

Asia Pacific Financial Services

Tax Highlights

June 2023



Welcome to our June 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:

- AWM Asset & Wealth Management
- BCM Banking & Capital Markets
- INS Insurance
- FS All

Australia

- The 2023/24 Federal Budget (Budget) was handed down by Treasurer Dr Jim Chalmers on 9 May 2023, containing a wide range of tax related measures. Key changes include:
 - Australia will implement key aspects of the OECD's 'Pillar Two' framework, including a domestic minimum tax, with an effective date for some measures from 1 January 2024.
 - The tax law will be amended to reduce compliance costs for general insurers by aligning tax outcomes with the newly introduced accounting standard AASB 17 Insurance Contracts, with effect for income years commencing on or after 1 January 2023.
 - From 1 July 2024, reduced withholding rates for fund payments from Managed Investments Trusts (MITs) holding eligible build-to-rent properties. Increased capital works depreciation rates will also apply to eligible build-to-rent properties.

Refer to [PwC's comprehensive Budget analysis](#) for our analysis of all tax measures reported in the Budget.

- On 22 June 2023, legislation to implement new tax measures for multinational enterprises (MNEs) was introduced into Federal Parliament. These measures, which will apply as early as 1 July 2023, make significant changes to Australia's thin capitalisation regime, and introduce new tax transparency obligations for public companies. For details, please refer to our [Tax Alerts](#).

- Other monthly tax updates include:
 - The Australian Taxation Office (ATO) has issued updated Taxation Ruling TR 2005/5 on the right to tax United States (US) and United Kingdom (UK) resident financial institutions under the US and the UK double tax agreements in respect of interest income arising in Australia.

Hong Kong

- Since 2021, Hong Kong SAR (Hong Kong) has already put into place redomiciliation mechanisms for open-ended fund companies and limited partnership funds to attract existing foreign funds to establish and operate in Hong Kong.

As a further step to strengthen Hong Kong's position as a global business and financial hub, the Financial Secretary announced in the 2023/24 Budget the introduction of a company re-domiciliation regime to facilitate non-Hong Kong companies to redomicile to Hong Kong. The Financial Services and the Treasury Bureau then conducted a public consultation to solicit views on the key features of the proposed regime outlined in the consultation paper titled [Proposed company re-domiciliation regime in Hong Kong](#) (the Consultation Paper).

Subject to the views collected in the public consultation, the relevant legislative amendment instrument is targeted to be submitted to the Legislative Council in 2023/24.

Read [this](#) for more information.

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- The Inland Revenue Department (IRD) has recently revisited its approach to the issuance of Hong Kong Certificate of Resident Status (HK CoR) and announced that effective from 12 June 2023, it will base its decision of whether an HK CoR can be issued on the plain definition of 'resident of Hong Kong' in the relevant comprehensive avoidance of double taxation agreement/arrangement (CDTA). The application forms have also been revised to reflect its latest approach.

Our [news flash](#) summarises the salient features of the revised application forms applicable to non-individuals and our observations on the implications of the IRD's adjusted approach for tax benefit claimants under Hong Kong's CDTAs.

India FS

- Section 56(2)(viib) of the Income-tax Act, 1961 (the Act) provides for taxing excess of the aggregate consideration received by specified companies from the resident investors over the fair market value of shares, if such consideration received exceeded the face value of the shares. Through the Finance Act, 2023, this section has been amended to include the consideration received from non-resident investors as well.

Click [here](#) for details.

Korea FS AWM

- The [monthly tax updates](#) include:
 - Korea and Portugal have agreed on amendments to the income tax treaty which include the adjustment of withholding tax rates on investment income in the country of source. The two countries reached an agreement on 18 May 2023 to accommodate changes in economic relations and international standards since the income tax treaty between the two countries was concluded in 1996 and took effect in 1997.

The revised tax treaty will go into effect after being officially signed and ratified by the two governments.

- The National Tax Service (NTS) has announced that starting from this year, Korean residents and domestic companies must report their foreign bank and financial accounts including overseas accounts holding virtual assets by 30 June 2023 (where the total amount in those accounts exceed the reporting threshold of KRW500 million in aggregate balance as at any month-end during 2022). Overseas accounts holding virtual assets refer to accounts opened with overseas virtual asset service providers including cryptocurrency exchanges as well as overseas virtual asset wallet providers with which digital currencies are stored.

Malaysia FS

- Malaysia has introduced new Income Tax (Transfer Pricing) Rules 2023 (TP Rules 2023), which were gazetted on 29 May 2023, and which will apply to years of assessment 2023 onward. The TP Rules 2023 make significant changes to Malaysian transfer pricing regulations, principally increasing the level of documentation requirements, particularly for Multinational Enterprise (MNE) groups, providing prescriptive guidance on the arm's-length range, and tightening compliance requirements in relation to transfer pricing documentation deadlines.

Read [this](#) for more information.

New Zealand FS

- New Zealand's 2023 Budget (Budget) was delivered by The Minister of Finance, Hon Grant Robertson, on 18 May 2023. The Government's key tax announcements on Budget Day include:
 - The Taxation (Annual Rates for 2023–24, Multinational Tax, and Remedial Matters) Bill proposes to increase the trustee tax rate to

39% for the 2024/25 and later income years (for most trusts, this is likely to be from 1 April 2024).

- New Zealand's Pillar Two legislation has been introduced through, for the most part, incorporating the OECD rules rather than drafting New Zealand specific legislation. Whilst an enactment date has not been confirmed, these rules could start coming into effect from 1 January 2024.

Please see our [Tax Tips Alert](#) for more information.

Singapore FS

- On 6 June 2023, the Singapore's Ministry of Finance launched a public consultation on the draft Income Tax (Amendment) Bill 2023 (Bill). Comments to the consultation will be opened through 30 June 2023.

The Bill proposes various changes to the Singapore Income Tax Act (SG ITA), including amendments to align the treatment of gains from the sale of foreign assets to the EU Code of Conduct Group guidance.

In brief, the Bill proposes adding a new section 10L (Gain of a relevant entity from the sale of foreign assets) to provide that, despite anything in the SG ITA, any gains received in Singapore by a relevant entity from the sale of immovable or movable property situated outside Singapore (referred to in the section as foreign assets) are treated as income chargeable to tax in Singapore. A 'relevant entity' is defined to mean an entity that is a member of a group of entities where at least one member of the group has a place of business outside Singapore.

International

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

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