



Asia Pacific Tax Weekly

KPMG Asia Pacific Tax Centre | Content to 09 March 2017



Asia Pacific Tax Developments

Australia

Australia: ATO proposes 'one chance' to avoid penalty

The Australian Taxation Office (ATO) has released a report that consolidates feedback it has received, following community consultation about proposed changes to the imposition of penalties for small businesses and individuals. The ATO's report records an overall positive response from stakeholders to the proposal but there are some alternative approaches and concerns raised.

[More details](#)

Australia: Commissioner's land tax crystal ball turns to shattered glass

The New South Wales Court of Appeal has dismissed an appeal by the Chief Commissioner of State Revenue (Commissioner) in which the Commissioner argued that he would look to the future intended use of land in determining whether the land qualifies for a primary production exemption from land tax.

[More details](#)

Australia: Expanding business overseas? Avoid paying double!

KPMG Australia discusses the cost of expanding your business overseas and the need to be aware of your tax and reporting obligations.

[More details](#)

Australia: Infrastructure investments and stapled structures

KPMG Australia hosted a number of forums with representatives from the ATO, Treasury and industry to facilitate the sharing of perspectives regarding infrastructure investments, with the key themes emerging:

- Use of stapled structures including the lack of clarity regarding the expected tax outcomes for infrastructure investments.
- Need for government to confirm its tax policy settings.

- Impact on future infrastructure investment decisions in Australia.
- Treatment of existing stapled structures, and impact on transactions in other sectors such as finance and real estate.

[More details](#)

Australia: Unfair terms in standard form contracts

KPMG Australia discusses unfair terms with the extension of the law against unfair contract terms to standard form 'small business contracts'.

[More details](#)

Australia: Victoria targets housing affordability with proposed reforms to stamp duty

The Andrews Labor Government has announced some sweeping proposed changes to Victorian stamp duty as "part of the Labor Government's plan to help more Victorians break into the housing market".

[More details](#)

Bangladesh

Bangladesh: 2016 budget raises spending and broadens tax net

KPMG in Bangladesh provides updates on corporate tax rate changes for certain companies, tax holidays for industries and investments, and the country's new VAT Act.

[More details](#)

China

China: Custom Policy Update, February 2017

KPMG China provides various customs policy updates:

- The WTO Trade Facilitation Agreement Enters Into Effect
- Ten Departments Issue Import Duty Administrative Measures to Support Scientific and Technological Innovation
- China Customs Expanded the Coverage of Paperless Customs Clearance
- Announcements Relating to Foreign-Funded Enterprise Registration and Recordation
- The Announcement on Matters Concerning the Launch of the China-South Korea Country-of-Origin Electronic Information Exchange System under the Asia-Pacific Trade Agreement
- The State Administration of Taxation Enhanced the Management of Import VAT Deductions
- Import of North Korean Coal Suspended for the Year
- The Announcement of the General Administration of Quality Supervision, Inspection and Quarantine on Further Standardising and Promoting the Practice of Agribusinesses to

Produce Exported Food on the Same Production Line and Under the Same Standards for the Same Quality for Domestic and Overseas Sales

[More details](#)

China: Tax Weekly Update – Issue 8

KPMG China issues a newsletter that provides various tax updates on the followings:

- CIT law revised to encourage charitable donations (Presidential Decree No. 64)
- Encouraging foreign investment in central/western China (NDRC and MOFCOM Order No. 33)
- SAT reinforces administration of VAT on imports (SAT Announcement [2017] No. 3)
- China further lowers unemployment insurance rate (Ren She Bu Fa [2017] No. 14)

[More details](#)

Hong Kong SAR

Hong Kong: Regulatory Capital Securities – IRD Practice Note issued

The Inland Revenue Department of Hong Kong (IRD) recently issued DIPN 53 which provides guidance on the application of the new Regulatory Capital Securities (RCS) rules to banks. The RCS rules were intended to clarify the tax treatment of certain types of funding instruments issued by banks in compliance with the Basel III capital adequacy requirements.

[More details](#)

Hong Kong: User guide for financial account information returns

The IRD published a user guide that explains the information required to be included in each data element of the Financial Account Information Return XML Schema (v1.0).

[More details](#)

India

India: Capital surplus on account of waiver of loan

The Mumbai Bench of the Income-tax Appellate Tribunal held that a capital surplus in respect of the waiver of loan amount cannot be regarded as amount available for distribution through the profit and loss account. A mere disclosure of an extraordinary item in the profit and loss account does not mean that the item represents the “working result” of the company. Accordingly, the waiver of the loan as a capital receipt cannot be taxed as “book profit.”

[More details](#)

India: Foreign direct investments in limited liability partnerships – Revised guidelines

The Reserve Bank of India has issued guidance concerning foreign direct investments and specifically foreign direct investment in limited liability partnerships.

[More details](#)

India: Permanent establishment, agency under tax treaty with United States

The Delhi Bench of the Income-tax Appellate Tribunal held that the liaison office of an overseas taxpayer group constitutes a fixed place permanent establishment in India under the provisions of the India-United States income tax treaty.

[More details](#)

India: Payments for global telecommunication facility by Indian agents are in the nature of reimbursement and not fees for technical service

The Supreme Court of India held that payments received by a foreign company for its global telecommunication system (payments from Indian agents) were reimbursements in nature. Because no profit element was embedded in these payments and also because the foreign company had not provided any technical services to the Indian agents, the payments were not taxable as fees for technical services.

[More details](#)

India: India's Social security agreement (SSA) with Portugal to come into effect from 8 May 2017

The SSA between India and Portugal, signed in March 2013, has entered into force and is effective from 8 May 2017. The key potential benefits under the India-Portugal SSA includes:-

- Exemption from social security contribution in the host country
- Totalisation of contributory periods
- Exports of benefits

[More details](#)

India: Update on GST legislation

The Goods and Service Tax (GST) Council approved a draft "central goods and services tax" and integrated goods and services tax legislation, and plans to take up the draft "state goods and services tax" and the union territory goods and services tax bill for approval in its next meeting scheduled on 16 March 2017. The government aims to table the bills before the Parliament for approval during the second part of the budget session starting 9 March 2017.

[More details](#)

Japan

Japan: Updated FAQs on CRS reporting

Japan's National Tax Agency issued an updated a list of "frequently asked questions" concerning the automatic exchange of information and CRS concerning international tax reporting for non-residents.

[More details](#)

Myanmar

Myanmar: Development zones established under investment law

The Myanmar Investment Commission (MIC) issued the notice which sets out the respective regions as Zone 1 (less developed regions), Zone 2 (moderately developed zones) and Zone 3 (developed zones).

The notification is one of the two key items that the MIC needs to finalise in order for new investments to be approved under the new Myanmar Investment Law. The other part which is the Myanmar Investment Rules is currently available as a draft.

[More details](#)

Myanmar: Withholding tax changes effective April 2017

Amendments to the tax law in Myanmar provide a new “de minimis threshold” for withholding tax purposes. The change is effective 1 April 2017.

The new measure now exempts payments from withholding tax if the total amount of payments (in aggregate) to a recipient within a fiscal year is less than MMK500,000 (approximately U.S. \$368).

[More details](#)

New Zealand

New Zealand: New BEPS measures announced

The Minister of Revenue announced consultation on three new Base Erosion and Profit Shifting (“BEPS”) measures at International Fiscal Association meeting:-

- A rule to tax foreign multinationals on New Zealand sales by using a related New Zealand entity.
- Further tightening of the thin capitalisation rules, which deny New Zealand interest deductions.
- Further details on New Zealand’s implementation of the Multilateral Instrument which has the potential to affect all of New Zealand’s Double Taxation Agreements.

[More details](#)

Singapore

Singapore: Due dates for FATCA returns, reporting

The Inland Revenue Authority of Singapore announced that 15 April 2017 is the filing date for FATCA returns to be filed for the reporting year 2016.

[More details](#)

Sri Lanka

Sri Lanka: VAT and NationBuilding Tax proposals enacted; 2017 budget proposals

KPMG in Sri Lanka provides an update on the status of Sri Lanka’s 2016 budget proposals and presents details of the budget proposals for 2017.

[More details](#)

Thailand

Thailand: Status of common reporting standard (CRS) implementation

Further to OECD's announcement in January that Thailand has joined the Global Forum on Transparency and Exchange of Information for Tax Purposes as its 139th member, the Thai Revenue Department explained that by joining the Global Forum, Thailand is committing to update its reporting standard to be in accordance with the CRS provided by the OECD. Thailand now must enact a law to direct financial institutions in Thailand to comply with the CRS requirements; however, it is still in an early stage.

[More details](#)

Calendar of Events

| Date | Event | Location |
|---------------|---|---|
| 24 March 2017 | China Tax Update Seminar Contact person: Michelle Chan More details | Orchard Hotel, 442 Orchard Road, Singapore 238879 |

Significant International Tax Developments



OECD: Economic Survey of India released

On 28 February 2017, the OECD released the Economic Survey of India. OECD identifies priority areas for future action, including continuing plans to maintain macroeconomic stability and further reduce poverty, additional comprehensive tax reforms and new efforts to boost productivity and reduce disparities between India's various regions.

[More details](#)

Thought Leadership



Australia: The future of tax in Australia's Federation

Amid the vast headwinds faced by Australia – such as the potential of a new global order, intergenerational inequity, productivity, and rising inequality – the question of how to establish the most effective tax system to secure future prosperity is vital to explore.

This publication delves into numerous areas of tax, paving the way for fresh ideas and deep discussion. Ultimately The Future of Tax in Australia's Federation is about promoting thought on the future direction taken in Australia.

[Publication](#)

Beyond Asia Pacific

EU: Free trade agreement with Canada, update

The European Parliament has approved a free trade agreement (signed in October 2016) between the European Union and Canada. With this vote, the free trade agreement can enter into force once Canada completes its ratification procedures, which may be as early as 1 May 2017.

[More details](#)

UK: Spring budget 2017

Chancellor of the Exchequer Philip Hammond, has delivered a budget to provide a “strong, stable platform for Brexit.” Most of the key announcements were not strictly related to tax, with attention paid to the funding of adult social care in England and the upcoming revaluation of business rates. However, the previous chancellor having announced that Class 2 National Insurance was to be repealed (effective April 2018), the chancellor announced an increase in Class 4 National Insurance contributions for the self-employed.

[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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