

Asia Pacific Financial Services

Tax Highlights




May 2023

Welcome to our May 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 Full Federal Court has dismissed the taxpayer's appeal in [Sunlite Australia Pty Ltd v FC of T 2023 \[2023\] FCAFC 43](#) finding that the taxpayer was not entitled to apply the research and development (R&D) concession in relation to expenditure it incurred. The Court rejected the taxpayer's argument that when it, as a body corporate acting as trustee, incurred expenditure on R&D activities, the trust could not have incurred that liability because it was not a separate legal entity.

Please see our [monthly tax update](#) for more information.

Hong Kong SAR

- On 10 May 2023, the Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 (Bill) together with the proposed Committee Stage Amendments were passed by the Legislative Council. The Bill was gazetted as the amendment ordinance on 19 May 2023. The tax concession will apply retrospectively to any years of assessment commencing on or after 1 April 2022.

As a recap, under the tax concession, a 0% concessionary profits tax rate is provided on assessable profits earned from qualifying transactions and incidental transactions (the latter being subject to a 5% threshold) for an eligible family-owned investment holding vehicle managed by an eligible single family office in Hong Kong SAR.

The key features of the tax concession are summarised in [this news flash](#).

- The Order to give effect to the Comprehensive Avoidance of Double Taxation Agreement (CDTA) between Hong Kong and Mauritius was gazetted on 28 April 2023. The Order was tabled at the Legislative Council on 3 May 2023 for negative vetting. In accordance with the relevant article of the CDTA, the CDTA will enter into force after both Hong Kong and Mauritius have completed their ratification procedures. A copy of the Order could be accessed [here](#).

Japan

- As part of the 2023 Tax Reform, Japan has introduced an Income Inclusion Rule (IIR) that will apply to fiscal years beginning on or after 1 April 2024, in line with the fiscal years of most Japanese multinationals. The 2023 Tax Reform legislation was approved by the Japanese Diet (parliament) on 28 March, 2023, and finalised with publication in the Official Gazette on 31 March, 2023. The Japan IIR was originally introduced in the 2023 Tax Reform proposals, issued by the governing parties in December 2022.

Please see [here](#) for more information.

Korea

- In order to stimulate corporate investments in private venture capital funds, the government plans to introduce tax incentives for corporate investors who become major contributors to such funds. The plan is part of the 'Innovation Venture and Startup Funding Support and Competitiveness Enhancement Plan' announced by the Ministry of SMEs and Startups on 20 April 2023.

Amendments to the Venture Investment Promotion Law, aimed at stimulating capital inflows into private venture capital funds, have recently

been passed by the National Assembly in March 2023. Subsequently, the government is planning to amend the Special Tax Treatment Control Law in 2023 for tax incentives to promote such investments. The plan also includes eased regulations to allow corporate venture capitals to invest in overseas subsidiaries owned by domestic start-ups (with a 50% or more shareholding in the subsidiaries) on an equal footing with their investments in domestic companies.

Click [here](#) for other tax updates.

Malaysia FS

- The Stamp Duty (Exemption) (No.11) 2021 (Amendment) Order 2023 (the Order) has been issued and is effective from 1 January 2023.

The Order is issued to extend the period of stamp duty exemption from 1 January 2023 to 31 December 2024 (Budget 2023 announcement) for instrument of a loan or financing agreement which relates to the restructuring or rescheduling of a loan or financing agreement between a borrower or customer and a financial institution which is executed on or after 1 July 2021 but no later than 31 December 2024 (previously until 31 December 2022).

Please see [here](#) for more information.

Philippines FS

- [Revenue Regulations \(RR\) No. 5-2023](#) has been issued to amend certain provisions of RR No. 5-2021 relative to the requirements in availing income tax exemption of foreign-sourced dividends by a domestic corporation.

A domestic corporation availing of income tax exemption pursuant to Section 5 (A),(B) and (C) must comply with the following requirements:

- Attach a 'Sworn Statement' ([Annex A](#)) to the Annual Income Tax Return (AITR) for the taxable year in which the foreign-sourced dividends were received; and
- Attach a 'Sworn Declaration' ([Annex B](#)) to the AITR for the year immediately following the year of receipt of the foreign-sourced dividends.

In case of partial or non-utilisation of the foreign-sourced dividends, the domestic corporation shall pay the corresponding income tax due thereon, including penalties, by amending the AITR for the year of receipt of such dividends.

Please see [here](#) for more information.

Singapore FS

- The amendments made by the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) to Singapore's Avoidance of Double Taxation Agreement (DTA) with Romania took effect on 5 April 2023.

Click [here](#) for details.

Vietnam FS

- On 22 March, Vietnam signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters, which enables jurisdictions to cooperate on a wide range of tax matters, including the exchange of information, tax examinations abroad, simultaneous tax examinations and assistance in tax collection.

Read [this](#) for more information.

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