

Asia Pacific Financial Services

Tax Highlights





July – August 2023

Welcome to our July/August 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:

- On 23 June 2023, the Treasury released updated exposure draft law and explanatory materials (proposed new law) which significantly amends the scope of the Federal Government's proposal to deny deductions for payments made by Significant Global Entities relating to intangible assets connected with low corporate tax jurisdictions.

The commencement date for the proposed new law is unchanged and is anticipated to apply for in-scope payments made or credited, or liabilities incurred on or after 1 July 2023. For details, please refer to our Tax Alerts.

- The Australian Taxation Office (ATO) has published a consultation paper dealing with capital management. The paper invited feedback on future needs for advice and guidance relating to publicly listed and multinational businesses undertaking returns of capital and pre-sale dividend payments to shareholders.
- The Commonwealth Treasury released draft legislation for the 2023-24 Federal Budget proposal to amend the tax law for general insurers to broadly align the treatment of general insurance contracts with the new accounting standard AASB 17 (which replaced AASB 1023 from 1 January 2023). The amendments are proposed to apply to income years starting on or after 1 January 2023, which is consistent with the general application of the AASB 17, and subject to transitional arrangements to ensure that no permanent tax differences arise. The last day for comments on the proposed legislation was 21 July 2023.

- The ATO has issued a draft update to Practical Compliance Guideline PCG 2018/9 (PCG 2018/9DC1) which deals with the central management and control test of residency for foreign incorporated companies. The draft update confirms that the ATO's transitional compliance approach ended on 30 June 2023 and provides a draft risk assessment framework against which foreign incorporated companies can self-assess to understand the likelihood of the ATO applying compliance resources to review their residency.

Read more in our Tax Alert which considers the key issues arising from the draft approach.

- The ATO has published the findings of its advanced pricing arrangement (APA) review. The review was conducted with a focus on how to best invest ATO resources in the delivery of the APA program to provide certainty to taxpayers and encourage cooperative compliance, while supporting ATO efforts to assure tax risks across the large market, proactively prevent transfer pricing disputes and manage double taxation risk in the most effective and efficient manner possible.

Hong Kong

- Further to our April 2023 Highlights, the Insurance (Amendment) Bill 2023 has been gazetted as the Insurance (Amendment) Ordinance 2023 on 14 July 2023. The new law amends the Insurance Ordinance (Cap. 41) to provide a legal framework for the implementation of a Risk-based Capital regime for authorised insurers in Hong Kong. In addition, the new law makes miscellaneous and related amendments to other ordinances, including the Inland Revenue Ordinance. Please refer to our News Flash for detailed summary.

- Earlier this year, the Financial Services and the Treasury Bureau launched two consultation exercises on legislative proposals to (i) refine the foreign-sourced income exemption (FSIE) regime for foreign-sourced disposal gains; and (ii) introduce a tax certainty enhancement scheme for onshore equity disposal gains (Enhancement Scheme).

In late July, the Inland Revenue Department organised engagement sessions with stakeholders providing updates on the changes to these legislative proposals in response to comments received during the consultation exercises. We are pleased that the Government has taken up many recommendations made by stakeholders (including PwC).

Our [News Flash](#) summarises the changes to the refined FSIE regime and the Enhancement Scheme, followed by our take on these changes.

Japan FS

- On 9 December 2022, the United Arab Emirates (UAE) released the Federal Decree-Law No. 47 of 2022 on the Taxation of Corporations and Businesses (Corporate Tax Law). Under the Corporate Tax Law, the UAE enacted a federal corporate income tax effective for fiscal years starting on or after 1 June 2023.

As a result of the introduction of the Corporate Tax Law, the scope of taxpayers able to access benefits under the Japan-UAE double tax convention has been significantly widened. Click [here](#) for more information.

Korea FS

- The [monthly tax updates](#) include:
 - The national industrial complex in Saemangeum has recently been designated as an international investment promotion zone, providing companies that invest in this zone with tax exemptions and reductions for five years. With the government's aim of encouraging private sector investment in Saemangeum,

amendments to the Special Tax Treatment Control Law were made to extend the existing tax incentives to investment in the Saemangeum investment promotion zone, effective 1 January 2023.

- The Ministry of Economy and Finance released the government's tax reform proposals on 27 July 2023. The proposals include measures to supplement the domestic global minimum tax rules which were introduced to be implemented from the fiscal year starting on or after 1 January 2024. While the proposed measures largely reflect the OECD Pillar Two Model Rules and related Commentary it is notable that the application of the Undertaxed Profits Rule is proposed to be delayed for one year. The tax reform proposals also introduce new reporting requirements relating to offshore trusts and employee stock-based compensations in order to strengthen rules against tax avoidance.

This [newsflash](#) highlights selected key tax reform proposals related to the domestic global minimum tax rules and other proposed changes affecting multinational enterprises doing business in Korea as well as domestic corporations.

Singapore FS

- It was first announced during the Singapore Budget 2023 on 14 February 2023 that the Financial Sector Incentive (FSI) scheme will be extended till 31 December 2028 and that the concessionary tax rates for certain awards approved on or after 1 January 2024 under the FSI scheme will be streamlined.

Further to the above announcement, the Monetary Authority of Singapore has issued a circular (FDD Cir 09/2023) on 21 June 2023 providing further details on the extension and refinement of the FSI scheme.

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

Thailand FS

- On 16 May 2023, the Board of Investment (BOI) announced a new investment promotion measure to mitigate the impact of the Pillar Two rules on tax incentives granted under BOI promotion.

Based on the announcement, the new investment promotion measure applies to both existing BOI promoted companies and companies that apply for BOI promotion with effect from 20 March 2023. In order to qualify for this new measure, companies must be subject to the Pillar Two 'Global Minimum Tax' rules, which means that they must be part of a multinational group.

Click [here](#) for details.

Vietnam FS

- The Ministry of Finance is preparing a draft resolution on Global Minimum Tax policy to submit to the Vietnamese National Assembly. On 25 July 2023, a draft resolution was released for public comments. By way of background, under the BEPS Pillar 2 model issued by the OECD, each in-scope multinational enterprise should pay a minimum effective tax rate of 15% on profits in each of the jurisdictions where they operate. The draft resolution provides insights into the implementation of Global Minimum Tax policy in Vietnam. This is proposed to take effect from 1 January 2024.

Read our [NewsBrief](#) for more information.

International FS

- On 12 July 2023, the OECD published a press release and 'Outcome Statement' following the 15th plenary meeting of the OECD/G20 Inclusive Framework on BEPS (IF), which took place in Paris on July 10-11. The Outcome Statement provides an update on the status and timeline for implementing Amount A and B of Pillar One and the Pillar Two Subject-to-Tax Rule (STTR).

The Outcome Statement was approved by 138 of the 143 IF members (Belarus, Canada, Pakistan, the Russian Federation, and Sri Lanka did not sign, but Kenya and Nigeria did). The Outcome Statement will be delivered to the G20 Finance Ministers and Central Bank Governors at their meeting on July 17-18. Read the full [PwC Tax Policy Alert](#).

- On 17 July 2023, the IF released four important documents related to Pillar One and Pillar Two and a Progress Report to the G20 Finance Ministers and Central Bank Governors for their meeting on 17-18 July. These publications follow last week's IF plenary meeting and resulting '[Outcome Statement](#)', which provided an update on the status and timeline for implementing Amount A and B of Pillar One and the Pillar Two STTR.

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

This [Alert](#) provides a short summary of the these documents.

- [OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors](#)
(Our detailed analysis also available [here](#));
- [Public Consultation Document on Amount B of Pillar One](#)
(Our detailed analysis also available [here](#));
- [Pillar Two STTR](#)
(Our detailed analysis also available [here](#));
- [Pillar Two GloBE Information Return](#)
(Our detailed analysis also available [here](#)); and
- [Pillar Two Administrative Guidance](#) (including a permanent safe harbour for jurisdictions that introduce a Qualified Domestic Minimum Top-up Tax (QDMTT) and a new transitional safe harbour, which provides relief from the application of the UTPR for fiscal years commencing on or before the end of 2025)
(Our detailed analysis also available [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



Stuart Porter

Asia Pacific Real Estate Tax Leader
Japan



Jesse Kavanagh

Asia Pacific Financial Services Tax Transformation Leader



Sarah Hickey

Partner
Australia



Tushar Sachade

Partner
India



Margie Margaret

Partner
Indonesia



Kenji Nakamura

Partner
Japan



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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