



KPMG Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 31 May 2018



Asia Pacific Tax Developments

Australia

[Australia: Catalyst – an opportunity to transform](#)

KPMG Australia discusses the launch of six new tax technology solutions at KPMG's Global Technology Catalyst. The Catalyst event launched a range of new industry-leading technology solutions for Fringe Benefits Tax, Fuel Tax Credits, Payroll Tax and Employee Share Schemes.

[More details](#)

[Australia: Directors – the end of a super dilemma](#)

KPMG Australia discuss Directors Superannuation Guarantee amount. As, this has complicated their financial affairs and potentially resulted in additional tax. The recent Federal Budget included a proposal to allow individuals to apply to the Australian Taxation Office (ATO) for an exemption from Superannuation Guarantee from 1 July 2018.

[More details](#)

[Australia: NT payroll tax exemption for hiring resident employees](#)

An exemption from payroll tax was introduced in the 2018-19 Northern Territory (NT) budget for wages paid by employers in NT from 1 May 2018. The exemption applies to:

- An NT resident who, when employed, increases the total number of NT residents employed in the business; or
- Existing employees who relocate to NT as their principal place of residence and increase the number of NT residents employed in the business; or
- An NT resident who is hired in the NT to replace a former employee who was employed outside NT and increases the number of NT residents employed in the business.

[More details](#)

[Australia: One step closer: hybrid mismatch and interposed entity bill introduced](#)

On 24 May 2018, the Government of Australia introduced the Tax Laws Amendment Bill 2018 and accompanying Explanatory Memorandum (EM) which addresses hybrid mismatch arrangements and interposed entity financing transactions through low or no tax jurisdictions.

[More details](#)

China

[China: China Tax Weekly Update – Issue 19](#)

The following matters are covered in this issue :

- Tax reduction measures further clarified
- China to ease limits on foreign investment in futures companies
- Insurance regulator increases scrutiny of related party transactions
- China-Japan social security agreement signed

[More details](#)

[China: China Tax Weekly Update – Issue 18](#)

The following matters are covered in this issue :

- Private pension IIT relief implementation rules
- Simplified procedures for claiming CIT benefits
- Continuance of VAT incentives for the animation industry
- More investment tax guides for “going out” enterprises
- Limits on foreign investment in securities companies eased

[More details](#)

[China: Significant reduction of Import Tariffs on Automotive Vehicles and Parts](#)

On 22 May 2018, the Customs Tariff Commission of the State Council issued the Announcement on the Reduction of Import Tariffs on Automotive Vehicles and Parts, which reduces vehicle tariff rate of 135 tariff codes (25%) and that of 4 tariff codes (20%) respectively to 15%; and reduces auto parts tariff rates of 8%, 10%, 15% and 20% respectively for a total of 79 tariff codes to 6%.

[More details](#)

India

[India: DCF valuation method adopted by the taxpayer has been rejected to determine the taxability under Section 56\(2\)\(viib\) of the Income tax Act](#)

Recently, the Delhi Bench of the Income-tax Appellate Tribunal (the Tribunal) in the case of Agro Portfolio Private Limited (the taxpayer) dealt with the issue with respect to method of valuation to be adopted to determine value of shares transferred and its taxability under Section 56(2)(viib) of the Income-tax Act, 1961 (the Act).

[More details](#)

[India: In the absence of documentary evidence produced by the taxpayer, the tax officer has been directed to inquire into the genuineness and validity of the issue of shares to a sister concern under a family realignment without consideration](#)

Recently, the Delhi Bench of the Income-tax Appellate Tribunal (the Tribunal) in the case of Gagan Infraenergy Ltd. (the taxpayer) dealt with an issue of taxability of gift of shares to a sister concern under a family realignment without consideration.

[More details](#)

[India: Government of India declares 8.55 per cent interest rate on Employees' Provident Funds Scheme for Financial Year 2017-18](#)

The Government of India has declared a rate of interest of 8.55 per cent for crediting interest on Provident Fund (PF) accumulation for members of the Employees' Provident Funds Scheme for the Financial Year (FY) 2017-18. The Employees' Provident Fund Organisation (EPFO) issued a circular dated 25 May 2018 in this regard.

[More details](#)

[India: Payment for marketing and distribution rights of Google Adwords Program is taxable as royalty](#)

The Bangalore Bench of the Income-tax Appellate Tribunal held that the payment for marketing and distribution rights of Google Adwords Program is taxable as royalty. Under the Adwords Program distribution agreement and the service agreement, the taxpayer was given licence to use the confidential information, technical know-how, trade mark, brand features, derivative works, etc. Though the ownership of these intangibles remains with the foreign company, the taxpayer was given the license to use it in order to provide better service.

[More details](#)

[India: Prior to amendments introduced in the Rules, the weighted deduction under Section 35\(2AB\) cannot be disallowed based on DSIR certification](#)

The Pune Bench of the Income-tax Appellate Tribunal held that under the pre-amended provisions where the Research & Development (R&D) facility has been approved by the Department of Industrial and Scientific Research (DSIR), the deduction cannot be denied to the taxpayer on the basis of Form No. 3CL3 issued by DSIR.

[More details](#)

[India: Supreme Court decision on the period to avail deduction under Section 80-IC of the Income-tax Act vis-à-vis other deductions availed by the taxpayer earlier](#)

The Supreme Court held that where the industry is not located in North-Eastern State, the period for which benefit is availed earlier by the taxpayer will not be reckoned for the purpose of availing benefit of Section 80-IC4 of the Act.

[More details](#)

[India: The Delhi High Court restores the matter to the Tribunal to examine the taxability of the payments made under technical support and crew lease agreements under the Income-tax Act as well as under the India-Germany tax treaty](#)

The Income-tax Appellate Tribunal held that lease rent and fee for technical services were business profits, and the payments were not taxable in India under the India-Germany tax treaty (tax treaty) in the absence of a Permanent Establishment (PE) in India.

[More details](#)

[India: The Government of India issues notification on reducing the administrative charges under Employees' Provident Funds and Miscellaneous Provisions Act, 1952](#)

The Government of India made changes in the Employees' Provident Funds Scheme, 1952 (EPFS) by reducing the administrative charges from 0.85 per cent to 0.65 per cent of the monthly, with effect from 1 April 2017.

[More details](#)

India: The Indian company, having franchise rights from a foreign company, does not constitute agency PE of such foreign company in India under the India-U.S. tax treaty

The Delhi Bench of the Income-tax Appellate Tribunal (the Tribunal) in the case of Domino's Pizza International Franchising Inc held that Indian company with whom the taxpayer entered into franchise agreement does not constitute a dependent agent Permanent Establishment (PE) of the taxpayer in India under the India-U.S. tax treaty (tax treaty).

[More details](#)

Indonesia

Indonesia: Revised Tax Holiday Regulations More Attractive for Potential Investors

In early 2018 the Government, through Ministry of Finance PMK No. 35/PMK.010/2018 (PMK 35), issued a revised regulation concerning its Tax Holiday Program. PMK 35 provides greater convenience and more flexibility for investors to obtain a Tax Holiday.

[More details](#)

Korea

Korea: Korean Tax Brief – May 2018

The following matters are covered in this issue :

- 2018 Korea Tax Revisions
 - 2018 Korea Tax Revisions pass the National Assembly plenary session
 - Introducing Promotion on Investment and Collaborative Cooperation Tax
- Recent Supreme Court and Tax Tribunal Cases
 - In order to deny the form of transactions and to impose taxes on the substantial transaction, the series of transactions must be meaningless individually, having only tax avoiding purposes
 - Imposing VAT on the basis of the information derived from the tax audit results of the counterparty
 - Withholding tax penalty cannot be imposed even if the beneficial owner turned out to be different, in case the withholding agent did not know the existence of the beneficial owner

[More details](#)

New Zealand

New Zealand: BEPS Bill and MLI update

The Taxation (Neutralising Base Erosion and Profit Shifting) Bill (the "BEPS Bill") has been reported back from the Finance and Expenditure Committee of Parliament (the "FEC"). The Officials' Report on submissions has been released at the same time. KPMG's taxmail and submission provide more detail on the original proposals.

[More details](#)

Pakistan

Pakistan: CRS reporting deadline extended to 30 June

The Federal Board of Revenue issued a circular extending the reporting deadline to 30 June 2018 for submissions of the common reporting standard (CRS) returns for reporting year 2017. The CRS filing deadline had been 31 May 2018.

[More details](#)

Philippines

Philippines: Keeping up With the TRAIN

Taxpayers can now heave a sigh of relief as another tax filing season has come to pass. As we enter the fifth month since the implementation of Republic Act No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 11-2018 to implement the amendments introduced by the TRAIN Law on withholding of income tax.

[More details](#)

Philippines: TRAIN: Enhancing the VATmobile for Refunds

For this article, Arsean Kerk H Lopez, from KPMG in Philippines, highlights Philippines' Value-added Tax (VAT) refund system and the changes brought by the TRAIN.

[More details](#)

Significant International Tax Developments



OECD: First peer reviews of country-by-country reports, in advance of June 2018 rollout

The Organisation for Economic Cooperation and Development (OECD) released the first peer reviews of the country-by-country (CbC) reporting initiative.

[More details](#)

Beyond Asia Pacific

EU: ECOFIN formally adopts new Mandatory Disclosure Requirements for Intermediaries and Taxpayers - entry into force expected June 2018

On May 25, 2018, the most recent amendments to the Directive on administrative cooperation in the field of taxation ("DAC 6"), which introduce mandatory disclosure requirements for tax intermediaries, were formally adopted by the Economic and Financial Affairs Council (ECOFIN). The publication of the Directive in the Official Journal of the European Union is expected shortly. The importance of this is that these new mandatory disclosure rules will enter into force twenty days after the publication in the Official Journal, therefore most likely in June 2018.

[More details](#)

[United States: IRS five-year strategic plan](#)

The IRS today announced the release of a new five-year strategic plan that outlines goals to improve taxpayer service and tax administration.

[More details](#)

[TaxNewsFlash by Region](#)

For the latest tax developments from other regions see the following links:

[Africa](#)

[Americas](#)

[Europe](#)

[United States](#)

KPMG Asia Pacific Tax Centre Contacts

Asia Pacific Regional Leader, Tax



Khoon Ming Ho
Head of Tax, KPMG Asia Pacific
T : +8610 8508 7082
E : khoonming.ho@kpmg.com

Asia Pacific Tax Centre Leader, Regional Tax Partner



Brahma Sharma – KPMG Asia Pacific Limited
Asia Pacific Tax Centre Leader,
Regional Tax Partner
T : +65 8186 7369
E : brahmasharma@kpmg.com.sg

Service Line Specialists

Transfer Pricing Services



Tony Gorgas – KPMG Australia
Asia Pacific Regional Leader,
Transfer Pricing Services
T : +61 2 9335 8851
E : tgorgas@kpmg.com.au

Financial Services Transfer Pricing



John Kondos – KPMG China
Asia Pacific Regional Leader,
Transfer Pricing Services in the
Financial Services Sector
T : +852 2685 7457
E : john.kondos@kpmg.com

Indirect Tax Services



Lachlan Wolfers – KPMG China
Asia Pacific Regional Leader,
Indirect Tax Services
T : +852 2685 7791
E : lachlan.wolfers@kpmg.com

Research & Development (R&D) Tax Incentives



Alan Garcia – KPMG Australia
Asia Pacific Regional Leader,
R&D Tax Incentives
T : +61 3 9288 6094
E : afgarcia@kpmg.com.au

Global Compliance Management Services



Jenny Clarke – KPMG Australia
Asia Pacific Regional Leader,
Global Compliance Management
Services
T : +61 2 9335 7213
E : jeclarke@kpmg.com.au

Global Mobility Services



Ben Travers – KPMG Australia
Asia Pacific Regional Leader,
Global Mobility Services
T : +61 3 9288 5279
E : btravers1@kpmg.com.au

International Tax

Deal Advisory M&A Tax



Christopher Xing – KPMG China
 Asia Pacific Regional Leader,
 International Tax
 T : +8610 8508 7072
 E : christopher.xing@kpmg.com



Angus Wilson – KPMG Australia
 Asia Pacific Regional Leader,
 Deal Advisory M&A Tax
 T: +61 2 9335 8288
 E: arwilson@kpmg.com.au

Dispute Resolution and Controversy



Angela Wood – KPMG Australia
 Asia Pacific Regional Leader,
 Dispute Resolution and Controversy
 T: +61 3 9288 6408
 E: angelawood@kpmg.com.au

Legal Services



Stuart Fuller – KPMG Australia
 Asia Pacific Regional Leader,
 Legal Services
 T: +61 2 9458 1590
 E: stuartfuller@kpmg.com.au

Trade & Customs



Leonie Ferretter– KPMG Australia
 Asia Pacific Regional Leader,
 Trade & Customs Services
 T: +61 2 9455 9330
 E: lferretter@kpmg.com.au

Market Sector Specialists

Financial Services



Christopher Abbiss – KPMG China
 Asia Pacific Regional Tax Leader,
 Financial Services and Banking
 Sector
 T: +852 2826 7226
 E: chris.abbiss@kpmg.com

Alternative Investments & Private Equity



Simon Clark – KPMG in Singapore
 Asia Pacific Regional Tax Leader,
 Alternative Investments and Private
 Equity sector
 T : +65 6213 2152
 E : simonclark1@kpmg.com.sg

Sovereign Wealth and Pension Funds



Angus Wilson – KPMG Australia
 Asia Pacific Regional Leader,
 Sovereign Wealth and Pension
 Funds Sector
 T: +61 2 9335 8288
 E: arwilson@kpmg.com.au

Energy & Natural Resources



Carlo Franchina – KPMG Australia
 Asia Pacific Regional Tax Leader,
 Energy & Natural Resources Sector
 T: +61 8 9263 7239
 E: cfranchina@kpmg.com.au

Insurance



John Salvaris – KPMG Australia
 Asia Pacific Regional Leader,
 Insurance Sector
 T : +61 3 9288 5744
 E : jsalvaris@kpmg.com.au

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