

Asia Pacific Financial Services

Tax Highlights




July 2022

Welcome to our July 2022 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 identified that many companies are making errors in their income tax return when claiming the loss carry back tax offset. The ATO has issued a loss carry back tax offset tool available to assist as a general guide to determining eligibility and the resulting disclosures in the company tax return.
- The ATO has amended Practical Compliance Guideline PCG 2017/13 that sets out the compliance approach in relation to the repayment of loans resulting from unpaid present entitlements owing from a trust to a private company beneficiary where the deemed dividend rules may be applicable.
- PwC's State Taxes team presented a webcast on 23 June 2022 entitled 'State Budgets in Focus', covering the announcements in the respective State budgets. A video-on-demand recording of the webcast can be found here.

Hong Kong SAR

- The Hong Kong SAR government recently launched a consultation on a proposal to refine Hong Kong's foreign source income exemption (FSIE) regime for passive income in response to the concern of the European Union over double non-taxation arising from tax exemption for offshore passive income in Hong Kong.

Under the proposed refined FSIE regime, four types of offshore passive income, namely (1) interest, (2) income from intellectual properties (IP), (3) dividends, and (4) disposal gains in relation to shares or equity interest (disposal gains) will be deemed to be sourced from Hong Kong and chargeable to profits tax under certain circumstances. Click here for details.

- On 15 July 2022, the District Court (DC) handed down its judgment on John Wiley & Sons UK2 LLP and Wiley International LLC v. The Collector of Stamp Revenue. The case was on whether the appellants (being the transferor and transferee) were entitled to stamp duty relief under section 45 of the Stamp Duty Ordinance (SDO) in respect of the transfer of stock of a Hong Kong company. Specifically, the only point in dispute was whether a UK LLP has 'issued share capital' for the purpose of section 45 of the SDO.

The DC allowed the appellant's appeal and held that the UK LLPs had issued share capital within the meaning of section 45 of the SDO, and the appellants were therefore 'associated bodies corporate' within the meaning thereof and entitled to the stamp duty relief under section 45 of the SDO.

It is uncertain at this point if the Inland Revenue Department will appeal or not.

More publications and news relating to the financial services industry are available here.

India FS

Virtual digital assets (VDAs) have gained tremendous popularity in recent times and the volumes of trading in such digital assets has increased substantially. In this regard, a new scheme to provide for taxation and withholding of tax pertaining to VDAs was introduced by the Finance Act, 2022. To withhold tax, the Finance Act, 2022, inserted section 194S in the Income-tax Act, 1961 (the Act) with effect from 1 July 2022. The Central Board of Direct Taxes issued guidelines on 22 June 2022 to remove difficulties in the implementation of section 194S of the Act. Click [here](#) for more information.

South Korea FS

Korea's new government announced on 16 June 2022 its economic policy framework aimed at boosting growth and reviving growth momentum amid a global and domestic economic slowdown. Click [here](#) for a summary of tax measures that the economic policy framework identifies to facilitate corporate investment and innovation as well as job creation.

Malaysia FS

The [latest tax updates](#) include:

- The Income Tax (Deduction for Investment in a Bionexus Status Company) (Amendment) Rules 2022 has been gazette.
- The following Amendment Acts have been gazetted on 9 June 2022: (1) Labuan Companies (Amendment) Act 2022; (2) Labuan Financial Services and Securities (Amendment) Act 2022; and (3) Labuan Islamic Financial Services and Securities (Amendment) Act 2022, to remove the restriction from dealing with residents and Ringgit.

Taiwan FS

Legislative Yuan passed the third reading of the amendment to the Business Mergers and Acquisitions Act on 24 May 2022. Click [here](#) to know more.

Thailand FS

The [latest updates](#) include:

- VAT exemptions for the transfer of cryptocurrencies or digital tokens carried out on a digital asset exchange under the law.
- Tax support for investment in target companies using technology as the main basis of the business.

International updates FS

- The OECD released a [Progress Report on Amount A of Pillar One](#) on 11 July 2022. The OECD is seeking public comments by 19 August 2022. The OECD also published [frequently asked questions](#) (FAQs) and a [fact sheet](#) that includes a high-level overview of the rules on Amount A and a process map with steps for applying the rules. This [alert](#) provides a short overview of the report and some initial observations.
- PwC's [Global M&A Trends in Financial Services: 2022 Mid-Year Update](#) is now live. After a record-breaking year for mergers and acquisitions in 2021, optimism for another supercharged year in 2022 remains, despite growing market headwinds.

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

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Contact our Asia Pacific Financial Services Tax Leadership network



Rex Ho

Asia Pacific Financial Services Tax Leader
Hong Kong SAR



Matthew Wong

Asia Pacific Asset & Wealth Management Tax Leader
Mainland China



Liam Collins

Asia Pacific Banking & Capital Markets Tax Leader
Australia



Brendan Egan

Asia Pacific Insurance Tax Leader
Singapore



Stuart Porter

Asia Pacific Real Estate Tax Leader
Japan



Jesse Kavanagh

Asia Pacific Financial Services Tax Transformation Leader



Tushar Sachade

Partner
India



Margie Margaret

Partner
Indonesia



Hoon Jung

Partner
South Korea



Jennifer Chang

Partner
Malaysia



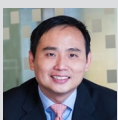
Darryl Eady

Partner
New Zealand



Malou P. Lim

Partner
Philippines



Lennon Lee

Partner
Singapore



Jessie Chen

Partner
Taiwan



Orawan Fongasira

Partner
Thailand



Nghiem Hoang Lan

Partner
Vietnam

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