

Asia Pacific Financial Services

Tax Highlights





February – April 2024

Welcome to our February – April 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 recent monthly tax updates include:

- Following the recent enactment of the new integrity rule (section 207 159 of the Income Tax Assessment Act 1997 (ITAA1997)1997)) which prevents certain distributions connected with capital raisings from being frankable, the Australian Taxation Office (ATO) has released a consultation paper on capital raised for the purpose of funding franked distributions. The consultation paper seeks feedback on priority issues where ATO public advice and guidance is needed to help entities understand whether the new law addressing franked distributions funded by capital raising applies to their circumstances.
- The Australian Securities & Investments Commission (ASIC) has released its focus areas for reporting periods ending 31 December 2023. Asset values continue to be an area of focus, with ASIC noting the need to consider whether it is probable that deferred tax assets will be realised. Other focus areas concern provisions, subsequent events, disclosures, the new insurance accounting standard, and other matters, including consideration of whether off balance sheet exposures should be recognised on balance sheet, such as interests in non consolidated entities.
- The ATO has released Taxation Ruling TR 2024/2 – which states that a corporate limited partnership credits an amount to one of its partners within the meaning of section 94M if, in substance, it applies or appropriates its resources to confer a benefit on the partner that (i) is not subject to a condition precedent and is legally enforceable by the partner, and (ii) is separate and distinct from the partner's existing interest in the corporate limited partnership and its assets.

Mainland China

- Click [here](#) to read our China Tax Policy Review and Outlook, which reviews key tax policy developments in China and discuss the trends as well as implications on Chinese enterprises from a forward-looking perspective.

Hong Kong

- Click [here](#) for the 2024/25 Hong Kong Budget highlights, which was delivered by Financial Secretary Paul Chan Mo-po on 28 February under the theme 'Advance with confidence. Seize opportunities. Strive for high-quality development'. The Budget serves as a roadmap for the Government, laying out targeted and effective strategies, fiscal consolidation programme, and comprehensive approach to nurture sector-specific talents, solidify city's recovery and spur the economic growth.
- The minutes of the 2023 annual meeting between the Inland Revenue Department (IRD) and the Hong Kong Institute of Certified Public Accountants (HKICPA or Institute) held on 12 May 2023 were recently released. The meeting minutes summarise the IRD's views on various tax issues expressed during the meeting, including issues related to profits tax, salaries tax, transfer pricing, the foreign-sourced income exemption (FSIE) regime and administrative matters.

See our highlights on application of FSIE regime and another News Flash for other profits tax issues.



India FS

- India and the European Free Trade Association (EFTA), consisting of four countries – Switzerland, Norway, Iceland and Liechtenstein – have signed a historical Trade and Economic Partnership Agreement (TEPA) that aims to boost bilateral trade and investments, create jobs and enhance cooperation between the countries. The agreement, signed on 10 March 2024, is a strategic move to strengthen India's global ties and position in global value chains.

Click [here](#) for more information.

South Korea FS

- In February, the government announced plans to support listed companies actively participating in strategic initiatives aimed at enhancing corporate value for shareholders. As part of these efforts, the Ministry of Economy and Finance unveiled tax measures during a recent meeting of capital market development experts on 19 March 2024.

The measures considered by the Ministry include a reduction in corporate income tax on a certain portion of increases in shareholder value when companies demonstrate strategies focused on enhancing shareholder returns, such as through dividend payments and the cancellation of treasury stock. Additionally, the government is considering reducing the dividend income tax burden for shareholders of companies that expand dividend payments, with the goal of providing significant benefits to shareholders. Specific details regarding the eligible scope and measures for tax reductions will be determined through public consultation and financial simulations.

- On November 14, 2023, Korea's Tax Tribunal rendered a decision on the applicability of tax treaty rates on Korean sourced dividend and interest income received by a U.S. pension fund. In doing so, the Tax Tribunal overturned an earlier decision made by the Seoul Regional Tax Office (SRTTO) to reject a tax refund request submitted by the non-resident on the grounds that the claimant did not appear to be the beneficial owner of

the Korean sourced income from a Korean corporate tax law perspective. The tax refund request was seeking the application of tax treaty rates on both interest and dividend income. The Tax Tribunal overturned the decision by the SRTTO, stating that provisions under the Korea-U.S. tax treaty (the "tax treaty") overrule the domestic tax law and the decision to deny the request for the application of tax treaty withholding tax rate is not appropriate, from a tax treaty perspective.

Malaysia FS BCM

- Following the passing of the CGT legislation via the Finance (No. 2) Act 2023, the Inland Revenue Board (IRB) has issued the Guidelines for Capital Gain Tax (CGT) on Unlisted Shares dated 1 March 2024 to provide guidance and addresses various important questions in relation to implementation of CGT.

Refer to our [newsletter](#) for highlights from the CGT Guideline and general information on CGT on Unlisted Shares.

- The Income Tax (Exemption) (No. 3) Order 2024 was gazetted on 4 March 2024 to provide exemption from CGT on gains arising from disposal of foreign capital assets received into Malaysia. The exemption is subject to conditions to be imposed by the Minister under guidelines issued by the Inland Revenue Board on 27 March 2024 – Guidelines on Tax Treatment on Gains From the Disposal of Foreign Capital Assets Received from Outside Malaysia.

Click [here](#) for more information.

New Zealand FS

- In March 2024, the Finance and Expenditure Committee reported the Taxation (Annual Rates for 2023-24, Multinational Tax, and Remedial Matters) Bill (the Bill) back to Parliament and the Government tabled an Amendment Paper to the Bill which introduces a number of election promises (and other tax policy changes) to the Bill.

Click [here](#) for more information.

Philippines FS BCM

- The Supreme Court, time and again, has held that banking institutions are imbued with public interest. Banking is also one of the most regulated industries, if not the most. Under Philippine tax laws and regulations, a bank operating in the Philippines has two separate units, the Regular Banking Unit and Foreign Currency Deposit Unit, with separate books of account and separate registrations with the Bureau of Internal Revenue. Click [here](#) for more information.

Singapore FS

- Deputy Prime Minister and Finance Minister, Mr Lawrence Wong delivered the 2024 Budget Statement in Parliament on 16 February 2024. The Budget proposes an array of initiatives spanning economic revitalisation, social support and environmental sustainability. Here are our perspectives on some of the key measures announced and their potential impact on businesses. More details will be available in the full Budget Commentary on our [website](#).

Taiwan FS

- Pursuant to Article 61 of the Income Tax Act, profit-seeking enterprises may apply for asset revaluation with the local tax authorities within the second month after fiscal year end. Click [here](#) for more information.

Thailand FS

- On 1 March 2024, the Revenue Department published a consultation paper in the form of a proposed draft law concerning the Pillar Two global minimum tax rules for Thailand. The draft law closely follows the guidance issued by the Organisation for Economic Co-operation and Development under the Global Anti-Base Erosion (GloBE) Rules and proposes that three tax-charging mechanisms be included which will be applicable to Thai taxpayers falling within the scope of the rules – which includes (i) Domestic Minimum Top-up Tax (DMTT), (ii) Income Inclusion Rule (IIR), and (iii) Undertaxed Payments Rule (UTPR).

Read our [publication](#) to know more.

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