

## International Tax - Asia Pacific & MESA Newsletter



This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific & MESA regions between **1 September and 30 September 2014**.

|                           |                             |                             |                         |
|---------------------------|-----------------------------|-----------------------------|-------------------------|
| <a href="#">Australia</a> | <a href="#">India</a>       | <a href="#">Philippines</a> | <a href="#">Turkey</a>  |
| <a href="#">China</a>     | <a href="#">Japan</a>       | <a href="#">Singapore</a>   | <a href="#">Vietnam</a> |
| <a href="#">Hong Kong</a> | <a href="#">New Zealand</a> | <a href="#">Taiwan</a>      |                         |

To contact the International Tax Group in Russia and the CIS go to the [Contacts section](#).

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|   | Tax area concerned                        | Relevant date/case reference | Description of measures and publication link<br>( <i>Considerations in italic where necessary</i> )   |
|---|---|------------------------------|---|
| <b>Australia</b>                              |   |                              |   |
| Tax legislation adopted and regulatory update | Tax consolidation/ foreign dividend rules | September 2014               | KPMG in Australia has prepared reports on the following: <ul style="list-style-type: none"> <li>• Tax consolidation</li> <li>• New foreign dividend rules</li> </ul> <a href="#">Read more</a>  |
|   | Various tax areas                         | September 2014               | KPMG in Australia has prepared reports on the following: <ul style="list-style-type: none"> <li>• Capital management's shifting landscape</li> <li>• Buying assets and tax due diligence</li> <li>• Share buybacks</li> <li>• New manufacturing grants</li> <li>• Superannuation contributions</li> </ul> <a href="#">Read more</a> |
|   | BEPS                                      | September 2014               | KPMG in Australia provided the following reports concerning the OECD's BEPS deliverables and implications for Australian businesses: <ul style="list-style-type: none"> <li>• Tax treaties</li> <li>• Two key OECD BEPS recommendations to address tax treaty abuse</li> </ul>  |

|                        |                |   |
|------------------------|----------------|---|
|                        |                | <ul style="list-style-type: none"> <li>Transfer pricing documentation, disclosure for country-by-country reporting</li> </ul> <a href="#">Read more</a>   |
| Various tax areas      | September 2014 | <p>KPMG in Australia has prepared reports addressing the following topics:</p> <ul style="list-style-type: none"> <li>Tax effect accounting</li> <li>Potential effects of Inspector General of Taxation's focus for 2014/2015</li> <li>Resident of Australia</li> <li>Making the most of Australian rental property</li> </ul> <a href="#">Read more</a>  |
| Transfer Pricing /BEPS | September 2014 | <p>KPMG in Australia has prepared a report regarding the Australian Taxation Office (ATO) targeting intangible transactions in its transfer pricing reviews and audits.</p> <p>Although the OECD's paper on the transfer pricing aspects of intangibles—under the BEPS project—is a work in progress, it provides increased clarity and a useful framework on the treatment of intangibles.</p> <a href="#">Read more</a> |
| Various tax areas      | September 2014 | <p>KPMG in Australia has prepared reports that discuss the following items:</p> <ul style="list-style-type: none"> <li>Grouping R&amp;D activities</li> <li>Challenging tax assumptions</li> </ul> <a href="#">Read more</a>  |

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| China   |                  |                |   |
|---|------------------|----------------|---|
| Tax legislation adopted and regulatory update | Transfer pricing | 29 August 2014 | <p>Guidance issued by China's State Administration of Taxation provides further instructions in relation to the self-adjustment practice under the tax administration's monitoring and administration mechanism.</p> <p>The guidance is known in English as "Announcement of the State Administration of Taxation on Monitoring and Administration of Special Tax Adjustment [2014] No. 54" (29 August 2014).</p> <a href="#">Read more</a> |
|   | VAT              | August 2014    | <p>China's State Administration of Taxation issued guidance concerning the policies for claiming with respect to exported services, an exemption from VAT under the VAT pilot</p>   |

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|                      |                           |                | <p>program. Announcement No. 49 (August 2014) is a comprehensive statement of the policies for claiming a VAT exemption.</p> <p><a href="#">Read more</a></p>   |
|                      | Financial Services/ Bonds | 28 August 2014 | <p>China's tax authority issued guidance that is intended to clarify the business tax treatment of bonds that are disposed of before maturity. The guidance was issued by the State Administration of Taxation as Announcement [2014] No. 50 (28 August 2014).</p> <p><a href="#">Read more</a></p>                           |
| Proposed legislation | Trade and Customs         | 2015           | <p>The Legislative Affairs Office of the State Council released a draft of new customs regulations for comments. If the draft is finalized, China's customs regulations could be revised within the year, thus meeting the demands of a changing commercial and enforcement environment.</p> <p><a href="#">Read more</a></p> |
| KPMG publications    | Real estate investing     | September 2014 | <p>KPMG in China has prepared a discussion that examines the U.S. real estate market and the methods of investment available to the typical Chinese investor.</p> <p><a href="#">Read more</a></p>  |

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| <b>Hong Kong</b>            |                                   |                   |   |
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| Administrative and case law | Taxation of director's fees       | September 2014    | <p>The Hong Kong Board of Review issued a decision concerning whether fees earned by director of a company incorporated offshore but listed in Hong Kong were subject to the salaries tax in Hong Kong.</p> <p><a href="#">Read more</a></p>  |
| KPMG publications           | Automatic exchange of information | 15 September 2014 | <p>Officials in the Hong Kong government have announced their support for an automatic exchange of tax information.</p> <p><a href="#">Read more</a></p>  |
|                             | BEPS                              | 16 September 2014 | <p>The OECD released seven deliverables of the OECD/G20 Action Plan on BEPS. The deliverables are in accordance with the BEPS Action Plan and contain three reports that address the tax challenges of the digital economy, the feasibility of developing a multilateral instrument to modify bilateral tax treaties, and a report on the progress of better countering harmful tax practices.</p> <p><a href="#">Read more</a></p> |

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| India   |                   |  |  |
|---|-------------------|--|--|
| Tax legislation adopted and regulatory update | Various tax areas | September 2014   | <p>KPMG in India has prepared reports concerning the following developments:</p> <ul style="list-style-type: none"> <li>• Committee to examine cases referred by tax officer on indirect transfer of assets prior to 1 April 2012</li> <li>• Increased wage ceiling</li> <li>• Social security agreement with Czech Republic</li> <li>• Foreign direct investment in defense, rail infrastructure</li> </ul> <p><a href="#">Read more</a></p>  |
| Administrative and case law                   | Transfer pricing  | <p><i>PMP Auto Components P. Ltd. v. DCIT</i>, [TS-263-ITAT-2014(Mum)-TP]</p>                                    | <p>The Mumbai Tribunal held that interest on a loan made to a foreign related party (subsidiary) is an international transaction and thus subject to transfer pricing rules. The tribunal also addressed the effects of an interest-free loan to a subsidiary and whether this could be treated as a capital contribution if the payment of interest is subject to a period of inordinate delay.</p> <p><a href="#">Read more</a></p>  |
|   |                   | <p><i>CIT v. SAP Labs Pvt Ltd.</i> (Income Tax Appeal No. 339 OF 2010 and Income Tax Appeal No. 842 OF 2010)</p> | <p>The Karnataka High Court affirmed a lower tribunal order concluding that the Commissioner has no authority to set aside or revise the arm's length price once accepted by the Assessing Officer and Transfer Pricing Officer.</p> <p><a href="#">Read more</a></p>  |
|   | Various tax areas | September 2014   | <p>Case law has been published in India with respect to the following subjects:</p> <ul style="list-style-type: none"> <li>• Discount allowed to foreign buyers that make advance payments on sales is treated as interest, and thus subject to tax withholding.</li> <li>• Disallowance of expenditure under Section 40(a)(ia) of the Income-tax Act</li> <li>• CBDT procedure and criteria for selection of cases for scrutiny during the financial year 2014-15</li> </ul> <p><a href="#">Read more</a></p> |
|   |                   |  | <p>Case law has been published in India with respect to the following subjects</p> <ul style="list-style-type: none"> <li>• High Courts direct CBDT to extend the due date for filing income-tax returns from 30 September to 30 November 2014</li> </ul>  |

|                   |      |                |   |
|-------------------|------|----------------|---|
|                   |      |                | <ul style="list-style-type: none"> <li>• Payments for copyright and use of news reports and photographs supplied by a French news agency taxable as “royalties”</li> <li>• Taxpayer is eligible for lower rate of tax on payments of royalties because the new agreements were not an extension of old agreements</li> <li>• Supreme Court addresses retroactive application of tax surcharge related to block assessment</li> </ul> <p><a href="#">Read more</a></p> |
| KPMG publications | BEPS | September 2014 | <p>KPMG in India has prepared reports that consider possible implications of the OECD’s BEPS deliverables for businesses in India.</p> <p><a href="#">Read more</a></p>   |

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| Japan             |      |                   |  |
|-------------------|------|-------------------|--|
| KPMG publications | BEPS | 18 September 2014 | <p>KPMG in Japan has prepared a report describing the main points from the seven BEPS reports released earlier this week by the OECD.</p> <p><a href="#">Read more</a></p> |

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| New Zealand       |                                   |                   |  |
|-------------------|-----------------------------------|-------------------|--|
| KPMG publications | Tax policies/ pre-election report | September 2014    | <p>New Zealand will be holding elections shortly. A report prepared by the KPMG in New Zealand provides a comparison of the election tax policies for the nine main parties.</p> <p><a href="#">Read more</a></p>  |
|                   | BEPS                              | 19 September 2014 | <p>The OECD’s first batch of recommendations to address international tax avoidance, under the BEPS plan, addresses seven of the 15 areas. The BEPS proposals create both risks and opportunities for businesses in New Zealand and will impose additional—and significant—compliance costs on business operating cross-border, including New Zealand multinationals.</p> <p><a href="#">Read more</a></p> |
| Treaties          | DTT                               | 12 September 2014 | <p>A second Protocol to the income tax treaty between New Zealand and Canada was signed on 12 September 2014. Each country will notify the other of the completion of their respective domestic procedures, which are necessary to give force of law to the second Protocol.</p> <p><a href="#">Read more</a></p>  |

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| Philippines |  |                   |   |
|-------------|--|-------------------|---|
| Treaties    | Multilateral Convention of Mutual Administrative Assistance in Tax Matters | 26 September 2014 | The Philippines has become the 68th signatory of the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, the most powerful international instrument to fight international tax avoidance and evasion. To enter into force, the Convention must now be ratified by The Philippines.<br><a href="#">Read more</a> |

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| Singapore                                     |  |                |   |
|---|--|----------------|---|
| Tax legislation adopted and regulatory update | R & D  | 2013 - 2018    | The Inland Revenue Authority of Singapore has issued revised guidelines with respect to the research and development (R&D) tax incentive.<br><a href="#">Read more</a>  |
|   | Deduction of statutory and regulatory expenses | September 2014 | Guidance issued by the Inland Revenue Authority of Singapore, in September 2014, is intended to provide some clarity concerning issues related to the deduction for statutory and regulatory expenses. The guidance concerns proposed Section 14X of the Income Tax Act—as included in the draft Income Tax (Amendment) Bill released in July 2014.<br><a href="#">Read more</a>              |
| Proposed legislation                          | Transfer pricing/BEPS                          | September 2014 | Singapore's tax authorities released a consultation paper setting out additional proposed guidance on transfer pricing documentation that aims to: (1) facilitate better transfer pricing compliance; and (2) align Singapore's transfer pricing documentation guidance with forthcoming international changes (under Action 13 of the OECD's BEPS action plan).<br><a href="#">Read more</a> |

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| Taiwan  |             |                |  |
|---|-------------|----------------|--|
| Tax legislation adopted and regulatory update | Tax credits | 22 August 2014 | Taiwan's Ministry of Finance issued guidance concerning the treatment of tax credits with respect to undistributed earnings and imputation credit accounts in situations such as when, for instance, there is a stock re-purchase or |

treasury stock retirement.

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| Turkey  |                     |                   |   |
|---|---------------------|-------------------|---|
| Tax legislation adopted and regulatory update | Tax amnesty program | 11 September 2014 | A tax amnesty program was passed by the Turkish Parliament as Law No. 6552, and the law was published on 11 September 2014. In general, the tax amnesty program under the new law allows taxpayers with unpaid tax debts and related penalties and interest to pay these liabilities in installments and pursuant to a lower rate of interest.<br><a href="#">Read more</a> |

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| Vietnam                                       |                                 |                   |  |
|---|---------------------------------|-------------------|--|
| Tax legislation adopted and regulatory update | Tax administrative procedures   | 1 September 2014  | Vietnam's Ministry of Finance issued guidance—Circular 119/2014/TT-BTC (25 August 2014)—amending existing regulations so as to reform and simplify the tax administrative procedures. The effective date is 1 September 2014, but provides a transition period until 31 October 2014.<br><a href="#">Read more</a> |
|   | Tax incentives                  | 25 August 2014    | The Government issued Resolution No. 63/NQ-CP providing a number of tax support measures for businesses.<br><a href="#">Read more</a>  |
|   | Corporate income tax incentives | 2009 - 2013       | Vietnam's tax authorities issued guidance concerning the tax treatment and the determination of increased income from expansion projects during the period 2009-2013—income that is not entitled to corporate income tax incentives.<br><a href="#">Read more</a>  |
| Treaties                                      | FATCA                           | 15 September 2014 | Financial institutions—including credit institutions and branches of foreign banks—in Vietnam that believe they would be eligible for an exemption under the FATCA* regime must respond to a request for documentation by the State Bank of Vietnam.<br><a href="#">Read more</a>                                  |

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