PRISM

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China

Tax Regulation for Non-Resident Global Transportation Companies

The State Administration of Taxation issued Non-Resident International Transport Companies Taxation and Administration Act on 30 June 2014. This Act mainly affected the non-resident enterprises engaging in the business of international shipping and international air freight.

中国国家税务总局于2014年6月30日发布了《非居民企业从事国际运输业务税收管理暂行办法》从税务登记、征收管理、享受协定待遇及跟踪管理等环节做出了规定。

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Cyprus

Cyprus enjoys the benefits of three additional Double Taxation Avoidance Agreements (DTAA)

The Cyprus Ministry of External Affairs and Ministry of Finance announced that Cyprus has concluded and signed Double Taxation Avoidance Agreements (DTAA) with the following countries:

1. Switzerland
2. Guernsey
3. Lithuania

The DTAAs are based on the OECD Model Convention and are expected to further improve the business cooperation between Cyprus and the three abovementioned countries. The treaties were well received by the local and foreign business communities and international investors and shall further enhance Cyprus' position as an international business center, since some of their provisions are deemed to be significantly favorable.

塞浦路斯外交部和财政部宣布塞浦路斯已经和以下三个国家签署了避免双重征征税定： 1 瑞士 2 格恩西岛 3立陶宛。这些避免双重征税协定以经济合作和发展组织的税收协定范本为基础，预期协定的签署将进一步加强塞浦路斯和上述三国的商业合作。这些避免双重征税协定的批准受到本土，外国商业组织和国际投资人的欢迎。协定中的某些规定被认为非常优惠，势必进一步加强塞浦路斯作为国际商业中心的地位。

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Germany

Transfer Pricing Aspects of Intangibles in the light of new German jurisdiction

On February 14, 2014 the Fiscal Court of Muenster (Germany) came to an interesting judgment regarding the necessity to charge royalty fees to an entity for the right to use the company brand name. Besides the Court´s statements if and why the company brand name can be an Intangible Asset, the Court used a rather uncommon approach to pricing such an Intangible. The often seen method to calculate royalties using the Knoppe formula was rejected. The Court considered a method calculating the royalties on basis of possible compensation claims in case of trade mark infringements.

在2014年2月14日，德国明斯特财政法院，针对公司在使用商标的许可使用费上，作出一个有趣的判决。另外，法庭的判决还涉及是否和为何商标可成为公司的无形资产，法院也运用了不常见的方式计算无形资产。法院经常使用所谓的 "Knoppe 公式" 被否决，并针对可能侵犯商标要求赔偿的情况下而展开计算。

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Indonesia

New Value Added Tax treatment on agricultural products

Following the Supreme Court Decision No. 70/P/HUM/2013 (PUT-70), with effect from 22 July 2014, plantation products, ornamental plants, herbal plants, food crops, and forestry products, which were previously exempted from VAT as they were considered strategic goods, are now subject to Value Added Tax (VAT) of 10%,. This decision has affected businesses especially for those who collect and/or purchase agricultural products directly from farmers (a.k.a. trading/brokerage business model). These businesses usually have a turnover of more than Rp4.8 billion (the threshold for businesses to be considered small businesses) and thus, they have to issue a VAT invoice on the sale of agricultural products.

按照最高法院70/P/HUM/2013(PUT-70)的决定，从2014年7月22日起，种植业产品、观赏植物、草药植物、粮食作物和林业产品这些先前遭豁免增值税的策略性产品，必须征收10%的增值税。这一决定已经影响到特别是向农民直接收购及或购买农业品的企业（如贸易/经纪业务模式的生意）。这些企业的营业额通常超过48亿印尼盾 （这个门槛被视为小型业务），如今，在销售农产品时，他们必须发出增值税发票。

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Japan

Expanded range of Duty-free goods for foreigner tourists

With effect from October 1, Japan has introduced a new tax exemption rule in which expands the range of duty-free products from durable consumer goods such as electric appliances and devices to general consumer goods i.e. cosmetic products and food. According to this new rule, if foreign tourist meet certain conditions, they are allowed to be exempted from paying 8% consumption tax for goods bought in Japan. Currently, there are 4,600 duty-free shops in Japan. Japan government aims to double the number of duty-free shops to 10,000 duty-free shops before the 2020 Olympic Games in Tokyo.

10月1日起、一项新的外国人免税制度已在日本全国执行，外国遊客在日本购物时，免税商品范围从电器、相机等的耐用消费品扩大到化妆品及食品等的一般消费品。这意味着短期访日的外国人在日购物只要符合相关规则，所购携带出境的商品均可获得免除8%消费税的待遇。目前日本全国的免税店约有4,600家，日本政府确定将在2020年举办东京奥运会之前，将日本国内的免税店数增加一倍，达到1万家的规模。

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Malaysia

2015 Budget tax implications

The 2015 Budget was tabled by Prime Minister cum Finance Minister Dato' Sri Najib Tun Razak in Parliament on 10 October 2014.

The last Budget under the 10th Malaysia Plan, it addresses key issues to promote fiscal sustainability and ease the transition to GST for businesses and consumers, while placing the nation on a firmer growth trajectory towards Vision 2020.

我国首相兼财政部长纳吉，于2014年10月10日在国会公布2015年财政预算案。此项预算案被视为第10大马计划下最后的一个财政预算案。最重要的内容是促进国家财政可持续性发展，并利用各种管道，让企业与消费群众更能适应消费税过渡期。让国家在迈向2020宏愿的同时拥有更稳固的成长之路。

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Russia

Taxation of Foreign legal entities that carry out their business in Russia

In spite of the fact that the tax system of the Russian Federation, as well as the tax systems of other countries, has a number of shortcomings and it should be improved, the Russian tax system continues to be one of the most liberal systems that allows foreign investors to choose the most favorable taxation system for a certain type of their business.

尽管与许多其它国家一样，俄罗斯税收的机制仍有许多不足之处，并必须进一步地改善，然而，事实上，俄罗斯的税收制度仍然是最自由的系统之一，原因在于它允许外国投资者在特定的业务上选择他们最有利的税制进行报税。

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Singapore

Singapore Income Tax : Tax Deduction on Statutory and Regulatory Expenses

The Inland Revenue Authority of Singapore ("IRAS") has provided a new tax deduction for statutory and regulatory expenses to support taxpayers' effort to comply with various laws and regulations upon commencement of business.

IRAS implemented a robust standard on transfer pricing documentation which tax payers should prepare to show reasonable efforts have been taken to comply with the arm's length principal.

Furthermore, the Ministry of Finance, Monetary Authority of Singapore and IRAS have provided guidance to assist all Singapore financial institutions to comply with US Foreign Account Tax Compliance Act ("FATCA) obligations.

新加坡国税局出台了针对法律法规的费用的新税务减免政策，此政策是为了支持纳税人在公司运营后能更好的遵循相关法令。

新加坡国税局定制了一个关于纳税人应该合理展示遵循公平原则的转让定价文档的有力标准。

而且，新加坡财政部，新加坡金融管理局和新加坡国税局提供指引来协助所有新加坡金融机构遵守美国外国账户纳税法案("FATCA")的义务。

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Industrial Innovation Amendment aims to spur R&D, retain talent

In order to encourage businesses to invest more in research and development (R&D) innovation and help them retain outstanding talents, the Act for Industrial Innovation has amended as follows:

1. Some industries have expressed that the existing R&D expenditure tax credits does not benefit those companies that have yet to turn profitable. After the amendment, companies will have two options for applying R&D expenditure tax credits.

2. To mitigate the loss of talents in Taiwan to overseas of which are offering higher salaries, this amendment will allow income tax payment to be deferred for employees that are rewarded with stocks, or the owners of technology patent that form partnerships with companies as stakeholders.

为鼓励企业持续投入研发创新，并留住优秀人才，「产业创新条例」修正如下：

1. 对无获利的公司，其研发支出无法于当年度抵减，公司研究发展投资抵减年限及比率将适用两种选择。
2. 为减轻国外企业以优渥薪酬造成国内人才大量外流之损失，针我国现行员工奖酬工具，及技术入股制度，公司员工及技技所有人取得股份得适用缓缴所得税。

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China

Tax Regulation for Non-Resident International Transportation Companies

Since 1980s, several rules and regulations concerning non-resident global transportation companies, inter alia, tax administration, foreign payment, tax treaty benefits and etc. have been announced by Ministry of Finance, State Administration of Taxation and State Administration of Foreign Exchange.

The new amendment income tax law has taken into effect from 2008 to revise its old version. Hence, tax regulations and rules in respect of non-resident global transportation companies changed significantly.

The State Administration of Taxation also issued Non-Resident International Transport Companies Taxation and Administration Act on 30 June 2014, comprises of five chapters and 23 codes, i.e. general principle (1-4), tax collection management (5-10), tax benefit regulations (11-15), tracking management (16-19) and supplementary provisions (20-23). This Act has mainly affected the non-resident enterprises engaging in the business of international shipping and international air freight.

The details of these new regulations are as follows:

1. Specify the scope of operation for the nonresident international transport companies

The Regulation defines "Taxable International Transportation Services" as transportation of passenger, goods, mails or others across China border and into or out of China ports via self-owned or leased vessel and flights under the arrangement of voyage charter, time charter and wet lease fall within the scope of Taxable International Transportation Services and are also governed by the Interim Measures.

2. Tax Registration Management

Non-resident companies engaging in the aforesaid international transportation are required to complete tax registration according to State Administration of Taxation Order (2009) No.19 ("Order 19", i.e., Interim Tax Administration Measures on Engineering and Labor Service Contracts Undertaken by Non-residents)

For the convenience of tax payers and tax administration, non-resident entities that would operate simultaneously in different cities, are allowed to choose any of the regional authority to complete its tax registration. For the services rendered in other regions, no tax payment is needed but only submit copy of its tax registration certificate and relevant documents in other parts of China where its services are attached to its tax authorities in charge.

3. Payers are responsible to withhold the relevant tax payment

For ease of management, non-resident entities with non-completion of its tax registration or failed to complete tax filing, tax payers are responsible to withhold the relevant tax payment.

4. Rules on income tax collection

There are three ways to file corporate income tax: Actual basis, Deemed basis and Withholding basis. The first method is used where entities with tax registered are able to calculate corporate income tax payable accurately; the second method is used where filing information is not able to compute corporate income tax payable accurately even with tax registered; the last method is used where entities do not complete tax registration, or are not able to file tax return on their own and without any appointed agent. Hence, tax payer will act as withholding agent and withhold its taxes at the time of payment.

5. Tax Treaty benefits

5.1 Where a non-resident company wish to apply for treaty benefits, it is required to submit the required documents such as its tax resident certificate as prescribed in the Provisional Measures to its tax authority in charge in accordance with the Non-Tax Residents for Tax Treaty Benefits (Trial Implementation) (Guoshuifa [2009] No.124).

In order to ease the burden of tax payer, pursuant to Clause Twelve of the Regulation stipulates that entities need not re-submit documents as required for tax treaty benefit if the said documents have been placed with its tax authority in charge.

Non-resident companies entitled to treaty benefits should obtain the relevant license for carrying passengers and commodities across domestic ports of China. Their international transportation income which entitled to treaty benefits includes passenger receipts, freight receipts and any auxiliary services income.

5.2 The Regulation also applies to other taxes where the tax treaty relates to, except for value added tax, service tax, and corporate income tax.

6. Other issues

With effect from 1st August 2014, non-resident international transportation entities who applied for tax treaty benefit and obtained tax exemption certificate before 1st August 2014 are not required to reapply within a stipulated time frame.

Cyprus enjoys the benefits of three additional Double Taxation Avoidance Agreements (DTAA)

The Cyprus Ministry of External Affairs and Ministry of Finance announced that Cyprus has concluded and signed Double Taxation Avoidance Agreements (DTAA) with the following countries:

1. Switzerland
2. Guernsey
3. Lithuania

The DTAAs are based on the OECD Model Convention and are expected to further improve the business cooperation between Cyprus and the three abovementioned countries. The treaties were well received by the local and foreign business communities and international investors and shall further enhance Cyprus' position as an international business center, since some of their provisions are deemed to be significantly favorable. The DTAAs main provisions are analyzed below:

Permanent Establishment

Switzerland & Guernsey: Based on the new treaty the definition of permanent establishment also includes a building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts more than 12 months (definition in compliance with OECD model).

Lithuania: Based on the new treaty the definition of permanent establishment also includes a building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts more than 9 months (definition in compliance with OECD model).

Dividends

Switzerland: In cases where the recipient of the dividend is a company and it holds at least 10% of the total shares of the company paying the dividend the withholding tax rate is set at 0%. All other cases the withholding tax rate is 15%.

Guernsey: No withholding tax on dividend payments.

Lithuania: If the recipient of the dividend is a company and it holds at least 10% of the total shares of the company paying the dividend the withholding tax rate is set at 0%. All other cases the withholding tax rate is 5%.

Interest

No withholding tax on interest payments for Switzerland, Guernsey and Lithuania

Royalties

No withholding tax on royalty payments for Switzerland and Guernsey

Lithuania: In case where the recipient is beneficial owner, the withholding tax rate is set at 5%.

Capital Gains

Switzerland: Gains from the disposal of immovable property are taxed in the country where the immovable property is situated. Capital gains arising from the disposal of shares of which more than 50% of their value directly or indirectly from immovable property in the other Contracting State may be taxed in that other State. Other capital gains from the alienation of any other property are taxable only in the place of residence of the alienator.

Guernsey & Lithuania: Capital gains derived by a resident of a Contracting State from the alienation of immovable property situated in the other Contracting State may be taxed in that other State. Other capital gains from the alienation of any other property are taxable only in the residence State.

Important notes for tax planning

1. Cyprus unilaterally does not withhold taxes on outbound dividends and interest payments.
2. The continuously expanded network of DTAAs Cyprus has signed off and ratified and the application of the EU Directives (Parent-Subsidiary and Interest-Royalties) increasing international investors' options for channeling investments in the most tax efficient way.
3. The DTAAs with Switzerland and Guernsey will be enforced from the 1st January following the year in which Switzerland and Guernsey inform Cyprus of their ratifications. In the case of Lithuania, the convention was ratified on 17 April 2014 and shall be effective with respect to taxes on income or capital and other taxes from 1st January 2015.

Germany

Transfer Pricing Aspects of Intangibles in the light of new German jurisdiction

On February 14, 2014 the Fiscal Court of Muenster (Germany) came to an interesting judgment pertaining to the necessity of royalty fees charge to an entity for the right to use the company brand name in the same group of company.

Simplified description of the situation

The applicant, a German corporation, is the owner of a trademark since 1985. The applicant obtained a protection of the trademark for several countries (Austria, Switzerland, France, Spain, Italy, Poland and Portugal). The applicant had subsidiaries, inter alia, in Poland. The Polish company used the trademark on their Internet website, business papers and company cars without paying any fees to the German corporation.

During a tax audit the German tax administration came to the conclusion that the free of charge use of the trademark would not have been made in arm´s length transactions. As the subsidiary could use the trademark and the use of the name provides a financial benefit to the subsidiary in Poland, the German tax administration determined the amount of payment with respect to the company brand name with 1% from the subsidiary´s turnover and additionally 25% from the EBIT (Earnings Before Interest and Tax).

As the German corporation denied that the use of the company brand name provides a financial benefit for the subsidiary and therefore a free of charge use of the trademark was within the arm´s length principle, the corporation filed a suit.

The decision of the Fiscal Court of Muenster came to the following results:

Licensing of the Groups name in general

Many difficulties will be incurred when identifying intangibles. First of all the Court made the attempt to clarify if the company name is an intangible in general.

In fact, the trademark belongs to the German corporation and the subsidiary in Poland has the right to use this trademark. However, the Court came to the result, that the name provided a financial benefit, as by using the company brand name, possible customers assumed that the Polish trading company was a part of the group brand.

The fact that the protection of the trademark was also obtained for Poland before the establishment of the company in Poland was also an indication, that the trademark provides a benefit. Furthermore, it has been used on the Polish company´s website, company cars and business papers and showed the intention to achieve advertising and recognition effects.

Identifying and determining the prices for group name

As the use of the trademark had a financial benefit, third parties would have agreed to pay a kind of fee for the right to use the trademark. Therefore the German tax administration had the right to correct the tax basis on the basis of the German Foreign Taxation act (AStG).

The fee has to consider comparability features like:

- Prices of the goods sold using the trademark
- Name recognition
- Geographic scope
- extent and duration of legal protection

With these features, the Fiscal Court came to the conclusion that a royalty fee has to be charged. In determining the amount of payment, the Fiscal Court compared the situation with a case of violation of the trademark right. The amount has to consider a possible compensation claim in case of trade mark infringements by a third person would use the company name without permission. The range can be 1% to 5% on basis of the subsidiary´s turnover. With considering the brand name recognition, the Fiscal Court accepted a 1% fee on basis of the turnover as in accordance with the arm´s length principle.

Conclusion

The Fiscal Court had not considered comparability features like the expectation of future benefits. It is questionable, if the amount that needs to be paid in case of a trade mark infringement really correlates with the future benefit.

Furthermore, the Fiscal Court has not considered a functional and risk analysis. Therefore it is still unclear, if the 1% fee really is in accordance with the arm´s length principle. Also it can be doubted, whether the wide range for compensation claims of 1% to 5% leads to more precise royalty fees than the simplifying Knoppe formula.

Finally, the Fiscal Court´s approach is not in accordance with the OECD document "Guidance on Transfer Pricing Aspects of Intangibles" from 16 September 2014. Hence the final decision of the Federal Fiscal Court (Bundesgerichtshof) remains to be seen.

Indonesia

New Value Added Tax treatment on agricultural products

The new VAT imposed on agriculture products started off with the judicial review request from the Indonesian Chamber of Commerce and Industry to the Supreme Court to revoke several articles in two Government Regulations (GRs) regarding VAT, of which initially was aimed to change the impeding VAT rulings that disallow VAT input related to agricultural products, which were considered strategic goods, for being credited. This tax treatment was claimed to weaken the competitive advantage of agricultural businesses given that this non-creditable VAT input will have to be added to the costs of goods sold, and thus they have lost their cost competitiveness.

As a response to this judicial review request, the Supreme Court issued a decision No. 70/P/HUM/2013 (PUT-70), effective on 22 July 2014, which revoked article 1(1)(c), 1(2)(a), 2(1)(f), and 2(2)(c) of GR No. 31/2007 (GR-31) concerning VAT exemption facility for agricultural products (including plantation and forestry products) as strategic goods.

The Directorate General of Taxation (DGT) responded to this Supreme Court Decision by issuing the Circular Letter No. SE-24/PJ/2014 (SE-24) on 25 July 2014 to implement PUT-70 and to inform all tax officers under the DGT as well as taxpayers about PUT-70 and its tax implications, especially those in the field of agriculture, plantation and forestry.

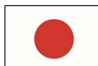
SE-24 specifies the tax implications of PUT-70 as follows:

- Agricultural products, which are listed in GR-31 and also specifically mentioned in the Elucidation of Article 4A(2)(b) of the VAT Law as non-VAT-able are still treated as non-VAT-able (i.e. fresh fruits and vegetables).
- Other agricultural products, which are only mentioned in the Elucidation if Article 4A(2)(b) of the VAT Law but not specified in the GR-31, are non VAT-able (i.e. rice, grain, corn, sago, and soybeans).
- Plantation products, ornamental plants, herbal plants, food crops, and forestry products which are listed in GR-31 are now VAT-able (previously VAT-exempted) (i.e. oil palm, rubber, cocoa, coffee beans, tobacco, wood, rattan, etc). Thus, sale and import of these products are subject to 10% VAT, while the export is also subject to VAT with a rate of 0 %.
- Entrepreneur with a turnover more than Rp4.8 billion per annum must register as VAT entrepreneur and issue a tax invoice to collect VAT on the sale of these products.

SE-24, since its issuance, has caused major debates among industry players, as it has affected agriculture businesses in every value chain, with different level of tax implications:

- At a farmer level: farmers may not be much affected by this regulation as shielded by the turnover threshold of Rp4.8 billion per annum. Most farmers in Indonesia generate revenues below this threshold.
- At a trader level: this level bears the most of this new regulation. This level comprises of traders who buy agricultural products from farmers. They generate high revenues, more than the 4.8 billion thresholds per annum.
- At a processor/manufacturer level: the implication for this level is not significant as processors usually have lots of VAT input which can be refunded if they do export sales.
- At an end customer level: the implication in general is also insignificant. Those products deriving from agricultural products such as banana crackers and green tea drinks have been subject to VAT for long. However, a price increase is likely for those readily consumed agricultural products delivered by a VAT entrepreneur, such as sweet potatoes, peanuts, coconuts sold at supermarket.

Japan



Expanded range of Duty-free goods for foreigner tourists

Consumption tax is levied on goods purchased and consumed in Japan at the prevailing rate of 8%.

Previously, duty-free goods were limited to durable consumer goods (examples are electric appliances and devices, clothing and bags) excluding general consumer goods which could be consumed in Japan (such as confectioneries, medicine, cosmetic products, food and beverage). In a recent survey conducted by Japan National Tourism Organization (JNTO), the top five most-purchased consumer goods by foreign tourists are confectioneries, medicine, food and beverage, clothing and bags, and digital cameras and watches. In view that the top three most-purchased consumer goods i.e. confectioneries, medicine, food and beverage are not duty-free durable consumer

goods, the government had on October 1, introduced a new tax exemption rule to expand the duty-free goods to include general consumer goods such as medicine, food, cigarette and cosmetic products. The new rule stipulates that purchase of duty-free goods for a foreign tourist is limited to 500,000 yen per day; and, the foreign tourist must leave Japan with the duty-free goods purchased within 30 days.

After 3.11 tsunami disaster in 2011, the number of foreign tourists have dropped significantly. According to the survey on the foreign tourist consuming index conducted by JNTO, the average spending made by a foreign tourist in the 2nd quarter of this year was 49,763 yen/person, the highest spending contributors are Chinese tourists: 120,245 yen/person, which was 2.3 times of Hong Kong tourists, 2.6 times of Taiwanese tourists, 5 times of American tourists and 5.9 times of South Korean tourists. The number of Chinese tourists visiting Japan was 531,258 persons and the total spending was 63.9billion yen. However, the number of tourists from ASEAN countries has shown great improvement. The main reasons are due to the devaluation of Japan's currency and the relaxing visa requirements for the ASEAN tourists.

The tax refund of the 2nd quarter of this year was approximately 5.1billion yen which is calculated based on the spending of 63.9billion yen made by Chinese tourists. Unlike the tax refund rules of most western countries of which the foreign tourists have to apply for refund at the airport. The tax refund rule in Japan is very simple, foreign tourists are exempted from paying the consumption tax at the duty-free shops by showing the documents required. This enables foreign tourists to have more cash in hand to spend on other products.

The government wishes to increase the number of foreign tourists by implement this new tax exemption rule, in order to further boosting the economic growth and reduce the negative impact from increasing the consumption tax rate in Japan.

Malaysia

2015 Budget tax implications

The 2015 Budget was tabled by our Prime Minister cum Finance Minister Dato' Sri Najib Tun Razak in Parliament on 10 October 2014.

The last Budget under the 10th Malaysia Plan, it addresses key issues to promote fiscal sustainability and ease the transition to GST for businesses and consumers, while placing the nation on a firmer growth trajectory towards Vision 2020.

Here are the summary of tax implications of 2015 Budget:

Corporate Income Tax

Effective from YA 2016

- Tax rate for a company is reduced by 1% from 25% to 24%. This applies to a trust body, an executor of an estate, a receiver appointed by the court and a limited liability partnership.
- Income tax rate for companies with a paid-up capital of up to RM2.5m and a limited liability partnership resident in Malaysia which has total contribution of capital of RM2.5m will be reduced by 1% from 20% to 19%

Effective from YA 2015

- Further deduction be given on the training expenses incurred by companies for the employees to obtain industry-recognized certifications and professional qualifications such as in the field of accounting, finance and project management. Training programmes are those approved by agencies appointed by the Ministry of Finance.
- Internship programme be extended for full-time students pursuing courses at the vocational and diploma levels and will be given double deduction for YA 2015 and 2016.
- The statute of limitation in respect of assessment or additional assessment in connection with transfer pricing to be 7 years as opposed to 5 years under the general case.

With effect from 1 January 2015, the due date for the estimate of tax payable instalment payments is extended from the tenth day of a calendar month to the fifteenth day of a calendar month.

Personal Income tax

With effect from YA 2015

- Reduction of individual tax rates of 1% to 3% across various income bands. The maximum individual tax rate is reduced from 26% to 25%, with the 25% rate applying to income in excess of RM400,000. The income tax rate for non-resident individuals be reduced by 1% from 26% to 25%.
- The relief for medical expenses incurred for serious diseases, purchase of basis supporting equipment for the disabled and disabled child be increased from RM5,000 to RM6,000.
- Currently, interest on loan transactions between related companies is deemed obtainable on

demand when the interest is due to be paid and shall be taxed in the relevant period. It was proposed that this treatment be extended to loan transactions between individuals who are relatives of each other.

- Where a person is entitled to receive any gross income (such as gross income from employment, interest, discount, rent, royalty or any pension, annuity or other periodical payment) from a Malaysian source and where such amount first becomes receivable to the person in the relevant period arising from controlled transactions and transactions between relatives any such amount which first becomes receivable in the relevant period shall be deemed to be obtainable on demand in the following basis period.
- For person leaving Malaysia without payment of tax, the maximum penalty will be increased from RM2,000 to RM20,000
- Income derived from withdrawal of a deferred annuity or private retirement scheme received by a person which is subject to deduction of withholding tax of 8% be excluded for the purpose of ascertaining his chargeable income.

Stamp Duty

- The existing 50% stamp duty exemption on instruments of transfer and loan agreements be extended to the purchase of the first residential property priced not exceeding RM500,000. This is for sales and purchase agreement executed from 1 January 2015 to 31 December 2016.

Real Property Gains Tax

- With effect from 1 January 2015, the consideration for a chargeable asset consists wholly or partly of money, the purchaser is required to withhold and remit to the Inland Revenue Board ("IRB") the whole of that money or 3% of the total value of the consideration, whichever is lower.
- Tax on gains from the disposal of real property be self-assessed by taxpayers with effect from the year 2016.

Goods and Services Tax

- The Goods and Services Tax (GST) will replace the current Sales Tax and Service Tax from 1 April 2015. The Goods and Services Tax Act 2014 was gazetted on 19 June 2014, a tax rate of 6% will be adopted while businesses with an annual taxable turnover of more than RM500,000 must register for the GST.

Russia

Taxation of Foreign legal entities that carry out their business in Russia

In spite of the fact that the tax system of the Russian Federation, as well as the tax systems of other countries, has a number of shortcomings and it should be improved, the Russian tax system continues to be one of the most liberal systems that allows foreign investors to choose the most favorable taxation system for a certain type of their business.

Foreign legal entities that carry out their business in the Russian Federation through representative offices and branches, as well as establishing subsidiaries with or without Russian equity, as a general rule, shall pay to the Russian budget the following taxes: value added tax, income tax, personal income tax (for employee benefits) and property tax.

Value added tax

There are three VAT rates effective in the Russian Federation (RF): 18%, 10% and 0%. The RF Tax Code also stipulates a number of operations that are not subject to value added tax.

Thus, foreign investors can independently choose the types of activities and / or sales of those goods and services in Russia that will be subject to VAT at the reduced tax rate or will not be taxed at all.

Meanwhile, even if a company makes VAT payments at the general tax rate (18%), the Tax Code of the Russian Federation stipulates VAT deductions that enable at a reasonable course of business to reduce the tax burden concerning the VAT payments.

Income Tax

The general rate for income tax is 20%, and the general rate for income received by a foreign organization in the form of dividends on shares of Russian companies, as well as dividends from equity interest is 15%.

However, in this case it is important to know the provisions of agreements on avoidance of double taxation that envisage reduced tax rates payable under the said income.

Pursuant to the general rule set out in cl. 1 art. 1 of the RF Tax Code, the Russian Federation laws on taxes and levies consist of the RF Tax Code and federal laws on taxes and levies adopted thereunder.

In compliance with article 7 of the RF Tax Code, if an international treaty of the Russian Federation, containing provisions relating to taxes and levies,

stipulates the rules and regulations other than those set forth in the Russian Tax Code and legal enactments on taxes and (or) levies adopted thereunder, then the rules and regulations of international treaties of the Russian Federation shall be applied.

This adds further credence that before starting a business in Russia, one should be familiar with the text of the international agreement on the avoidance of double taxation.

International agreements on avoidance of double taxation are the way to solve the problem of double taxation at the international level. The purpose of their conclusion is, first of all, the elimination of double taxation, since it has a negative effect on the possibility to expand sales of goods and services and on the movement of capital and persons, i.e. it seriously hampers the development of economic liaisons. Secondly, it is desirable the taxpayers doing their business in several countries could have some accurate information on the tax system in these countries and have been assured that the states apply general methods for tax payments.

Currently, the Russian Federation has concluded and applies the international agreements on the avoidance of double taxation with 79 countries, including but not limited to China, Vietnam, Mongolia, the Philippines, India, Sri Lanka, Singapore, etc., as well as it continues to apply the agreements signed between the USSR and Japan, and the USSR and Malaysia.

For example, pursuant to the Agreement dated 27 May 1994 between the Government of the Russian Federation and the Government of the People's Republic of China concerning the avoidance of double taxation and prevention of fiscal evasion with respect to income taxes, the tax so charged shall not exceed 10% of the gross amount of dividends.

A lower tax burden for entities will be applied if the individuals - residents of foreign countries participate directly in the formation of the authorized capital for a newly established or existing entity in the Russian Federation.

In this case, the Russian company is enable to use one of the special tax regimes, for example, a simplified tax system - the entity will pay only a single tax rate at 6% of income.

Personal Income Tax

In Russia, personal income tax is one of the lowest taxes in the world. Moreover, this is not a progressive tax where the tax rate would not be increased as the taxable income increases.

In compliance with cl. 3 of article 224 of the RF Tax Code, 30% personal income tax rate applies to the incomes of individuals who are not tax residents of the Russian Federation but perform their work in Russia. However, upon expiration of 183 days, the foreign employee who entitles for the Russian tax resident status, will pay income tax rate at the 13%, and the overpaid taxes will be refunded.

Highly skilled professionals have a special treatment where they are entitled to pay income tax rate at 13% from the first day of their employment in Russia (Federal Law N 115-FZ "On the Legal Status of Foreign Citizens in the Russian Federation" dated 25.07.2002).

Transfer pricing

Since 2012 new rules for transfer pricing have come into effect pursuant to Section V of the Tax Code of the Russian Federation. The Article 105.14 of this Section discloses the concept "controlled transaction". Such transactions mean the business operations subject to submission to the tax authorities in due approved form.

These transactions, in particular, include such deals, one of the parties of which is a person whose place of registration, place of living or place of tax residence is a state or a territory included in the list of countries and territories approved by the Russian Ministry of Finance. Currently, this list is supplemented with Macau and Hong Kong.

Therefore, in the case that during a financial year the amount of transactions concluded with an entity registered for example, in Macau or Hong Kong, is exceeding 60 million rubles, the Russian company should submit a relevant notice to the tax office next year.

If a Russian entity and a foreign entity are related persons for purposes of the Tax Code of the Russian Federation, namely, for example, they have the same shareholder and the same head, the notification of controlled transactions must be submitted to the tax authority, regardless of the transaction amount.

Agreements on avoidance of double taxation it is necessary to note that such agreements are used as a means of combating tax evasion and unwanted slip away of national capital abroad.

In this case, the important concept is the "beneficial receiver (beneficial owner) of income" that means the immediate recipient of the income shall not be treated on default as a beneficial owner of the income received in the state of residence only for the reason that it may be qualified as a resident.

For the recognition of a person as the actual recipient of income (beneficial owner) it is not enough only to have a legal basis for direct income receipts. That person must also be a direct beneficiary, i.e. such

a person who actually receives benefits from the received income and defines its further economic destiny. In the course of determining the actual recipient (beneficial owner) income one should also consider the functions performed and the risks taken by a foreign company which claims to receive benefits in accordance with international tax treaties.

In order to prevent the use of provisions of agreements on avoidance of double taxation with the aim of tax evasion, a draft law aimed to fight against the tax evasion by using low-tax jurisdictions was introduced for consideration in the State Duma of the Russian Federation in the late October 2014

The main purpose of the draft law is the creation of an effective mechanism to restrain the use of low-tax jurisdictions aimed at the creation of unreasonable preferences and receipts of unjustified tax benefit.

The draft law on the taxation of income of controlled foreign companies and incomes of foreign entities was supported as well by the Government of Russia.

This draft proposes to add a new chapter into the Tax Code of Russia which stipulates the establishment of the mechanism of taxation for controlled foreign companies. Also, according to the document, the profit of controlled foreign entities is taken into account in the calculation of the tax base for the income tax or for the personal income tax if its value is exceeding 10 million rubles. (With effect from 2015 the value is exceeding 50 million rubles, and 2016 is 30 million rubles).

The controlled foreign company means a foreign entity which is not a tax resident of Russia but the individuals or legal entities that control this company are the RF tax residents. In addition, the concept "controlling person" is introduced, of which the amount of the equity interest of an individual or a legal entity is over 25% (up to 2017 – over 50%). By the way, if the total share of the RF tax residents is over 50%, the equity share of the controlling person means an individual or a legal entity is over 10%. It is expected as well to consider not only actual equity shares but also abilities to have an impact on the decisions taken by entities with respect to the allocation of profits received.

Singapore

Singapore Income Tax : Tax Deduction on Statutory and Regulatory Expenses

Singapore businesses are required to comply with various laws and regulations. Some of the statutory and regulatory expenses incurred to comply with those laws and regulations may however not be tax deductible as they are construed as not wholly and exclusively incurred in the production of business income.

In order to promote good corporate governance and voluntarily compliance with statutory and regulatory requirements, Section 14X of Singapore Income Tax Act provides a specific deduction on such expenses incurred during the year or the basis period for Year of Assessment ("YA") 2014. (i.e. financial year ending in the year preceding that YA).

The following expenses incurred in the production of income accruing in or derived from Singapore or received in Singapore from outside Singapore by the business are tax deductible with effect from YA 2014: -

a) For the purpose of compliance with any written law of Singapore or another country;

b) For the purpose of compliance with any code, standard, rule, requirement or other document issued by the Government, a public authority established by or under any public Act, or by the government or a public authority of another country;

c) To study the impact of any proposed law referred to in (a) that yet to be enacted, or proposed document referred to in (b) that yet to be issued;

d) To prevent or detect any non-compliance with any law referred to in (a) or document referred to in (b);

e) To voluntarily comply with a requirement of any law referred to in (a) or document referred to in (b), even though the business is exempt from complying with the requirement.

Transfer Pricing ("TP") Documentation

The Inland Revenue Authority of Singapore ("IRAS") has set up a more comprehensive guidance on transfer pricing documentation.

Comprehensive guidance will be on:-

a) Objective of preparing TP documentation

To demonstrate the pricing of the transaction with their related parties is arm's length.

b) Contemporaneous TP documentation

To ensure the integrity of tax payers' transfer pricing positions and prevents taxpayers from justifying their positions after the fact.

c) Types of TP documentation

To provide documentation of their group and the specific companies involved in the related party transactions. Under group level, the documentation

should provide a good overview of the group's business whereas entity level, the documentation should provide sufficient details of the subject taxpayers' business and the transaction with its related parties.

d) Extent of TP documentation

To ascertain the facts and circumstances of the transaction, undertake transfer pricing analysis and apply acceptable transfer price methodology to ascertain the transfer pricing and maintain relevant documents.

e) Compliance matters relating to TP documentation

The tax payers should observe the compliance requirement as follows: -

1) TP documents should be prepared on contemporaneous basis;
2) Submission of TP documentation upon IRAS request for verification purposes;
3) Review of TP documentation periodically to ensure the financial and economic analysis contained, applied transfer pricing method disclosed is still relevant and the transfer pricing is still at arm's length;
4) Should retain TP documentation in any medium, whether in paper, electronic form or any system for 5 years from the relevant year of assessment as required in Section 67 of Singapore Income Tax Act;
5) TP documentation not in English may be requested by IRAS be translated in English.

Compliance with Foreign Account Tax Compliance Act ("FATCA") Requirement

On 22 September 2014, the IRAS has proposed regulations to assist financial institutions in Singapore to comply with the US FATCA which requires all the financial institutions outside USA to regularly pass information on financial accounts held by US persons to the US Internal Revenue Service.

A 30% withholding tax will be imposed on certain gross payment received from the US if the information is not submitted to US Internal Revenue Service on regular basis. Such US Act is to target non-compliance with US tax law by US persons using overseas accounts.

The Public Consultation on Proposed Regulations was held from 22/09/2014 to 17/10/2014.

Taiwan

Industrial Innovation Amendment aims to spur R&D, retain talent

Local companies are mainly facing stiffening global competition for business and gaining the talents. The government has made the top priority to craft appropriate policies, and amended the Act for Industrial Innovation, in order to spur greater innovation and to recruit more professionals. Some industries have expressed dissatisfaction with the existing policies, such as the R&D expenditure tax credits provided does not really benefit those non-profitable companies. Some businesses even bemoan the huge loss of talents to overseas which offering higher salaries. In order to assist businesses to retain the talents and encourage them to introduce new and competitive advantage in technology, the amendment will allow the deferral of income tax payments (under certain conditions) for employees that are rewarded with stocks, or owners of technology patent that form partnerships with companies as stakeholders.

The summary as follows:

1. Companies will have two options for applying R&D expenditure tax credits. They may either credit up to 15% of total R&D expenditures against their business income tax payable for that year (as under the existing legislation), or credit up to 10% of the expenditures against taxes for the next three years. This credit, however, shall not exceed 30% of the business income tax payable by the company for that year.
2. Individuals or companies that transfer patents and exclusive technologies or authorize its use of technologies to companies, in exchange for stock ownership may choose to defer income tax payment on the shares gained for five years.
3. Employees granted stock-related rewards (including employee stock bonus, stock purchase, treasury stocks redistributed to employees, employee stock option certificates and restricted stocks) may choose to defer income tax payments for five years.
4. Notification of this mechanism will be issued and penalties will be imposed for those who fail to report taxes correctly or within prescribed deadlines.

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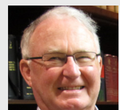

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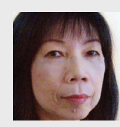

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