



# Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 21 January 2016



## Asia Pacific Tax Developments

### Australia

#### **Australia: ATO to clarify when foreign currency transactions are GST-free**

KPMG in Australia welcomes the ATO's planned guidance on determining when foreign currency transactions are GST-free.

As financial supplies are otherwise likely to be "input taxed", the practical significance of GST-free treatment is that it increases the recovery of GST on related expenses. It is proposed that the guidance will cover products such as: international bank drafts, traveler's cheques, credit cards, foreign currency loans and a range of forex derivatives such as forwards, swaps and options.

[More details](#)

#### **Australia: Commissioner wins Part IVA case**

The Commissioner was successful in the recent Part IVA Federal Court decision of *Orica Limited v Commissioner of Taxation* [2015] FCA 1399. The only issue in dispute was s 177D(b) of the Income Tax Assessment Act 1936, namely whether the scheme was for the purpose of obtaining a tax benefit (it was conceded there was a scheme and a tax benefit).

KPMG in Australia analyses the Federal Court decision in *Orica Limited v Commissioner of Taxation*.

[More details](#)

## Australia: CRS implementation scheduled for 1 July 2017

The Australian Taxation Office (ATO) on 13 January 2016 announced that the OECD common reporting standard (CRS) will be implemented, effective from 1 July 2017. Accordingly, the first exchange of information will occur in 2018.

[More details](#)

## Australia: New company tax rules: what do they mean for you?

Company tax loss rule modifications received Royal Assent (*Tax and Superannuation Laws Amendment (2015 Measures No.2) Act 2015*). These rules may enable taxpayers to revisit prior tax loss positions and access the continuity of ownership test (COT) provisions, rather than the SBT.

KPMG in Australia highlights the new company tax rules and the amendments that could apply to tax returns.

[More details](#)

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## Hong Kong SAR

### Hong Kong: Corporate Treasury Centres in Hong Kong almost a reality

The Hong Kong Government recently gazetted the Inland Revenue (Amendment) (No. 4) Bill 2015 which introduces a concessionary profits tax rate for Qualifying Corporate Treasury Centres (Qualifying CTCs), new rules to deem certain interest income and other gains as Hong Kong sourced and amendments to the existing interest deduction provisions to enable a deduction for interest on certain intra-group lending transactions.

[More details](#)

### Hong Kong: Update on CRS / AEOI legislation

The Hong Kong government gazetted the Inland Revenue (Amendment) Bill 2016, which seeks to provide the legal framework for Hong Kong to implement the OECD's standard for the automatic exchange of financial account information (AEOI).

The wider approach is permitted under the Bill so that Financial Institutions can carry out due diligence procedures in relation to financial accounts even if the account holder is not a tax resident of a reportable jurisdiction. It is expected that the Inland Revenue (Amendment) Bill 2016 will be introduced into the Legislative Council for first reading on 20 January 2016.

[More details](#)

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## India

### India: Action Plan on 'Startup India'

The Prime Minister of India has recently launched the 'Startup India' initiative. This initiative is part of the 19 points Action Plan through which government aims to empower start-ups to grow through innovation and design.

The Action Plan is divided across the following areas:

- Simplification and Handholding

- Funding Support and Incentives
- Industry-Academia Partnership and Incubation

This Action Plan shall accelerate the spreading of the start-up movement across:

- The digital/technology sector to a wide array of sectors including agriculture, manufacturing, social sector, healthcare, education etc.; and
- Existing tier I to tier II and tier III cities including semi-urban and rural areas.

[More details](#)

### **India: Amendments to “combination regulations” under the Competition Act, 2002**

The Competition Commission of India (CCI) originally issued regulations in May 2011, and then amended them from time to time. The CCI issued the fifth set of amendments to the original combination regulations effective 7 January 2016.

[More details](#)

### **India: Interest income on application money in a separate bank account is taxable in year of share allotment**

The Supreme Court of India held that interest income on application money kept in a separate bank account is taxable in the year when the entire allotment procedure is completed—and not in the year of public issue.

[More details](#)

### **India: Land on which building is under construction is subject to wealth tax**

The Supreme Court of India held that land on which building construction is under progress is subject to wealth tax. The land would not be excluded from the scope of “urban land” if the building were still under construction. It would be excluded when the building construction is completed.

[More details](#)

### **India: No five-day grace period for remitting of monthly provident fund contributions**

Under the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (EPF Act) the employee and the employer must pay 12% of the salary towards the provident fund. Employers are required to pay their contributions and administrative charges within 15 days of the close of every month. There had been a five-day grace period for employers to remit their contributions. That grace period has been removed. Employers must now remit their contributions and administrative charges within 15 days of the close of every month.

[More details](#)

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## **Indonesia**

### **Indonesia: New electronic tax payment system, mandatory after June 2016**

Tax payments in Indonesia—made after 30 June 2016—must be made using a new electronic tax payment system.

As with many new programs, this electronic tax payment system is not without certain challenges. Taxpayers need to be familiar with the new system and its advantages and disadvantages, in order to make timely tax payments. [More details](#)

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## Korea

### Korea: Real estate fund trust dividends; withholding tax refunds

An official public tax ruling from the South Korea Ministry of Strategy and Finance allows for a reduced rate of withholding tax on dividends distributed from South Korean real estate fund trusts.

The ruling may provide opportunities for refunds of withholding tax paid, for a three-year period (the statute of limitations). An application to the Korean tax authorities proving that the required conditions are satisfied will be required to maintain a refund claim.

[More details](#)

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## Singapore

### Singapore: The AEC presents opportunities, challenges and changes for SMEs

KPMG in Singapore has released a report providing insights into the Asean Economic Community (AEC) opportunities, challenges and changes facing small and medium-sized enterprises (SMEs). This report also discusses defence plans for SMEs to capitalise on the AEC.

[More details](#)

### Singapore: New 2016 guidance released by IRAS

On 4 January 2016, the Inland Revenue Authority of Singapore (IRAS) released the third edition of its transfer pricing guidance (TPG3) for Singapore taxpayers.

Compared to the previous edition, TPG3 contains expanded IRAS' viewpoints on several fronts - especially on:

- The administrative process leading to an Advance Pricing Arrangement (APA).
- The derivation of the cost base to which the cost plus mark-up is to be applied.

[More details](#)

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## Vietnam

### Vietnam: Tax incentives, certain products of “supporting industries”

Vietnam offers certain preferential treatment or incentives to foster the development of “supporting industries.” Specifically, with respect to certain products of supporting industries, the corporate income tax incentives include:

- A preferential tax rate of 10% is available for a 15-year period.
- A tax exemption applies for four years, and a 50% tax reduction for the subsequent nine years

The tax incentives for supporting industry products is an emerging field. Potentially eligible companies will want to review their product portfolios and match this against the information provided under the recent guidance.

[More details](#)

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## Calendar of Events

Date	Event	Location
27 January 2016	Automotive Industry Tax Workshop - R&D Bonus Deduction and High and New Technology Enterprise ("HNTE") regulation changes, BEPS action plan and common customs issues, etc.  ✓ <a href="#">Beijing</a>	Beijing
Week of 9 May 2016	2016 KPMG Asia Pacific Tax Summit	Beijing

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## Beyond Asia Pacific

### Brazil: Oil and gas industry taxes in Rio de Janeiro

Companies operating in the State of Rio de Janeiro may face immediate tax consequences concerning the state sales tax (ICMS) charged on "upstream" transactions involving oil and gas extraction in light of two legislative amendments directly affecting the oil and gas industry.

[More details](#)

### Canada: Withholding tax relief, foreign employers of cross-border workers

Non-Canadian resident employers with non-resident employees working in Canada can now apply to be eligible for a new exception from the withholding tax requirements under Regulation 102 of the Income Tax Act. This exception is effective 1 January 2016.

[More details](#)

### South Africa: Treatment of direct, indirect operating expenses of insurers

Binding General Ruling (BGR) No. 30 has been issued to clarify the treatment of expenses of insurance companies, acceptable to the South African Revenue Service (SARS).

[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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# KPMG Asia Pacific Tax Centre Contacts

## Asia Pacific Regional Leader, Tax



**Warrick Cleine**  
**Partner & CEO, KPMG in Vietnam**  
T: +84 8 3821 9266  
E: [warrickcleine@kpmg.com.vn](mailto:warrickcleine@kpmg.com.vn)

## Asia Pacific Tax Centre Leader, Regional Tax Partner



**Brahma Sharma - KPMG Asia Pacific Limited**  
**Asia Pacific Tax Centre Leader, Regional Tax Partner**  
T: +65 8186 7369  
E: [brahmasharma@kpmg.com.sg](mailto:brahmasharma@kpmg.com.sg)

## Asia Pacific Regional Client Service Team

### Regional Client Partner



**Rick Asquini - KPMG in Singapore**  
**Regional Client Partner**  
T: +65 6213 3300  
E: [rickasquini@kpmg.com.sg](mailto:rickasquini@kpmg.com.sg)

## Asia Pacific Indirect Tax Compliance Centre of Excellence



**Adrienne Mcstocker - KPMG in Singapore**  
**Regional Leader, Asia Pacific Indirect Tax Compliance**  
T: +65 6597 5810  
E: [amcstocker1@kpmg.com.sg](mailto:amcstocker1@kpmg.com.sg)

## Service Line Specialists

### Transfer Pricing Services



**Tony Gorgas - KPMG in Australia**  
**Asia Pacific Regional Leader, Transfer Pricing Services**  
T: +61 2 9335 8851  
E: [tgorgas@kpmg.com.au](mailto:tgorgas@kpmg.com.au)

### Financial Services Transfer Pricing



**John Kondos - KPMG in China**  
**Asia Pacific Regional Leader, Transfer Pricing Services in the Financial Services Sector**  
T: +852 2685 7457  
E: [john.kondos@kpmg.com](mailto:john.kondos@kpmg.com)

#### Indirect Tax Services



**Lachlan Wolfers - KPMG in China**  
Asia Pacific Regional Leader,  
Indirect Tax Services  
T: +85 22 685 7791  
E: [lachlan.wolfers@kpmg.com](mailto:lachlan.wolfers@kpmg.com)

#### Trade & Customs



**Angelia Chew - KPMG in Singapore**  
Asia Pacific Regional Leader,  
Trade & Customs Services  
T: +65 6213 3768  
E: [angeliachew@kpmg.com.sg](mailto:angeliachew@kpmg.com.sg)

#### Global Compliance Management Services



**Oi Leng Mak - KPMG in Singapore**  
Asia Pacific Regional Leader,  
Global Compliance Management  
Services  
T: +65 6213 7319  
E: [omak@kpmg.com.sg](mailto:omak@kpmg.com.sg)

#### Global Mobility Services



**Andy Hutt - KPMG in Australia**  
Asia Pacific Regional Leader,  
Global Mobility Services  
T: +61 2 9335 8655  
E: [ahutt@kpmg.com.au](mailto:ahutt@kpmg.com.au)

#### International Tax



**Christopher Xing - KPMG in China**  
Asia Pacific Regional Leader,  
International Tax  
T: +852 2978 8965  
E: [christopher.xing@kpmg.com](mailto:christopher.xing@kpmg.com)

#### Deal Advisory M&A Tax



**Angus Wilson - KPMG in Australia**  
Asia Pacific Regional Leader,  
Deal Advisory M&A Tax  
T: +61 2 9335 8288  
E: [arwilson@kpmg.com.au](mailto:arwilson@kpmg.com.au)

#### Research & Development (R&D) Tax Incentives



**Alan Garcia - KPMG in China**  
Asia Pacific Regional Leader,  
R&D Tax Incentives  
T: +86 21 2212 3509  
E: [alan.garcia@kpmg.com](mailto:alan.garcia@kpmg.com)

#### Dispute Resolution and Controversy



**Angela Wood - KPMG in Australia**  
Asia Pacific Regional Leader,  
Dispute Resolution and  
Controversy  
T: +61 3 9288 6408  
E: [angelawood@kpmg.com.au](mailto:angelawood@kpmg.com.au)

#### Legal Services



**David Morris - KPMG in Australia**  
Asia Pacific Regional Leader,  
Legal Services  
T: +61 2 9455 9999  
E: [davidpmorris@kpmg.com.au](mailto:davidpmorris@kpmg.com.au)



## Market Sector Specialists

### Financial Services



**Christopher Abbiss - KPMG in China**

**Asia Pacific Regional Tax Leader,  
Financial Services and Banking Sector**

**T:** +852 2826 7226

**E:** [chris.abbiss@kpmg.com](mailto:chris.abbiss@kpmg.com)

### Alternative Investments & Private Equity



**Simon Clark - KPMG in Singapore**

**Asia Pacific Regional Tax Leader, Alternative Investments and Private Equity sector**

**T:** +65 6213 2152

**E:** [simonclark1@kpmg.com.sg](mailto:simonclark1@kpmg.com.sg)

### Sovereign Wealth and Pension Funds



**Angus Wilson - KPMG in Australia**

**Asia Pacific Regional Leader,  
Sovereign Wealth and Pension Funds Sector**

**T:** +61 2 9335 8288

**E:** [arwilson@kpmg.com.au](mailto:arwilson@kpmg.com.au)

### Energy & Natural Resources



**Carlo Franchina - KPMG in Australia**

**Asia Pacific Regional Tax Leader,  
Energy & Natural Resources Sector**

**T:** +61 8 9263 7239

**E:** [cfranchina@kpmg.com.au](mailto:cfranchina@kpmg.com.au)

### Insurance



**John Salvaris - KPMG in Australia**

**Asia Pacific Regional Leader,  
Insurance Sector**

**T:** +61 3 9288 5744

**E:** [jsalvaris@kpmg.com.au](mailto:jsalvaris@kpmg.com.au)

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