

Asia Pacific Financial Services

Tax Highlights

September 2022

Welcome to our September 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:

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

Australia

The latest monthly tax updates include:

- The Australian Taxation Office (ATO) has updated multiple guidance products to reflect the publication of [TD 2022/11](#) on unpaid present entitlements and private company deemed dividends under the rules in Division 7A of the Income Tax Assessment Act 1936.
- [Amendments](#) were also made to remove the relief in the Corporations Act (2001) which exempted certain grandfathered large proprietary companies (i.e. 'exempt proprietary companies') from lodging financial statements with Australian Securities and Investments Commission (ASIC). This means all large proprietary companies will now have to lodge their financial statements with ASIC in respect of financial years ending on or after 10 August 2022.
- Treasury has released a [Discussion Paper](#) that seeks stakeholder views on the implementation of the Government's proposals to: (i) amend Australia's existing thin capitalisation rules to limit interest deductions to 30 per cent of Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA) (i.e. an earnings based 'safe harbour' test) in line with the OECD's recommended approach under Action 4 of the Base Erosion and Profit Shifting (BEPS) program (Part 1); (ii) introduce a new rule limiting a multinational's ability to claim tax deductions for payments relating to intangibles and royalties that lead to insufficient tax paid (Part 2); and (iii) ensure enhanced tax transparency by multinationals (Part 3).
- The ATO has issued a [draft consolidation of proposed changes](#) to Goods and Services Tax (GST) Ruling [GSTR 2002/2](#) which deals with the GST treatment of financial supplies and related supplies and acquisitions. The draft updated ruling reflects changes in the GST law reflecting cross-border supplies and digital currency as well as new references to public guidance released relating to financial supplies, and some proposed changes to modernise parts of the Ruling.

Hong Kong SAR



- The consultation launched by the Hong Kong SAR government on its proposal to refine Hong Kong's foreign source income exemption (FSIE) regime for passive income ended in mid-July. This [News Flash](#) discusses the practical impact of the proposed changes, and what the Government should consider in order to effectively implement and administer the refined regime, and maintain the competitiveness of Hong Kong's business environment.
- On 31 August 2022, the Hong Kong Monetary Authority (HKMA) issued guidelines on the auditor's report for the application for the certification of funds, specifically relating to the carried interest tax concession. These Auditor's Report Guidelines are available on the HKMA's website [here](#) (under 'Related Information').

To qualify for the carried interest tax concession, one of the conditions is that the carried interest must be distributed from a qualifying payer, which includes a certified investment fund. Schedule 16D to the Inland Revenue Ordinance (IRO) defines a certified investment fund as a fund (1) within the meaning of section 20AM of the IRO and (2) that is certified by the HKMA to be in compliance with the certification criteria published by the HKMA.

More publications and news relating to the financial services industry are available [here](#).

India



The Chennai bench of the Income-tax Appellate Tribunal held that reinsurance premium ceded by a resident taxpayer to non-resident reinsurers (NRRIs) is not taxable under the provisions of the Income-tax Act, 1961 as such income is neither received or deemed to be received in India, nor accrued or arisen or deemed to accrue or arisen in India. NRRIs also do not have a business connection in India, and even otherwise, no business operations are carried on in India to attribute profits. Click [here](#) for more information.

Japan



Effective 10 June 2022, the National Tax Agency (NTA) has partially revised the Commissioner's Directive on the Operation of Transfer Pricing (Administrative Guidelines) (the 'Revised Guidelines').

Many Japanese affiliates of foreign MNEs (inbound companies) receive monetary loans from their overseas global headquarters or regional headquarters in Asia. Read this [newsletter](#) which outlines the specific revisions made in the Revised Guidelines in relation to 'financial transactions' focusing on such monetary loan transactions, as these revisions will have a significant impact on Japanese affiliates of foreign MNEs that engage in such transactions.

Other Japanese updates and insights are also available [here](#).

South Korea



- On 30 August 2022, the Cabinet approved the government's tax reform bill for 2022 which was released by the Ministry of Economy and Finance (MOEF) in July. The finalised tax reform bill includes some modifications. One of the modifications is to extend the grace period for the application of the amended dividend received deduction (DRD) rates for Korean holding companies to four years - a two-year extension from the originally proposed two years.
- The MOEF announced it would consider an amendment of relevant regulations to prevent the possibility that overseas investments of Korean companies might be subject to foreign income tax that would arise as a result of the introduction of the reverse hybrid entity rules in foreign countries.

Click [here](#) to read more.

Malaysia

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The latest updates include:

- The Restriction on Deductibility of Interest Guidelines 2022 was uploaded by the Inland Revenue Board (IRB) to its website recently to provide explanation in relation to the Earnings Stripping Rules. Click [here](#) for more details.
- The IRB has issued the Guidelines on Tax Treatment of Digital Currency Transactions ('the Guidelines') dated 26 August 2022. Matters covered in the Guidelines include: (i) general tax treatment on acquisition and disposal of digital currencies; (ii) tax treatment for specific business transactions involving digital currencies; (iii) tax treatment for investments in digital currencies; and (iv) acquisition cost of digital currencies. Click [here](#) to know more.

Taiwan

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The [latest tax updates](#) include:

- The draft amendments to the Income Tax Act will be approved by the Executive Yuan, and then sent to the Legislative Yuan for review and approval. Thereafter, it is expected to come into force from 1 January 2023 onwards. Salient points of the draft amendments include changes to tax withholder, dividends payable in arrears for 6 months being deemed as paid, etc.
- Profit-seeking enterprises impacted by COVID-19 can be exempt from 2022 provisional income tax filing.

International updates

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Click [here](#) for a summary of international tax news designed to help multinational organisations keep up with the constant flow of tax developments.

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