International Tax Asia Pacific and MENASA July 2017

This e-newsletter gives you an overview of international tax developments being reported globally by KPMG firms in the Asia Pacific & MENASA regions between **1 July and 31 July 2017.**

Australia	India	Kuwait
China	Japan	Oman
Hong Kong	Korea	Thailand

For a full summary of global tax developments, visit **kpmg.com/TaxNewsFlash**.

To contact the International Tax Team email internationaltax@kpmg.com.

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	Tax area concerned	Relevant date	Description of measures and publication link
Australia			
Administrative and case law	Diverted profits tax	5 July 2017	The Diverted Profits Tax (DPT) is now live, having commenced operation from 1 July 2017. It will apply first to those significant global entity (SGE) groups with a year-end of 30 June. To manage their tax risk appropriately, SGEs will first want to identify arrangements that are potentially impacted and calibrate the risk. Read more.
Administrative and case law	Capital gains	27 July 2017	The Early Stage Investor Tax Incentive (ESITI) has now been up and running for just over a year. Since 1 July 2016, Early Stage Innovation Companies have been able to issue new equity shares to investors who hopefully qualify for the non-refundable 20 percent tax offset and Capital Gains Tax holiday offered by the ESITI. Read more.

Other	Hybrid loans	25 July 2017	The KPMG member firm in Australia contributed to a recent Bloomberg BNA Tax Management International Forum (Forum). The Forum is a comparative tax law journal which poses a cross-border tax issue to be addressed by each Forum Member from the perspective of their own country. The topic discussed was Australia's treatment of hybrid loans. Read more.

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China			
Administrative and case law	VAT	5 July 2017	China's Ministry of Finance and State Administration of Taxation jointly issued guidance to clarify the value added tax (VAT) treatment of asset management products. The guidance provides that the simplified VAT method will temporarily be applied to the operation of asset management products, with a VAT rate of 3%. The simplified VAT method means that output VAT at 3% will be payable on revenue, but no input VAT credits will be claimable for expenses. Read more.

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Hong Kong			
Proposed legislation	Corporate tax	6 July 2017	The Hong Kong Government has published a Bill to confer a Profits Tax exemption on Hong Kong privately offered open-ended fund companies (OFCs). The Bill will enable asset managers to set up a privately offered fund as an OFC in Hong Kong which will not be subject to tax. This is an encouraging policy initiative to promote the asset management industry in Hong Kong, although there are some areas of uncertainty under the Bill which could impact its effectiveness. Read more.

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India			
Treaties	Permanent establishment	6 July 2017	A Tribunal found there was a "service permanent establishment" (service PE) in India because the taxpayer had been furnishing services to the Indian company even without any physical presence of the

			taxpayer's employees in India. Read more.
Treaties	Capital gains	18 July 2017	Capital gains under income tax treaty with Netherlands: The High Court held that capital gains arising from the sale of shares by the taxpayer of its Indian subsidiary, deriving its value from the immovable property, are not taxable in India under the India-Netherlands income tax treaty. The case is: Venenberg Facilities BV. Read more.

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Japan			
Proposed legislation	Hybrid loans	19 July 2017	Under the 2017 tax reform, the Japanese CFC regime has been extensively amended in light of the final report of the OECD's base erosion and profit shifting (BEPS) Action 3 (*Designing effective controlled foreign company rules*). Read more.
Administrative and case law	Tariffs	14 July 2017	An agreement with EU would remove, reduce customs tariffs. Both sides have made a commitment to eliminate customs tariffs on industrial goods. Particularly, the agreement could have a significant effect on the apparel industry from a tariff reduction perspective. At present, Japanese tariffs on clothes are 10% (on average). The Japan-EU agreement would be expected to remove tariffs on textiles and textile articles completely once the agreement enters into force. Additionally, tariffs on leather and footwear would be phased out over a period of 10 or 15 years. Read more.

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Korea			
Administrative and case law	Various	28 July 2017	The KPMG member firm in South Korea has prepared a report that collects news of recent tax developments, including summaries of decisions of the Supreme Court. The most recent report covers revised administrative rules concerning international taxation, and measures associated with the implementation of automatic exchange of financial information as well as BEPS. Read more.

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Kuwait			
KPMG report	Corporate tax	1 July 2017	Based on discussions between the KPMG member firm in Kuwait and officials with the Kuwait Tax Authority (KTA), it appears that the KTA may consider authorizing contract owners and customers to release 5 percent tax retentions attributable to Kuwaiti shareholders in companies incorporated in Kuwait. The rationale for this treatment is that the Kuwaiti shareholder in the Kuwaiti company would not be considered subject to corporate income tax in Kuwait. Read more.

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Oman			
KPMG report	Corporate tax	1 July 2017	The KPMG member firm in Oman summarizes new guidance from the Oman tax authorities on the country's withholding tax (WHT) and provides updates on electronic filing requirements, taxation of Islamic finance transactions. Read more.

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Thailand			
Proposed legislation	Corporate tax	6 July 2017	The KPMG member firm in Thailand reviews the impact that the draft legislation will have on foreign e-commerce companies. The draft legislation will impact many foreign e-commerce players in the Thai market either through Thai corporate income tax, withholding tax or VAT. KPMG Thailand is preparing a submission as part of the consultation process. Read more.

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