



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 31 March 2016



Budget Announcements



Singapore: Budget 2016

Singapore's budget for 2016 reflects initiatives of the new Finance Minister and the government's desire to balance both social and business needs.

This year's budget focuses in part on small and medium sized enterprises (SMEs), and pledges support for SMEs that are venturing into innovation and exploring foreign markets, by affording easier access to government grants and support.

The focus is outside of large multinational companies, yet the approach is sector-focused, with calibrated measures that address the unique needs and challenges faced by Singapore's SMEs.

[Singapore Budget 2016](#)

Asia Pacific Tax Developments

Australia

Australia: Common reporting standard (CRS) enacted

Common reporting standard (CRS) enabling legislation in Australia received Royal Assent and took effect on 18 March 2016.

Enactment of this legislation provides Australian Financial Institutions with certainty on the obligations they must meet under the CRS.

[More details](#)

Australia: Consistent documentation of business transactions more important than ever

The ongoing compliance monitoring of the R&D Tax Incentive regime by the Australian Taxation Office (ATO) and AusIndustry includes a focus on reviewing documentation and other evidence. While this concept is not new to the R&D claimant community, increasing sophistication by the regulators (including the ATO, AusIndustry and other government departments) means taxpayers need to consider what they are communicating to various parts of Government.

KPMG in Australia illustrates the enormous value of documentation and evidence in accessing the R&D Tax Incentive.

[More details](#)

Australia: Customs Compliance Strategy 2016

In the recently issued Goods Compliance Update by Australian Border Force (Customs) the Commander of Customs Compliance provided an outline of 2016's compliance areas of focus. Of particular interest to importers will be the review of the correct use of Tariff Concession Orders (TCOs) and correctly disclosing the customs value of imported goods.

[More details](#)

Australia: Igniting startups with a new tax incentive

If you've got an innovative idea, new legislation just introduced into Parliament will allow you to set up an innovation company to enable your investors to obtain a 20 percent tax incentive offset (capped at \$200,000) and a 10-year capital gains tax (CGT) exemption.

The critical aspect of this legislation is whether you fit within the conditions of being an 'innovation company' and whether your investors qualify for the tax incentives.

[More details](#)

China

China: Customs announcements on customs pre-input system, charitable donations

A report from KPMG in China includes information concerning, among other items:

- China's General Administration of Customs has launched the client software and business data exchange interface for the customs pre-input system (GAC Announcement [2016] No.16)
- China's Customs has issued interim measures for exemption of import taxes on charity donation materials (GAC Announcement [2016] No.17)

[More details](#)

China: Rates, rules for expanded VAT system (effective 1 May)

China's tax authorities on 24 March 2016 issued guidance concerning the expanded value added tax (VAT) regime for certain industry sectors.

[More details](#)

China: VAT rates, rules for financial services, insurance sector

China's Ministry of Finance and State Administration of Taxation jointly issued guidance that sets forth the VAT rates and rules for the financial services and insurance sector as this industry sector transitions from the business tax regime to the VAT system, effective 1 May 2016.

[More details](#)

China: VAT rates, rules for "lifestyle services" sector

China's tax authorities have issued guidance on the transition from the business tax regime to the VAT system for various industry sectors, including the "lifestyle services" sector.

[More details](#)

China: VAT rates, rules for real estate and construction sector

China's Ministry of Finance and State Administration of Taxation has jointly issued guidance that concerns the transition of the real estate and construction sector from the business tax regime to the VAT system.

[More details](#)

India

India: Guidelines for Foreign Direct Investment on e-commerce

E-commerce in recent times has been growing rapidly in India. However, the absence of an express foreign investment policy pertaining to e-commerce was limiting the flow of foreign capital in this sector.

In order to address the concern of various stakeholders and facilitate further investment, the government has provided with awaited guidelines on foreign investment in e-commerce vide Press Note No. 3 (2016 series) dated 29 March 2016.

[More details](#)

India: Tax treatment of payment of inter-connection usage charges by an Indian telecom service provider to a foreign telecom operator

The Delhi Bench of the Income-tax Appellate Tribunal held that the inter-connection facility and the service of the foreign telecom operator (FTO) in picking-up, carrying and successful terminating a call over their respective network is a standard facility, and the FTO does not render any technical services to the taxpayer under the interconnect agreement. Therefore, the payment in the form of interconnection usage charges (IUC) is not in the nature of fee for technical services under the Income-tax Act.

There is no “use” or “right to use” of any process, even under tax treaties, the payment cannot be termed as royalty.

[More details](#)

Singapore

Budget: A wish list for Singapore businesses

In KPMG’s pre-Budget 2016 poll of 106 companies comprising small and medium enterprises (SMEs), large Singapore companies and foreign MNCs, almost half the respondents were in favour of more government schemes to promote Singaporean owned businesses. Traditionally, MNCs have driven economic growth in Singapore but, in the longer term, local brands will need increased support to promote the perception of “Made in Singapore” as high-tech, high-quality and high-value, both locally and globally.

KPMG in Singapore has released a report discussing schemes to encourage local brands and innovation.

[More details](#)

Japan

Japan: Tax reform 2016; passage of the bills

KPMG in Japan has released a report summarising key tax reform measures under the 2016 tax reform bills which were passed by the National Diet on 29 March 2016.

[More details](#)

Vietnam

Vietnam: Accounting for foreign currency-denominated transactions

Vietnam’s Ministry of Finance issued guidance concerning how to determine the exchange rates with respect to accounting for foreign currency transactions and for converting monetary items denominated in a foreign currency.

[More details](#)

Vietnam: Corporate tax incentives; VAT development updates

The tax authorities in Vietnam have recently issued various guidance on Corporate Income Tax and Value Added Tax, such as:

- Guidance (an “official letter”) providing that when a company possesses fixed assets that are used to serve its employees, the expenses associated with the repair and maintenance of such fixed assets are treated as deductible expenses for corporate income tax purposes.
- An official letter provides that when a company acquires a factory from another company, the company is not allowed to “inherit” the tax incentives related to the factory. Rather, the acquisition is considered an expansion investment project for the corporate income tax incentive determination.
- Guidance concerns the VAT declaration for manufacturing projects in supporting industries.
- Etc.

[More details](#)

Vietnam: FATCA reporting due 30 June, unless extension is granted

The State Bank of Vietnam issued guidance to financial institutions concerning reporting under the FATCA regime for the year 2015—reporting that is due by 30 June 2016.

[More details](#)

Significant International Tax Developments



OECD: Treaty benefits for non-CIV funds; BEPS follow-up consultation

The Organisation for Economic Cooperation and Development has released a consultation document outlining issues and requesting comments and suggestions concerning treaty benefits for non-CIV (collective investment vehicle) funds. The consultation document is released as part of the OECD’s follow-up work to Action 6 of the base erosion and profit shifting (BEPS) project.

[More details](#)

Calendar of Events

Date	Event	Location
13 – 14 April 2016	KPMG Goods and Services Tax (GST) seminar 2016 More details	Orchard Hotel, Singapore
9 – 12 May 2016	2016 KPMG Asia Pacific Tax Summit More details	Beijing
21 October 2016	2017 Budget Announcement Contact person: Karen Lee	Parliament House, Kuala Lumpur, Malaysia
26 October 2016	KPMG in Malaysia Tax Summit 2016 Contact person: Karen Lee	One World Hotel, Petaling Jaya, Malaysia

Beyond Asia Pacific

Brazil: New tax rates for capital gains

There is a change to the rates of taxation of capital gains realized by individual taxpayers in Brazil. Previously, the rate of tax was 15%. Under the new rules, capital gains are subject to taxation at progressive rates based on the amount realized.

[More details](#)

Canada: Tax provisions in 2016 budget affecting financial services sector

Entities in Canada's financial services sector need to consider preparing for the effect of certain tax changes proposed in the 2016 federal budget.

[More details](#)

TaxNewsFlash by Region

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

[Africa](#)

[Americas](#)

[Europe](#)

[United States](#)

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