



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 22 June 2017



Asia Pacific Tax Developments

Australia

Australia: Federal Court on duty drawbacks: who is the legal owner?

The Federal Court recently ruled in favour of the Customs, determining that the legal owner of goods for duty drawback claims are the customers which had purchased the goods from Duty Free Sydney Pty Ltd (“DFS”), not DFS itself.

[More details](#)

Australia: Tax provisions in 2017 NSW budget

New South Wales announced various changes to their State taxes as part of the Budget handed down on 20 June 2017. The changes were introduced under the State Revenue and Other Legislation Amendment (Budget Measures) Bill 2017. Various measures to assist first home buyers which were announced on 1 June 2017 have also been included in the amending Bill.

[More details](#)

China

China: China Tax Weekly Update – Issue 22

The following matters are covered in this issue:

- China builds system for personal information collection
- VAT invoice issuance policies clarified by SAT
- CIT deductions for advertising and marketing expenses
- Implementation rules for new R&D “bonus deduction”
- Implementation rules for IIT preferential treatment for health insurance products

- New rules on FIE establishment and equity transfer

[More details](#)

Hong Kong SAR

Hong Kong: CRS: Bill passed for the Expansion of the List of Reportable Jurisdictions

The Inland Revenue (Amendment) (No. 3) Bill 2017 expands the list of Hong Kong's CRS reportable jurisdictions from two to 75.

Financial institutions in Hong Kong are required to report full year information for 2017 regarding financial accounts held by tax residents of Japan and the United Kingdom.

[More details](#)

India

India: CBDT issues a press release and a draft notification on special transitional provisions for a foreign company said to be resident in India on account of Place of Effective Management

The Central Board of Direct Taxes (CBDT) issued a press release and the draft notification providing for exceptions, modifications, and adaptations for application of provisions of the income tax law when a foreign company is said to be a resident in India based on its place of effective management.

[More details](#)

India: Multilateral Convention - impact on India vis-à-vis other treaty partners

KPMG in India highlighted the key amendments proposed to the Multilateral Convention and its impact on India vis-à-vis various other countries:

- Prevention of treaty abuse
- Capital Gains from Alienation of Shares or Interests of Entities Deriving their Value Principally from Immovable Property
- Dividend Transfer Transactions
- Artificial avoidance of PE status through commissionaire arrangements and similar strategies
- Dispute Resolution
- Arbitration

[More details](#)

India: Notional interest on “deemed advances” involving related parties

The CBDT released guidance concerning the computation of “notional interest” on amounts deemed to be advances made by the taxpayer to a related party. The advances are deemed to exist when the taxpayer does not repatriate and offer to tax in India, amounts of taxable profits (or reductions in losses) that flow from transfer pricing adjustments that are assigned to a related party. [More details](#)

India: Tribunal rejects internal comparables, but looks to comparability factors

The Ahmedabad Bench of the Income-tax Appellate Tribunal held that the “internal cost plus method” (comparing profit margin on sales to related parties in relation to sales to non-related parties) could not be adopted to benchmark exports of finished goods to a related party when there were differences in the geographical location of the market and in the value chain and utility of the product. Thus, the tribunal rejected the position of the Transfer Pricing Officer.

[More details](#)

Indonesia

Indonesia: Book value for asset transfers, acquisitions in corporate reorganizations

The Ministry of Finance released a regulation—No. 52/PMK.10/2017—regarding the use of book value for the transfer and acquisition of assets in the context of mergers, consolidations, expansions or acquisitions involving corporate taxpayers.

The new regulation allows business acquisitions to use book value in the transfer and acquisition of asset.

[More details](#)

Japan

Japan: Amended scope of inheritance tax, gift tax

To encourage foreigners to live and work in Japan, tax reform measures have been enacted in 2017 to amend the scope of the inheritance tax (or gift tax) on transfers involving property located outside Japan. Subject to certain conditions, such inheritances (or gifts) will not be subject to Japanese inheritance tax (or gift tax). On the other hand, in order to prevent wealthy Japanese individuals from deterring tax by relocating outside Japan, inheritance tax/ gift tax has been imposed on all properties located in / outside Japan under certain circumstances.

[More details](#)

Singapore

Singapore: 68 Countries Sign the Multilateral Instrument Implementing the Treaty Related BEPS Provisions

On 7 June 2017, the Organisation for Economic Cooperation and Development (OECD) hosted a signing ceremony for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS) under BEPS Action 15 (the “Multilateral Instrument” or “MLI”).

Based on the current signatories, and subject to ratification, the ceremony will result in changes to at least 47 Avoidance of Double Taxation Agreements in Singapore.

[More details](#)

Thailand

Thailand: New Law to Exempt Foreign Business License for Certain Business Services

With effect from 9 June 2017, certain qualifying services are exempted from the foreign business license (FBL) requirements contained in List Three annexed to the Foreign Business Act. It should be noted that although a FBL is no longer required for qualifying business services, foreign companies operating in Thailand remain subject to other requirements such as the requirement to obtain a registration number or a taxpayer identification number, filing requirements and other Thai licensing requirements under specific laws.

[More details](#)

Vietnam

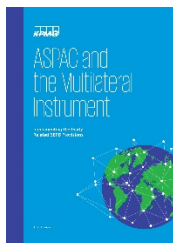
Vietnam: Incentives, tax support for SMEs in new law

The National Assembly has recently passed the Law on Supporting SME ("SME Law") to support micro, small and medium-sized enterprises. Support measures put in place include:-

- Lower corporate tax rates
- Simpler accounting system and tax administrative procedures
- Easier credit access
- Reduction in land rent for acquisition of production space
- Incentives for implementation of technology
- Expansion into the market

[More details](#)

Thought Leadership



ASPAC and the Multilateral Instrument

For those with international structures, the signing of the Multilateral Instrument (MLI) on 7 June 2017 in Paris presents a new phase in thinking about treaties. There were 67 signatories including all major economies with the exception of the United States and Brazil.

These included 11 countries in our region, 7 in the Americas and 27 of the 28 EU Countries. More have expressed and intention to sign up in the coming months.

There are more than 1,100 treaties that have changed, with about 360 treaties changed in our region.

The detail of the changes and likely timing are complex.

One thing is clear: all signatories have agreed to the Principal Purpose Test. This will give rise to a new focus on equity and debt chains both by multinational corporations and various funds, but also by revenue authorities.

The KPMG publication - ASPAC and the Multilateral Instrument outlines the major changes and the choices made by 11 countries in the Asia-Pacific Region.

[More details](#)

Beyond Asia Pacific

EU: Proposed mandatory disclosure of reportable cross-border arrangements

The European Commission announced a proposal for amending a directive on administrative cooperation in the field of taxation (Directive 2011/16/EU). The proposal introduces a requirement that intermediaries disclose potentially aggressive cross-border tax planning arrangements and includes instructions for tax administrations to exchange this information. The enhanced transparency requirement is a consequence of recent revelations on harmful tax practices, the use of offshore companies (e.g., the “Panama Papers”) and disclosure rules proposed by the OECD in BEPS Action 12.

[More details](#)

United States: House Speaker Ryan’s “first major speech on tax reform”

U.S. House Speaker Paul Ryan recently addressed tax reform in what was described as his “first major speech on tax reform,” and presented at the 2017 manufacturing summit convened by the National Association of Manufacturers.

[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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