



# ASPAC Update: Evolving Tax Considerations Across the Region

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2025 US Cross-Border Tax Summit





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# Presenter slides

## James Sanderson

Partner  
KPMG US

## David Ling

Partner  
KPMG China

## Christopher Roberts

Partner  
KPMG Singapore

## Anjani Sharma

Partner, ITT India Lead  
KPMG US

# Agenda

## Overview

**Broader APAC incentive landscape in the context of Pillar 2**

**Singapore Incentive Landscape**

**India Tax Trends Update**

**China Tax Trends Update**

**Q&A**



# Overview



# ASPAC Region – Macroeconomic Trends

1

**Pillar 2 Impact to MNE's footprint in the region**

2

**Tariff and Trade War Impacts on MNE's Supply Chain**

3

**ASPAC Tax Incentives in a Pillar 2 Environment**



# The Tariff Landscape – Jurisdictional Outlook



\*Source: Per White House executive orders and proclamation, and corresponding Federal Register Notices.

# Interactions between incentives and BEPS Pillar 2



**If our group is subject to Pillar 2, does it mean our incentive would no longer be beneficial?**



**Will we always have Top-up Tax liability if we are enjoying tax incentives?**



**How will the new RIC work differently from other tax incentives in my Pillar 2 calculation?**



- Modelling current and future impact – include jurisdictional blending and SBIE optimisation
- Sensitivity testing – Model impact of new proposed or legislated incentive programs
- Scenario testing – impact on expected GloBE ETR and actual ETR due to incentive conditions
- Accounting issues related to RIC/grants
- Watch out for the impact of pre-regime incentives
- Involvement in public/closed-door consultations on alternative incentives



02

# Broader APAC incentive landscape in the context of Pillar 2



# Incentives in a Post-BEPS World | Asia Pacific



## Singapore

### Introduction of Refundable Investment Credit

- Support up to 50% of eligible expenses
- Can be offset against corporate tax payable, with any unutilised credit refunded within 4 years
- Supported activities include investing in new productive capacity, digital service activities, headquarter activities, commodity trading, R&D and green transition activities.

### New Incentive Tax-Rate Tier

- Singapore has introduced an additional incentive tax-rate tier (i.e., 15%) to address GloBE and STTR concerns, and to ensure that Singapore's tax incentive remains relevant and competitive:



## Malaysia

### Introduction of New Incentive Framework:

Focus on high-value activities rather than specific products, starting from the third quarter of 2025. The new incentives aim to:

- Enhance the cohesion of the electronic and electrical sector
- Provide special tax deductions to learning institutions for the development of new courses in emerging technologies

For **Global Minimum Tax (GMT)** purposes, the government will streamline existing incentives, new non-tax incentives, and study the feasibility of the Strategic Investment Tax Credit.





# Incentives in a Post-BEPS World | Asia Pacific



## Vietnam

### Investment Support Fund

- Investment support for eligible taxpayers in targeted industries where stipulated conditions are met.

**Cash grant based on a percentage of the expenses relating to certain activities (high-tech, R&D). Now funded out of general revenue.**



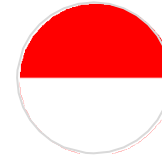
## Thailand

### Competitiveness Enhancement Fund

- Investment support for eligible taxpayers in targeted industries where stipulated conditions are met.

### Election to apply a 10% corporate income tax (“CIT”) rate

- Election for a 10% CIT rate in lieu of income tax exemption which will also double the taxpayer’s tax incentive period by the remaining tax exemption period



## Indonesia

### Redesigning tax Incentives and reviewing tax holidays

- In light of Pillar 2, the government is considering adjustments to ensure that these incentives align with the new rules while maintaining Indonesia’s competitiveness, particularly those related to low tax rates such as tax holidays and special economic zone benefits.

**There has not been a formal government announcement specifically focused on major reforms.**

# Incentives in a Post-BEPS World | Asia Pacific



## India

### Pillar 2 Compliance Consideration:

- India has indicated that it will align its tax incentives framework with Pillar 2 requirements. Despite an expectation that the Union Budget 2024 on 23 July 2024 would propose a framework for the implementation of Pillar Two, the Budget presently makes no mention of Pillar Two.

### Focus on Existing Incentives:

- India continues to promote existing tax incentives, particularly under the Production Linked Incentive (PLI) scheme and Special Economic Zones (SEZs), which are key to boosting domestic manufacturing and exports.



## China

**As of now, China has not issued a detailed or official announcement regarding its specific responses to BEPS Pillar 2 and the future of its tax incentives regime.**



## Hong Kong

**Hong Kong will introduce a new patent box regime – 5% concessionary tax rate for Hong Kong (SAR, China) sourced taxable (i.e., noncapital) profits derived from use or sale of eligible IP, subject to certain conditions.**



## South Korea

**Extends application period for R&D and Integrated Investment tax credits from 31 December 2024 to 31 December 2027**



# Incentives in a Post-BEPS World | Asia Pacific



## Japan

**Japan will introduce a new tax incentive for intellectual property, named the “Innovation Box” regime, for seven years beginning April 1, 2025:**

- Encourage companies to conduct their R&D activities in Japan and strengthen the competitive ability of Japan as a site location for such activities.
- A 30% deduction for qualifying income from domestic transfers or domestic or international licences of intellectual property (IP) rights, provided the company carries out the R&D activities in Japan.



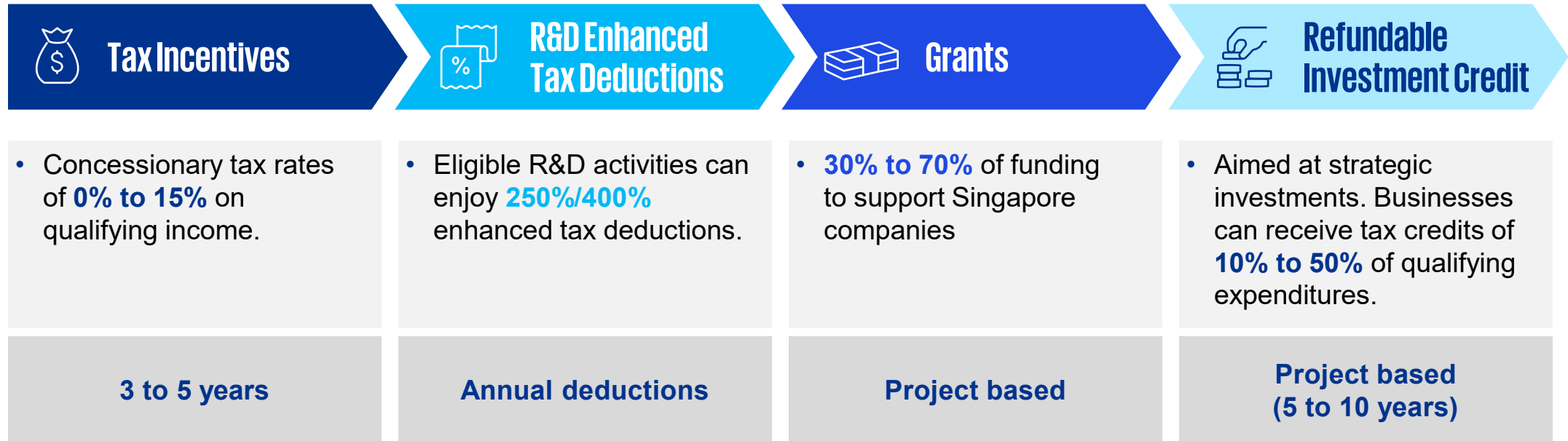


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# Singapore Incentive Landscape



# Singapore Tax Incentives, R&D Enhanced Deductions, Grants and Tax Credits



## Preliminary considerations

Functions of the Singapore company

Timing of application  
(i.e. before or after based in Singapore)

# Refundable Investment Credit (RIC) | Benefits & Scope (1/3)



The RIC encourages companies to make sizeable investments that bring substantive economic activities to Singapore and will be awarded through the Economic Development Board (EDB)/Enterprise Singapore.



The scheme falls within the framework of the OECD Pillar Two Model Rules to be treated as a qualified refundable tax credit (QRTC), given Singapore will implement the Pillar Two top-up taxes effective from Year 2025.



## Benefits

- Up to **10%, 30%, 50%** support on qualifying costs, subject to cap.
- Support rates will commensurate with the economic outcomes the activity is expected to bring.
- Tax credits to be offset against corporate income tax payable
- Up to **10 years** qualifying period.
- Unutilised tax credits will be refunded in cash **within 4 years**.
- Involves the economic agencies and Singapore tax authority for smooth administration of the scheme.
- More details to be released by 3Q2025.

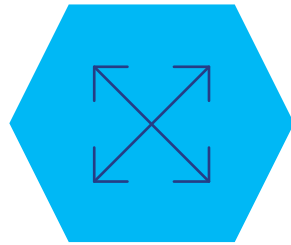
# Refundable Investment Credit (RIC) | Benefits & Scope (2/3)

## Activities Covered



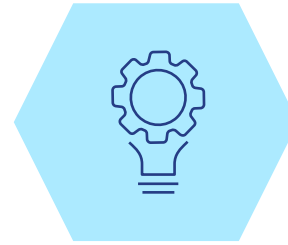
### Investing in new productive capacity

e.g. new manufacturing plant, production of low-carbon energy.

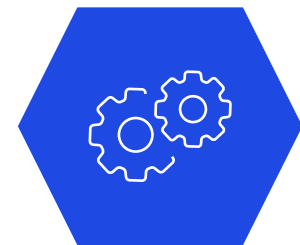


### Expansion or Establishment of:

- Headquarter activities, or
- Centers of Excellence.
- Digital services, professional services, supply chain management



### R&D and Innovation activities







### Implementing solutions with decarbonization objectives



# Refundable Investment Credit (RIC) | Benefits & Scope (3/3)

Qualifying expenditure categories include:

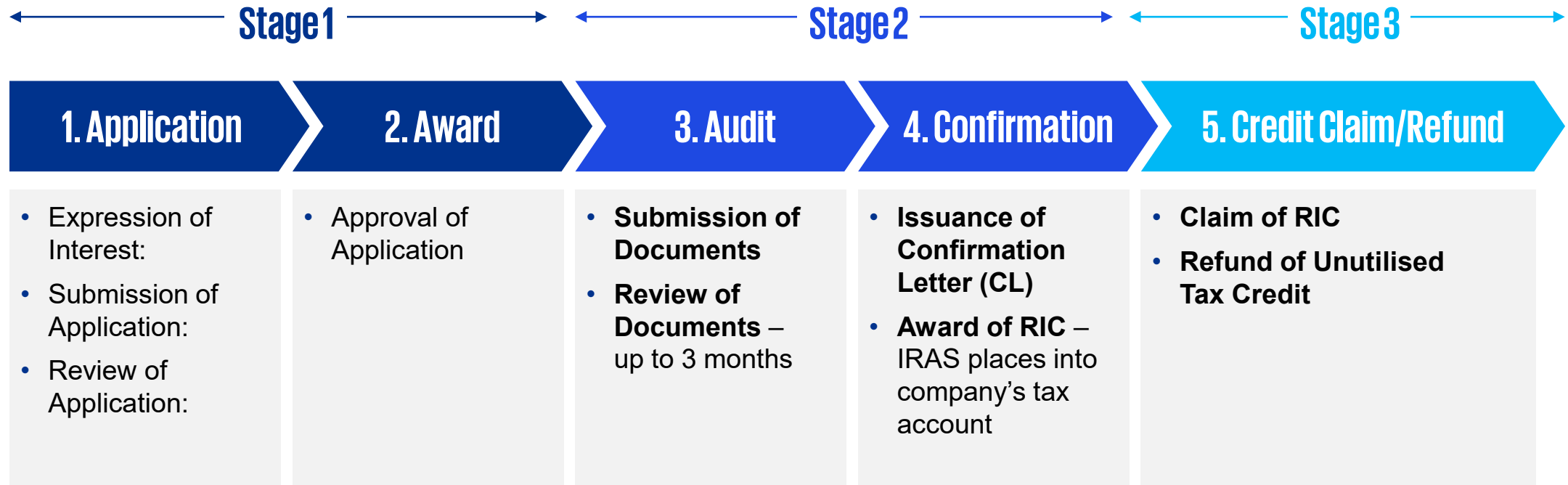
01		Capital Expenditure
02		Manpower Costs
03		Training Costs
04		Professional Fees
05		Fees for Work Outsourced in Singapore
06		Materials and Consumables
07		Freight and Logistics Costs

## Observations

### Comparison to other schemes

- **Enhanced support provided**
  - No cap on the tax credit amount.
- **Assurance**
  - Dual administration by economic agencies and tax authority (i.e., EDB/Enterprise Singapore and IRAS).
- **Wider scope of activities**
  - Supports a spectrum of activities such as R&D/Innovation, establishment of headquarters, new productive capabilities, ESG-related activities.

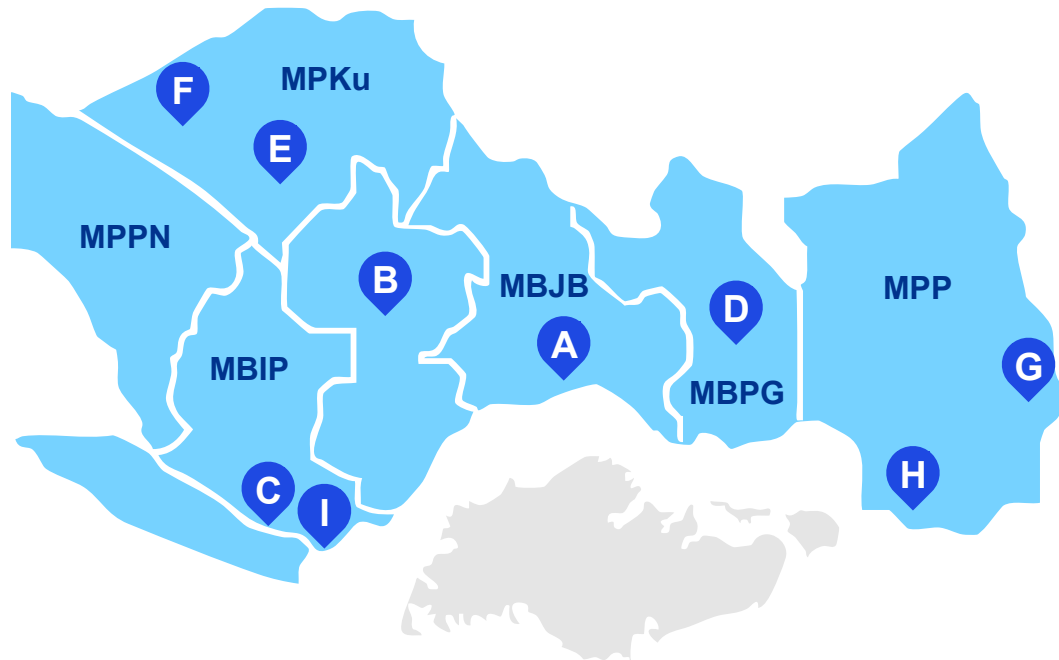
# Credit Application & Mechanism – Singapore EDB



- Assessment factors include both quantitative and qualitative economic considerations.
- The company must meet all incentive terms and conditions; comply with reporting (annual progress report, annual realisation report) and audit/verification requirements.



# Johor-Singapore – SEZ



- A Johor Bahru Waterfront**  
Business services, digital economy, health
- B Iskandar Puteri**  
Manufacturing, business services, digital economy, education, health, tourism
- C Tanjung Pelepas**  
Manufacturing, energy, logistics
- D Tanjung Langsat – Kong Kong**  
Manufacturing, energy, logistics
- E Senai – Skudai**  
Manufacturing, digital economy, education, logistics, tourism

- F Kulai – Sedenak**  
Manufacturing, business services, digital economy, education, energy, food security, health, logistics, tourism
- G Desaru – Penawar**  
Education, food security, health, tourism
- H Pengerang Integrated Petroleum Complex**  
Manufacturing, energy, logistics
- I Forest City**  
Financial services



04

# India Tax Trends Update



# The India story is about economic transformation



**6.4%**

**FY'25 GDP growth** (One of the highest among emerging markets)



**7.3%**

**Boost in consumption demand in FY'25**



**18%**

**YoY growth in Gross FDI**  
**\$55.6 Bn vs \$47.2 Bn in H1 FY'25**

**5.6%**

Exports growth in H1 FY'25;  
targeted to cross \$ 1 Tn by FY'26

**US\$ 640 billion**

Strong Forex reserves (Covering 90% of external debt)

**US\$ 5 trillion**

Economy by FY'28;  
\$6.3 TN by FY'30 (IMF projection)

# Recent Tax Trends



## EoDB in focus

- **FDI relaxations** (Space, Defence, Insurance)
- **Stability in Corporate Tax rates**
- From profit linked to **investment linked incentives (PLI)**
- **IFSC (GIFT City)** – emerging as business hub



## Technology led transformation

- **Leveraging data analytics and advanced tech** for intelligent audits
- **Inter-departmental information** exchange
- **Going beyond faceless assessments** to mandatory e-appeals by tax department



## Tax reforms

- **Amendment in select tax treaties**
- **MFN controversy decided in favour of Revenue** by SC
- **BEPS Pillar 1 and 2** – India adopting wait & watch
- New **Direct Tax Code** – to simplify tax laws



## Widening tax base

- **Sharper focus on enhanced compliance** – technology to track leakages
- **GST audits in focus**
- **Expansion of WHT net and increased TCS** on overseas remittances
- **Presumptive taxation Scheme for Non Residents** providing service//technology support to specified Indian Electronics Company



# Snapshot of Direct Tax regime



## Corporate tax rates<sup>#</sup>

**22%** Domestic companies fulfilling certain criteria

**30%** Limited Liability Partnership firms – no tax on repatriation of profits

**35%** Foreign companies (including Branch office, liaison office and project office)

Start ups

IFSC  
(Gift City)



## Key watch out areas

- **Permanent Establishment** risk on employee movement
- **Treaty Eligibility:** Beneficial ownership, Commercial substance
- **TP issues:** Determination of ALP, need-benefit test, attribution of profit
- **Foreign company compliances:** increased questioning on non-tax return filing

<sup>#</sup> Maximum Effective Tax rate inclusive of surcharge/cess: Indian company ~ 25%, Foreign Company ~ 38%

# India's response – No retaliation, Constructive collaboration

## Ministry of Commerce and Industry, Government of India

01

### G-to-G engagement

- India committed to **constructive collaboration**
- Proactive engagement to **resolve or mitigate conditions** cited by the U.S. in its executive order

02

### B-to-G engagement

- **Assessment of implications**
- **Engagement with Indian exporters and industry – Feedback & sizing the impact**
- **Opportunity identification –**  
Example of Apple

03

### Strategic partnership

- Commitment to the **comprehensive global strategic partnership with the United States**
- **COMPACT** *Catalyzing Opportunities for Military Partnership, Accelerated Commerce & Technology for transformative economic ties*

04

### Mission 500 and bilateral engagement

- **'Mission 500'** aiming to cross \$500 bn. in bilateral trade – goods & services – by 2030
- **Multi-sectoral Bilateral Trade Agreement** covering supply chain integration, technology transfer, trade, and investments

# Impact avenues



## Global

- **Decline of multilateral institutions**
  - a. GATT (1947)
  - b. WTO (1994)
  - c. NATO (1949)
- **Emergence of tri-polar global market**
  - a. US-led
  - b. China-led
  - c. Non-aligned
- **Shift from multilateral, rule-based free trade driven global value chain**



## India

- **Another '1991' moment** for pushing trade, tariff and industry policy and administrative reforms
- **Aggressive push for new trade agreements** for better market access to the tri-polar market
- **Ambitious & aspirational target** for market share lost by China (*Like 'Mission 500' trade with US*)
- **Internationalization of INR** as currency



## Business

- **B-to-G**
  - a. Product and Company specific advocacy (*short-term green channel for exports*)
  - b. Financial and policy support to address uncertainty and increased cost of trade
- **B-to-B**
  - a. Dynamic analysis and modelling of comparative advantage in manufacturing
  - b. Re-hashing trade lanes for tariff mitigation



# Business response – Short and medium term



## Short term

### Illustration

#### Apple airlifts 600 tonnes of iPhones from India 'to beat' Trump tariffs: sources

The Indian government helps shipments clear customs faster

#### What may have happened?

- Decisive action and swift mobilization
- Change in production schedule – Extra shift
- Re-directing all production and inventory to US
- Green lane all the way– Regulatory approvals de-linked from air cargo movement



## Medium term

01

Response plan for 90-days '*pause period*'

02

Simulating alternate scenarios post '*pause period*'

03

Capex re-allocation to align with polarized new world order

04

Advocacy, negotiation and policy reset to bring India close to baseline tariff

05

Monitor waves of policy response requiring series of business decisions

06

Spin-off topics: Data localization, e-commerce policies, etc.

# Overview of incentives & benefits in India



## Central Government Incentive

- Production Linked Incentive Scheme (PLI scheme) introduced for 14 key sectors (including automobile, pharmaceuticals) – few more expected soon
- Key objectives includes import substitution, export promotion, creating large scale manufacturing and employment generation
- Generally, incentive is provided as a percentage of turnover



## State Government Incentives

- State Government provides incentive through State industrial policy and sector specific policies
- Fiscal incentive in form of reimbursement of taxes, land cost subsidy, reduced power tariff, turnover linked subsidy, capital subsidy, employment subsidy etc.
- Non-fiscal benefits such as ease of doing business, water and electricity at door-step



## Indirect Tax Trade Scheme

- Generally custom duties is applicable on import of goods from outside India
- These schemes allows import of goods with Zero/reduced custom duty benefits. It includes:
  - Manufacture and Other Operation in Warehouse (MOOWR)
  - Special Economic Zone (SEZ)
  - Export Promotion Capital Goods (EPCG)
  - Advance Authorization (AA)
  - Export Oriented Unit (EOU)
  - Free Trade Agreement (FTA)



- These incentives and benefits contribute to the financial viability and enhance the Return on Investment (ROI) of projects
- It also help to expand the manufacturing landscape and attract Foreign Direct Investment (FDI) in India

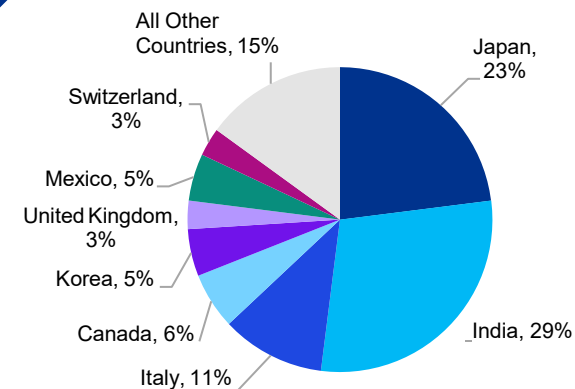
# U.S. – India APA Statistics

## Executed APAs:



- In 2024, the U.S. competent authority executed a significant number of APAs (**142**).
- A large part of the APA growth was due to India APAs, which made up the most executed bilateral APAs at **29 percent** (approx. **41**) of the executed APAs in 2024, a record for U.S.-India APAs.

## Bilateral APAs Executed by Country 2024

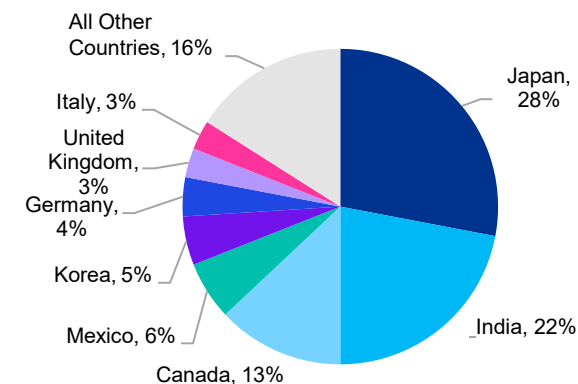


## Pending APAs:



- The competent authority relations continue to approve since the countries began negotiating BAPAs in 2016.
- As of December 31, 2024, **22 percent** of APMA's pending bilateral APAs were with India (approx. **123**), the second highest of any country, just behind Japan).

## Pending Bilateral APAs by Country 2024





# APA Trends



Recent preferences towards BAPA instead of UAPA, especially with US



India – US BAPA is a smooth and a mature process with pre-set framework especially for IT/ITeS cost plus cases, average closure time – 24 to 30 months



A new and a separate Commissionerate has been established to look at only BAPA cases



Recent trends show an overall increase in the margins for the US BAPAs



About more than a quarter of APAs pertain to IT/ITeS GCCs



Despite its shortcomings the India APA program, continues to remain an attractive option particularly contrasted with domestic litigation, which can often be protracted, unpredictable, repetitive, and expensive.



In case of cost-plus entities, the focus is also on the underlying cost-base apart from the mark-up earned

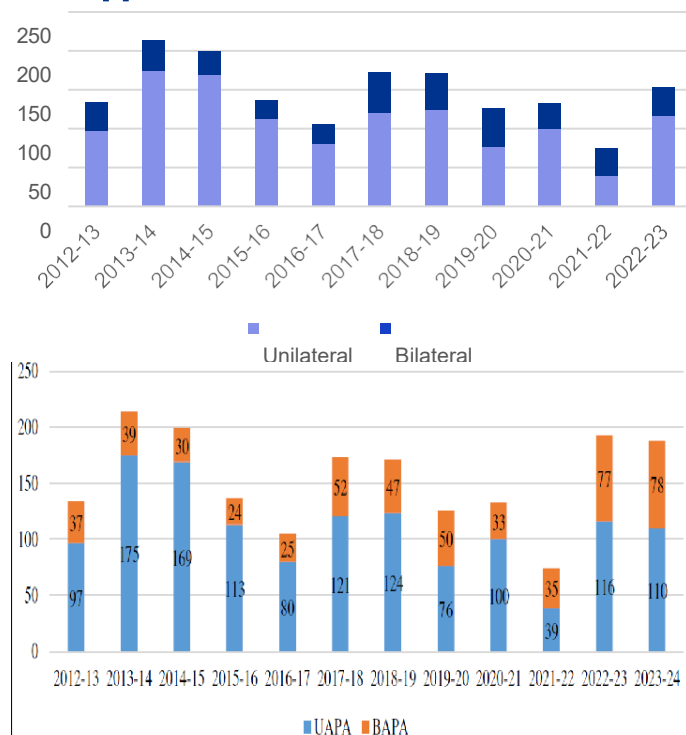
# 13+ years of India APA Program – FY 2023-24 a milestone year

1800+ APA Applications filed

641 APAs signed

800+ applications under process

## APA Applications – 75% UAPA



## FY 23-24 Milestones

125

Highest ever  
APA signings

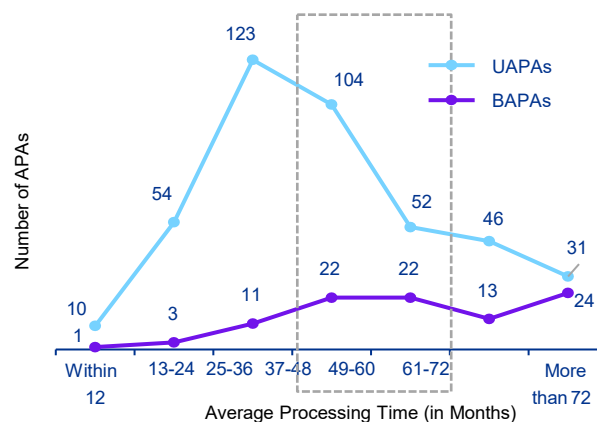
78

Highest number of  
BAPA applications  
filings

39

Maximums  
number of  
BAPAs signed

## APAs Processing time in months



## BAPA Signed – Top countries

61  
USA

19  
UK

16  
Japan

7  
Denmark

6  
Switzerland

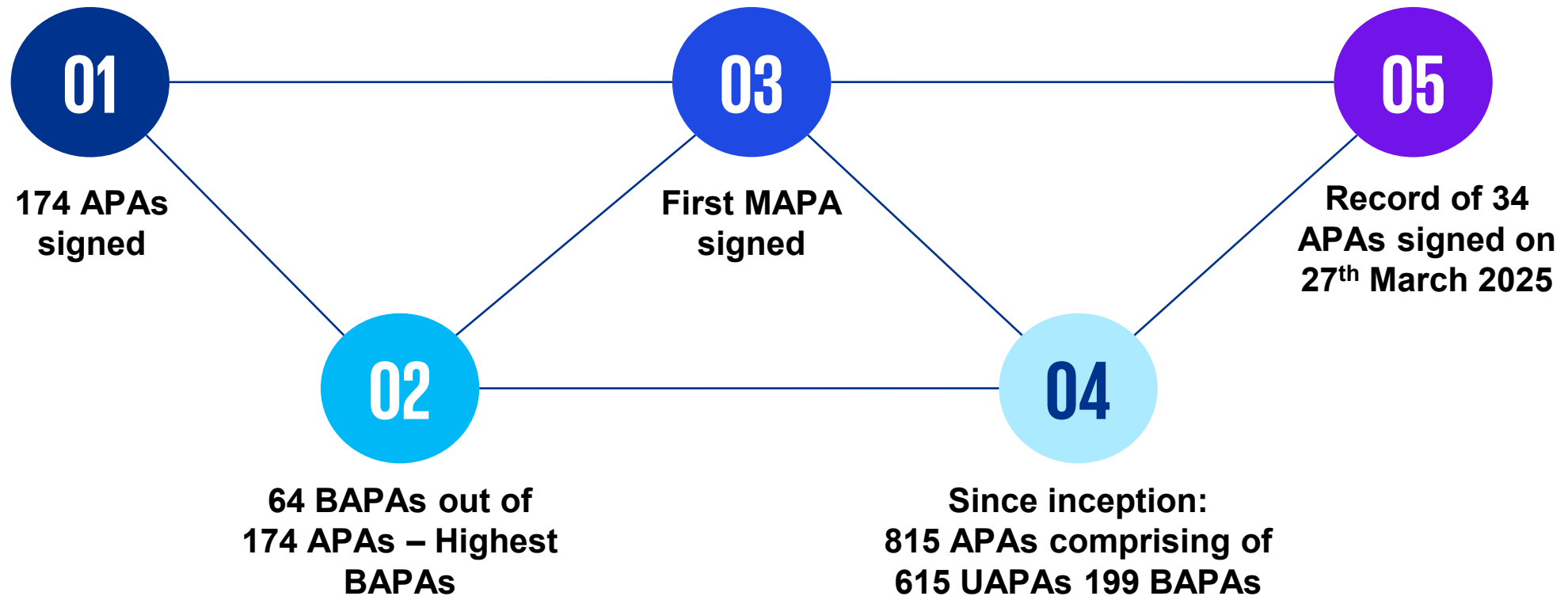
## Range of transactions as part of APA

- **Provision of Services** – IT, ITES, R&D, KPO, Engineering
- **Import & Export of tangible goods/assets** – raw materials, consumables, finished goods, capital assets
- **Licensing of intangibles** – Technical license fee, Brand royalty
- **Advertisement, Marketing & Promotion (AMP) aspects, Marketing intangibles**
- **Receipt of Services** – management, corporate, IT support
- **Financial transactions** – ECB, Corporate guarantee, CCDs
- **Deemed International Transactions**

Source: Advance Pricing Agreement (APA) Programme of India – Annual reports (2023-24) issued by Central Board of Direct taxes; all statistics are as on November, 2024

# For FY 2024-25 – The Milestones Continue....

As per recently released statistics



Source: CBDT Press Release dated 31<sup>st</sup> March 2025



# Investment in India – Key Considerations

1



**Mode of investment into India**

2



**Foreign investment policy**

3



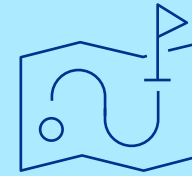
**Funding options**

4



**Planning for Tax and Regulatory Efficiencies**

5



**Locational analysis and Due Diligence**

6



**Annual compliances**



05

# China Tax Trends Update



# Recent Tax Trends



## Pillar 2 Status

- China remains actively engaged in the OECD-led Base Erosion and Profit Sharing (BEPS) project, including Pillar Two



## Supply Chain Diversification

- “China + 1” Strategy
- Diversification of Raw Material and Component Sources
- Supply Chain Localization

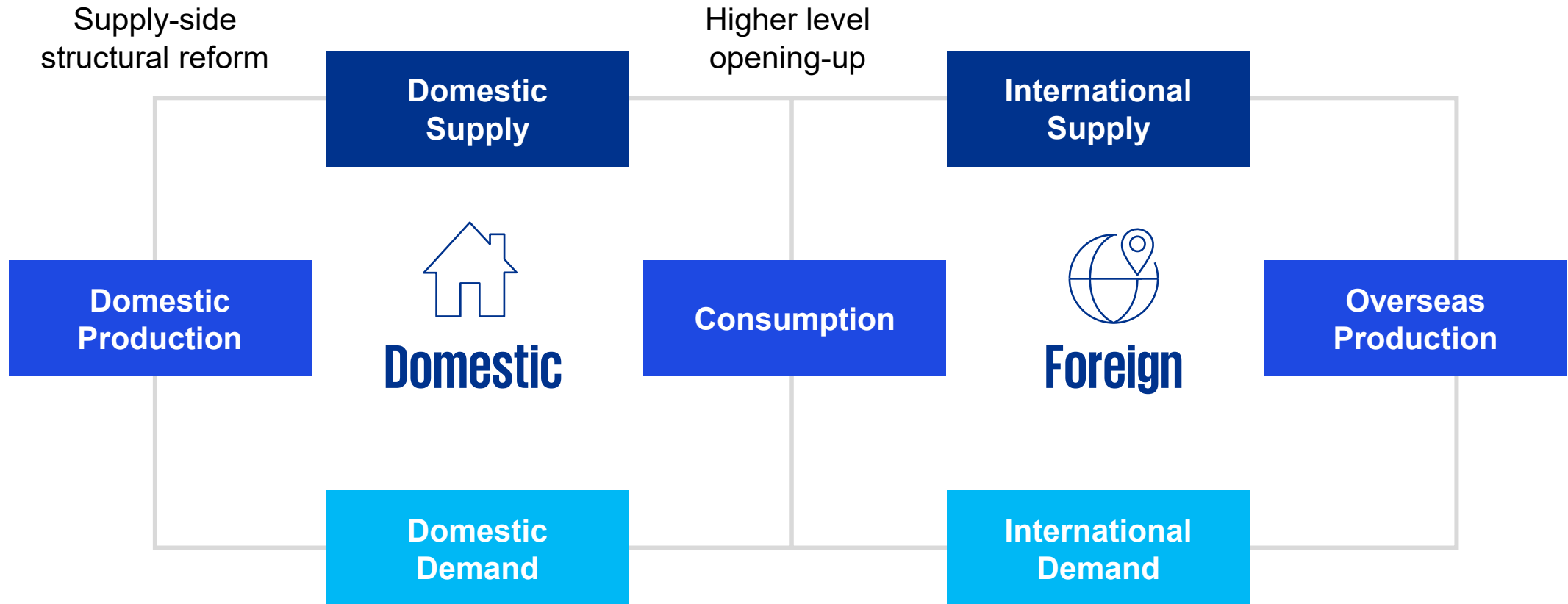


## Trade Tariffs

- In the context of the United States – China trade war, foreign companies operating in China face higher tariff barriers, supply chain disruptions, and increased trade uncertainty
- Tariff Planning & Compliance Management
  - Utilization of Special Customs Zones in China
  - Application of the First Sale Rule
  - Applying for tariff exemptions or reductions.



# China's New Economic Paradigm – Dual Circulation Model



# Other Tax Issues



## Investment and Market Strategy Adj

- **Made in China** to **Made for China**
- Product Upgrading and Differentiation



## Legal Entity & Exit Strategy

- Legal Entity Structure Review
- China Exit Strategy
- Indirect Disposal Rule (STA No 7) – Tax Exemption
- Direct Disposal Rule (STA No 59) – Tax Deferral





# Tax Residency Certificate Process Reform

## Tax Residency Certificate Application Process Reform



- Effective April 1, 2025, the China STA has implemented significant reforms to the Certificate of Tax Residency application:
  - Fully Digital Process
  - Shortened Processing Time

## Treaty Benefit Self-Assessment (STA [2015] No. 60)



- China adopts a self-assessment, self-claim, and post-administration mechanism for tax treaty benefits.
- The tax authorities do not grant prior approval.
- Information Reporting Form when filing the regular tax returns.
- The tax authorities may conduct post-filing reviews.



# Claiming Double Tax Agreement Benefits – Announcement 9

## Ben. ownership safe harbor

- Government, individual, listed enterprises of DTA partner state, and same country enterprises held 100% by the above

## Ben. Own. “Derivative benefits” test

- If DTA relief claimant parent co:
  - Is tax resident in same country, or in country with same benefits DTA
  - Passes the negative factors tests then DTA relief granted

## Non-resident enterprises repatriating profit from China



### Dividend, Interest, Royalties

- 10% domestic WHT can be reduced under DTAs
- Commercial substance based beneficial ownership assessment for DTT benefits – 5 negative factors
- Dividend reinvestment in China to enjoy WHT deferral treatment



### Capital Gains

- Direct disposal WHT 10% can be reduced (typically minority shareholdings)
- Indirect disposals caught if arrangements lack reasonable business purposes
- Assess with 7 factors
- Safe harbor
- Open market trading
- DTA relief
- Internal restructuring



### Service Fees

- DTA PE article protects from tax – service PE typically 183 days
- Technical services, services involving know-how transfer risk royalty characterization
- Local tax authority practices can impose WHT by default

# Announcement 9 – Beneficial Ownership Negative Factors

## Ben. ownership safe harbor

- Government, individual, listed enterprises of DTA partner state, and same country enterprises held 100% by the above

## Ben. Own. “Derivative benefits” test

- If DTA relief claimant parent co:
  - Is tax resident in same country, or in country with same benefits DTA
  - Passes the negative factors tests then DTA relief granted

Negative factor tests for determining beneficial ownership –



## Negative Factors

- Absence of sufficient substance or control over income/assets, at level of treaty relief claimant
- Treaty relief claimant obligated to pay more than 50% of the income, within 12 months, to resident of third jurisdiction
- Treaty relief claimant is exempt from tax on the relevant income or effective tax rate is very low
- Back to back loan arrangements
- Back to back licensing arrangements





# Tax Collection Snapshot



## Statute of Limitation for Tax Collection

**3 yrs**

**General Statute of Limitations**

**5 yrs**

**Extended Period for Negligence**

**10 yrs**

**Transfer Pricing Audit**

**3 yrs**

**Refund of Overpaid Taxes – 3 years from date of payment**

**\*\*Fraud or Evasion – no time limit\*\***



## Penalties & Interest Issues

- **Late Payment Interest** is 0.05% per day (18.25% per year) and none tax deductible
- **Penalty** is 50% to 500% of the underpaid tax amount





06

Q&A





# Thank you!

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