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Asia Pacific – ITAX Updates

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EUROPEAN REGIONAL CONFERENCE

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About Us

Great Place To Work® Certified 2024 INDIA™

Headquartered in **Gurgaon** with branches in **New Delhi, Mumbai, Pune, Bangalore, Hyderabad, Singapore** and **UAE**

~ 650 Employees with accounting, audit, tax, secretarial, legal & and management background

Over 44 years of industry experience

Clients include **Fortune 500** companies**, expats,** Listed companies**,** startups**, MNCs, small** and **large domestic corporate houses**

Strong Media Presence including views shared on several international and domestic tax and regulatory matters

Ranked Consistently in **International Tax Review's World Tax and World Transfer Pricing** Guides (2017-2025)

Ranked firm for the last 8 years

Transfer Pricing

Tier 1
Deloitte
Dhruva Advisors
EY
KPMG
PwC
Tier 2
AKM Global
BDO India
Gaiea Consulting
Grant Thornton India

General Corporate Tax

Tier 1
Deloitte
Dhruva Advisors
EY
KPMG
PwC
Tier 2
BDO India
Economic Laws Practice
Grant Thornton India
Khaitan & Co
Lakshmikumaran & Sridharan
Nexdigm
Shardul Amarchand Mangaldas & Co
Tier 3
AKM Global
AZB & Partners
Cyril Amarchand Mangaldas
JMP Advisors
KNAV Tax
L&L Partners
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Indirect Tax

Tier 1
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Dhruva Advisors
Economic Laws Practice
EY
KPMG
Lakshmikumaran & Sridharan
PwC
Tier 2
BDO India
Grant Thornton India
Khaitan & Co
Tier 3
AKM Global
Nexdigm
Tier 4
Amicus Advocates & Solicitors
AMRG & Associates
JMP Advisors
Nangia Andersen
S&A Law Offices
TLC Legal

Amit Maheshwari

- Recognized as one of the **highly regarded practitioners in tax controversy and Transfer Pricing in the ITR's Expert Guides 2024**.
- Recognized as one of the **top tax practitioners advising on Indian Tax Laws, in the ITR's Expert Guides 2022**.
- Recognized as a **TAX LEADER** in **World Tax Controversy Leaders Guide 2021**
- Recognized as a **TRANSFER PRICING EXPERT** in **2018, 2019, 2021, 2022 and 2023 listed by Euromoney**
- Nominated as **ASIA TRANSFER PRICING PRACTICE LEADER** of the Year in **Asia Tax Awards** by **ITR** in 2017

Source: AKM Global - India - Firm Profile | ITR World Tax

ITR Ranked Consistently in **International Tax Review's World Tax** and **World Transfer Pricing** Guides (2017-2025)

Australia

Australia takes final step in implementing Pillar II rules

- ➜ **Pillar II Components:** Implement three components namely Income Inclusion Rule (IIR), Domestic Top-Up Tax (DTT) and Undertaxed Profits Rule (UTPR).
- ➜ **Qualified Domestic Minimum Top-up Tax (QDMTT)** consideration **deferred** to a later stage.
- ➜ **Effective Date:** DTT and IIR applicable from January 1, 2024 with retrospective effect while UTPR applicable from January 1, 2025.
- ➜ **Application:**
  - **IIR:** Applies top-up tax on a Parent Entity of an Multinational Enterprise (MNE) Group located in Australia.
  - **DTT:** Applies to **foreign headquartered in-scope MNE groups** for the profits of low-taxed constituent entities operating in Australia.
  - **UTPR:** Applies to Constituent Entities (CEs) of an MNE Group that are located in Australia where an amount of the Total UTPR Top-up Tax is allocated to Australia and considered to be distributed to the CE.
- ➜ **Objective:** These measures aim to impose a **minimum effective tax rate of 15%** on business profits of Multinational Enterprise (MNE) groups.
- ➜ **Revenue Limit:** Applicable on **annual consolidated revenue over 750 million Euros** earned in at least two of the last four fiscal years in the jurisdictions in which MNE operate.

Imposition of Tariff on Australian Imports into the US - Applicability: US has imposed a **tariff of 10%** on all Australian imports into the US; **effective on or after 5 April, 2025**.

Hong Kong (1/2)

Draft legislation of company re-domiciliation regime introduced

- Allows foreign companies to re-domicile in Hong Kong with the same rights as local companies, provided that the original jurisdiction allow outward re-domiciliation.
- Only **Hong Kong-sourced profits** shall be taxed, and **unilateral tax credits** shall be available if profits are taxed in both jurisdictions.
- **Eligible Companies:**
  - Private and public companies limited by shares
  - Private and public unlimited companies with share capital
- **Eligibility:** Companies must have completed at least **one financial year**, be **solvent**, not engage in unlawful purposes, and **obtain 75% shareholder approval.**
- Re- domiciled companies are eligible for merger with local Hong Kong companies.

Hong Kong (2/2)

Hong Kong Published Draft Legislation on BEPS 2.0 Pillar Two Implementation

- **Adoption of Pillar II:** Release of Draft Bill for the implementation of **15% Global Minimum Tax (GMT)** on MNE (exceeding 750 million Euros revenue in at least two of the four preceding fiscal years, with certain exclusions).
- **Effective Date:** 1st January 2025.
- **Undertaxed Profits Rule (UTPR)** consideration **deferred** to a later stage.
- **Key Aspects:**
  - Applicability to MNE group constituent entities.
  - **Exclusion:** Investment entities and insurance investment entities are excluded from Hong Kong Minimum Top-up Tax (HKMTT) to avoid double taxation.

Philippines (1/2)

Philippines Introduces New tax reform to attract Foreign Investment

- **Introduction of New Tax reform:** New tax reform has been introduced, known as the Corporate Recovery and Tax Incentives for Enterprises to Maximise Opportunities for Reinvigorating the Economy **(CREATE More)** Act.
- **Effective Date:** 28 November, 2024
- **Corporate Income Tax Cut:** Reduces the income tax rate for **Registered Business Enterprises (RBEs)** from 25% to 20%.
- **Fiscal Incentives:** RBEs can take enhanced deductions, including a 100% deduction for energy expenses to tackle high power costs.
- **Extended Tax Incentives:** Extends tax incentives for strategic investments from 17 to 27 years.
- RBE refers to any individual, partnership, corporation, Philippines branch of a foreign corporation, or other entity organized and existing under Philippine law and registered with an **Investment Promotion Agency**.

Philippines (2/2)

Implementation of Value Added Tax (VAT) on Digital Services

- Imposes a **12% VAT** on digital services provided by Residents and Non-Resident Digital Service Providers (NDSPs) consumed in the Philippines.
- **Effective Date:** 18 October, 2024
- **Requirement:** NDSPs with **annual gross sales exceeding over Philippines pesos 3 million (USD 51,000)** in the last 12 months or expected to exceed in the next 12 month must register for VAT in the Philippines.
- **Definition of Digital Services:** A digital service is any service provided over the internet or electronic networks, using information technology, where the service supply is primarily automated.
- **Penalty on non-compliance:** Non-compliance to register for VAT or comply with the Regulations shall result in penalties including the suspension of business operations

South Korea

Increased Cash Grant Support for 2025

- **Government Support foreign investments: Total budget allocation of KRW 2 trillion** in the first half of 2025. Central government contribution increased to 75% for 2025.
- Cash grants may be disbursed for the prescribed purposes.
- **Tax benefits are limited to projects approved under the Foreign Investment Promotion Act (FIPA). Contribution limit:**

Category	Normal Rate	2025 Rate
R&D Center (national advanced strategic industry), global enterprises’ regional headquarters	50%	75%
R&D Center (others), national advanced strategic technology	50%	60%
Regional Headquarters of Global Enterprises	50%	75%
New growth/advanced/ material, parts, and equipment	45%	55%
Mass scale employment , region-specific industry, etc.	40%	50%

- **Tax incentives:** From 2024-2026, for businesses investing in areas designated as “opportunity development zones” by the Government:
  - 100% exemption on corporate taxes for a period of 5 years.
  - 50% reduction of corporate taxes for the subsequent 2 years.
  - General investment tax credits increased from 3% to 10%.

New Zealand

Foreign Investment Fund (FIF) Rules – Current Regime & Proposed Reforms

- New Zealand's FIF rules apply to tax residents holding interests in foreign companies, taxing offshore investments even without actual income. Currently, deemed income is calculated as 5% of either the market value at the start of the year or the purchase cost, often creating tax liabilities without actual cashflow.
- **Proposed Changes by Inland Revenue: Revenue Account Method**, expected to apply from **1 April 2025**. Tax applies only when actual income is received (dividends or sale proceeds).
- **Eligibility Criteria:** The method applies only to individuals who became full New Zealand (NZ) tax residents on or after **1 April 2024** and only for unlisted investments acquired before residency. Entities mainly holding listed shares are excluded.
- **Exit Tax Provision:** When a taxpayer using the revenue account method ceases to be a NZ tax resident, an exit tax may apply. The exit tax treats the former resident as if they sold all their shares at their market value immediately before losing NZ tax residency.

New Zealand – Slovenia: 2024 Income Tax Treaty

- **First Bilateral Treaty:** Marks the **first-ever income tax treaty between New Zealand and Slovenia**. Includes a Final Protocol detailing supplementary provisions and clarifications.
- **Status:** Officially published on **22 January 2025**. Will enter into force once both jurisdictions exchange instruments of ratification.
- **Withholding Tax Provisions** Applicable from the first day of the third month after the treaty enters into force. Applies in both countries simultaneously.

Singapore (1/3)

Corporate Income Tax (CIT) Rebate for Year of Assessment (YA) 2025

- A **50% rebate on CIT** payable will be provided for YA 2025.
- **Minimum benefit of S$2,000** will be given as a cash grant to companies that:
  - Are actively operating, and
  - Have employed at least one local employee in calendar year 2024.
- The maximum benefit (CIT and cash grant) is capped at S$40,000.
- Eligible companies will automatically receive this benefit starting from the second quarter of 2025.

Extension of the Double Tax Deduction for Internationalization (DTDI) & Mergers and Acquisitions (M&A) Scheme

- Businesses currently enjoy a **200% tax deduction on qualifying expenses** related to market expansion and investment development under the DTDI scheme.
- Under the M&A scheme, a Singapore company making a qualifying acquisition of another company's ordinary shares can:
  - Claim M&A allowance over five years.
  - Get a 200% tax deduction on transaction costs incurred, subject to conditions and caps.
- The schemes will be extended from the original end date of 31 December 2025 to **31 December 2030**.

Singapore (2/3)

New Tax Deduction for Issuance of New Shares Under Employee Equity Based Remuneration (EEBR) Schemes

- **Effective date:** From **Year of Assessment (YA) 2026**
- **Current position**:
  - Tax deductions are allowed only when treasury shares or previously issued shares (of the company or holding company) are transferred to employees.
  - No tax deduction was available for newly issued shares under EEBR schemes.
- Companies can now claim tax deductions on payments made to a holding company or Special Purpose Vehicles (SPV) for issuing new shares under EEBR schemes.
- **Deduction amount:** The **lower** of:
  - The actual amount paid by the company.
  - The fair market value (or net asset value, if FMV not available) of the shares, less any amount paid by the employee.

Singapore (3/3)

Enhancement to Tax Exemption on Disposal Gains (Section 13W of Income Tax Act)

- Current Scope of Section 13W Exemption: Gains derived from the disposal of ordinary shares are tax-exempt if the seller held **at least 20% of the investee company's** ordinary shares for **a continuous period of 24 months** prior to the disposal.
- This exemption currently applies to disposals made between 1 June 2012 and 31 December 2027.
- Enhancement Effective from **1 January 2026** by removing the 31 December 2027 sunset clause, making the tax exemption permanent.
- The scope will also be extended to include gains from the **disposal of preference shares**, provided they are accounted for as equity in the investee company's financial statements under applicable accounting standards.

India (1/2)

Major Boost for International Financial Services Centre (IFSC) Ecosystem

- **Tax exemption on proceeds from life insurance policies:** Issued by IFSC insurance intermediaries without being subject to the usual premium limits.
- **Extended tax holiday till March 2030** for Investment income, Aircraft & ship leasing, Offshore derivative instruments.
- **Exemption from deemed dividend provisions** applies for loans between two group entities in which one of the group entity is a Finance company (or unit) in IFSC.
- Tax exemption on income of non-residents from the transfer or distribution of offshore derivatives and related transactions, when transacted through an offshore banking unit of an IFSC. This incentive will extend to Foreign Portfolio Investors in the IFSC from AY 2026-27 onwards.
- **IFSCA relocation regime** now exempts transfers of shares, units, or interests in retail schemes and ETFs with effect from AY 2026-27, if exchanged for shares or units in a resultant fund from being treated as a transfer for tax purposes.

India (2/2)

Incentives for Non-Resident (NR)

- **With effect from (w.e.f.) AY 2026-27**: NR purchasing goods in India solely for export to be excluded from the scope of Significant Economic Presence (SEP), ensuring such transactions remain tax-exempt under the Act.
- **Abolishment of Equalization Levy (EL) 1.0**: Online advertisement services from NR is not subject to 6% EL w.e.f. 1 April, 2025.
- Effective from Assessment Year 2026-27, a new **Section 44BBD** is proposed to be introduced, providing for presumptive taxation of non-residents engaged in providing services or technology to electronics manufacturing units in India where **25% of the gross receipts** will be deemed as income.
- The Safe Harbour Rules now include lithium-ion batteries for electric or hybrid vehicles as core auto components, with the transaction limit raised to INR 300 crore from 200.

Malaysia

Investment Tax Allowance for eligible Smart logistics Complex (SLC) Companies

- **Allowance:** 60% of qualifying capital expenditure for 5 years.
- **Set-off Limit:** Up to 70% of statutory income per YA.
- **Application Period:** 1 Jan 2025 – 31 Dec 2027 via Malaysian Investment Development Authority (MIDA).
- **Eligible Companies:**
  - **SLC Investor & Operator:** Invests in smart warehouse construction and provides eligible logistics services.
  - **SLC Operator:** Leases a smart warehouse (≥10 years) and provides eligible logistics services.
  - **Eligible Services:** Regional distribution, integrated logistics, hazardous goods storage, cold chain logistics.
  - **Warehouse Criteria:** Minimum built-up area of 30,000 sqm and adaptation of at least three Fourth Industrial Revolution (IR4.0) elements; and other conditions as prescribed.

Taxation of Dividend Income

- Dividend income of individual taxpayers receiving **dividends exceeding RM 100,000 per annum** will be subject to tax, effective from YA 2025.
- **Applicable Tax Rate: 2%.** This will impact residents, non-residents and individuals who hold shares through nominees.

Indonesia (1/2)

Adoption of Pillar II measures

- **Pillar II Components:** Three components of the Pillar II namely Domestic Minimum Top-up Tax (DMTT), IIR and UTPR have been adopted by the Indonesian government.
- **Effective date: 1 January 2025**
- **Application:**
  - **DMTT:** Indonesian Constituent Entities (CEs) pay top-up tax if the ETR in Indonesia is below 15%.
  - **IIR:** Indonesian parent entities must pay top-up tax on profits of foreign subsidiaries taxed below 15%.
  - **UTPR:** CEs bear top-up tax if low-taxed profits abroad aren’t taxed through IIR or DMTT elsewhere.
  - **Warehouse Criteria:** Minimum built-up area of 30,000 sqm and adaptation of at least three Fourth Industrial Revolution (IR4.0) elements; and other conditions as prescribed.
- **Revenue Limit:** Applicable on **annual consolidated revenue over 750 million Euros** earned in at least two of the last four fiscal years in the jurisdictions in which MNE operate.

Indonesia (2/2)

Duty and VAT updates

- **Import Duty:** Revised rates are 0%,15%,25% depending on the type of consignment goods which previously was applicable at MFN rate.
- **Value Added Tax(VAT):**
  - Rate increased to 12% from 11%, effective 1 Jan 2025.
  - Grace period till 31 Mar 2025 allows 11% invoices to remain valid under certain conditions.

China

Imposition of Tariff

- US announced a **10% tariff on all Chinese imports** on **1 February, 2025.**
- **Countermeasures by China:** In response to the imposition of 10% tariff (further increased to 20%) by the US on Chinese imports, China imposed an additional tariff on selected US Imports:

Tariff Rates	Examples of Effected Item	Effective Date
15%	Coal, liquefied natural gas (LNG)	10th February, 2025
10%	Crude oil, agricultural machinery, pickup trucks	10th February, 2025
15%	Chicken, wheat, corn, cotton	10th March, 2025
10%	Sorghum, soybeans, pork, beef, seafood, fruits, vegetables, dairy products	10th March, 2025

- US Imposed an additional 34% tariff as reciprocal tariffs policy.
- **Further Countermeasure:** China announced to impose 34% tariff on all US imports addition to existing tariff effective from 10th April 2025.
- **Grace period** until **13 May 2025** for goods shipped before the tariff effective date.

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