



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 23 June 2016



Budget Announcements



Pakistan: Tax provisions in 2016 finance bill

Pakistan's finance bill 2016 includes tax provisions that generally have an effective date of 1 July 2016.

Among the tax proposals are the following:

- Extension of the one-time "super" tax to tax year 2016 (the "super" tax was initially imposed for tax year 2015 at a rate of 4% on the income of banking companies and 3% on the income of "any other person" having income exceeding Rs. 500 million)
- Fixed tax rates for developers of land and builders of residential, commercial and other buildings
- Graduated tax rates for income from property realized by individuals and associations
- Disallowance of expenses to be extended to instances when there was no withholding by the payer (if withholding is required by law).

[Pakistan Tax Provision in 2016 Finance Bill](#)

Asia Pacific Tax Developments

Australia

Australia: Email may be “export” if containing controlled technology and sent abroad

KPMG Australia discusses some counter-intuitive potential outcomes of Australia's export controls regime.

If the email contains controlled technology, software or designs, and is sent to a recipient outside of Australia, it is an export. Failure to obtain a permit to “export” can incur penalties of \$450,000 per export and up to 10 years' imprisonment.

[More details](#)

Australia: Changes to tax treatment of “earn-out” arrangements

Changes enacted in early 2016 removed some uncertainty concerning the tax treatment of earn-out payments or receipts. There is a “look-through” capital gains tax treatment for earn-out rights under which (1) capital gains and losses arising in respect of look-through earn-out rights will be disregarded; and (2) payments received or paid under the earn-out arrangements will affect the capital proceeds and cost base of the underlying asset(s) to which the earn-out arrangement relates.

[More details](#)

Australia: State Tax measures from the Queensland budget

KPMG Australia discusses the 2016–17 Queensland State Budget delivered on 14 June. The Budget focuses on the three I's: innovation, investment and infrastructure.

[More details](#)

China

China: China Tax weekly update

KPMG China has issued a newsletter that provides various tax updates on:

- OECD TP Guidelines updated for BEPS changes
- SAT clarifies the use of HK tax residence certificate in mainland China (SAT Announcement [2016] No. 35)
- STB and LTB new joint tax audit measures (Shui Zong Fa [2016] No. 84)
- SAFE relaxes capital account forex settlement (Hui Fa [2016] No. 16)
- GAC further expands the bonded supervision model for ATSE to another 14 trial cities (GAC Announcement [2016] No. 36)
- An initiative to deal with non-compliance by dormant enterprises (Gong Shang Qi Jian Zi [2016] No. 97)
- Further local VAT reform implementation rules
- New scheme of China (Shanghai) Cross-border E-commerce Pilot Zone released (Hu Fu Ban Fa [2016] No. 23)

- Shanghai gives certain tax benefits automatic effect
- New administrative procedures on settlement of Land Value-added Tax (LVAT) in Beijing (BLTB Announcement [2016] No. 7)

[More details](#)

China: VAT treatment of reinsurance arrangements

China's tax authorities issued guidance (Circular *Caishui [2016] 68*) concerning the value added tax (VAT) treatment of reinsurance arrangements.

The circular is the first in a series of what is expected to be guidance to clarify uncertainties with respect to the recently released VAT rules.

[More details](#)

Hong Kong SAR

Hong Kong: Guidance on extension of offshore funds exemption to PE funds

Hong Kong's Inland Revenue Department (IRD) has released a new Departmental Interpretation and Practice Note (DIPN) in which it outlines its interpretation of the ordinance enacted last year that sought to extend the tax exemption for offshore funds to private equity firms.

[More details](#)

India

India: Allotment of bonus shares

The Bangalore Bench of the Income Tax Appellate Tribunal held that bonus shares cannot be considered to be as received without consideration or for inadequate consideration and, therefore, are not taxable under Section 56(2)(vii)(c) of the Income-tax Act, 1961.

[More details](#)

India: Contribution of land to AOP for joint development

The Pune Bench of the Income-tax Appellate Tribunal held that a contribution of land to "association of persons" (AOP) formed for joint development of property is not a transfer of a capital asset but is a joint pooling of resources by different parties. Therefore, security deposits received with respect to the contribution made by the taxpayer is not taxable as a capital gain.

[More details](#)

India: Employee benefits, insurance

The Ministry of Labour and Employment issued guidance to increase the benefits under the Employees' Provident Fund Organisation.

[More details](#)

India: FATCA and CRS guidance

India's Central Board of Direct Taxes (CBDT) issued clarifications with respect to implementation of FATCA and common reporting standard (CRS), following consultations with financial institutions. [More details](#)

India: Inconsistent positions of tax authorities; same transaction, different years

The Ahmedabad Bench of the Income-tax Appellate Tribunal held that the tax authorities cannot take different positions in separate years, concerning the same international transaction agreement.

[More details](#)

India: Initial assessment year

The Gujarat High Court held that the taxpayer's initial assessment year under section 80B(11A) is the assessment year in which the taxpayer commenced business and not the assessment year when the section was amended.

[More details](#)

India: "Model" GST draft law

The Empowered Committee of State Finance Ministers released two drafts of the GST law along with valuation rules to be adopted under a GST regime: (1) The Central/State Goods and Services Tax Act, 2016; (2) Integrated Goods and Services Tax Act, 2016.

With the release of the model GST law on 14 June 2016, this moves India closer to implementing a GST by 1 April 2017 – provided that the Rajya Sabha approves the constitution amendment bill in the upcoming "monsoon session."

[More details](#)

India: No transfer pricing adjustment warranted for corporate guarantee

The Chennai Bench of the Income-tax Appellate Tribunal found that an interest-free loan extended by the taxpayer to related parties was an attempt by the taxpayer to reduce its tax burden.

Given this finding, interest was to be computed on notional basis by applying LIBOR rate.

[More details](#)

India: Rent-free accommodation provided by employer

The Mumbai Bench of the Income-tax Appellate Tribunal held that notional interest on a security deposit paid by an employer, to a landlord in respect of a rent-free accommodation provided to employees, is not to be considered a taxable benefit to the employees.

[More details](#)

India: Salary received by non-resident

The Kolkata Bench of the Income Tax Appellate Tribunal held that income received by a non-resident taxpayer is taxable in India when the income is received in India.

[More details](#)

India: Tax exemption under split-residency position

The Delhi Bench of the Income-tax Appellate Tribunal held that salary income earned outside India by an individual who qualified as a resident of another country is eligible for tax exemption in India under the relevant tax treaty based on a split-residency position.

[More details](#)

India: Withholding tax on payments for highway toll-collecting services

The Vishakhapatnam Bench of the Income-tax Appellate Tribunal held that tax must be withheld (deducted) from the amount of payment made to toll-collecting agencies under section 194C of the Income-tax Act, 1961.

[More details](#)

Indonesia

Indonesia: Transformation of compliance

With increased scrutiny from tax authorities, legislators and even non-governmental organizations, companies are revisiting their approach to compliance to ensure it is fit for purpose.

The article looks at the ways in which global compliance is becoming more complex for multinationals, who are now taking a close look at compliance delivery models to ensure they are making the right investments that can effectively address the new reporting requirements ahead.

[More details](#)

Japan

Japan: Corporate tax rate in Tokyo for fiscal years beginning on or after April 2017

Measures establishing the rates for local taxes, business tax and "inhabitant" tax, in Tokyo were passed by the Tokyo metropolitan assembly on 15 June 2016.

[More details](#)

Malaysia

Malaysia: GST bad debt relief

The Royal Malaysian Customs Department has provided further clarification on its official website that, with effect from 20 June 2016, the notification of bad debt relief must be made through the Taxpayer Access Point.

[More details](#)

Malaysia: Amendment to item 6 of the Director General's Decision 5/2015

The Royal Malaysian Customs Department has amended item 6 of the Director General's Decision 5/2015 on the GST treatment for disbursement and reimbursement.

The amended Director General's Decision provides a list of criteria that must be fulfilled to conclude that a recovery of expenses by a GST registered person is a disbursement for GST purposes.

[More details](#)

Malaysia: Transfer of going concern

KPMG in Malaysia has prepared a newsletter that summarises the notable updates and clarifications provided in the recently revised GST Guide on Transfer of Business as a Going Concern.

[More details](#)

Singapore

Singapore: Guidance concerning GST treatment of fringe benefits

The Inland Revenue Authority of Singapore issued guidance concerning the goods and services tax (GST) treatment of fringe benefits. In general, the GST treatment turns on what constitutes a “business purpose.”

The new guidance (May 2016) provides that a fringe benefit will be considered as incurred for a business purpose if it has a close nexus to the business activities.

[More details](#)

Thailand

Thailand: Penalty relief, profits and losses from investment projects

The Thai Revenue Department issued guidance concerning the tax treatment of profits and losses from multiple Board of Investment (BOI) privileges.

The guidance addresses the findings of court decisions and provides certain penalty relief for taxpayers that did not appropriately offset their profits and losses from multiple BOI privileges.

[More details](#)

Calendar of Events

Date	Event	Location
24 June – 12 July 2016	Automotive Industry Tax Workshop More details	Shanghai, China
14- 15 July 2016	Corporate Treasury Management Course 2016: Insight for bankers Contact person: Kieran Marnell More details	Singapore Marriott Tang Plaza Hotel, Singapore
20 July 2016	Update on IRAS GST e-Tax Guides and Singapore personal income tax, focusing on taxation of benefits-in-kind Contact person: Shirley Tay More details	Orchard Hotel, 442 Orchard Hotel, Singapore
16 August 2016	Tax/Immigration Planning for Global Mobility Employees to Malaysia and GST from HR Perspective Contact person: Carmen Yong	Malaysia
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

Significant International Tax Developments



OECD: Webcast discussions about BEPS, tax transparency

The Organisation for Economic Cooperation and Development (OECD) has hosted a webcast, during which recent and upcoming developments in the OECD's international tax work were examined.

[More details](#)

Beyond Asia Pacific

Canada: GST/HST Deadline 30 June, for Investment Funds

Many fund managers—including mutual and segregated fund managers—need to consider certain GST/HST and QST* requirements as they help their investment plans meet important tax obligations by 30 June 2016.

[More details](#)

Czech Republic: Disclosure of Non-Financial Information

An EU directive—that introduces a system of non-financial reporting—is to be transposed into the Czech legal system by December 2016, and thus requiring the initial disclosure of non-financial information for the accounting period beginning on or after 1 January 2017.

[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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