 1 year on - Effectively managing VAT audits, risks and opportunities; impact of future Golden Tax system Contact person: KPMG China Market Services More details	Hong Kong, Shanghai, Guangzhou, Shenzhen and Beijing
23 May 2017	GST seminar: Zero-rating of services and difference between reimbursement and disbursement Contact person: Shirley Tay More details	Orchard Hotel, 442 Orchard Road, Singapore 238879

Significant International Tax Developments



OECD: Country-by-country reporting implementation status; exchange relationship between tax administrations

The Organisation for Economic Cooperation and Development (OECD) announced the activation of “automatic exchange relationships”—which the OECD described as another important step in implementing CbC reporting in accordance with the BEPS Action 13 minimum standard under the Multilateral Competent Authority Agreement on the exchange of CbC reports.

[More details](#)

OECD: Process identifying CRS avoidance schemes; automatic CRS exchange relationships

The OECD announced the launch of a disclosure facility intended to allow interested parties to report potential schemes to circumvent the common reporting standard (CRS). The OECD also announced a further step to implement the CRS, with an additional 500 bilateral automatic exchange relationships being established involving over 60 jurisdictions that are committed to exchanging information automatically pursuant to the CRS, starting in 2017.

[More details](#)

Beyond Asia Pacific

France: Proposed tax reforms of President-elect Macron

This brief discussion focuses on tax measures announced during the campaign by President-elect Macron.

[More details](#)

Malta: Aircraft leasing in Malta

Malta's regulatory and fiscal system has led to its increasing popularity as a jurisdiction for international business, particularly in the setting up of aircraft leasing arrangements

[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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