

Asia Pacific Financial Services

Tax Highlights





February 2023

Welcome to our February 2023 edition of Asia Pacific Financial Services Tax Highlights, where we draw your attention to the latest developments and hottest issues facing the industry in the region.

We encourage you to get in touch with any one of our contacts listed, or your usual PwC contact, should you wish to discuss anything further.

Legend:

This development is relevant to the following:

-  Asset & Wealth Management
-  Banking & Capital Markets
-  Insurance
-  All

Australia

The latest monthly tax updates include:

- The Australian Taxation Office (ATO) has released the instructions for preparing the Reportable Tax Position (RTP) Schedule for 2023.
- The Australian Securities and Investment Commission (ASIC) has released its [list of focus areas](#) for reporting periods ending 31 December 2022. Asset values continue to be an area of focus, with ASIC calling out the treatment of deferred assets and whether it is probably that these will be realised.
- The ATO has updated its Practical Compliance Guideline [PCG 2018/9](#) which contains guidance to assist foreign incorporated companies apply the principles set out in Taxation Ruling [TR 2018/5](#) regarding the 'central management and control' test of corporate residency for Australian income tax purposes.
- The ATO has released [guidance](#) on effective tax governance criteria for Top 500 privately owned wealthy groups. This guidance is intended to assist Top 500 groups with implementing effective tax governance frameworks, processes and procedures and to support private groups in achieving a high assurance rating, which is a critical element in the group's ability to achieve justified trust. The guidance includes:
 - tax governance frameworks, processes and procedures that the ATO believe are necessary when a Top 500 group is implementing an effective tax governance framework (i.e. 'required items')

- a menu of ten additional tax governance items for a Top 500 group's consideration (i.e. 'additional items'), three of which the group will also need to implement to achieve a high assurance rating for tax governance, and
- practical, downloadable examples.

Hong Kong SAR

- As covered in our [December 2022 - January 2023 Highlights](#), on 27 January 2023, The Stamp Duty (Amendment) Bill 2022 (Bill) re exemption of stamp duty payable for certain transactions relating to dual-counter stock made by market makers was passed by the Legislative Council, gazetted and came into operation on the same day.
- The [Hong Kong Tax Review 2022](#) summarises the significant tax updates in 2022 and previews the upcoming tax developments in 2023.
- The 2023/24 Hong Kong Budget was delivered on 22 February 2023. Please click [here](#) for the highlights, points of view, and the 2023/24 Hong Kong Tax Facts and Figures.

Of note, the Budget set out a proposal to defer the implementation of the 15% global minimum tax on large multinational enterprise (MNE) groups under BEPS 2.0 Pillar Two, and a domestic minimum top-up tax until 2025. A consultation exercise will be launched to allow MNE groups to prepare for these changes.

- On 14 February 2023, the Council of the European Union (EU) released an updated EU list regarding international tax co-operation (EU List). In light of the updated guidance on foreign-sourced income exemption (FSIE) regimes promulgated by the EU in December 2022, Hong Kong is required to fine-tune its tax legislation on the treatment of foreign-sourced capital gains by the end of 2023 for implementation with effect from 1 January 2024.

Read this [newsletter](#) for a summary of key implications and our observations in relation to the updated EU List.

India FS AWM

The latest tax updates include:

- In a recent decision, the Mumbai bench of the Income-tax Appellate Tribunal (Tribunal) held that time charter hire charges (TCHC) for the vessel (equipment) are taxable in India as shipping profits under the presumptive scheme of taxation of section 44B and not as 'royalty' under the provisions of the Income-tax Act, 1961 (the Act). In holding so, the Tribunal relied on the contractual arrangement between parties which, inter alia, indicated that the ownership, control and possession over the vessel continued to remain with the owner. Click [here](#) to read more.
- The Indian Finance Minister on February 1 presented the last full Union Budget for 2023-24 (Budget 2023) of the current Modi Government. This [Insight](#) highlights some key Budget 2023 tax proposals affecting foreign investors and multinational enterprises doing business in India. Budget 2023 proposals would take effect once the Budget passes both houses of Parliament and obtains Presidential assent.

Other tax updates and insights in India are available [here](#).

Korea FS

- Following the amendment of tax laws at the end of December 2022, the Ministry of Economy and Finance (MOEF) announced the government's bill to amend the Presidential Decrees of these tax laws on 18 January 2023 to seek public comments thereon until 3 February 2023. The proposed amendments include:

The Bill further specifies the foreign subsidiary shareholding requirement and the excluded scope for the new dividend received deduction (DRD) rules.

The Bill proposes that a qualifying foreign subsidiary eligible for an indirect foreign tax credit should refer to the subsidiary where a domestic parent has been directly holding at least 10% of the shares or interest in the foreign subsidiary for at least six months prior to the dividend record date.

The Bill specifies the target corporation, subject to the submission requirement, as a domestic corporation whose interest paid to an overseas related party under hybrid financial instrument transactions is included in its taxable income.

Click [here](#) to read more.

- Click [here](#) for the February Korean Tax Update, with details on:
 - The Government's Plans to implement measures for the recently codified global minimum tax rules in line with the internationally agreed time frame
 - National Tax Administration Policy Plans for 2023
 - Rulings update, and more.

Malaysia FS

The latest updates include:

- The Inland Revenue Board (IRB) has issued Public Ruling 7/2022 – Venture Capital Incentives (PR 7/2022) which replaces Public Ruling 2/2016 of the same title.

- The IRB has issued the Guidelines on Tax Treatment for Interest Expense / Profits Payable to a Bank or Financial Institution during the Moratorium Period (the Guidelines) dated 28 December 2022.

Read this [newsletter](#) for more information.

Singapore FS AWM

Singapore's FY2023 Budget Statement was announced by Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong on Tuesday, 14 February 2023 in the Parliament. Themed 'Moving forward in a new era', Budget 2023 is largely focused on building capabilities and seizing new opportunities in a new era of global development, with support for young families and continued assistance for the more vulnerable groups to cope with rising cost of living. Click [here](#) for our key takeaways from the Budget.

Philippines FS

The latest tax updates include:

- In December, the House of Representatives passed on third and final reading House Bill No. 6608, or the proposed Maharlika Investment Fund Act. If signed into law, the measure would establish the Philippines' first sovereign wealth fund (SWF). The proposal seems to attempt to mirror economic gains in other jurisdictions that have already established their own SWFs, including our Southeast Asian neighbours such as Singapore, Malaysia, and Indonesia. Click [here](#) for details.
- To expedite the revival of the economy from the pandemic and restore its trajectory towards upper middle-income status, the government has eased restrictions on foreign investment by amending foreign ownership rules for public services and retail. Click [here](#) for details.

Taiwan FS

The latest tax updates include:

- On 13 December 2022, the Ministry of Finance (MOF) announced updated Reference List of Controlled Foreign Country (CFC) Low-Tax Countries or Jurisdictions. Click [here](#) for a summary of the salient points of supplemental information to the FAQs.
 - The Ministry of Finance (MOF) released sample format of CFC income disclosure forms to be incorporated in corporate income tax return, which includes the following information: filing and disclosure obligation, related party information (including disclosure of controlling or subordinated relationship, and shareholding structure chart and table), CFC earnings calculation schedule and required supporting documents, CFC investment income and foreign tax credit schedule, etc.
- The OECD released the [Manual on the Handling of Multilateral Mutual Agreement Procedures and Advance Pricing Arrangements \(MoMA\)](#) on 1 February 2023. The MoMA is intended as a guide to multilateral MAP and APA processes from both legal and procedural perspectives and suggests different approaches based on the practices of jurisdictions, without imposing a set of binding rules.

For other international tax developments, updated on a monthly basis, please click [here](#).

Read this [Tax Update](#) to know more.

International FS

The latest tax updates include:

- The OECD released the [administrative guidance](#) on the GloBE Rules on 2 February 2023. Together with (1) the guidance on safe harbours and penalty relief and (2) the public consultation documents on the GloBE information return and the tax certainty for the GloBE Rules published in December 2022, the administrative guidance finalises the Implementation Framework as set out in the October 2021 Statement on the Two-Pillar Solution to Address the Tax Challenges Arising from the Digitalisation of the Economy.

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