



Asia-Pacific Tax & Transfer Pricing Updates

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Asia-Pacific Tax Updates

Major Updates in India

- **Income-tax Act, 2025 (Effective April 1, 2026):** India is officially transitioning to a new tax code. Key changes include the removal of "Assessment Year" in favor of a Unified "Tax Year".
- **Changes in the taxation of buy-back of shares :** Taxation of share buy-backs has shifted from dividend to capital gains in the hands of shareholders, with differential treatment for promoters and non-promoters.
- Under the **Finance Act 2026**, the following changes are introduced:

		Non-Promoters/Retail Investors	Promoter - Domestic Company	Promoter - Other than Domestic Company
STCG	Listed	20%	20% + 2% = 22%	20% + 10% = 30%
	Unlisted	30% (LLP)/35%(Foreign Com.)	22%	30% (LLP)/35%(Foreign Com.)
LTCG	Listed	12.50%	12.5% + 9.5% = 22%	12.5% + 17.5% = 30%
	Unlisted	12.50%		

Exemptions for Non-Residents & Foreign Companies

Individual Service Providers

5-year tax exemption on foreign income under notified schemes, if non-resident in prior 5 years.

Data Centre Services

Tax holiday until 31 March 2047 for foreign companies providing notified data centre services via Indian resellers.

Capital Goods Supply

Tax exemption until 31 March 2031 on income from supplying capital goods to Indian electronics manufacturers in bonded zones.

GIFT City IFSC: India's Competitive Gateway for Global Investors

Established in 2015 as India's first operational smart city and sole International Financial Services Centre (IFSC), GIFT City serves as a premier global gateway designed to bridge Indian and international capital markets through a world-class regulatory framework.

The Strategic Framework

- **Unified Regulation:** Governed by the IFSCA, a single-window regulator providing global-standard compliance for banking, funds, and insurance.
- **Currency Neutrality:** Operations are conducted in USD, providing a natural hedge for international investors against local currency volatility.
- **Global Benchmarking:** Offers the Ease of Doing Business found in offshore hubs while maintaining direct access to the world's fastest-growing major economy.

IFSC Regime – Major Boost

- **Extended Benefit Periods:** IFSC units now qualify for twenty consecutive years out of twenty-five from registration, up from the previous ten out of fifteen years. Offshore Banking Units (OBUs) similarly benefit from an extended twenty-year tax holiday period raised from earlier 10 Years.
- **Post-Holiday Concessional Rate:** After the tax holiday period concludes, business income of IFSC units and OBUs will be taxed at a concessional rate of 15% on business income.

Note : Entities formed through splitting, reconstruction, reorganization, or transfer of an existing Indian business are not eligible for the tax holiday.



India

Change in GST Law for Intermediary Services

- Place of Supply provision for intermediary services have been amended. Now, the place of supply for such services will be the location of the recipient.
- Therefore, Indian service providers rendering intermediary services to foreign clients will now be treated as exports and avail zero-rated benefits.
- However, since intermediary services are now taxed at the recipient's location, Indian importers of such services will be liable to GST under RCM.

Landmark Judicial Developments Reshaping Foreign Taxation in India (1/2)

	Tiger Global	Hyatt International
ISSUE	Whether capital gains exemption applies on indirect transfer of Flipkart shares routed via Mauritius & Singapore entities.	Whether UAE entity providing management services to Indian hotels creates PE despite no physical office in India.
HELD	TRC not conclusive; Mauritius entities treated as conduit structures; transaction taxable in India.	SC ruled in favour of Revenue; Fixed Place PE established in India.
KEY PRINCIPLE	Substance over form treaty benefits denied where structure lacks commercial substance.	Expanded disposal test functional control and continuous presence can create PE without formal office.

Landmark Judicial Developments Reshaping Foreign Taxation in India (2/2)

	Clifford Chance	American Express Bank Ltd.
ISSUE	Whether international law firm creates Service/Virtual PE when lawyers present 120 days but work only 44 days.	Deductibility of non-resident head office expenses, Section 37(1) vs Section 44C.
HELD	A Service PE requires physical presence; the India–Singapore DTAA does not recognize "Virtual PEs." Since the employees were in India for less than 90 days, remote services remained non-taxable.	Head office expenses of a non-resident are capped at 5% of adjusted total income; full deduction not allowed. Matter remanded to ITAT.
KEY PRINCIPLE	Only actual service days count for Service PE; non-working days excluded from threshold.	For foreign holding companies, deduction of head office expenses is restricted to the prescribed cap; proper qualification, allocation, and documentation are essential.

Tax Updates: South Korea & Australia

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South Korea

Modernizing Residency & Investment

- **Corporate Tax Hike:** The 2026 Tax Reform increases every corporate income tax bracket by 1 percentage point, raising the maximum rate to 25% for income over KRW 300,000 million (~ USD 203 Millions).
- **Securities Transaction Tax:** To promote fairness, transaction tax rates for both KOSPI and KOSDAQ markets will be adjusted to a uniform 0.20% starting 1 January 2026.
- **Foreign Subsidiary Dividends:** The dividend received deduction (DRD) for Korean parents is increased from 95% to 100% to reduce double taxation.



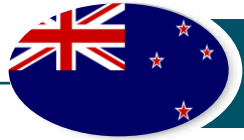
Australia

Strengthening the Financial Hub

- **Consolidated Reporting:** Introduced the Combined Global and Domestic Minimum Tax Return (CGDMTR) for DMT, IIR, and UTPR, while the GloBE Information Return (GIR) remains standalone.
- **Jurisdictional CbCR Consolidation & TSH Eligibility:** Australia permits jurisdiction-level consolidated CbC reporting if the parent is a tax-consolidated head entity or if the foreign filing jurisdiction allows it.

Tax Updates: New Zealand & Singapore

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New Zealand

Modernizing Residency & Investment

- **Digital Nomad Category:** A new "non-resident visitor" category allows stays up to 275 days (within 18 months) without triggering tax residency or FBT on remote work income.
- **Revenue Account Method (RAM):** An optional calculation for foreign shares where tax is only paid on dividends received and 70% of realized gains upon sale.
- **KiwiSaver & Interest:** Mandatory contribution rates for employees and employers rise to 3.5% on 1 April 2026. Interest on underpaid tax decreased to 8.97% as of 16 January 2026.



Singapore

Strengthening the Financial Hub

- **Corporate Tax Rebate:** For YA 2026, a 40% CIT rebate is granted (capped at S\$30,000 ~ USD 23,600), including a minimum S\$1,500 (~ USD 1180) cash grant for active companies with local staff.
- **DTDi Scheme Expansion:** The expenditure cap for double tax deductions on internationalization (without prior approval) rises to S\$400,000 (~ USD 0.314 Million) starting YA 2027.

Tax Updates: China & Japan



China

Innovation & Market Stability

- **Hetao Innovation Zone:** From 1 January 2026, research institutions in this zone are exempt from import duty and VAT on self-used R&D goods.
- **Bond Market Incentives:** CIT and VAT exemptions for foreign institutions investing in domestic bonds and offshore local government bonds are extended to 31 December 2027.
- **CDRs for Innovation:** Capital gains and dividends from Chinese Depository Receipts (CDRs) of innovative tech firms are tax-exempt for corporate and foreign institutional investors through 2027.



Japan

Innovation & Market Stability

- **Defense Surtax:** A new 4% surtax on corporate income tax will be introduced on 1 April 2026, raising the effective tax rate for large corporations to approximately 31.52%.
- **Crypto Reform:** Transitioning to a 20% flat tax on specified crypto gains with a three-year loss carryforward to align digital assets with traditional stock taxation.
- **JCT & Compliance:** New "deemed supplier" rules for high-volume e-commerce platforms and stricter documentation requirements for foreign intra-group payments starting in 2026.

Asia-Pacific Transfer Pricing Updates

Changes in Safe Harbour Rules: Streamlined, Simplified and Scalable

- All IT related service categories are now consolidated into "Information Technology Services" with a fixed 15.5% safe harbour margin as compared to higher margin range of 18% - 24%.
- The eligibility threshold has been increased from INR 300 Crore (USD 35 Mn) to INR 2,000 crore (USD 220 Mn).
- Benefits available for up to five consecutive years.
- Additionally, to promote global business and investment, safe harbour rates of 15% for data center services and 2% for bonded warehouse component storage are introduced.

Changes in Rules related to the APA Procedure: Smoother & Taxpayer Friendly

- IT companies can now access a fast-track Unilateral APA aimed at conclusion within 2 years (extendable by 6 months). Previously, no time limit existed for APA completion.
- The APA filing fee is now fixed at INR 2 Million (USD 22,000) with a simplified notification-based withdrawal.
- New timelines mandate a one-year processing target for unilateral APAs and a two-year limit for IT services, while non-compliance may lead to closure after three years.
- Post APA annual compliance requires more granular reporting and expanded FAR disclosures.

Steps to Reduce Transfer Pricing Disputes

Time-limit for completion of assessment under section 144C:

The Budget clarifies that Sections 153/153B limitation periods apply only to draft assessment orders, while Section 144C governs final orders. This retrospective change (effective 2009) resolves judicial conflicts and is codified in Sections 275 and 286 of the ITA 2025.

Block Assessment:

The fresh concept of transfer pricing assessment for block period of 3 years has been introduced which shall be given as an option to taxpayers. Taxpayer can choose if they would want to be governed by single year assessment or the outcome of that assessment to be applied to subsequent 2 years as well.

Key Judicial Pronouncements







Strengthening Digital Business Model

The ruling in Netflix Entertainment Services India LLP v DCIT strengthens the position of businesses operating under limited-risk models by reinforcing that profits must align with DEMPE functions and actual conduct. It curbs aggressive re-characterisation and supports the continued use of TNMM, providing greater certainty and defensibility for digital MNC structures in India.

Tax Certainty for Specialised GCCs

The Shell India (2026) ruling confirms that contractual and regulatory realities override generic tax benchmarks, allowing for at-cost (0% markup) pricing where profit is legally prohibited. This protects GCCs from arbitrary markups, ensuring that transfer pricing reflects actual business substance rather than rigid formulas – ultimately enhancing tax certainty and operational stability for global investors in India.

Pillar II Adoption Status in Various APAC Countries

APAC Country	Implementation Status	IIR Opted & Effective Date	UTPR Opted & Effective Date	QDMTT Opted & Effective Date
 Australia	Final law in force	Yes, 1 January 2024	Yes, 1 January 2025	Yes, 1 January 2024
 China	No public announcement yet			
 Hong Kong	Final law in force	Yes, 1 January 2025	To be confirmed	Yes, 1 January 2025
 India	No public announcement yet			
 Indonesia	Final law in force	Yes, 1 January 2025	Yes, 1 January 2026	Yes, 1 January 2025
 Japan	Final law in force	Yes, 1 April 2024	Yes, 1 April 2026	Yes, 1 April 2026

UAE Tax & Transfer Pricing Updates



Executive Snapshot

The UAE tax landscape is undergoing significant transformation, driven by global alignment, enhanced enforcement and strategic incentives. Understanding these changes is critical for maintaining compliance and optimising tax positions.

- **15% Domestic Minimum Top-Up Tax:** Pillar 2 implementation for large MNE groups - direct impact on effective tax rates and complex jurisdictional calculations.
- **R&D Tax Incentive:** A transformative incentive offering substantial cash benefits to businesses conducting eligible research and development activities in the UAE. Unlike traditional deductions, this is a refundable credit that improves cash flow.
- **Free Zone Conditions Tightened:** Clarified qualifying activities and enhanced substance tests - non-compliance risks 0% to 9% CT exposure.
- **Increased Transfer Pricing Certainty:** The UAE's 2025 tax reforms enhance transfer pricing certainty through the introduction of Advance Pricing Agreements while strengthening cross-border dispute resolution via a formalized, OECD-aligned Mutual Agreement Procedure framework.

Key Message:

Higher scrutiny, new incentives and critical system readiness demands immediate strategic response.



UAE – Corporate Tax

Corporate Tax - Overview

Corporate Tax Rates

- **0% Rate:** Applies to taxable income up to AED 375,000 — designed to support small businesses and startups operating in the UAE.
- **9% Standard Rate:** Applies to taxable income exceeding AED 375,000. The standard rate applies to all non-qualifying entities across the UAE.

Small Business Relief

- Available for businesses below the revenue threshold, easing the compliance burden.
- Simplifies compliance obligations and may meaningfully reduce overall tax liability.

De Minimis Threshold

- Allows limited non-qualifying income while retaining QFZP status.
- Exceeding the threshold results in loss of the 0% benefit.

Qualifying Free Zone Person (QFZP)

- Eligible Free Zone entities benefit from a 0% tax rate on qualifying income.
- Must meet specific regulatory conditions to maintain the favorable treatment.
- A separate election is required to obtain QFZP status — it is not automatic.

Loss / Opting Out of QFZP

- Failure to meet conditions triggers loss of benefits immediately.
- Voluntary opt-out also terminates QFZP status and its 0% rate.
- Entities cannot re-elect for QFZP status for a period of 4 years following loss or opt-out.



UAE – QDMTT

Domestic Minimum Top-up Tax (Pillar 2)

The UAE introduced a Qualified Domestic Minimum Top-Up Tax (QDMTT) in 2024, effective for financial years commencing on or after 1 January 2025. The regime applies to multinational enterprise groups with consolidated annual revenues of €750 million or more.



Scope and Application

Applies to multinational enterprise groups with consolidated revenues of €750 million or more. Top-up tax is triggered when the UAE effective tax rate falls below 15%.



Complex Calculations Required

Requires sophisticated data gathering across jurisdictions, calculation of jurisdiction-specific effective tax rates and determination of top-up tax liability.



Financial Impact

Direct increase in tax cost for groups with low effective tax rates. Significant reporting burden and potential cash flow implications from quarterly payment requirements.



UAE – R&D Tax Incentive

R&D Tax Incentive

A transformative incentive offering substantial cash benefits to businesses conducting eligible research and development activities in the UAE. Unlike traditional deductions, this is a refundable credit that improves cash flow.

30-50%

Refundable Credit Rate

Credit applies to qualifying R&D expenditure - higher rates for strategic sectors and activities

- **Identify Eligible Projects** - Systematic investigation or experimentation addressing scientific or technological uncertainty.
- **Document Qualifying Costs** - Employee costs, consumables, subcontractor fees and overhead directly attributable to R&D.

2026

Effective Period

Available for tax periods beginning in 2026 and subsequent years

- **Maintain Contemporaneous Records** - Project plans, technical documentation, time tracking and cost allocation evidence.
- **File Credit Claim** - Submit with Corporate Tax return including detailed supporting documentation.



UAE – Major Updates

Major Updates (2025-2026)

Critical clarifications to Free Zone qualifying income rules significantly tighten the conditions for maintaining 0% Corporate Tax treatment. Non-compliance now carries substantial financial risk.

MINISTERIAL DECISIONS

229 & 230 OF 2025

Free Zone Compliance

- Critical Clarifications to the Free Zone qualifying income rules significantly tighten the conditions for maintaining 0% Corporate Tax treatment.
- Review your Free Zone entity's activities and substance immediately.

MINISTERIAL DECISION

173 OF 2025

Investment Property

- This decision addresses a critical vulnerability for mixed-property portfolios, where IFRS inadvertently create unfair UAE Corporate Tax calculations.
- This adjustment ensures that tax outcomes reflect economic substance rather than accounting policy choices.

MINISTERIAL DECISIONS

01 OF 2026

Sports Entities

- A strategic exemption designed to position UAE as a globally supportive environment for athletic infrastructure and talent development.
- Organizations should maintain clear documentation demonstrating non-commercial purpose and public benefit activities.

Note: Dubai has also recently announced an Economic stimulus package worth AED 1 billion with incentives aimed at improving business operations amid ongoing global supply chain disruptions due to the disruptions in the Middle East.



UAE – Transfer Pricing

Transfer Pricing Certainty

Advance Pricing Agreements (APA)

- Formal mechanism allowing taxpayers to obtain advance certainty on transfer pricing methodologies for related-party transactions. Provides protection against future adjustments and double taxation risks.
- Unilateral, bilateral or multilateral arrangements
- Typically, 3-5 year coverage period
- Requires comprehensive functional analysis and economic justification
- Application process involves detailed submission and FTA engagement

1. Documentation

2. APA Application

3. Compliance

Mutual Agreement Procedure (MAP)

- Treaty-based dispute resolution mechanism addressing cases of double taxation or non-taxation inconsistent with tax treaties.
- Facilitates bilateral negotiations between competent authorities
- Resolves transfer pricing disputes and treaty interpretation issues
- New guidance streamlines process and timelines

Best for: Groups with significant cross-border related-party transactions, high-value intercompany arrangements or complex transfer pricing positions. Higher documentation expectations apply but certainty significantly reduces dispute risk.



UAE – EmaraTax

Platform Updates



The EmaraTax portal has undergone significant enhancement to support new compliance requirements and improve user experience:

- **Advance corporate tax payments:** New functionality enabling voluntary advance payments to manage cash flow
- **Return download feature:** Historical return retrieval and data export capabilities
- **Audit section:** Dedicated module for managing FTA audit requests and document submissions
- **Digital correspondence:** Secure messaging system for all FTA communications and queries

Your Action Plan



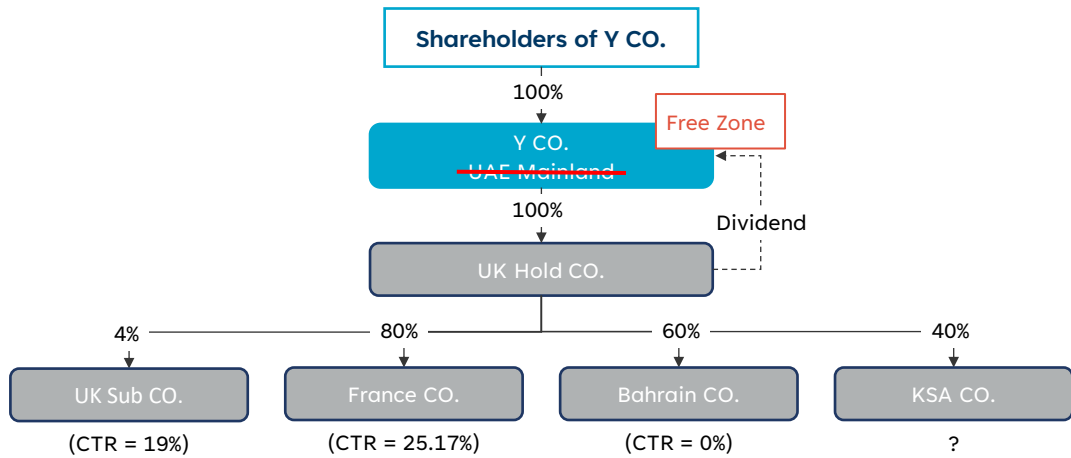
To support compliance readiness and implementation of new requirements:

- **Conduct Gap Analysis:** Assess current compliance against new requirements across CT, VAT, and procedures
- **Update Procedure Manuals:** Revise documentation, record-keeping and internal control procedures
- **Review Free Zone Eligibility:** Evaluate qualifying activities and substance under tightened rules
- **Model DMTT Exposure:** Calculate potential Pillar 2 top-up tax liability and assess data readiness
- **Prepare R&D Claims:** Identify eligible projects and establish documentation protocols for 2026
- **Begin E-Invoicing Readiness:** Assess system requirements and initiate technical integration planning



UAE – Case Study

Participation Exemption vis-à-vis Free Zone Benefit



Will payment of dividend from UK Hold Co. to Y CO. qualify for Participation Exemption?

	Particulars	UK Sub Co.	India Co.	Bahrain Co.	KSA Co.
SCENARIO 1	Investment by UK Hold Co.	30,000	40,000	30,000	
SCENARIO 2	Investment by UK Hold Co.	20,000	40,000	10,000	30,000

Considering that KSA levies Zakat and CT, it would have to be determined whether the **effective tax rate** of the Participation is equal to or more than 9%. **If it is more than 9%, exemption available.**

SCENARIO 3

Is it possible to structure Y Co. to be a FZ entity?

Income from holding shares and securities will be qualifying income – Participation Exemption conditions irrelevant

Participation Exemption Conditions:

- 5% of greater ownership interest in shares / capital or minimum cost of investment of AED 4m
- Uninterrupted holding period or intention to hold for 12 months
- Participation subject to CT at (at least) 9% in relevant jurisdiction
- More than 50% of direct/ indirect assets consist of interests should qualify for PE if held directly by Y Co.

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Thank you



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