



# 2017 Asia Pacific indirect tax guide

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# Introduction

## Indirect taxes: A pathway to 2025

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I recently read a blog post entitled *Indirect Tax: Five Global Trends*, which was written by the global indirect tax leader of another Big 4 accounting firm. The article outlined five key trends sweeping the indirect tax landscape. They were:

1. value added tax (VAT) and goods and services tax (GST) rates are stable, but they remain high
2. reduced VAT and GST rates and exemptions are making a comeback
3. the global reach of VAT and GST is expanding
4. digital tax measures proliferate
5. tax administrations are embracing technology.

Most tax professionals would doubtless conclude that these are indeed trends in VAT and GST systems around the world. However, they are very 'safe' in their assessment in the sense that they reflect trends which are already clearly evident, or obviously emerging. In other words, are they really insightful or remarkable? Do they really inform an audience of anything they are unlikely to have witnessed already?

The purpose of this article however is not to critically analyze the blog post, but rather, to beg the question: What are the trends or changes which are likely to sweep indirect taxes beyond what we can already clearly see, and which will emerge as we plot a pathway to 2025?

### The 'here and now' trends

Let's start this exploration with a quick snapshot of the 'here and now'. In succinct terms, throughout my 18-year career

practicing in indirect taxes, there has never been a time when there has been greater certainty about the future global direction of indirect taxes, at least over the next few years. Consider the following:

First, VAT and GST rates throughout the world are at an all-time high, and there is very little pressure being brought to bear to either increase or decrease them. The general consensus seems to be that rates in the European Union have hit a natural ceiling, while those in the Asia Pacific region maybe have greater scope for increase rather than decrease. Therefore, any shift from a rates perspective is unlikely to be seismic, certainly as compared to what took place in the period from 2008 to 2015.

Second, from 2016 through to 2018, we will have seen several major economies throughout the world implement a VAT or GST, either for the first time or through the expansion or rationalization of their existing indirect tax systems — China in 2016, India in 2017, and then on to the Gulf region in 2018, and Brazil (date yet to be fixed). At that point in time, there will be no major economies throughout the world without a VAT or GST system, with the exception of the US, which is a subject touched on further below.

Closer to home, we do have the special administrative regions of Hong Kong and Macau without broad-based indirect tax systems. Macau can perhaps be put to one side because it has alternative forms of indirect taxation, such as a tourism tax, and its major industry of gambling is subject to a special gaming tax (as well as license fees). However in Hong Kong the government's coffers are seemingly pretty full, and with a retail sector struggling due to high rents, there is

<sup>1</sup> The author gratefully acknowledges the assistance and feedback on drafts of this article by Michael Evans of Taxisfu; Tim Gillis, Global Head of Indirect Taxes, KPMG; Gary Harley, Head of Indirect Tax for KPMG in the UK; and Philippe Stephanny, Senior Manager, KPMG in the US.



little political pressure for change. Even then, any VAT or GST system introduced would likely be at a relatively low rate.

Third, the period from 2015 through to 2019 (or thereabouts) will be remembered for the proliferation of digital tax measures — whether they are measures to tax the cross-border provision of services which can occur digitally and without the creation of a permanent establishment, or through new measures to tax the business-to-consumer (B2C) importation of goods through e-commerce platforms. The Organisation for Economic Co-operation and Development (OECD)<sup>2</sup> has taken a leadership role here in defining the challenge which needs to be addressed, but perhaps to the frustration of many digital providers, the implementation of its recommendations has occurred in an extraordinarily wide-ranging and seemingly uncoordinated way, except perhaps in the European Union.<sup>3</sup>

When the OECD's recommendations were first published, I took the view that they were clearly designed with a view to implementation in the European Union. However, when applied to the Asia Pacific region they would be problematic, given the absence of any 'one stop shop', currency controls in place in many countries, VAT/GST systems which fundamentally do not already recognize non-residents, the absence of refunds of excess VAT/GST credits in many jurisdictions, and even the non-implementation of the destination principle of VAT/GST in certain countries.<sup>4</sup>

If we wind forward to 2017, many of these concerns are starting to be borne out in reality. Within the Asia Pacific region, we have countries such as Australia, India and New Zealand which are seeking to impose primary liabilities for VAT/GST on platform providers — that is, the parties who provide the infrastructure which facilitate e-commerce sales, either on their own account or as an agent for third party vendors. Japan, Korea and Taiwan have seemingly adopted the OECD's recommendations more faithfully (with Singapore likely to do so soon) in enacting measures which tax digital supplies of services from non-residents to consumers in those countries, either with a broad tax base or with more targeted measures (at least initially). Countries such as China and curiously also Malaysia (given its GST system is so new), are yet to implement these measures at all.

Outside the Asia Pacific region, we have a number of EU countries such as the UK, Italy, Poland and Romania either implementing, or seriously considering, the adoption of 'split payment' methods for VAT collection, whereby the recipient diverts the VAT included in the purchase price directly to a bank account held for the benefit of the tax authorities. In the Americas, countries like Colombia, Costa Rica and Argentina appear willing to depart from OECD guidelines to impose a VAT withholding on financial institutions for B2C e-commerce supplies.

2 OECD (2015), Addressing the Tax Challenges of the Digital Economy, Action 1 – 2015, Final Report, OECD/G20 Base Erosion and Profit Shifting Project, OECD Publishing, Paris.

3 The European Union has implemented its MOSS (mini one stop shop) approach, and is currently consulting on further changes to address the challenges of the digital economy. See proposal for a council directive amending Directive 2006/112/EC and Directive 2009/132/EC regarding VAT obligations for supplies of services and distance sales of goods," COM(2016) 757 (1 December 2016).

4 Wolfers, L, Digitised services and VAT/GST, paper delivered to the Asia Oceania Tax Consultants Association, Taipei, 24 October 2014.

In parallel with B2C supplies of services, in recent months discussions seem to be escalating globally about ways in which to more effectively tax the importation of low value goods, including Australia, the EU, Switzerland and Russia.

At the extreme end of the spectrum, we have countries such as Thailand and Indonesia, which have either enacted or have issued proposals to enact, measures which are crude at best — if enacted they will require or deem non-resident providers of goods and services to have a permanent establishment in those countries if they take normal steps in the digital world to establish a local country virtual shop front.<sup>5</sup> These latter group of proposals appear to be based more on an appeal to political considerations — that is, a desire to get even or play catch-up in taxing global platforms such as Google, Facebook, and the like.<sup>6</sup>

To be clear, individual country measures will continue to change and evolve over the next few years, and while they will present challenges to the affected companies (and their advisers), the broader trend is clearly established and is not particularly newsworthy.

The question therefore posed by this article is this: What if these trends were merely events or incidents which arise from something bigger? In other words, are there bigger changes afoot with indirect taxes as we move into the second quarter of the 21st century?

## Lighting a pathway to 2025

In the spirit of prompting discussion and debate, and with a deliberate intent to add some colour and controversy, I want to posit three key indirect tax trends as we light a pathway to 2025:

1. VAT and GST systems will be replaced, perhaps not in form, but in substance and reality, with retail sales taxes.
2. In conjunction with point 1, indirect taxes will be almost entirely managed and administered through the use of technology.
3. The tax base for indirect taxes will be expanded in ways not previously contemplated.

Let's take each of these trends in turn.

### VAT and GST systems will more closely resemble retail sales taxes

A global leader in the field of indirect taxes and former KPMG partner and mentor of mine, Mr. Michael Evans, used to have the uncanny ability to connect seemingly disparate



<sup>5</sup> For Thailand, see KPMG article by Tatiana Bespalova, *Thailand: new draft legislation on e-commerce transactions*, 6 July 2017 at <https://home.kpmg.com/au/en/home/insights/2017/07/new-draft-legislation-thailand-6-july-2017.html>. For Indonesia, see *New OTT Regulations in Indonesia and Thailand: Inching towards a level playing field?*, ConnectedAsia, 23 May 2017 at <http://www.connectedasia.com/new-ott-regulations-in-indonesia-and-thailand-inching-towards-a-level-playing-field/>

<sup>6</sup> Google Indonesia: *New Year Expectations*, Tempo, 15 January 2017.



issues by seeing them as symptoms of a bigger trend or change. By doing so, he had the ability to foresee the need for change years ahead of virtually anyone else, including the governments he often advised.

The first such trend, that VAT and GST systems would be replaced by retail sales taxes, was something which Michael first raised with me around 2009 — at the time it was dismissed as nonsense given that many countries were in the midst of introducing VAT and GST systems, and VAT/GST rates were in the process of increasing as reliance on corporate taxation was diminishing. In short, in the midst of its most expansive growth phase in its history, Michael was already predicting its demise. To change course and foresee the end of VAT/GST systems seemed ludicrous. But in the author's view, he was right. Let's take a closer look.

The starting point for this argument is to understand two fundamental principles about how VAT and GST systems operate. They are:

1. The tax base for a VAT or GST is final consumption expenditure by households. In other words, the object of a VAT or GST is to collect tax on the price or value of what is consumed by the end-consumer.<sup>7</sup>
2. Apropos to point 1, VAT/GST is not intended as a tax on business. That is, in business-to-business (B2B) transactions, the VAT or GST is not intended as a real cost, except where explicitly provided for in legislation (such as with exemptions) — this is known as the principle of fiscal neutrality.<sup>8</sup>

What follows from this is the implicit understanding that in a typical supply chain when there is a flow of goods from say:

- (a) the manufacturer to the wholesaler
- (b) the wholesaler to the retailer; and
- (c) then from the retailer to the end-consumer.

The only transaction which truly 'matters' from a VAT or GST perspective in the sense that it raises the revenue to which the tax is directed is transaction (c). The process of collecting the tax and allowing input credits in transactions (a) and (b) is merely an administrative mechanism to reinforce the integrity of tax administration throughout the whole supply chain.

Interestingly, from a tax advisor's perspective, many of the challenges we confront each day are focused on the problem when the system breaks down in relation to transactions (a) and (b) — that is, in ensuring the fiscal neutrality of those transactions. If fiscal neutrality breaks down, typically we end up with inefficiency, uncompetitiveness and tax cascading through the supply chain.

<sup>7</sup> See OECD (2017), *International VAT/GST Guidelines*, OECD Publishing, Paris. This first principle is described in the OECD's VAT/GST Guidelines as the "overarching purpose" of a VAT.

<sup>8</sup> See Guideline 2.1 of the OECD's *International VAT/GST Guidelines*.

So, why will governments move from a multi-stage credit offset system such as a VAT or GST into a tax which more closely resembles a single stage retail sales tax? There are three main reasons.

First, as technology evolves, the need for the supplier to account for the output VAT/GST at a certain point in time and for the recipient to claim input VAT/GST at another point in time in a B2B supply chain context, will disappear. Put simply, these obligations will be settled instantaneously, without the need for any real payment, crediting or refund. A recent paper by two European academics posits this same theory, which is broadly as follows:<sup>9</sup>

- all sales will be recorded via a real-time data processing system, with the tax being waived on B2B sales by means of an electronic certificate
- for B2C sales, the status and location of the customer must be ascertained for the correct calculation of the tax (and the country in which the tax is imposed)
- automated tax audit software to establish an electronic trail for each transaction, rather than a paper trail
- VAT collected on B2C sales is automatically directed to the Treasury, without ever touching the bank account of the supplier, so as to enhance enforcement.

While their theory does not purport to resolve the issues for all transactions, the direction of travel is obvious.

Second, already we are seeing examples around the world of governments modifying their VAT or GST systems to overcome problems caused by fraud — carousel or missing trader fraud being amongst the most prominent. In most cases, the fraud occurs through the payment of a refund to a business recipient in circumstances where the supplier fails to account for the output VAT/GST. In recent years we have seen instances of massive frauds occurring in relation to carbon emissions permits in the EU<sup>10</sup>, and in Australia with respect to precious metals.<sup>11</sup> The responses from the legislature have included the invocation of a reverse charge mechanism in place of a proper VAT or GST, so as to place the obligation to pay and credit on a single party. More recently, we have seen a number of European countries<sup>12</sup> implement, or propose to implement, 'split payment' mechanisms whereby the VAT on the transaction is remitted directly by the recipient to a separate bank account held for the benefit of the tax authorities.

What is pertinent about each of these examples is that the fraud has largely been perpetrated in B2B transactions, not B2C transactions. So, if there is a recognition already that by taxing and crediting B2B transactions the system is prone to fraud, then why do it?

Third, we are starting to see some early steps in this direction with governments in China, Taiwan and more recently India, either introducing or significantly upgrading their regulated invoicing systems. These regional developments follow a similar global trend, with Brazil leading the way with perhaps the most advanced e-invoicing system in the world, requiring a digital stamp from the tax authority and real-time reporting of transactions. While the operation of these regulated invoicing systems differ around the world, the common thread is not to allow a recipient an input tax credit without first ensuring the supplier has accounted for the output tax.

It does not take a leap of imagination to foresee the day when the system of data matching which underpins these measures will not require the payment of output tax or crediting of the corresponding input tax. In fact, in 2011 New Zealand has already implemented compulsory zero rating of B2B sales of land, specifically to combat fraud. This is economically akin to limiting the GST on land sales to a retail sales tax only.

The point which arises here is that the concept of the supplier accounting for output tax and the recipient claiming input tax in B2B transactions will be rendered superfluous. Once that happens, we are left with a retail sales tax. That is, a single stage tax which applies to transactions with end consumers only.

To be clear, the author is not necessarily suggesting that VAT or GST systems will be replaced as a matter of form with retail sales taxes — rather, I am suggesting that VAT or GST systems will, as a matter of substance, operate similarly to retail sales taxes. This is an important distinction, because the history of retail sales taxes highlights that where the tax applies at a single stage tax only, it is more prone to fraud and evasion, certainly as compared with the self-reinforcing aspects of a multi-stage VAT.<sup>13</sup>

The retail sales taxes that they replicate will be different from those used historically in countries such as Australia, where its wholesale sales tax ceased in 2000, or even China's VAT or India's GST prior to their recent reforms. The crucial differences being that the retail sales taxes that they replicate will be broadly based — that is, they will apply to both goods and services, and the process of excluding B2B sales from the tax will be automated. Recent developments in areas such as 'split

9 Herbain, C. and Lamensch, M., *Reforming the VAT System for the 21st Century*, Bloomberg BNA, Tax Planning International Indirect Taxes, Vol. 13, No. 8, August 2015.

10 Numerous reports from 2009 onwards estimate the loss to revenue at over 5 billion euros.

11 See for example, O'Rourke, K, GST integrity and compliance issues – do we really need to tax B2B transactions, published in Thomson Reuters Weekly Tax Bulletin, Issue 29, 7 July 2017.

12 The split payment mechanism has been implemented already in Italy (in the context of B2B transactions with public agencies). It is also at various stages of consultation or implementation in places like the UK (B2C online sales only), Poland (in a B2B context from 1 January 2018), and Romania (B2B and B2C, likely to be compulsory from 1 January 2018).

13 Tuan Minh Le, *Value Added Taxation: Mechanism, Design and Policy Issues*, paper developed for the World Bank, April 2003 at p.6.



payment' mechanisms<sup>14</sup> and imposing obligations on platform providers<sup>15</sup> are merely a transitory step in the direction of having automated point of sale tax collection software divert the VAT or GST on B2C transactions directly to the tax authorities.

One final question on this topic which is worth considering: If we are predicting the demise of VAT or GST systems, at least in terms of their substantive operation, where does that leave the US with its system of State and Local sales taxes? For many years pundits have predicted the demise of those taxes in place of a VAT or GST, yet here I am proposing the opposite. Unfortunately, that is a whole other topic which time and space does not permit us examining here.

## Indirect taxes to be managed almost exclusively through technology

To consider the future impact in 2025 of technology on indirect taxes, it is worthwhile looking to the recent past as a guide.

Over the past 5 years or so, we have seen the introduction or rapid expansion of electronic invoicing around the world, and the online filing of VAT and GST returns. More recently, we

are seeing early stage developments in the pre-populating of information in VAT and GST returns (for example, in India, with sales declared by suppliers being automatically populated in their customer's purchase returns); the development of real-time tax reporting (in places like Brazil, in Spain with its SII system, in Hungary, and in Poland, Norway and Lithuania with standard audit files for tax (SAF-T) reporting); the use of data and analytics tools, including predictive analytics; and finally, a shift in thinking by governments such as Singapore's in rewarding taxpayers who engage in preventative risk controls.<sup>16</sup> More sophisticated taxpayers are also implementing tax engines to largely automate their indirect tax determination process. Deploying artificial intelligence to fully automate the determination and compliance process is the logical next frontier.<sup>17</sup>

While these developments may be interesting to tax professionals, in reality they are not the main reason why indirect taxes will be managed through technology. The main reason is because of technology developments in the broader economy itself.

<sup>14</sup> See page 6 and footnote 11.

<sup>15</sup> See page 3.

<sup>16</sup> Known as the Assisted Compliance Assurance Program (ACAP).

<sup>17</sup> A view already expressed in the KPMG Australia report, "Tax 2025," August 2016.

Consider this: Indirect taxes are, by their very nature, transaction based taxes. As more and more transactions occur in the digital world, the logical outcome is that the indirect taxes whose liabilities flow from these transactions will also be managed and administered digitally. Let's take a few examples to illustrate this point.

If we consider one of the major developments in retail trade over the past 5 years, it has been the growth and proliferation of platform providers. That is, the creation of digital marketplaces which link buyers with sellers anywhere around the world.

In 2017, governments in places such as Australia, India, Singapore and even the European Union, have started to debate (or have even introduced legislation) to collect taxes on the importation of goods by leveraging the market power of platform providers. In my view, this is merely a passing fad — that is, a bridge in time before the technology possessed by tax authorities truly provides the solution. If we consider why governments would seek to impose tax compliance obligations for transactions effected through platforms onto the providers of those platforms, the reason is obvious. It is the belief that they can collect the tax more efficiently and effectively from the platform providers than by imposing VAT/GST registration and payment obligations on the smaller vendors using those platforms. In other words, governments are outsourcing the collection and compliance obligations on to these large platform providers. But what happens when technology solutions become more

readily available, so that the VAT or GST due on a sale to an end consumer can automatically be diverted from a small vendor in country A to a tax authority in country B. When that happens, the need to collect from the platform providers will disappear. Already, there are patents in place to protect point of sale tax collection technology.<sup>18</sup>

To add to this, we anticipate the growth of blockchain or distributed ledger technology will, at least in part, support that solution.<sup>19</sup> If we consider that the fundamental nature of blockchain technology is to provide security, transparency and certainty of transactions based on cryptography, then it's not difficult to foresee blockchain being used to support both the payment and invoicing process in a VAT/GST. In an invoicing context, to use the words of a noted academic in this field, "the invoice is the most critical VAT document. A blockchain-based regime will require that every valid VAT invoice must display a digital fingerprint derived through the VAT blockchain consensus process."<sup>20</sup> Interestingly, this idea is not actually quite so forward thinking, given a proposal has already been forcefully made for its adoption by the Gulf countries in their imminent VAT rollout, as such an adoption would not displace existing technology.

Putting it all together, if technology solutions exist to alleviate the need for the supplier in a B2B transaction to account for the output tax and the recipient to claim the related input tax, then the role of indirect tax advisers will largely be limited to

18 See, for example, Patent No US 5644724 A.

19 See, for example, Ainsworth, Richard T., *Blockchain Technology Might Solve VAT Fraud*, Tax Notes International, posted on 26 September 2016.

20 Ainsworth, R. and Alwahaibi, M., *Blockchain, Bitcoin and VAT in the GCC*, Bloomberg BNA, 2 February 2017.



B2C compliance. Invoicing will be largely automated and I anticipate, even more highly regulated (to enable the technology to automatically detect fraudulent transactions), and VAT/GST returns will be pre-populated. The indirect tax adviser will therefore be akin to the conductor of an orchestra — not playing the instruments, but directing the musicians and ensuring they keep time. The indirect tax adviser will maintain a watch over the technology, testing the controls, and addressing problems when they are detected.

Just to be clear, I am not a proponent of the lazy view that 'robots will take your job by 2025 and you will therefore be redundant', but in the realm of indirect taxes, there is perhaps no better example of a tax which will become more highly automated. Moreover, the shift to automation will not simply be because the technology will improve to help manage tax compliance, but the tax itself will be adapted to fit the technology. Take the example of recent measures introduced in Australia to tax B2C cross-border supplies of services and B2C cross-border sales of low value goods — in each case, the definition of an 'Australian consumer' was modified to provide a safeguard to enable automated decisions based on the number of non-contradictory data points maintained by platform providers.<sup>21</sup> In other words, automation will be a function of two forces coming together — technological advances to help manage tax compliance, and developments in tax legislation to help the technology apply in a more automated way.

## The tax base for indirect taxes will be expanded in ways not previously contemplated

When VAT was significantly expanded throughout Europe in the 1970s, governments were faced with the challenge of overlaying a new tax onto their existing taxation systems. A compromise ensued, and as a result, VAT on things such as residential housing were carved out, partly to achieve neutrality between homeowners and renters (given that the former do not pay VAT on imputed rent), and partly because of the existence of property transfer taxes and stamp duties already. Other exemptions were introduced so as to ensure that basic needs were not taxed under a VAT, given its regressive nature. A similar rationale was applied to other basic needs such as education and healthcare. Financial services were also exempted, due to the difficulties of capturing the value added on a transaction-by-transaction basis. The tax base was also directed at transactions engaged in by businesses and other entrepreneurs, again in part due to the fact that those participants who were not profit-making would invariably cost the tax system in the form of refunds of VAT credits. Furthermore, at

the time the concept of a business could ordinarily be equated with a shop front or other 'bricks and mortar' existence.

The question is whether these principles will still hold true in 2025. In my view, they will not. In succinct terms, consider the following changes to the economy which will render these exclusions redundant:

### 1. The precondition of being a "business" or "entrepreneur" for VAT/GST registration will no longer apply

Advances in digital marketplaces mean that businesses or entrepreneurs need not have a physical shop front, need not hire employees, and in fact, need not really have inventory either. As a result the traditional tax base of applying VAT or GST in situations akin to when a business has a permanent establishment must surely be under threat. The question this raises is: Is a profit making pursuit, coupled with a de minimis exclusion (where the compliance costs would exceed the tax collected) is all that is really needed as a precondition for imposing VAT or GST liabilities? The private consumer/business divide should become redundant.

### 2. VAT/GST systems will even tax consumer-to-consumer (C2C) transactions

Similar to point 1, digital marketplaces now facilitate trade between private individuals. Consider the growth of peer-to-peer (P2P) lending, the rise of Airbnb and other online accommodation platforms, and even Uber in its role as an intermediary between a passenger and a transportation service. These developments in commerce are commonly given labels such as the 'sharing economy', 'crowd funding', 'crowd sourcing', and 'ride sharing'.

The central question is why should the profit or gains derived from these activities fall outside the VAT or GST net? Already there is some tax authority activity in this area, especially in relation to crowd funding and ride sharing.<sup>22</sup> But to what extent are these merely symptoms of a bigger issue — which is that VAT or GST systems need to be adapted to tax the value added, irrespective of whether it is by a traditional business or a consumer sitting online. The value added by employees is already taxed in the hands of the business or company they are servicing, but what about the value added by these other forms of independent contracting.

Here is where the Chinese VAT system possibly lights the way. In China there is no real distinction drawn between business and non-business activities. VAT or GST can apply to either, and turnover thresholds lead to either the imposition of a lower rate turnover tax (i.e. no credits) or a traditional credit offset VAT.

<sup>21</sup> See Explanatory Memorandum to the Tax and Superannuation Laws Amendment (2016 Measures No.1) Bill 2016, at paragraphs 1.53 to 1.79. These measures also impose penalties for the giving of false information by consumers as to their residency status.

<sup>22</sup> See, for example, European Commission, VAT Committee, *Question concerning the Application of EU VAT Provisions*, Working Paper No.836 (6 February 2015), and Australian Taxation Office, *GST and Crowdfunding*, 3 January 2017.

### 3. Customs duty will need to find a new tax base

Customs duty is imposed on the importation of goods, often in parallel with VAT/GST.

Customs duties are inherently narrow in their tax base in that they typically apply only to goods, not services. Consider that as technology has advanced over the past 10 years, fewer products are now imported as goods and are provided digitally in the form of services — whether they are books, magazines, newspapers, videos, television content, or music. And this is merely the list before 3D digital printing takes hold.

The question must surely be raised as to whether Customs duty is at risk of a terminal decline in its tax base unless changes are made. If they are addressed, is it possible that Customs duties will be expanded to services, and if so, how would they be collected and administered? Is the new Trump-era likely to result in a reversal of free trade agreements, and an increase in tariffs around the world?

Interestingly, the Chinese government recently took pre-emptive steps by merging the collection and payment of VAT with consumption tax on cross-border e-commerce sales of low value goods to consumers. Under these measures, the previous 'parcel' tax was replaced with a new tax which combines the payment of both VAT and consumption tax, but with a 30 percent discount to the total rate. Is this a harbinger of things to come, with VAT and customs duties being merged more generally, at least from an administrative perspective?

### 4. VAT/GST will apply to financial services

The traditional reason cited for not taxing financial services under a VAT or GST was the inability to apply the tax on a transaction-by-transaction basis. However, that rationale was conceived in an era when margins were the dominant model rather than fee based services.

Early steps to dismantle this were taken in places like New Zealand (with GST imposed on insurance, through a cash based tax), in South Africa (with VAT on fee based services), in Australia (with the introduction of the reduced input tax credit regime to remove the bias against outsourcing and to achieve a broadly similar tax outcome to exemption)<sup>23</sup>, and in New Zealand again (with B2B zero rating).

More recently, China's attempt to have a broad-based VAT on financial services (with few exemptions) was ably assisted by its having imposed business tax on these services previously. Whatever the reason though, the experiment in applying VAT to financial services is shown to be largely working, perhaps prompting other countries to follow suit.

### 5. The tax base for VAT/GST will be expanded in other areas too

Even those areas of VAT/GST traditionally exempted, such as healthcare and education, could potentially be taxed. Again, traditional arguments used against the imposition of such a tax have included the fact that governments are often major providers in these areas (and therefore any VAT or GST just produces a 'churn' of funds). However, more recent studies suggest that if the objective of exempting these services from a VAT or GST is to address the regressive nature of a VAT/GST, then it is poorly targeted.<sup>24</sup> Put simply, the case may be made for applying VAT or GST broadly, but then redirecting part or all of the proceeds back to those in need in the form of specific subsidy arrangements.

The challenge in this area is in balancing the desire for good policy (which may support the removal of exemptions) with the political realities of doing so (where taxing the necessities of life may be seen as politically unpalatable).

A case study in the need for change may be found in Australia, where the proportion of consumption which is subject to



<sup>23</sup> The Hon P. Costello, The Application of Goods and Services Tax to Financial Services – Consultation Paper, August 1999.

<sup>24</sup> OECD/Korea Institute of Public Finance (2014), The Distributional Effects of Consumption Taxes in OECD Countries, OECD Tax Policy Studies, No.22, OECD Publishing.

GST has fallen from 61 percent in 2000/2001 (when the GST commenced) to around 56 percent in 2012/2013.<sup>25</sup> Essentially, households are spending a greater proportion of their income on exempt healthcare and education, rent, insurance and finance. Unless this trend reverses, it may have important long-term implications for the tax base.

## 6. Taxes like a VAT/GST which are founded in transactions or flows will continue to grow in importance

Over the past 10 years or so, there has been a noticeable increase in the rates of VAT and GST, and a consequential decrease in corporate tax rates. KPMG's Global Corporate Tax rate survey<sup>26</sup> shows a decline in the global corporate tax rate average every single year from 2003 through to 2016, starting at 29.42 percent and finishing at 23.47 percent.<sup>27</sup> By contrast, the OECD average rate of VAT/GST<sup>28</sup> has steadily increased

from 17.81 percent in 2005 through to 19.16 percent in 2017. Were it not for new countries implementing a VAT/GST (which they typically do at lower rates, and then increase them over time), the trend would be even more pronounced.

## The question may reasonably be asked, will this trend continue?

The short answer is 'yes', at least in part. In my view, in an era of unprecedented dislocation and disruption to historical business models, what will emerge is taxes which are imposed on 'transactions', or on 'cashflows', and directed to the place where 'consumption' occurs.

In an era of digitization of business, of the proliferation of e-commerce transactions, increased deployment of robotics and more highly mobile personnel, the era of corporate

25 Parliamentary Budget Office, Trends in Australian Government Receipts, Chapter 5, at pp39-40, 2014.

26 See <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/corporate-tax-rates-table.html>

27 The OECD's average corporate tax rate follows a similar trend, starting at 30.08% in 2003 and dropping to 24.27% in 2017.

28 See <https://home.kpmg.com/xx/en/home/services/tax/tax-tools-and-resources/tax-rates-online/indirect-tax-rates-table.html>





taxation based on vague concepts of residency and source, is largely over. In time we will come to see whether the Base Erosion and Profit Shifting project (BEPS) represents the last throw of the dice in modernizing outdated concepts such as “permanent establishment”, or whether it heralds the long-lasting resurgence of corporate taxes, but I doubt it.<sup>29</sup>

Why? Because taxes based on ‘transactions’ or on ‘cashflows’ are inherently more determinable, measurable, and perhaps most fundamentally, more closely aligned with business objectives in entering markets, selling their goods and services from which they derive profits. To take a simple example, the destination based cash flow tax which was recently debated in the United States has many of these features — a tax which incorporates features of a VAT in the sense that it taxes consumption, it incentivises production activities in the United States, and it taxes cash flows.

So in short, I am not predicting the demise of corporate taxes. Rather, I am predicting they will transmogrify until they more closely resemble the features of a VAT/GST.

## Conclusion

This article seeks to guide a path to 2025. The challenge is in predicting the intersection of two key developments — the first being the profound changes we are witnessing to the economy itself through technological developments that have been labelled as the fourth industrial revolution; and the second being an increasing reliance on indirect taxes as they mature into a dominant form of taxation in the 21<sup>st</sup> century.



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<sup>29</sup> For a fuller discussion of these issues, see “Tax 2025: People, the Economy and the Future of Tax,” KPMG Australia at <https://home.kpmg.com/au/en/home/insights/2016/08/tax-2025-people-economy-future-of-tax.html>



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# 2017 Asia Pacific indirect tax overview

	Type of indirect tax	Standard rate	Reduced rates, zero rates, or exemptions	Is voluntary registration possible for an overseas company?
Australia	GST	10%	Zero rated supplies; exempt supplies	Yes
Cambodia	VAT	10%	Zero rated supplies; exempt supplies	No
China	VAT	17%	Reduced rates; zero rated supplies; exempt supplies	No
Fiji Islands	VAT	9%	Zero rated supplies; exempt supplies	No
India	GST	5%–28%	Zero rated supplies; exempt supplies	Yes
Indonesia	VAT	10%	Zero rated supplies; exempt supplies	No
Japan	Consumption tax	8%	Zero rated supplies; exempt supplies	Yes
Korea (Republic of)	VAT	10%	Zero rated supplies; exempt supplies	Yes, in limited circumstances
Laos	VAT	10%	Zero rated supplies; exempt supplies	No
Malaysia	GST	6%	Zero rated supplies; exempt supplies	Yes
Mongolia	VAT	10%	Zero rated supplies; exempt supplies	No
Myanmar	Commercial tax	5%	Exempt supplies; increased rates; reduced rates	No
New Zealand	GST	15%	Zero rated supplies; exempt supplies	Yes
Papua New Guinea	GST	10%	Zero rated supplies; exempt supplies	Yes
Philippines	VAT	12%	Zero rated supplies; exempt supplies	No
Singapore	GST	7%	Zero rated supplies; exempt supplies	Yes
Sri Lanka	VAT	15%	Zero rated supplies; exempt supplies	No
Taiwan	VAT	5%	Zero rated supplies; exempt supplies	Yes
	Gross business receipts tax (GBRT)	0.1%–25%	None	Yes
Thailand	VAT	7% **	Zero rated supplies; exempt supplies	Yes
Vietnam	VAT	10%	Zero rated supplies; exempt supplies; reduced rates	Yes

\*Return frequency can differ electively or mandatorily, depending on the circumstances.

\*\*Temporary rate value until 30 September 2018.

Source: KPMG International

	Typical frequency of returns	Typical time taken to obtain a refund?	Does a reverse charge or indirect tax withholding mechanism apply?	Is it possible to apply for formal or informal advance rulings from the tax authority?	Is electronic invoicing allowed?
Australia	Quarterly*	1 month	Yes, reverse charge	Yes	Yes
Cambodia	Monthly	Differs	No	No, in practice	No
China	Monthly*	Typically, excess credits must be carried forward	Yes, VAT withholding	No	No, not generally
Fiji Islands	Monthly*	3–6 months	Yes, reverse charge	No, in practice	No
India	Monthly*	60 days	Yes, reverse charge	Yes	Yes
Indonesia	Monthly	Many months up to 1 year	Yes, reverse charge	Yes	Yes
Japan	Annually*	1-2 months	No, except in limited circumstances a reverse charge may apply	No, in practice	Yes
Korea (Republic of)	Quarterly	1 month	Yes, reverse charge	Yes	Yes
Laos	Monthly	6 months	No	No	No
Malaysia	Quarterly*	14–28 days	Yes, reverse charge	Yes	Yes
Mongolia	Monthly	Officially 69 working days, often difficult in practice	Yes, VAT withholding	Yes	Yes
Myanmar	Quarterly	N/A	No	Yes, in practice	Yes, however not common in practice
New Zealand	Two monthly*	2–3 weeks	Yes, reverse charge	Yes	Yes
Papua New Guinea	Monthly	1–4 months	Yes, reverse charge	Yes, in practice	Yes
Philippines	Monthly and quarterly	Differs, difficult process	Yes, VAT withholding	Yes	Yes
Singapore	Quarterly*	Aligned with the frequency of returns	No	Yes	Yes
Sri Lanka	Quarterly*	Within 3 years	No	Yes	No
Taiwan	Two monthly*	2 months	Yes, reverse charge	Yes	Yes
	Two monthly	N/A	Yes, reverse charge	Yes	Yes
Thailand	Monthly	3–6 months	Yes, reverse charge	Yes	Yes
Vietnam	Monthly or quarterly	Officially 6–40 days, often longer in practice	Yes, VAT withholding	Yes	Yes



# Australia

Type of indirect tax:	GST.
Standard rate:	10%.
What supplies are liable to the standard rate?	<p>Any form of supply that is made for consideration in the course or furtherance of an enterprise, is connected with Australia<sup>21</sup> and is provided by an entity that is either registered or required to be registered.</p> <p>From 1 July 2017, GST applies to supplies of digital products and other services from offshore suppliers to Australian consumers.</p> <p>From 1 July 2018, it is intended that supplies of low-value goods (i.e. 1,000 Australian dollars (AUD) or less) that are currently not subject to GST on importation will become subject to GST on sale (for which the supplier, the electronic distribution platform or the redeliverer will be liable to register and remit GST).</p>
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>There are no reduced rates.</p> <p>GST-free (zero-rated) supplies include exports (of goods and services); some food products; most medical and health products and services; most educational courses; child care; religious services; water; sewerage and drainage services; and international transport.</p> <p>Input taxed (exempt) supplies include financial supplies; residential rent and sales of residential premises; and fundraising events conducted by charitable and not-for-profit entities.</p>
Who is required to register and what is the threshold?	<p>An entity that is carrying on an enterprise whose current or projected annual GST turnover is AUD75,000 or more (excluding GST).</p> <p>Non-profit and charitable bodies are not required to be registered unless their current or projected annual turnover is AUD150,000 or more (excluding GST).</p> <p>Taxi operators are required to be registered, regardless of their annual turnover.</p>



<sup>21</sup> With effect from 1 July 2015, the term 'Australia' was replaced with the term 'indirect tax zone'. The scope of the new term remains the same as the now-repealed definition of 'Australia'. For readability, the term 'Australia' is used in this document to refer to the 'indirect tax zone', as defined in subsection 195-1 of the *A New Tax System (Goods and Services) Tax Act 1999* (Cth).

Is voluntary registration possible?	Yes, provided you 'carry on an enterprise'.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, provided you 'carry on an enterprise'.
What is the typical frequency of returns?	Usually, quarterly. Where a business' annual GST turnover exceeds AUD20 million, monthly returns are required (GST-registered entities can voluntarily register for monthly lodgment). In very limited situations, an election can be made to lodge annually.
Are there any items that a registered business cannot recover GST on?	An entity cannot recover GST on acquisitions of a private or domestic nature; acquisitions that relate to making input taxed supplies, such as financial supplies or residential rent (although there are exceptions to this rule); certain acquisitions where income tax deductions are not allowable (e.g. entertainment expenses); and acquisitions of freehold interests in land, stratum units or long-term leases subject to the GST margin scheme.
Can an overseas company recover GST if it is not registered?	No.
How long does it typically take to obtain a GST refund following a return filing?	If all required information has been provided to, and lodgments are up-to-date with, the Australian Taxation Office (ATO), the ATO will generally process refunds within a month.

Are there specific requirements for the content of invoices to be considered valid for GST purposes?

Yes, among other requirements, an invoice should broadly contain the supplier's identity and Australian Business Number (ABN); the recipient's identity or ABN (for supplies with a total price of AUD1,000 or more); a description of the supply; the date the invoice was issued; and the amount of GST payable. An invoice must satisfy the requirements in order to claim input tax credits.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, a non-resident supplier can, with the agreement of the Australian GST registered resident recipient, elect to reverse charge the supply, subject to other requirements.

A compulsory reverse charge mechanism can also apply to the supply of offshore intangible supplies to an enterprise that would not be eligible for a full input tax credit (e.g. certain acquisitions from offshore by banks).

From 1 October 2016, certain supplies of services and intangibles from non-resident suppliers to Australian-based business recipients are no longer connected with Australia, potentially triggering a greater application of the reverse charge mechanism to Australian businesses.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, an entity may apply for a private binding ruling. Informal rulings are not issued.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- customs duty
- state taxes, including stamp duty and land tax
- wine equalization tax
- luxury car tax
- fuel tax.



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# Cambodia

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	Supplies of goods and services in Cambodia and imported goods.
Are there any reduced rates, zero rates or exemptions. If so, what do they apply to?	<p>Zero rate applies to exported goods and services and certain charges in relation to the international transportation of people and goods. Also, this zero-rating is applicable for any goods and services supplied by Supporting Industry Qualified Investment Projects (QIPs)/contractors to particular export industries.</p> <p>Exempt supplies include public postal services; certain medical and dental goods and services; wholly state-owned public transportation services; insurance services; primary financial services; educational services; importation of articles for personal use that are exempt from customs duties; supplies of water for public consumption and electricity; supplies of unprocessed agricultural products; solid and liquid waste services; and non-profit activities in the public interest recognized by the Ministry of Economy and Finance.</p>
Who is required to register and what is the threshold?	<p>An enterprise that is making taxable supplies, if it falls under one of the following criteria:</p> <ul style="list-style-type: none"> <li>— all types of corporation, importer-exporter and investment enterprises</li> <li>— any other enterprise with turnover in respect of goods sold exceeding 125 million Cambodian riel (KHR) or in respect of services exceeding KHR60 million for the preceding 3 consecutive months or in the next 3 consecutive months</li> <li>— any enterprise that, at the beginning of any 3 consecutive months, has any government contracts that will produce taxable turnover exceeding KHR30 million.</li> </ul>
Is voluntary registration possible?	Yes.



Is voluntary registration available for an overseas company or a fiscal representative?	No.
What is the typical frequency of returns?	Monthly.
Are there any items that a registered business cannot recover VAT on?	Yes, VAT generally cannot be recovered when incurred in making exempt supplies; for nonbusiness related purposes (such as entertainment); purchases or imports of automobiles; and purchases or imports of certain petroleum products.
Can an overseas company recover VAT if it is not registered?	No.
How long does it typically take to obtain a VAT refund following a return filing?	<p>The VAT regulation provided a specific timeframe based on the amount of the refund and category of the taxpayer (such as gold/silver/normal taxpayers).</p> <p>However, in practice, the time taken to obtain the VAT refund is very time-consuming as a VAT refund audit is required to be conducted by the tax office prior to approving the refund.</p>
Are there specific requirements for invoices to be considered valid for VAT purposes?	<p>Yes, valid VAT invoices shall disclose the name, address and VAT number of both the supplier and the customer; invoice date and invoice number; description of the supplies and the selling price before VAT; VAT amount; and signature of both the supplier and customer.</p> <p>Moreover, VAT invoices are required to be issued in sequential order and in Khmer language (with English as a secondary language, if required).</p>
Does a reverse charge or indirect tax withholding mechanism apply?	No.

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Is it possible to apply for formal or informal advance rulings from the tax authority?

There is no formal or binding ruling system in Cambodia.

A taxpayer can submit a letter seeking a ruling, but the tax office is usually reluctant to respond or does not respond at all. Obtaining a ruling request from the tax office is likely to be a time-consuming process. Likewise, the tax authority is reluctant to give an informal opinion or ruling.

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Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- accommodation tax
  - specific tax on certain merchandise and services
  - tax for public lighting.
- 



## Contact us:

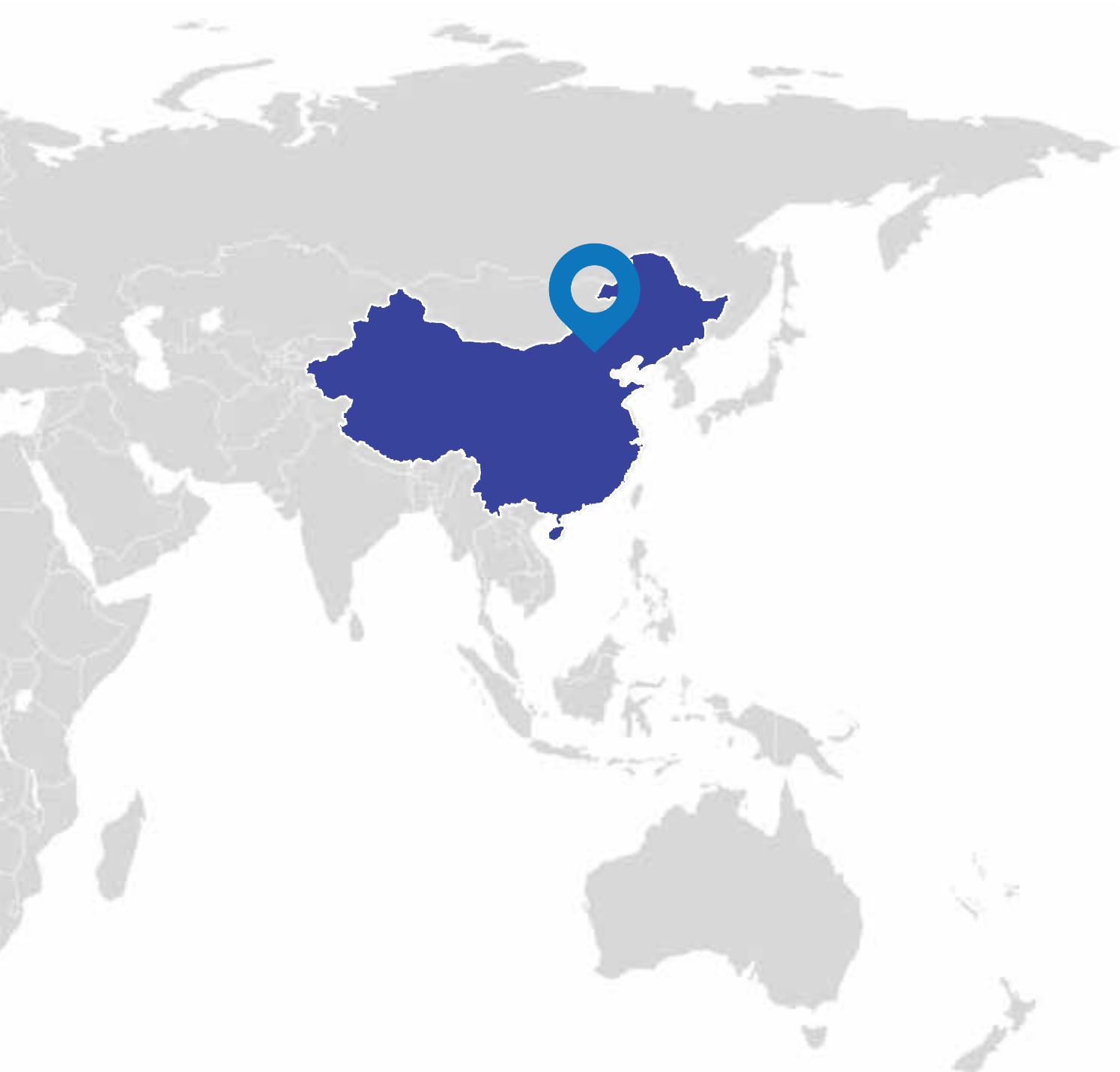
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# China

## Introduction:

There are two main forms of indirect taxes operating in mainland China: VAT and consumption tax. Until recently, China also operated a business tax (BT) regime, however from 1 May 2016 this has been replaced by VAT.

The special administrative regions of Hong Kong and Macau operate separate tax regimes from mainland China. There is currently no VAT or equivalent indirect tax in these regions.

## VAT pilot program:

In 2012, the Chinese Government embarked upon extensive indirect tax reforms. The reforms introduced a VAT for service industries that were previously subject to BT. The VAT pilot program was gradually expanded across mainland China and to all service sectors. On 1 May 2016, the VAT pilot program was completed following the expansion of VAT to financial services and insurance, real estate and construction and lifestyle services, resulting in VAT replacing BT for all services sectors.

## Standard rate:

17% (VAT), though other rates of 3%, 6% and 11% commonly apply. Starting 1 July 2017, goods that were previously subject to a rate of 13% (e.g. agricultural products, natural gas, etc.) were reduced from 13% to 11%.

## What supplies are liable to the standard rate?

- Sale and importation of goods.
- Provision of repair, replacement and processing services.
- Leasing of tangible and moveable assets.

## Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?

- 3%: 'small-scale taxpayers,' being those without sophisticated businesses, accounting and auditing systems and whose turnover is below certain thresholds (discussed below); and certain transactions subject to the simplified levy method. These small-scale taxpayers pay output VAT at 3%, but cannot claim input VAT credits.



Are there any reduced rates, zero rates or exemptions? If so, what do they apply to? (cont.)

- 6%: 'modern services' (research, development and technical services; information technology services; cultural and creative services; logistics and ancillary services; leasing of tangible moveable assets; certification and consulting services; radio, film and television services), value-added telecommunications services; financial and insurance services; and 'lifestyle services' (education; healthcare; travel; entertainment; food and beverage; accommodation; citizens daily services; and cultural and sports services).
- 11%: transportation services; postal services; basic telecommunication services; and real estate and construction (though many real estate and construction transactions are subject to reduced rates of VAT pursuant to transitional or grandfathering rules from 1 May 2016).
- 11% (reduced from 13% on 1 July 2017): the sale of food grains and vegetable oils; heating; air conditioning; certain gas supplies; books; newspapers and magazines.
- Zero-rated: exported goods; and certain exported services (though most exported services are exempt, not zero-rated).
- Exempt: agricultural products; contraceptive drugs and devices; antique books and other items declared by the State Council; and a number of exported services.

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Who is required to register and what is the threshold?

Business taxpayers may register as 'general VAT taxpayers', which entitles them to claim input VAT credits and issue VAT special invoices. All other businesses are classified as 'small-scale taxpayers' and pay VAT at 3%, with no eligibility for input tax credits on purchases and no eligibility to issue VAT special invoices. Registration as a general VAT taxpayer is compulsory if the annual turnover exceeds the following thresholds:

- 0.8 million Chinese yuan renminbi (CNY)
- CNY0.5 million if engaged solely or mainly in the production of goods or provision of taxable services not subject to the VAT pilot program
- CNY5 million if providing services that are subject to the VAT pilot program.

The VAT liability threshold for individuals registering as 'small-scale taxpayers' varies between regions and ranges from sales of CNY5,000 to CNY20,000 per month or CNY300 to CNY500 per transaction.

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Is voluntary registration possible?

Yes.

It is possible for taxpayers that would otherwise be below the thresholds to register as 'general VAT taxpayers'. They need to demonstrate a sound accounting system and provide accurate tax information as well as have a fixed place of business in China and be approved by the tax authority.

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Is voluntary registration available for an overseas company or a fiscal representative?

No, overseas companies are not generally permitted to register for Chinese VAT purposes.

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What is the typical frequency of returns?

Monthly is the norm, however, banks, trusts and certain finance companies file returns quarterly. In other special cases, returns may be required more frequently; in some cases, as often as daily.



Are there any items that a registered business cannot recover VAT on?

Yes.

There are a number of restrictions on the recovery of input tax credits. The most significant of which is that only general VAT taxpayers are potentially eligible to claims supported by VAT special invoices. As such, assuming the taxpayer is a 'general VAT taxpayer' and holds a special VAT invoice, then further restrictions include an inability to claim for:

- inputs related to activities subject to the simplified levy method
- inputs related to the sale of tax-exempt items
- inputs related to group welfare activities (e.g. employee canteens and employee benefits)
- inputs related to food and beverage and entertainment services
- inputs related to interest expenses
- items for personal consumption
- inputs used in deriving extraordinary or abnormal losses.

For completeness, it should also be noted that many exports of goods do not result in full recovery of VAT. That is, there may be a leakage in export VAT recovery.

Can an overseas company recover VAT if it is not registered?

No.

How long does it typically take to obtain a VAT refund following a return filing?

Where input tax exceeds output tax in any given period, generally the excess input tax credit must be carried forward (potentially indefinitely) rather than being refunded.

The main exceptions to this are for exported goods and certain exported services which are zero-rated under the VAT pilot program.

First-time providers can be required to wait 6 months or longer before they receive the refund.

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes.

China operates the 'Golden Tax System', which is a highly regulated invoicing system. VAT invoices (known as special VAT invoices) must be issued on government-issued and regulated machines using government-issued and numbered invoicing paper. Businesses must obtain a special VAT invoice and verify it before an input VAT credit can be claimed.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, a VAT withholding system applies where services are provided by an overseas party to a business or individual (or an agent) in China.

Is it possible to apply for formal or informal advance rulings from the tax authority?

No, however, the Chinese tax authorities are implementing an advance tax rulings system, though it is not yet in widespread use.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- consumption tax, which applies to the manufacturing, processing, importation or selling of 14 different kinds of goods (principally luxury goods)
- customs duty
- stamp duty
- various local levies
- various real estate-specific taxes, motor vehicle taxes and mining-specific taxes.



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# Fiji

Type of indirect tax:	VAT.
Standard rate:	9% (from 1 January 2016).
What supplies are liable to the standard rate?	Supplies of goods and services or the import of goods made by a registered person.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>There are no reduced rates.</p> <p>VAT-exempt supplies include financial services; education by an educational institution; life and medical insurance; and goods and services donated by a non-profit body.</p> <p>Zero-rated supplies include exports; water and sewerage services; international travel and transport services; and international inbound telecommunication services.</p>
Who is required to register and what is the threshold?	<p>Every person who carries on a taxable activity with annual turnover exceeding 100,000 Fijian dollars (FJD).</p> <p>Produce suppliers and persons providing exempt supplies are not required to be registered.</p>
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	No, unless that overseas company is carrying on business in Fiji and making taxable supplies.
What is the typical frequency of returns?	Entities with annual turnover exceeding FJD300,000 are required to file monthly VAT returns. Entities with a turnover of less than FJD300,000 may apply to the commissioner for quarterly or annual filing.



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Are there any items that a registered business cannot recover VAT on?

Where VAT input credits are associated with non-taxable activity, a corresponding VAT output adjustment is required to be made to offset the initial VAT input claimed.

A VAT-registered person cannot claim an input tax deduction in respect of any VAT exempt purchases.

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Can an overseas company recover VAT if it is not registered?

No.

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How long does it typically take to obtain a VAT refund following a return filing?

3 to 6 months. The obtaining of VAT refunds needs to be 'managed' (i.e. followed up with the tax authority as refunds are generally not automatically/systematically approved).

---

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, invoices must include the words 'tax invoice'; the name and tax identification number of the registered person; and the VAT amount charged. However, where a supply is made by a retailer for an amount less than FJD100, a statement on the tax invoice that the price is VAT inclusive (VIP) is sufficient.

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Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

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Is it possible to apply for formal or informal advance rulings from the tax authority?

No, while the law provides for the possibility of seeking a ruling, in practice it has not been implemented and taxpayers are unlikely to obtain a ruling if an application is made.

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Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- stamp duty
  - customs duty
  - gambling turnover tax
  - service turnover tax
  - environment levy.
- 



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# India

## Introduction:

Effective 1 July 2017, the previous indirect tax regime involving the levy of multiple indirect taxes (such as excise duty, service tax, value added tax, central sales tax, specified local levies/cess, etc.) was replaced with a unified goods and services tax (GST).

India follows a dual structure of GST, where intra-state/intra-union territory supplies are liable to central GST and state GST/union territory GST. Inter-state supplies including cross border supplies are liable to integrated GST and exports of goods and services are zero-rated.

## Type of indirect tax:

GST.

## Standard rate:

Typically, all supplies of goods or services are categorized into five slab rates for the purpose of levying GST. These rates are 0%, 5%, 12%, 18% and 28%. The rate applicable depends on the classification of the goods or services as per the GST rate schedule.

In addition to goods being liable to GST at 28%, a GST compensation cess is also levied on luxury/sin goods. Such products include motor vehicles, cigarettes, carbonated beverages, cigars, aircrafts and yachts, etc.

## What supplies are liable to the standard rate?

All forms of supply (goods or services) made for consideration in the course or furtherance of a business are liable to a standard rate of GST, except exempt supplies or supplies that are eligible for the concessional rate.

## Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?

- Export of goods or services and supplies to a special economic zone (SEZ) developer or a SEZ unit are treated as zero rated supplies.
- Exempt goods or nil-rated products including various agricultural produce/food products, basic necessities, etc.
- The supply of alcoholic liquor for human consumption and specified petroleum products (namely petroleum crude, high speed diesel, motor spirit, natural gas and aviation turbine fuel) are outside the GST regime.



Who is required to register and what is the threshold?

Every supplier shall be liable to be GST registered if his aggregate turnover in a financial year exceeds 2 million Indian rupee (INR). However, certain specified categories of persons including persons making inter-state supplies (i.e. from one state in India to another state or exporting goods out of India) or persons liable to pay tax under the reverse charge mechanism, are required to register regardless of their turnover.

Is voluntary registration possible?

Yes.

Is voluntary registration available for an overseas company or a fiscal representative?

Yes, registration is available to a non-resident taxable person<sup>22</sup> subject to prescribed conditions.

What is the typical frequency of returns?

Typically, the returns are required to be filed on a monthly basis by all registered persons except a person opting for the composition scheme (persons not having turnover of up to INR7.5 million) for whom the frequency of filing returns is quarterly. Further, an annual return is also prescribed for all registered persons.

Are there any items that a registered business cannot recover GST on?

No input tax credit (ITC) of taxes paid on services is available when the services are used for making exempt or non-taxable outward supplies.

In addition, ITC is not available on certain specified supplies such as motor vehicles; food and beverages; outdoor catering services; rent-a-cab services; employee-related expenses; life insurance and health insurance services, etc.

<sup>22</sup> Non-resident taxable person means any person who occasionally undertakes transactions involving the supply of goods or services or both, whether as a principal or agent or in any other capacity, but who has no fixed place of business or residence in India.

Can an overseas company recover GST if it is not registered?

No.

How long does it typically take to obtain a GST refund following a return filing?

The GST legislation prescribes a time limit of 60 days for granting a refund. The timeline is from the date of filing the complete application. However, as a benefit to exporters of goods/services, the law provides the granting of a provisional refund of 90% within 7 days.

Are there specific requirements for invoices to be considered valid for GST purposes?

Yes, the law prescribes the specific details to be captured in the tax invoice and other documents.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, there are certain notified supplies of goods and services where the recipient is liable to pay GST under the reverse charge mechanism.

Further, the GST legislation prescribes for tax withholding (tax deducted at source and tax collection at source). The provisions for tax collection at source are applicable to the electronic commerce operator.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, only the facility to obtain a formal advance ruling is available, subject to certain conditions being fulfilled.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- customs duty/cess levied on import of goods in India
- excise duty on alcoholic liquor and specified petroleum products
- electricity duty and tax on the sale of electricity
- entertainment tax levied by local bodies
- stamp duty
- other local levies (such as municipal tax, property tax, etc.) levied by local municipal corporations.



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# Indonesia

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	The delivery of taxable goods by an entity in Indonesia; the importation of taxable goods; the rendering of taxable services in Indonesia; utilization in Indonesia of intangible taxable goods from outside Indonesia; utilization of offshore taxable services in Indonesia; export services by an entity in Indonesia (except for exports of certain services, such as toll manufacturing services, repair and maintenance services, and construction services); self-construction activities; and the disposal of fixed assets.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero rated: exports of goods and of certain services, including toll manufacturing services; repair and maintenance services; and construction services.</p> <p>Exempt: deliveries and/or the import of taxable goods designated as strategic goods by the government; and certain goods or other services in order to support the achievement of certain national objectives.</p> <p>VAT not collected: deliveries of goods to a bonded zone; and deliveries of goods and services to a free trade zone.</p> <p>VAT free (not subject to VAT): certain goods and services that are not subject to VAT. For example, goods that are taken directly from their source (e.g., crude oil, natural gas, coal), financial services (e.g., banking, insurance and finance leasing), etc.</p>
Who is required to register and what is the threshold?	Indonesian taxpayers (companies and individuals) with annual turnover of more than 4.8 billion Indonesian rupiah (IDR).
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	No.



What is the typical frequency of returns?

Monthly.

Are there any items that a registered business cannot recover VAT on?

Yes, those items include:

- acquisition of goods and services before the entrepreneur is registered/deemed as a taxable entrepreneur
- acquisition of goods and services unrelated to business activities or related to non-VATable business activities
- acquisition and maintenance of certain motor vehicles, except commodities or rentals
- acquisition of intangible goods and services from outside Indonesia with invalid tax invoices
- goods or services where the input tax is collected by issuing a tax assessment
- acquisition of taxable goods or services where the input tax is not reported in monthly VAT returns and is discovered during an audit
- acquisition of taxable goods, other than capital items, before a taxable entrepreneur starts production
- input VAT more than 3 months from the end of the period in which it is incurred.

Can an overseas company recover VAT if it is not registered?

No.

How long does it typically take to obtain a VAT refund following a return filing?

VAT refunds can only be claimed in the December VAT return (except for certain types of businesses). VAT refund claims usually result in a tax audit being opened and can take many months, up to 1 year, before any refund payment is made.

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, an invoice must show a code and serial number; details of the supplier; details of the purchaser; details of the goods and services; price; discount (if any); advanced payments (if any); the tax collection basis; the amount of VAT payable; sales tax on luxury goods (if applicable); date; and name and signature.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, it is possible to apply for a formal advance ruling from the tax authority. However, there is no specific response timeline for a ruling request.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- sales tax on luxury goods
- stamp duty
- excise and customs duty.



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# Japan

Type of indirect tax:	Consumption tax.
Standard rate:	<p>The current consumption tax rate is 8% (increased from 5% on 1 April 2014).</p> <p>The rate will increase to 10% on 1 October 2019. Although the increase was originally planned to come into effect on 1 October 2015, it was postponed twice for 4 years in total.</p> <p>Furthermore, a new multiple tax rate system will also be introduced on 1 October 2019 along with the increase in the consumption tax rate. Under the multiple tax rate system, a reduced tax rate of 8% will apply to the sales of food/beverages (excluding alcoholic beverages) and certain newspapers under subscription contracts.</p>
What supplies are liable to the standard rate?	Sale or lease of an asset in Japan; supply of services (other than digital services) originating in Japan or the supply of digital services destined for individual residents of Japan or Japanese companies when carried out for consideration as part of a business carried on by an individual or company.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero-rated supplies include exported supplies, including the transfer or lease of goods representing an export from Japan as well as other export-related activities such as international transportation.</p> <p>Non-taxable (exempt) supplies include the sale or lease of land; certain sales of securities and similar instruments; monetary transactions including loans, guarantees, distributions from joint operation trusts or other investment trusts and insurance premiums; medical treatments provided under public medical insurance law; social welfare activities; school tuition and examination services; residential rent; services related to childbirth, burial, home help and welfare centers for aged and disabled persons.</p> <p>Exempt supplies include export supplies, including the transfer or lease of goods representing an export from Japan as well as other export-related activities such as international transportation.</p>



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Who is required to register and what is the threshold?

In principle, a business that makes taxable supplies in Japan exceeding 10 million Japanese yen (JPY) in the base period or the specified period automatically becomes a taxpayer.

Further, for a newly established company, it will automatically be a taxpayer if either its paid-in capital at the beginning of the fiscal year exceeds JPY10 million or it is controlled by a person (including individuals and companies) whose amount of taxable sales corresponding to the theoretical base period of the newly established company exceeds JPY500 million.

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Is voluntary registration possible?

Yes.

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Is voluntary registration available for an overseas company or a fiscal representative?

Yes, it is available for an overseas company. An overseas company is required to nominate a fiscal representative upon registration.

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What is the typical frequency of returns?

A final/annual tax return is due for all relevant taxpayers within 2 months of the end of the fiscal period for companies or the calendar year for individuals, respectively. Interim returns and payments may be required if the tax payable exceeds certain thresholds. The tax payable can be based on the tax payable for the prior year or on actual transactions for the current period. Any remaining net balance arising from the actual supplies in the current year is payable when the annual return is due.

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Are there any items that a registered business cannot recover consumption tax on?

No, however, the amount of creditable input tax can be restricted, based on specified formulas. Essentially, the input consumption tax that is identified to correspond to non-taxable sales is not creditable.

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Can an overseas company recover consumption tax if it is not registered?

No, it cannot.

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How long does it typically take to obtain a consumption tax refund following a return filing?

Usually, within 1 to 2 months of filing the return.

Are there specific requirements for invoices to be considered valid for consumption tax purposes?

Yes, however, please note that Japan's consumption tax law currently has not adopted a VAT invoicing system, although Japan's consumption tax works like a credit method consumption tax. Instead, Japan requires taxpayers to either maintain books and records to support amounts claimed for the credit or to use a simplified system for estimating the credit.

All valid tax invoices must contain the following particulars:

- the full name of the supplier
- the date of the taxable transaction
- the description of the taxable transaction
- the total amount charged on the taxable transaction
- the full name of the person to whom the goods or services are supplied.

It is proposed that an invoicing system, that is similar to a VAT invoicing system, will come into effect from October 2023. A 4-year transitional period will be provided for the period from October 2019 to October 2023. During this period, in principle, business operators will need to indicate the item that is subject to a reduced rate under the multiple-rate system and the total sales amounts by each tax rate in preparing their accounting records and invoices. It is acceptable to use a simplified method to calculate the tax amount based on an estimate of sales eligible for the reduced rate for small business operators whose taxable sales during the base period do not exceed JPY50 million.

Does a reverse charge or indirect tax withholding mechanism apply?

Generally, no. The reverse charge mechanism currently applies only to the business-to-business (B2B) digital services by a foreign supplier to a domestic business.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, however, given the practical aspects of the formal ruling system, taxpayers generally seek informal verbal comments from the tax authority.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following excise taxes:

- liquor tax
- tobacco tax
- special tobacco tax
- gasoline tax.



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# Korea (Republic of)

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	The supply of all goods and services and the importation of all goods into Korea.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rated supplies include the export of goods; supply of services outside Korea; supply of international transportation services by vessel or aircraft; supply of certain goods or services; and compensation that is received in foreign exchange (zero-rate application on professional services and business supporting services is subject to a reciprocity rule).</p> <p>Exempt supplies include various food products; tap water; briquettes and anthracite coal; various medical and health services; educational services; various passenger transportation services; certain postage stamps; revenue stamps; certificate stamps; notary certificates; tobacco for special use or whose selling price is not more than 200 Korean won (KRW) per 20 cigarettes; certain banking and insurance services; certain leases of residential housing and land associated with such housing; land; and the personal services of writers, composers and other persons specified by presidential decree.</p>
Who is required to register and what is the threshold?	Every business person engaged in the business of supplying goods or services, whether or not for profit. Business persons include individuals; corporations; the national and local governments; and unincorporated organizations and associations.
Is voluntary registration possible?	Not applicable.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, a physical place of business in Korea is required to register for VAT. However, effective 1 July 2015, non-Korean electronic service providers without a permanent establishment, including application developers and open market operators, are required to register for, and pay VAT on, sales of electronic services to final consumers in Korea.



What is the typical frequency of returns?

Quarterly.

Are there any items that a registered business cannot recover VAT on?

Items that a registered business cannot recover VAT on include nonbusiness related expenditures; rental and/or maintenance of small passenger vehicles; expenditures that have a similar nature to entertainment expenses or equivalent; purchase of land related to capital expenditures; and input VAT incurred for the period that ended more than 20 days prior to filing an application for VAT registration.

A valid VAT invoice is required in order to claim any input tax.

Can an overseas company recover VAT if it is not registered?

No, with one exception: A foreign corporation that does not have a permanent establishment in Korea is eligible to claim a VAT refund when the foreign corporation purchases goods or receives services from a supplier operating a certain type of business in Korea, as listed below:

- food and lodging services
- advertisement services
- electronic and telecommunication services
- real estate leasing services
- goods and services purchased for the operating of an office of a foreign corporation in Korea (i.e. purchases of fixtures and furniture, maintenance services of fixtures and furniture and leasing of fixtures and furniture).

Please note that there is a condition in which the VAT refund is allowable only when the relevant foreign country allows Korean companies to recover the local VAT or similar taxes (reciprocity rule).

The foreign corporation should claim a VAT refund for the purchase of goods/ services during the period from 1 January to 31 December, by 30 June of the following year. To apply for a VAT refund, the amount of VAT to be refunded for 1 calendar year should be more than KRW300,000.

How long does it typically take to obtain a VAT refund following a return filing?

Typically, within 30 days of the tax return filing due date.

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, the tax invoices must contain the supplier's name and registration number; registration number of the buyer; tax base; VAT amount; and date.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, a taxpayer who receives services or intangibles from any one of the following entities and uses those services for its VAT-exempt business is required to pay VAT on behalf of the service provider:

- a non-resident or a foreign corporation that does not have a business place in Korea
- a non-resident or a foreign corporation that does have a business place in Korea but provides services that are not effectively connected to the business place (as stated by the presidential decree).

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, rulings are published in Korean here: <http://taxinfo.nts.go.kr/index.jsp>.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- stamp tax
- customs duty
- liquor tax
- securities transaction tax
- individual consumption tax.



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# Laos

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	Goods and services produced and consumed domestically or being imported into Laos; services provided by overseas or non-resident entities in Laos; services performed in Laos to overseas entities.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rated supplies are raw materials; chemical substances; equipment; machinery for production that is produced domestically and imported from foreign countries that could not be produced domestically or domestic production could not meet demand; investments that are registered as fixed assets; goods and natural resources that are finished goods and are exported to foreign countries.</p> <p>Exempt supplies include the following:</p> <ul style="list-style-type: none"> <li>— crop seeds and animals for breeding, pesticides, vaccines, organic and chemical fertilizers</li> <li>— certain imports related to air transport</li> <li>— certain educational operations</li> <li>— specified financial services operations</li> <li>— specified medical services</li> <li>— certain vehicles for specific purposes.</li> </ul>
Who is required to register and what is the threshold?	Business operators who have a minimum annual business turnover of 400 million Lao kips (LAK).
Is voluntary registration possible?	Yes.



Is voluntary registration available for an overseas company or a fiscal representative?

Yes, if the business has a place of business within Laos.

Based on the amended VAT instruction, No. 077/MoF, dated 11 January 2017, individuals, legal persons and organizations who are non-residents of Lao PDR but provide goods and services in Lao PDR for 90 days or more, either directly or through their main or subsidiary suppliers, are obliged to be registered regardless of their annual turnover.

If the non-resident entity conducts business for less than 90 days, the person, legal entity or organization purchasing the services from the non-resident should withhold VAT and declare it to the state budget.

What is the typical frequency of returns?

VAT returns are submitted monthly and the submission shall not be later than the 15th of the following month.

Importers of goods and services must declare and pay VAT on every importation at the same time as the declaration of customs duties.

Are there any items that a registered business cannot recover VAT on?

Yes, examples include:

- VAT paid on matters not related to the main business or incorrect or incomplete receipts of payment
- VAT input on natural resources, fertilizer and wood that are not finished products for exporting
- where VAT input has been deducted or refunded.

Can an overseas company recover VAT if it is not registered?

No.

How long does it typically take to obtain a VAT refund following a return filing?

VAT refunds can typically be expected within 6 months from the date of request.

Furthermore, any excess input VAT amount cannot be carried forward more than 6 months.

Are there specific requirements for invoices to be considered valid for VAT purposes?	Yes, invoices should contain the name and business address; bank name and bank account number (if any); telephone number and tax identification number of the supplier and purchaser; the description of services; sale price excluding VAT; the sale price including VAT; any fee received; the VAT amount; and the date of selling the goods or services. The invoice should contain a signature and stamp of the supplier and purchaser.
Does a reverse charge or indirect tax withholding mechanism apply?	No.
Is it possible to apply for formal or informal advance rulings from the tax authority?	<p>No, however, Laos's VAT and other legal enactments are being updated. Therefore, informal or formal rulings may be available in the future.</p> <p>Practically, some companies can request advance rulings from the tax authority on a case-by-case basis.</p>
Are there any other indirect taxes that apply in the country?	<p>Other indirect taxes include the following:</p> <ul style="list-style-type: none"> <li>— excise tax</li> <li>— customs duty</li> <li>— stamp duty.</li> </ul>



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# Malaysia

Type of indirect tax:	GST, which was implemented in Malaysia on 1 April 2015, replacing the previous sales tax and service tax.
Standard rate:	6%.
What supplies are liable to the standard rate?	Domestic supplies of goods and services which are not zero-rated, exempt or given a relief, and imported goods and services.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>There will be no reduced rates. Zero-rated supplies include exports of goods and services; basic foods; certain medicaments and medical gasses; supply of the first 300 units of electricity to domestic users for a minimum period of 28 days per billing cycle; and supplies of treated water to domestic users.</p> <p>Exempt supplies include precious metal for the purpose of investment and financial services; sale and lease of residential property (including land); toll highways; private healthcare and education; domestic public transport; land for agricultural purposes, burial, playground or religious building.</p>
Who is required to register and what is the threshold?	Businesses with an annual taxable turnover exceeding 500,000 Malaysian ringgits (MYR).
Is voluntary registration available for an overseas company or a fiscal representative?	Registration of a foreign principal who does not belong in Malaysia and who makes taxable supplies in Malaysia is allowed, with the condition that he or she appoints a local agent to act on his or her behalf for all matters pertaining to GST.
Is voluntary registration possible?	Yes.
What is the typical frequency of returns?	Quarterly filing can be made for those with annual taxable turnover less than MYR5 million. However, registered persons with annual taxable turnover of MYR5 million and above will be required to file monthly.



Are there any items that a registered business cannot recover GST on?

Yes, items blocked from GST recovery are: supply or importation of passenger motor cars or hiring of passenger motor cars; repairs, maintenance and refurbishment expenses relating to a passenger motor car; club subscription fees; medical and personal accident insurance premiums or takaful contributions; medical expenses (to the extent such expenses are not an exempt supply); family benefits and entertainment expenses (except for existing clients/employees); and expenses relating mainly to making exempt supplies.

Can an overseas company recover GST if it is not registered?

No.

How long does it typically take to obtain a GST refund following a return filing?

In theory, 14 days for electronic filing and 28 days for manual filing. However, in practice, what we have seen is that it takes a longer time to receive a refund as the Royal Malaysian Customs Department will generally conduct a verification audit before processing the refund.

Are there specific requirements for invoices to be considered valid for GST purposes?

Yes, unless approved by the director general, invoices must contain:

- the words 'tax invoice' in a prominent place
- tax invoice serial number
- date of issuance of the invoice
- name, address and GST identification number of the supplier
- name and address of the person to whom the goods or services are supplied
- a description sufficient to identify the goods or services supplied
- for each description, the type of supply (standard rate, zero rate and exempt), the quantity of the goods or the extent of the services supplied and the amount payable (excluding tax) must be distinguished
- any discount offered
- the total amount payable excluding tax, the rate of tax and the total tax chargeable (shown as a separate amount)
- the total amount payable, including the total tax chargeable
- the ringgit amount for any amount expressed in a currency other than ringgit.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

Would it be possible to apply for formal or informal advance rulings from the tax authority?

Yes, a person may apply to the director general for an advance ruling.

Are there other indirect taxes that apply in the country?

Other indirect taxes include the following:

- excise duty
- customs duty
- windfall profit levy
- cess.



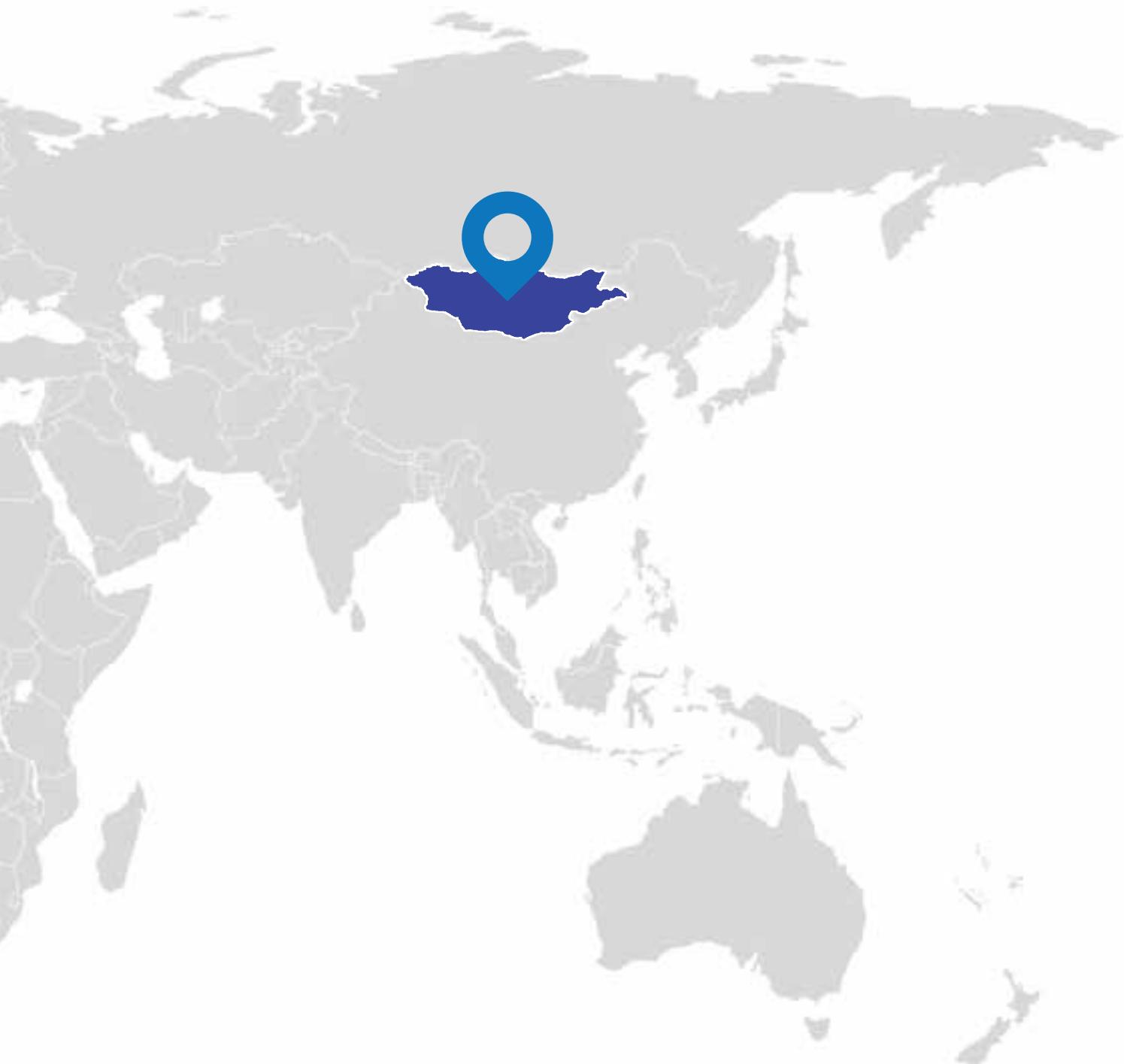
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# Mongolia

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	<p>Goods imported into Mongolia; and goods produced or sold, work performed or services provided in Mongolia.</p> <p>From 1 May 2017 there have been some changes to the Mongolian excise taxes and customs taxes on certain types of products.</p>
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero-rated supplies include exports of goods and services; international transport services; services related to international air travel; services provided in a foreign country (including tax-exempt services); services provided to foreign citizens not residing in Mongolia during the provision of services (including tax-exempt services); and mining final products exported.</p> <p>Exempt supplies include gold; certain food products produced domestically; educational services; medical services; governmental organization's services; public transport services; tour operator services; specific financial services; small and medium manufacturing purpose equipment; civil aviation aircrafts and spare parts; renewable energy research and production equipment, its accessories and spare parts.</p>
Who is required to register and what is the threshold?	Any entity or individual with sales revenue that exceeds 50 million Mongolian tugrik (MNT) a year.
Is voluntary registration possible?	Yes, provided the entity's sales revenue subject to VAT has reached MNT10 million.
Is voluntary registration available for an overseas company or a fiscal representative?	No.
What is the typical frequency of returns?	Monthly.



Are there any items that a registered business cannot recover VAT on?

Yes, registered entities cannot recover VAT paid during import or purchase of the following goods, work or services:

- automobiles and their components and spare parts
- goods or services purchased for personal or employee use
- goods, work, services purchased or imported for fixed assets/intangibles
- goods, work, services imported or purchased for exploration or preoperational phases
- primary raw materials imported, purchased or sold
- goods, work, or services imported or purchased that are exempt.

Can an overseas company recover VAT if it is not registered?

No.

How long does it typically take to obtain a VAT refund following a return filing?

Under the VAT law, a refund should be obtained within 69 working days after submitting an application to the tax authority. In practice, however, it is often difficult to obtain a VAT refund for excess input tax credits.

Are there specific requirements for the content of invoices to be considered valid for GST purposes?

Yes, a VAT electronic invoice is only considered valid if it includes the following:

- both parties' names and registration numbers (if applicable)
- date of issue of the document
- name of goods, work and service and the corresponding code, measurement and quantity
- total amount of goods, work and service, excluding VAT
- the VAT amount
- the total amount, including VAT.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, when a person or legal entity of Mongolia purchases goods, work, or services not declared at the customs authority, from an entity that does not reside or stay in Mongolia, it shall impose and withhold VAT on the value of the goods, work, or services and make payment to the budget. A Mongolian resident buyer is obliged to withhold VAT of 10% on the service fee transferred to a non-resident supplier, regardless of whether the services were performed offshore.

Please note the withholding VAT is not creditable for the Mongolian entity receiving service or goods, so this is a non-recoverable cost. While WHT VAT is often a tax cost to the non-resident entity, the withholdee is ultimately responsible for this burden, and in the case of unpaid withholding taxes, the Mongolian Tax Administration (MTA) will seek recourse from the Mongolian buyer.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, the MTA responds to requests for the clarification of uncertain tax treatments by a formal letter. However, such letter is not a binding of the authority.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- customs duty
- excise tax
- stamp duty
- tax on petroleum and diesel fuel
- fees for mineral exploration and mining licenses
- air pollution payment
- water pollution payment.



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# Myanmar

Type of indirect tax:	Commercial tax.
Standard rate:	Generally, a 5% standard rate applies to most products and services. Commercial tax on certain items (such as inbound air travel, real estate, gold jewelry and electricity) ranges from 1% to 8%.
What supplies are liable to the standard rate?	Goods and services supplied in Myanmar and the importation of goods from abroad, with the exception of those mentioned above.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	There are certain products, including basic food and medicines, that are exempt. In addition, certain services, such as contract manufacturing, educational services, financial services and public transportation, are also exempt. Goods exempted are generally zero-rated.
Who is required to register and what is the threshold?	Anyone (personal, self-employed and company) carrying out production/ manufacturing and services in the country and importing goods into the country. Sales below 50 million Myanmar Kyat (MMK) per year would not be subject to commercial tax.
Is voluntary registration possible?	Not applicable.
Is voluntary registration available for an overseas company or a fiscal representative?	No.
What is the typical frequency of returns?	The annual return is required within 3 months of the end of the fiscal year.  Quarterly returns are required within 1 month of the end of each quarter. Monthly payment is required based on actual revenue within 10 days.



Are there any items that a registered business cannot recover commercial tax on?	Capital items and certain restricted items.
Can an overseas company recover commercial tax if it is not registered?	No.
How long does it typically take to obtain a commercial tax refund following a return filing?	Input commercial tax in excess of output commercial tax will not be refundable.
Are there specific requirements for invoices to be considered valid for commercial tax purposes?	<p>According to Notification 104/2012 commercial tax rules, invoices should contain the following information:</p> <ul style="list-style-type: none"><li>— enterprise registration number issued under the commercial tax regulation</li><li>— the buyer's name, address and enterprise registration number issued to him or her under the commercial tax regulation (if the buyer of the good is an owner of the enterprise)</li><li>— date of sale, description of goods, category, quantity, unit price and selling price</li><li>— commercial tax due on the proceeds of sale.</li></ul>
Does a reverse charge or indirect tax withholding mechanism apply?	Not applicable.

Is it possible to apply for formal or informal advance rulings from the tax authority?

There are no specific laws and regulations on this. However, in practice, it may be possible to seek a ruling from the Internal Revenue Department.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- stamp duty
- customs duties
- property tax.



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# New Zealand

Type of indirect tax:	GST.
Standard rate:	15%.
What supplies are liable to the standard rate?	Supplies of goods and services made in New Zealand by a registered person in the course or furtherance of a taxable activity, other than exempt supplies.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rated supplies include exports; supplies of going concerns; certain supplies of fine metal; supplies of financial services to GST-registered persons making predominantly (75%) taxable supplies; and supplies of land after 1 April 2011 where both the vendor and the purchaser are registered for GST.</p> <p>Exempt supplies include financial services that are not zero-rated, residential rent, supplies of fine metals that are not zero-rated and supplies of donated goods by non-profit bodies.</p> <p>A reduced rate of 9% applies to the provision of accommodation in hotels, motels and similar for longer than 4 weeks.</p>
Who is required to register and what is the threshold?	Any person that is carrying on a taxable activity and whose current or projected annual turnover in New Zealand is 60,000 New Zealand dollars (NZD) or more.
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, if the overseas company is making taxable supplies in New Zealand or if the overseas company wishes to claim GST on expenses, even if they are not making taxable supplies in New Zealand.



What is the typical frequency of returns?	Every 6 months if the value of total taxable supplies is less than NZD500,000 in a 12-month period and Inland Revenue Department approval has been granted.  Every 2 months if annual taxable supplies are NZD24 million or less. Monthly if annual turnover (including group turnover) is greater than NZD24 million.  Businesses can elect to apply a taxable period of every month, 6 months or 2 months if Inland Revenue Department approval has been granted.
Are there any items that a registered business cannot recover GST on?	GST is not recoverable on expenses to the extent that they are incurred to make exempt supplies.  GST is not recoverable on entertainment expenditure to the extent that the expenditure is treated as non-deductible for income tax purposes.
Can an overseas company recover GST if it is not registered?	No.
How long does it typically take to obtain a GST refund following a return filing?	2-3 weeks.
Are there specific requirements for the content of invoices to be considered valid for GST purposes?	Yes, a valid tax invoice must normally contain the words 'tax invoice' in a prominent place; the name and registration number of the supplier; the name and address of the recipient (unless the value is less than NZD1,000); the date upon which the invoice is issued; a description of the goods and services supplied; the quantity or volume of the goods and services supplied (unless the value is less than NZD1,000); and the amount of GST charged.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, it is possible to apply for a public, private or product ruling. Additionally, indicative opinions on the GST consequences of a transaction can be obtained by writing to the Inland Revenue Department, but are not binding.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- customs duty
- excise duty.



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# Papua New Guinea

Type of indirect tax:	GST.
Standard rate:	10%.
What supplies are liable to the standard rate?	All supplies of goods or services unless zero-rating or exemption applies to the particular supply.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rated supplies include exports; international transport; most medical supplies; certain fine metals; certain supplies of unprocessed petroleum; supplies to resource companies other than cars; supplies to religious, charitable or educational institutions; supplies to prescribed foreign aid providers; and sales of businesses as going concerns.</p> <p>Exempt supplies include most financial services; educational services; medical services; most fine metals; public road transport; newspapers; betting; lotteries and games of chance; postage stamps; and housing or motor vehicles provided by the employer.</p>
Who is required to register and what is the threshold?	Any person who carries on a taxable activity and the total value of supplies (excluding exempt supplies) has exceeded 250,000 Papua New Guinean kina (PGK) in the last 12 months or is expected to exceed PGK250,000 in the coming 12 months.
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes.
What is the typical frequency of returns?	Monthly (returns are due by the 21st day of the following month).



Are there any items that a registered business cannot recover GST on?	Yes, supplies of motor vehicles and accommodation to employees and other inputs for making exempt supplies.  In addition, items that are not deductible for income tax purposes to employers when provided to employees (such as club subscriptions or fees, payment of domestic services or expenditures on electricity, gas or security relating to an employee and entertainment expenses).
GST incurred on goods and services for a personal or private purpose is not refundable.	
Can an overseas company recover GST if it is not registered?	No.
How long does it typically take to obtain a GST refund following a return filing?	Refunds of GST are subject to a desk review by the Internal Revenue Commission and can take from 4 weeks to 4 months. An application form for a refund must be lodged with the Internal Revenue Commission and accompanying documentation such as supplier listings, invoices and/or bank statements may be required.
Are there specific requirements for invoices to be considered valid for GST purposes?	Yes, requirements include: <ul style="list-style-type: none"> <li>— the words 'tax invoice' in a prominent place</li> <li>— the name, address and registration number of the supplier</li> <li>— the name and address of the recipient</li> <li>— the date upon which the tax invoice is issued</li> <li>— a description of the goods and services supplied</li> <li>— the quantity or volume of the goods and services supplied and the total amount of the tax charged, the amount payable (excluding tax) and the consideration (inclusive of tax) for the supply.</li> </ul>
Does a reverse charge or indirect tax withholding mechanism apply?	Yes.

Is it possible to apply for formal or informal advance rulings from the tax authority?

There is currently no binding system in Papua New Guinea. However, the tax office does, as a matter of practice, issue opinions on issues where requested by a taxpayer. The opinions are non-binding.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- stamp duty
- customs duty
- excise duty
- royalty, mining and development levy.



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# Philippines

Type of indirect tax:	VAT.
Standard rate:	12%.
What supplies are liable to the standard rate?	Sale; barter; exchange of goods and/or properties in the course of trade or business in the Philippines; sale of services including the use or lease of properties in the course of trade or business in the Philippines; and importation of goods into the Philippines, whether or not in the course of trade or business.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero rate transactions include:</p> <ul style="list-style-type: none"> <li>— export sales</li> <li>— foreign currency denominated sales</li> <li>— sales to any person/entity whose exemption under special laws or international agreements to which the Philippines is a signatory effectively subjects such sale to zero rate</li> <li>— sales of services rendered to persons engaged in business conducted outside the Philippines or to a non-resident person not engaged in business who is outside the Philippines when the services are performed (the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP)); and other services contemplated in Section 108 (B) of the National Internal Revenue Code (NIRC).</li> </ul> <p>Exempt transactions include, among others, certain residential sales or leases; educational services; employment; services rendered by regional or area headquarters established in the Philippines by multinational corporations that act as supervisory, communications and coordinating centers for their affiliates, subsidiaries or branches in the Asia-Pacific Region and do not earn or derive income from the Philippines; transport of passengers by international carriers doing business in the Philippines; sale, importation or lease of passenger or cargo vessels and aircraft, including engine, equipment, and spare parts for domestic or international transport operations; and sale or lease of goods or properties or the performance of services other than the transactions mentioned (the gross annual sales and/or receipts cannot exceed the amount of 1,919,500 Philippine pesos (PHP)).</p>



Who is required to register, and what is the threshold?	Any person or entity who, in the course of trade or business, sells, exchanges, or leases goods or properties, or renders services; and any person who imports goods if gross sales or receipts per annum exceed PHP1,919,500.
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company, or a fiscal representative?	No.
What is the typical frequency of returns?	<p>In general, every taxpayer liable to pay VAT shall file the following returns:</p> <ul style="list-style-type: none"> <li>— monthly VAT declaration within 20 days after the end of the month</li> <li>— quarterly VAT return within 25 days following the close of taxable quarter</li> <li>— if applicable, remittance return of VAT and other percentage taxes withheld for those required to withhold VAT.</li> </ul> <p>However, taxpayers registered under the Electronic Filing and Payment System (eFPS) shall be required to file monthly VAT declarations within the period prescribed in the VAT Regulations depending on the business industry classification of the taxpayer. The quarterly VAT returns of eFPS filers will still be filed within 25 days following the close of the taxable quarter, regardless of the business industry classification.</p>
Are there any items that a registered business cannot recover VAT on?	Yes, for instance, input tax attributable to exempt sales may not be used as credit against output tax.
Can an overseas company recover VAT if it is not registered?	No, if an overseas company is subject to VAT in the Philippines, the Philippine payee is required to withhold the applicable VAT. The VAT paid by the Philippine payee can be claimed as input tax by the Philippine payee subject to certain conditions.

What is the typical time taken to obtain a VAT refund following a return filing?

A VAT refund in the Philippines is a difficult process, and the proper substantiation of sales (output tax) and purchases (input tax) is critical including compliance with invoicing requirements.

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, invoices must include the following requirements, among others:

- statement that the seller is a VAT-registered person followed by his taxpayer identification number (TIN)
- total amount paid with the indication that such amount includes VAT
- the term 'VAT-exempt sale' or 'zero-rated sale', whichever is applicable (must be written or printed prominently)
- date of transaction, quantity, unit cost and description of goods.

Invoices and official receipts are preapproved by the tax authority in the process of obtaining an Authority To Print (ATP) prior to actual printing.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, a withholding system applies to supplies made by overseas companies in the Philippines.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- percentage taxes
- excise taxes
- customs duty.



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# Singapore

Type of indirect tax:	GST.
Standard rate:	7%.
What supplies are liable to the standard rate?	Taxable supplies of goods and services made in Singapore by taxable persons and all imports of goods (except for qualifying investment precious metals) into Singapore, unless import relief or one of the import GST schemes applies.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rated supplies include the following:</p> <ul style="list-style-type: none"> <li>— export of goods from Singapore</li> <li>— provision of international services</li> <li>— supply of a prescribed tool or machine used in the manufacturing of goods in Singapore, including the development of prototypes of the tool or machine as well as any services rendered directly in connection with the tool or machine to an overseas person</li> <li>— goods supplied for use on board or installation on a qualifying ship</li> <li>— goods sold or leased to 'approved marine customers' for use or installation on a commercial ship wholly for international travel.</li> </ul> <p>Exempt supplies include the sale/lease of residential properties, supply of qualifying investment-grade gold, silver and platinum and most financial services.</p>
Who is required to register and what is the threshold?	A person is liable to register for GST when his or her taxable turnover has exceeded 1 million Singapore dollars (SGD) in a 12-month period or he or she is currently making taxable supplies and the taxable turnover is expected to exceed SGD1 million in the next 12 months.
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, if it makes taxable supplies in Singapore. An overseas entity that registers for GST in Singapore must appoint a local agent to be responsible for all its GST matters.



What is the typical frequency of returns?

Typically, every 3 months, which is in line with the taxpayer's accounting periods. However, there is an option for monthly or biannually accounting periods.

Are there any items that a registered business cannot recover GST on?

Social and recreational club subscription fees; medical and accident insurance premiums (with some exclusions); medical expenses (with some exclusions); benefits provided to employees' family members; any transaction involving betting, sweepstakes, lotteries, fruit machines or games of chance; and expenses incurred on motor cars.

Can an overseas company recover GST if it is not registered?

Generally, no.

How long does it typically take to obtain a GST refund following a return filing?

The refund due date for GST is 1 month, 3 months and 6 months (after the Inland Revenue Authority of Singapore (IRAS) receives the GST return) for monthly, quarterly and biannually prescribed accounting periods, respectively.

However, GST registrants usually receive the refund earlier than the due date unless an audit is performed on the return.

Are there specific requirements for invoices to be considered valid for GST purposes?

Yes, tax invoices must be issued for standard-rated supplies made to taxable persons. There are various requirements for the contents of a tax invoice, including the words 'tax invoice' in a prominent place; invoice number and date; the supplier's name and address; the supplier's GST registration number; the GST rate applied; the amounts both exclusive and inclusive of GST and the total GST payable.

Does a reverse charge or indirect tax withholding mechanism apply?

No, the reverse charge is currently suspended in Singapore. However, this is currently under review.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, the IRAS offers taxpayers a system of formal advance rulings. The rulings issued are private and legally binding. A fee is payable to the IRAS to apply for a formal ruling. Informal, non-binding rulings can also be sought.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- customs and excise duties
- stamp duty
- property tax
- casino tax, betting and sweepstakes and private lotteries duties.



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# Sri Lanka

Type of indirect tax:	VAT.
Standard rate:	15%.
What supplies are liable to the standard rate?	All supplies of goods or services that do not come under zero-rated or exempt supplies are liable at the standard rate.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero-rated supplies include goods supplied for export and certain services that are either exported or are provided in relation to exported goods or goods outside Sri Lanka.</p> <p>Exempt goods include wheat; wheat flour; drugs; medicines; aids and implements used by disabled persons; ayurvedic preparations; aircraft and helicopters; books; certain petroleum; oil and similar products; cellular mobile phones; agricultural machinery and fertilizer; certain agricultural tools and implements; handloom textiles; prawns; machinery and equipment for the leather or footwear industry; manufacturing of bags; manufacturing of grain mixed bakery products; and locally developed software.</p> <p>Exempt services include life insurance; certain financial services; education; and the supply of services to a unit trust by a unit trust management company.</p>
Who is required to register and what is the threshold?	<ul style="list-style-type: none"> <li>— Local buying and selling (wholesale and retail): 12.5 million Sri Lankan rupee (LKR) for every 3 months.</li> <li>— Supply of goods and services: LKR3 million for every 3 months or 12 million for every 12 months.</li> <li>— Importation: Every importer has to register and there is no threshold limit.</li> <li>— Supply of financial services: LKR3 million for every 3 months or 12 million for every 12 months.</li> </ul>
Is voluntary registration possible?	No, however, if the company has obtained approval under Section 22(7) of the VAT Act (Strategic Development Projects & Special projects) voluntary registration is possible.



Is voluntary registration available for an overseas company or a fiscal representative?	No.
What is the typical frequency of returns?	Quarterly, but exporters and certain VAT registrants must file monthly.
Are there any items that a registered business cannot recover VAT on?	Yes, a business cannot recover VAT on exempt supplies, and other specific expenses, including expenses on vehicles used for traveling.
Can an overseas company recover VAT if it is not registered?	No.
How long does it typically take to obtain a VAT refund following a return filing?	A VAT refund in Sri Lanka is a difficult process and includes a tax audit to substantiate sales and purchases. The guideline is that a refund will be received within 3 years of filing, although in practice, this is not always the case.
Are there specific requirements for invoices to be considered valid for VAT purposes?	<p>Yes, a tax invoice shall set out the following:</p> <ul style="list-style-type: none"> <li>— the name, address and the registration number of the supplier</li> <li>— the name, address and registration number of the person to whom the supply was made</li> <li>— the date of supply and description of the goods or services</li> <li>— the quantity or volume of the supply</li> <li>— the value of the supply, the tax charged and the consideration for the supply</li> <li>— the words 'tax invoice' in a prominent place on such invoice.</li> </ul> <p>Note: the date on which the tax invoice was issued and its serial number should not exceed 40 characters.</p>

Does a reverse charge or indirect tax withholding mechanism apply?

No.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes, there is a committee that can issue advanced formal rulings.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- nation building tax
- customs duty
- excise duties
- stamp duty
- cess
- ports and airports development levy.



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# Taiwan – VAT

Type of indirect tax:	VAT.
Standard rate:	5%.
What supplies are liable to the standard rate?	The sale of goods and services in Taiwan as well as the importation of goods into Taiwan, excluding financial institutions; special vendors of beverages and food; and small businesses (as these are subject to gross business receipts tax (GBRT)).
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero rate: exported goods or certain goods sold by duty-free shops; services relating to export or services provided in Taiwan but used in a foreign country; certain international transportation; vessels and aircraft used in international transportation and deep-sea fishing boats and goods and maintenance services provided to such; goods or services sold to a bonded zone business entity for its operational use; and certain goods sold by a bonded zone business entity.</p> <p>Exempt: sale of land; water supplied to farmland for irrigation; certain medical services; certain social welfare services; certain educational services; certain educational or academic publications; the goods or services sold by student-run shops of vocational schools that do not serve outsiders; certain publications produced and sold by legally registered newspaper and magazine publishers; news agencies and television and broadcasting stations; the goods or services sold to members by cooperatives managed in accordance with the law and business consigned by government to cooperatives, etc.</p>
Who is required to register and what is the threshold?	<p>The head office of a business entity and its branches with fixed places of business in Taiwan must each register for VAT before operating.</p> <p>Foreign enterprises having no fixed places of business within Taiwan selling electronic services to Taiwan-based individuals must register for VAT in Taiwan if their annual sales exceed the threshold of 480,000 New Taiwan dollar (NTD).</p>
Is voluntary registration possible?	Yes.



Is voluntary registration available for an overseas company or a fiscal representative?

Yes.

What is the typical frequency of returns?

Typically, bimonthly. However, a company eligible for zero-rated VAT may file monthly.

Are there any items that a registered business cannot recover VAT on?

Yes, they include the following:

- purchases for which certain supporting documents are not obtained or kept according to the law
- purchases not for the use of principal and ancillary business operation except purchases for the support of national defense, provision of morale services to the troops or contribution to the government
- goods or services for social relation purposes
- goods or services rewarded to individual employees
- passenger cars for personal use.

Can an overseas company recover VAT if it is not registered?

No, one exception is that input VAT may be refundable if it relates to a foreign company participating in exhibitions or conducting temporary business activities (such as traveling, training, inspection, market investigation, procurement, etc.) in Taiwan, provided certain conditions are met.

How long does it typically take to obtain a VAT refund following a return filing?

Generally, refunds on input VAT relating to zero-rated sales and purchases of fixed assets can be obtained within 2 months of the return filing.

However, a refund of accumulated input VAT upon cessation of a business or due to other reasons may take longer, as a special refund application is required.



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Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, the seller should issue a Government Uniform Invoice (GUI) to the buyer. GUIs must contain the buyer's name; buyer's business number; date; transaction details; quantity; unit price; item subtotal; selling amount; tax category and amount; and grand total.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes, the VAT on services supplied by a foreign entity who does not have a VAT registration in Taiwan should be accounted for by the buyer. The buyer should report the purchase and calculate the related VAT on the VAT return.

However, if the buyer is a business entity that engages in VAT-taxable business only and the purchased services are used solely for the taxable business, such VAT is exempt.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes.

Are there any other indirect taxes that apply in the jurisdiction?

Other indirect taxes include the following:

- commodity tax
- tobacco and liquor tax
- amusement tax
- special goods and services tax (luxury tax)
- customs duty
- stamp duty.



# Taiwan – GBRT

Type of indirect tax:	Gross business receipts tax (GBRT).
Standard rate:	<p>Financial institutions: 2% for core business revenue, 1% for reinsurance premiums of insurance enterprises and 5% for non-core business revenue.</p> <p>Special food and beverage vendors: 15% or 25%.</p> <p>Small businesses: 1% or 0.1%.</p>
What supplies are liable to the standard rate?	The sale of goods and services in Taiwan from financial institutions, special food and beverage vendors and small businesses.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	Generally, not applicable.
Who is required to register and what is the threshold?	The head office of a business entity and its branches with fixed places of business in Taiwan must each register for GBRT before operating.
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes.
What is the typical frequency of returns?	Typically, bimonthly.
Are there any items that a registered business cannot recover GBRT on?	Generally, not applicable.
Can an overseas company recover GBRT if it is not registered?	No.



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How long does it typically take to obtain a GBRT refund following a return filing?

Generally, not applicable.

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Are there specific requirements for invoices to be considered valid for GBRT purposes?

Yes, invoices must contain the buyer's name; buyer's business number; date; details of transaction; quantity; unit price; item subtotal; selling amount; tax category and amount; and grand total.

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Does a reverse charge or indirect tax withholding mechanism apply?

Yes, the GBRT on services supplied by a foreign entity who does not have a VAT registration in Taiwan should be accounted for by the buyer. The buyer should report such purchase and calculate the related GBRT on its GBRT return.

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Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes.

Are there any other indirect taxes that apply in the jurisdiction?

Other indirect taxes include the following:

- commodity tax
- tobacco and liquor tax
- amusement tax
- special goods and services tax (luxury tax)
- customs duty
- stamp duty.



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# Thailand

Type of indirect tax:	VAT.
Standard rate:	7% (this is a temporary rate, reduced from the standard rate of 10% introduced by a special royal decree and is valid until 30 September 2018).
What supplies are liable to the standard rate?	Importation of goods into Thailand; sale of goods in Thailand; provision of services that are performed and used in Thailand; and provision of services outside Thailand and used in Thailand.
Are there any reduced rates, zero rates or exemptions? If so, what do they apply to?	<p>Zero-rated supplies include the export of goods; bringing domestic goods into a duty-free zone; provision of services performed in Thailand but used outside Thailand; provision of services for the manufacturing of goods within a duty-free zone or provision of services within a duty-free zone for the manufacturing of goods in Thailand for export; certain provision of international transport services; sale of goods and provision of services to government authorities under a foreign loan or assistance project; and sale of goods and provision of services between a bonded warehouse and other bonded warehouses or between a duty-free zone and other duty-free zones.</p> <p>Exempt supplies include fertilizers; fish meals; animal feeds; newspapers; magazines or textbooks; educational services; healthcare services; services of domestic transport; services of international transport by land; rent of all immovable property; and the import of goods brought into a duty-free zone when re-exported.</p>
Who is required to register and what is the threshold?	A supplier carrying on the business of selling goods and providing services if the annual tax base of its business exceeds 1.8 million Thai baht (THB).
Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, but an overseas company must appoint a fiscal representative and meet certain conditions prescribed by the director-general of revenue.



What is the typical frequency of returns?

Monthly.

Are there any items that a registered business cannot recover VAT on?

Yes, VAT input tax is not recoverable if there is no tax invoice; if the buyer fails to show a tax invoice without a reasonable cause; if the invoice is incorrect or incomplete; if the input tax is not directly related to the carrying on of a business; if the input tax arises from entertainment expenses (entertaining guests or a similar activity); if the tax invoice was issued by an unauthorized person; and if the input tax is prescribed by the director-general with the minister's approval.

Can an overseas company recover VAT if it is not registered?

No.

How long does it typically take to obtain a VAT refund following a return filing?

3 to 6 months, depending on the filing history of the VAT operator.

Are there specific requirements for invoices to be considered valid for VAT purposes?

Yes, a tax invoice shall contain the words 'tax invoice' in a prominent place; the name, address and taxpayer identification number of the supplier; the name and address of the purchaser; the serial number of the tax invoice; the description, type, category, quantity and value of goods or services; the amount of VAT on the goods or services; the date of issuance; and any other particulars as prescribed by the director-general.

Particulars in a tax invoice shall be in the Thai language, Thai currency and Thai or Arabic numerals. However, a VAT operator may issue a tax invoice in English and use a foreign currency on approval from the director-general of revenue.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- specific business tax
- customs duty
- excise duty
- stamp duty
- house and land tax
- local maintenance tax
- signboard tax.

New update: E-Tax invoice by email

On 1 March 2017, the Thai Revenue Department issued the new department regulation concerning E-Tax invoicing by email. This regulation is applicable to individuals or companies that have an annual revenue of no more than THB30 million for their fiscal year beginning on or after 1 January 2015. The applicant must follow the rules and conditions prescribed by this regulation for preparing and keeping tax invoices and receipts.



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# Vietnam

Type of indirect tax:	VAT.
Standard rate:	10%.
What supplies are liable to the standard rate?	Goods and services used for the purposes of production, trading and consumption in Vietnam.
Are there any reduced rates, zero- rates or exemptions and if so, what do they apply to?	<p>Zero-rate: exported goods or services, construction and installation overseas and in non-tariff zones, international transportation and certain airline and marine services.</p> <p>Exempt: there are 28 categories of VAT-exempt supplies including, but not limited to, certain agricultural products; salt products; animal feed; equipment used for agricultural activities; transfer of land use rights; life insurance; financial; medical; public postal and telecommunications; construction work related to cultural work; educational and vocational training; radio and television broadcasting; publication; public transportation; and temporary imported goods for re-export and technology transfer.</p> <p>5%: the provision of certain essential goods and services including, but not limited to, clean water; fresh foodstuffs; medical and educational equipment; and scientific and technology services.</p> <p>VAT ignorable transactions: transactions whereby the supplier is not required to charge VAT but is generally allowed to claim the input VAT associated with such transactions. These transactions include, but are not limited to, payments of indemnities and bonuses; financial assistance or other financial receipts; some services rendered by foreign contractors, such as repair of means of transportation; advertising or brokerage services; disposal of assets owned by non-VAT registered owners; certain intercompany transfers of fixed assets; capital contributions in the form of assets; receipts from insurance claims against a third party; and receipts on behalf of a third party.</p>
Who is required to register and what is the threshold?	VAT registration is compulsory to all organizations and individuals producing and trading taxable goods and services in Vietnam and importing taxable goods or purchasing taxable services from overseas.



Is voluntary registration possible?	Yes.
Is voluntary registration available for an overseas company or a fiscal representative?	Yes, voluntary registration is available to eligible overseas companies carrying on business in Vietnam as foreign contractors, subject to their satisfaction of accounting and bookkeeping requirements under Vietnamese accounting standards.
What is the typical frequency of returns?	Monthly or quarterly.
Are there any items that a registered business cannot recover VAT on?	Yes, these include, and are not limited to, input VAT suffered on purchases for purposes other than producing taxable goods or services; input VAT on invalid invoices; export transactions that do not satisfy bank remittance requirements.
Can an overseas company recover VAT if it is not registered?	No.
How long does it typically take to obtain a VAT refund following a return filing?	The tax administration law generally requires the tax authorities to process a refund application within a maximum period of 6 to 40 days following the receipt of all required documents from the applicant. In practice, delays are common.
Are there specific requirements for invoices to be considered valid for VAT purposes?	Yes, invoices should be in Vietnamese and must contain the invoice type; invoice symbols and invoice number pattern; invoice copy names; invoice serial number; details of the seller and buyer, especially their tax code numbers; details of the goods/services sold; signatures of the buyer and seller, etc.

Does a reverse charge or indirect tax withholding mechanism apply?

Yes.

Is it possible to apply for formal or informal advance rulings from the tax authority?

Yes.

Are there any other indirect taxes that apply in the country?

Other indirect taxes include the following:

- special consumption tax
- import and export duties
- environment protection tax.



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