



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 26 October 2017



Asia Pacific Tax Developments

Australia

Australia: A new era of taxpayer compliance

Recently there has been an increasing shift towards real time compliance and achieving greater tax certainty in Australia, commencing with measures such as annual compliance arrangements, pre-lodgment compliance reviews, and the reportable tax position schedule.

[More details](#)

Australia: Gotta get ourselves collective

Australia's ability to attract foreign investment has for many years been sub-optimal due to the reluctance of certain overseas investors to put their money into trust structures. The corporate collective investment vehicle (CCIV) regime would create an alternative for Australian investment outside of traditional trust structures. KPMG Australia discusses the merits of the Federal Government's proposed CCIV regime.

[More details](#)

Australia: Long-term construction contracts

KPMG Australia discuss new draft Australian Taxation Office (ATO) Ruling on the recognition of income from long-term construction contracts. The draft is intended to expand its guidance to cover the treatment of expenses and make reference to the new accounting standard. However, the key difference for business may not be with the Ruling but with the fundamental differences that can now exist between the income tax treatment and AASB 15.

[More details](#)

Australia: Stamp duty refunds for developers!

The New South Wales (NSW) Chief Commissioner will release guidelines of the proposed developer rebate for NSW states taxes surcharges, apparently being expanded based on a bill introduced in NSW. The new bill would expand the scope of NSW stamp duty refund and allows for an up-front exemption for "reputable developers" of real estate

[More details](#)

Australia: Tax Office hitches a ride

Before the existence of the app-based ride sharing technologies that are so prevalent today, it was legislated that the cost of any taxi travel, where the journey begins or ends at an employee's place of work, is exempt from Fringe Benefits Tax (FBT) to the extent the travel is undertaken in a conventional licensed taxi. The ATO has recently recognised the absurdity of otherwise identical trips being undertaken in ride share vehicles as having a different treatment for FBT, providing the impetus for a discussion paper to potentially align the tax consequences.

[More details](#)

China

China: China to boost foreign direct investment - Service outsourcing tax incentives

The recent executive meeting of the State Council outlined a series of measures to further boost foreign direct investment in China. One of the new State Council measures extends nationwide the pilot city Corporate Income Tax incentives for advanced technology services enterprises.

[More details](#)

China: Customs Policy Update - September 2017

The following matters are covered in this issue:

- Announcement on Implementing the Mutual Recognition of "Authorized Economic Operators (AEO)" between the Customs Authorities of China and Switzerland
- Announcement on Adding a Customs Supervision Model Code
- Announcement on Issuing and Repealing Some Decisions on Commodity Classification
- Announcement on Repealing the Announcement No.59
- Announcement on Simplifying the Electronic Payment Process of Customs Duties and Dues
- Announcement on Optimizing Consolidated Tax Collection System
- Announcement of the General Administration of Quality Supervision, Inspection and Quarantine and the General Administration of Customs
- Decision of the Ministry of Commerce on Abolishing and Modifying Some Rules
- Announcement of the Ministry of Commerce and the General Administration of Customs on implementation of United Nations Security Council Resolution 2375
- Notice of the General Office of the Ministry of Commerce on Further Work Improvements Pertaining to Tax Reduction and Exemption for Equipment Imported by Foreign Investment Enterprises in the Encouraged Category
- Update on Local Customs Policies

[More details](#)

Hong Kong SAR

Hong Kong: CRS – Proposed Multilateral Approach for Implementing AEOI

The Hong Kong Government gazetted the Inland Revenue (Amendment) (No. 5) Bill 2017 on 6 October 2017. The Bill will give effect to the Multilateral Convention on Mutual Administrative Assistance in Tax Matters in Hong Kong, and amend the Inland Revenue Ordinance to comply with the OECD's requirements under the Common Reporting Standard.

[More details](#)

Hong Kong: AEOI agreement with Switzerland

Representatives from the governments of Hong Kong and Switzerland have signed an agreement for conducting the automatic exchange of financial account information in tax matters (AEOI).

[More details](#)

Hong Kong: New tax measures proposed in Hong Kong Chief Executive's 2017 Policy Address

On 11 October 2017, Carrie Lam, the Chief Executive of Hong Kong, gave her first policy address (2017 Policy Address) to the Legislative Council. In her address, the Chief Executive laid out a wide range of measures to enhance the economy and address various social issues. Included in the proposals are the following tax related measures:-

- Progressive Profits Tax regime for companies
- R&D Incentives
- Health insurance deductions

[More details](#)

Hong Kong: Regional headquarter tax incentive would benefit local economy

A regional headquarter tax incentive regime could allow Hong Kong to join other key locations in the Asia Pacific region that have been successful in attracting multinational corporations and their regional headquarters.

[More details](#)

India

India: DSIR amends guidelines for approval of in-house R&D centres and submission of report under Section 35(2AB) of the Income-tax Act

Recently, the Department of Scientific and Industrial Research (DSIR), has amended the existing guideline for approval of in-house R&D centres and submission of the prescribed report.

[More details](#)

India: Employees' Provident Fund Organisation has issued guidelines for monitoring the Provident Fund Trusts of exempted establishments

Employees' Provident Fund Organisation (EPFO) has issued two circulars with regard to monitoring of the management of the trusts of the exempted establishments.

[More details](#)

India: Country-by-country report due date extended to 31 March 2018

The Central Board of Direct Taxes, being aware of issues encountered by taxpayers in preparing their first CbC report, issued a circular on 25 October 2017 that extends the due date for filing the first CbC report to 31 March 2018.

[More details](#)

India: If the statute is unambiguous, it cannot be contended that the method which is favourable to the taxpayer should be adopted – Supreme Court

It was held that if the language used in the statute is capable of bearing more than one construction, in selecting the true meaning, regard must be given to the consequences resulting from adopting the alternative construction.

[More details](#)

India: “Place of effective management” clarifying guidelines

The KPMG member firm in India has prepared reports about the following tax developments.

- Place of effective management” guidelines
- Method of valuation if the statute is unambiguous
- “Deemed dividend” not taxable to loan recipient

[More details](#)

India: Solar days to be considered and not man days for determining Service PE under the India-Saudi Arabia tax treaty. In the absence of FTS article under a tax treaty, services are taxable under ‘Other Income’ article

Recently, the Bangalore Bench of the Income-tax Appellate Tribunal held that solar days and not man days are to be considered for determining service PE under the India-Saudi Arabia tax treaty. The Tribunal also observed that as the fees for technical services clause is missing in the tax treaty, income from services is taxable under the ‘other income’ article of the tax treaty.

[More details](#)

India: While computing a deduction under Chapter VI-A, it is mandatory to consider depreciation – Supreme Court

Recently, the Supreme Court held that in order to claim deduction under Section 800IA of the Income-tax Act, 1961, it is mandatory to consider depreciation under Section 32 of the Income-tax Act.

[More details](#)

Indonesia

Indonesia: VAT exemption for “basic necessities”

The Ministry of Finance issued guidance that exempts “basic necessities” from value added tax (VAT). The guidance (a regulation) clarifies 11 types of commodities (food items or products) as being eligible for the VAT exemption. The Ministry of Finance also issued guidance that postpones the date for payment of customs duties and related civil penalties. The regulation allows those taxpayers that underpaid their import or export customs duties to delay payment of penalties. The regulation has an effective date of 6 October 2017. The postponement is available only if approved by the Indonesian customs officials

[More details](#)

Japan

Japan: New Tax Treaty with Denmark

On 11 October 2017, the governments of Japan and Denmark signed a new tax treaty, which will supersede the current tax treaty that entered into force in 1968. The new tax treaty is broadly in line with the OECD Model Tax Convention and the Multilateral Instrument.

[More details](#)

New Zealand

New Zealand: US Tax Reform Framework

The White House and the Republican Party leaders in Congress have agreed on a framework for reforming the US tax system. Called the "Unified Tax Reform Framework" it proposes:-

- Reducing from seven to three – 12.5%, 25% and 35% – the number of tax brackets for individuals and replacing specific deductions with a higher standard deduction.
- Repealing taxes that apply on death and the US Alternative Minimum Tax.
- Reducing the US corporate tax rate from 35% to 20%.
- A 25% maximum tax rate for small and family owned US businesses.
- Allowing US businesses to immediately expense their US capital investments.
- Replacing the taxation of US multinationals' worldwide income with a territorial

[More details](#)

Singapore

Singapore: Direct link required for money borrowed and income produced

In this case, the High Court upheld the decision of the Income Tax Board of Review that for interest deductibility under Section 14(1)(a), there is a need to establish a direct link between the money borrowed and the income produced.

The key issue of this case relates to the deductibility of interest expenses incurred by the taxpayer on certain fixed rate subordinated bonds further to a capital restructuring exercise.

[More details](#)

Singapore: Updated FAQs on common reporting standard

The Inland Revenue Authority of Singapore issued an updated version of "frequently asked questions" as guidance on implementation of the common reporting standard measures.

[More details](#)

Calendar of Events

Date	Event	Location
31 October 2017 - 1 November 2017	2017 KPMG Asia Pacific Tax Summit More details	Kerry Hotel, Hong Kong (A Shangri-La Group Hotel) 38 Hung Luen Road, Hung Hom Bay, Kowloon, Hong Kong
9 – 20 November 2017	Tax and Business Summit 2017 More details	Petaling Jaya, Kota Kinabalu, Johor, Kuching, Ipoh, Penang
14 November 2017	Employer's Tax Obligations Workshop (Fundamental) Contact person: Carmen Yong or Katherine Subramaniam More details	One World Hotel, Petaling Jaya, Selangor, Malaysia
17 November 2017	Forms IR8A/IR21 remuneration reporting workshop Contact person: Hanna Surani More details	Singapore Marriott Tang Plaza Hotel, 320 Orchard Road, Singapore 238865

Significant International Tax Developments



OECD: Comments to tax challenges of digitalization (BEPS Action 1)

The request for comments was part of the ongoing work of the The Organisation for Economic Cooperation and Development (OECD) Task Force on the Digital Economy. The request for comments related to the tax challenges raised by digitalization and the potential options to address these challenges.

KPMG tax professionals have responded with comments to a series of questions related to BEPS Action 1 (Addressing the tax challenges of the digital economy) and an interim report.

[More details](#)

OECD: Guidance on VAT and consumption tax collection, cross-border sales

The OECD announced the release of new implementation guidance to promote the effective collection of consumption taxes on cross-border sales

[More details](#)

OECD: Public consultation on 1 November, tax challenges of digitalisation

The OECD released the comments received concerning a request for information about the tax challenges of digitalisation, and announced a public consultation (hearing) on this topic scheduled for 1 November 2017.

[More details](#)

OECD: Public consultations on transfer pricing matters

The OECD announced two public consultations on transfer pricing matters, to be held 6-7 November 2017 in Paris, France. According to the OECD's [consultation release](#), the events will focus on matters covered by two discussion drafts published in June 2017, and for which written comments have been invited:

- Revised guidance on profit splits
- Attribution of profits to permanent establishments

[More details](#)

OECD: Update on BEPS project; harmful tax incentives being dismantled

The OECD announced that governments have dismantled, or are in the process of amending, approximately 100 preferential tax regimes as part of the OECD/G20 base erosion and profit shifting (BEPS) standards to improve the international tax framework.

[More details](#)

Beyond Asia Pacific

EU: E-News from KPMG's EU Tax Centre - Issue 70

KPMG's EU Tax Centre helps you understand the complexities of EU tax law and how this can impact your business, enabling you to better predict how rules will develop and how to leverage opportunities and minimize risks arising from EU tax law. E-News provides you with EU tax news that is current and relevant to your business. KPMG's EU Tax Centre compiles a regular update of EU tax developments that can have both a domestic and a cross-border impact. CJEU cases can have implications for your country.

[More details](#)

United States: IRS "business plan" for 2017-2018 includes "burden reducing" projects

The IRS released the 2017-2018 priority guidance plan—often referred to as the IRS "business plan"—that sets forth guidance priorities for the IRS and Treasury Department for the period July 1, 2017, through June 30, 2018

[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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