

PRISM

Tax Newsletter

1st Quarter 2015

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China

International Anti-tax Avoidance Actions

In recent years, China has been taking full participation in the International Anti-Tax Avoidance Actions. Amongst others, China has committed to the international tax information exchange automatically, and signed its first international multilateral tax collection agreement.

中国全面加入国际反避税行动，国际税收规则将进行改革。全球跨境转移利润等避税现象屡见不鲜，全球反避税行动势在必行。中国积极参与其中，全面提升本国的反避税水平，在税收管理方面产生积极的影响。

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Cyprus

Alternative Investment Funds

The enactment of the Alternative Investment Funds (AIFs) law in July 2014 has aligned the Cyprus legal and regulatory framework with the latest European Union (EU) directives on asset management, transparency and investor protection.

Following on-going efforts to modernize its fund framework, Cyprus introduced a new law offering more investment structuring possibilities and upgraded rules for the authorization, on-going operations, transparency requirements and supervision of Cyprus AIFs and regulation on the role and responsibilities of their directors, custodians and external managers.

The new AIF law replaces the International Collective Investment Schemes (ICIS) Law of 1999 and has brought all investment products, asset managers and investment firms under the regulation and supervision of the Cyprus Securities and Exchange Commission (CySEC). This development is a welcome evolution, presenting expanded structuring possibilities for fund promoters which will undoubtedly boost Cyprus' status as one of the fastest growing fund centers in Europe.

AIFs that are established under domestic Cyprus fund legislation can be sold on a private placement basis or marketed to professional investors across the EU under the Alternative Investment Fund manager Directive (AIFMD) passport.

2014年1月生效的另类投资基金法使得塞浦路斯法律法规体系和欧盟关于资产管理、透明和投资者保护的最新指令一致。

持续致力于现代化其基金框架，塞浦路斯设立了一部提供更多投资架构可能的立法，更新了塞浦路斯另类投资基金关于授权、经营、透明度要求和监管的规则，及另类投资基金董事、托管人、外聘基金经理地位和责任的法规。

该新另类基金投资法律取代了1999年的国际集体投资组合法，该法也使全部投资产品、资产管理经理和投资公司遵循该法规并在塞浦路斯证券和交易管理委员会监管之下。此发展是受欢迎的革新，给基金发起人提供了更多的结构可能性。毫无疑问，这将使塞浦路斯成为欧洲成长最迅速的基金中心之一。

根据塞浦路斯国内基金规定设立的另类投资基金可出售给私募或给持有“另类投资基金管理人指令”护照的职业投资人。

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Germany

Recording Accounting Transactions of Permanent Establishment (PE)

On 18 October 2014, the BsGv (“Betriebsstättengewinnaufteilungsverordnung”) came into force and will be applied to financial years starting after December 31, 2014.

The BsGv should provide detailed rules on the application of the “Authorized OECD Approach” (AOA) which aims that for tax purposes, foreign PE are treated like completely separate and independent entities when it comes to business relationships with other parts of the company.

Unfortunately the new BsGv rules confront taxpayers with a significant increase of administrative expenses and legal uncertainty. Nevertheless taxpayers have to apply the new regulation to avoid discussions in future tax audits.

2014年10月18日通过的德国关于给永久性设施(PE)分配利润的新法规，“BsGv”开始实施，并将会适用到2014年12月31日开始的各个财年。“BsGv”应该就怎样实施旨在在税务上让外国PE在和德国其他地区开展业务关系上得到像完全单独的独立实体一样的待遇的“授权的OECD途径”(AOA)规定具体规则。不幸的是，新的“BsGv”规则让纳税人面对行政费用和法律不确定性的明显增加。然而，纳税人不得不实施这个新法规来避免将来关于税务审计的讨论。

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Hong Kong

Cross-Border Stock Trading Scheme between Hong Kong and Mainland China – A Snapshot from Tax Angle

The highly anticipated Shanghai-Hong Kong Stock Connect pilot programme (“Stock Connect”) was launched on 17 November 2014. While Stock Connect could unleash a wealth of new opportunities for investors and companies, investors should understand the related taxation issues in order to leverage on the opportunities of this cutting-edge initiative.

为了实现香港和中国内地证券市场之间的互联互通，万众瞩目的上海及香港股票市场交易互联互通机制试点（“沪港通”）于2014年11月17日正式启动。对投资者及企业而言，虽然沪港通或可释放大量新机遇，投资者应多了解相关税收问题，从而在这一崭新的投资良机上发挥杠杆效应。

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Indonesia

Tax-related Information Exchange between Indonesia and Singapore

Indonesia and Singapore are focusing on efforts to increase cooperation in the field of information exchange for tax purposes, in the fight against tax evasion between the two countries. The information exchange cooperation between Indonesia and Singapore will become stronger since the two countries have committed to revamp domestic legislations to support the automatic tax information exchange between the two countries.

印尼和新加坡的重点是努力增加在该领域的合作出于税收目的的信息交流，在全国打击逃税和避税的斗争。印尼和新加坡之间的信息交流合作也越来越强，因为这两个国家在税务领域签署了公约的联合行政协助(公约行政互助税务事项/MAC)。现在MAC已经成为签约国之间的税收合作的实施标准。到现在为止，MAC已经被69个国家和15个司法管辖区签署全球。

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Japan

Taxes on Foreign Investment in Real Estate

There are many foreign investors who become interested in Japan's rental market and begin to invest in Japan's real estate. To foreign investors, investment in Japan's real estate market not only yield higher returns but also diversify their investment risks. Although investment in Japan's real estate market may promise a higher return, foreign investors shall take into consideration taxes on investment in Japan's real estate, when evaluating the net return on investment.

日本與其他國家之間的投資貿易交流向來密切，已有不少海外投資者看上日本當地水準的租金行情，開始投資日本不動產。對於海外投資人而言，日本不動產市場具備一定程度的吸引力，也是一個不錯的理財與分散投資風險管道。雖然日本不動產的租金投資報酬率較高，但別忘了要將稅負計入，才能抓出實質的投資報酬率。

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Malaysia

Goods and Services Tax (GST) – Finally here!

The introduction of GST is part of the Government's tax reform program to enhance the efficiency and effectiveness of the existing taxation system. GST is proven to be a better tax system as it is more effective, efficient, transparent and business friendly and could spur economic growth as well as increase competitiveness in the global market.

实施消费税是马来西亚政府进行税务改革计划的一部分，希望通过实施新税制加强马来西亚目前税制的效率。而消费税其被视为一项较为有效率、透明已经更为亲商的税制措施，将协助提高经济发展并在开拓国际市场上增强我国竞争力。

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China



International Anti-tax Avoidance Actions

Currently, including China, at least 50% of global profits come from transnational transactions, yet transnational corporations are paying such a minimal amount of taxes. The existence of tax haven and the more relaxed regulations on international capital flow are two main contributing factors to the increased tax avoidance activities carried on by transnational corporations.

In view of this, countries around the globe must reform the current Regulations and Systems of International Taxation. During the G20 Summit, leaders have declared that they will reach an agreement on the implementation plans to confront tax avoidance scheme by transnational corporations, before end of 2015.

“The ‘Tax Base Erosion and Profit Shifting (BEPS)’ plan started during the G20 Summit deserved to be regarded as the greatest international taxation system reform in the past centuries.” said Liao Tizhong, the Director of International Customs Commissioner in State Bureau of Taxation. The reform principle established during G20 Summit is taxing the profits where business activities are carried on and the values are created. In general, tax agreement reached during G20 Summit is favourable to countries with rich genuine economy activities such as China.

According to the agreements reached by leaders during G20 Summit, in order to prevent tax avoidance among countries, almost one hundred countries and regions promised to exchange international tax information automatically. China is very committed to the information exchange, in the efforts to reinforce the anti-tax avoidance actions.

Apart from the above, China has in August 2014 signed its first international multilateral tax collection agreement – “Mutual Assistance Conventions for Multilateral Tax Collection and Management” to take part in International Anti-tax Avoidance Actions. With this, China will upgrade its anti-tax avoidance and International Tax Revenue Administration System.

In recent years, China has been constantly strengthening the Anti-Avoidance Actions. The result is welcoming, showing increase of tax revenue from 460 million RMB in 2005 to 46.9 billion RMB in 2013. China believes that the additional commitment in International Anti-tax Avoidance Actions will bring more tax revenue in years to come. 🇨🇳

Cyprus



Alternative Investment Funds

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Types of AIFs

Alternative Investment Fund with Unlimited Number of Persons

- may be marketed to retail, or well-informed and/or professional investors
- freely transferable investor shares
- must appoint a global custodian
- can be listed on a recognized stock exchange, and AIFs marketed to retail investors can be traded
- subject to minimum capital requirements of €125,000 or €300,000 if a self-managed fund
- may be subject to certain investment restrictions depending on the investor type and the overall investment policy

Alternative Investment Fund with Limited Number of Persons

- may be marketed only to well-informed and/or professional investors
- cannot exceed total number of 75 investors / unit holders
- freely transferable investor shares, with the condition that their transfer does not result in the AIF having more than 75 investors
- in certain cases may not be required to appoint a licensed manager or a custodian
- assets under management do not exceed the AIFMD thresholds of €100 million (including leverage) or €500 million (5-year lock-up period without leverage)

- 12.5% cap on corporate tax
- Corporate tax can be reduced to 0% since gains from trading in securities and titles (e.g. shares) are tax exempt
- Dividend income is tax exempt and there is no minimum participation to qualify for the exemption
- No capital gains tax for gains made on immovable property situated outside Cyprus
- No withholding tax on outbound dividends for non-Cypriot investors
- Wide and beneficial Double Tax Treaties network

Alternative Investment Funds (AIFs)		
	AIF with Limited Number of Persons	AIF with Unlimited Number of Persons
Regulatory Authority	CySEC	CySEC
Limitation on Number of Investors	75	Not applicable
Available Structures	Variable Capital Company (VCC), Fixed Capital Company (FCC), Limited Partnership (LP),	Variable Capital Company (VCC), Fixed Capital Company (FCC), Limited Partnership (LP), Common Fund (CF)
Umbrella Funds	Possible for all structures	Possible for all structures
Minimum Share Capital	Not applicable	€125,000 or €300,000 if self-managed
Minimum Share Capital	Yes, if dealing with investments in financial instruments	Yes
Directors Requirement	Fit and Proper	Fit and Proper
Custodian Requirements	Based in Cyprus, EU or third country that has cooperation agreement with Cyprus; exemption in specific circumstances	If AIFM must be based in the EU until 2017, after which custodian must be based in Cyprus; otherwise, may be based in Cyprus, EU or third country that has cooperation agreement with Cyprus

Taxation of AIFs

Cyprus tax laws have been amended to provide further tax incentives for the set up and operation of funds. Some of the related provisions are:

Preferred destination

The recent alignment with EU laws and directives, the tax incentives provided and the fact that operating costs are substantially lower than comparable fund centers makes Cyprus increasingly becoming the destination of choice in EU for Fund registrations, Fund Managers and Management Companies. 🇨🇵

Germany



Recording Accounting Transactions of Permanent Establishment (PE)

In 2013, the German legislator enshrined the Authorised OECD Approach (AOA) in German law via changes to Art. 1 Foreign Tax Act (FTA). However, the law left many questions unanswered. On October 10, 2014, the Upper House of German Parliament has consented to the Federal Ministry of Finance's final version of its regulation: the "Betriebsstättengewinnaufteilungsverordnung – BsGaV". The ordinance is based on the authorization included in new Section 1(6) of FTA and will be applied to financial years starting after December 31, 2014.

The BsGaV has significant impacts on the allocation of profits between parent company and PE. PE is effectively treated as an independent entity. The profit allocation is performed in a two-step approach.

Firstly, activities carried out by the PE are analysed based on the functions and risks assumed by it. The decisive factor in allocating these profits is the "significant people function" (SPF). The classification of SPF depends on where it is carried out. The general principle is that every PE shall bear its own risks, in particular those arising from any function of its assigned staff.


The determination of SPF is the basis for all further assignments and finally for determining

an appropriate share of profit. It is from the determination of SPF that the balance sheet for a hypothetical subsidiary for the PE is prepared, allocating respective assets, equity and liabilities to the PE.

Furthermore, the location of SPF is important for analyzing the amount of endowment capital. German PEs determine their endowment capital following the “purchase-price-allocation-method”; in contrast, foreign PEs have to use the “minimum-capital-method” and then convince plausibly that those amount of endowment capital is necessary. For a German PE, a low endowment capital generally leads to high liabilities and consequently a high domestic interest expense. On the contrary, an excessive endowment capital of a foreign PE means the liabilities of foreign PE are too small and less interest expenses arise in the German parent company. The endowment capital has to be determined at the beginning of each financial year, any subsequent changes has to be adjusted accordingly.

Secondly, every contractual relationship between parent company and PE are analysed to examine whether any fictitious dealings exist, as if the PE was an independent legal entity under arm’s length condition. In this respect, the Transfer Pricing Guidelines are used analogously. The effect of any fictitious contractual relationship is disregarded in determining the profit allocation to PE.

The result of this two-step approach is an auxiliary calculation which comprises the assets, endowment capital and other liabilities attributable to the PE; and, a genuine revenue and expenses after adjustments for fictitious contractual relationship.

The new BsGaV-regulation and requirements confront taxpayers with a significant increase of administrative expenses, due to the complexity in the preparation of auxiliary calculation. Nevertheless, the recording of accounting transactions for PE should be adjust immediately in order to meet the requirements of the new BsGaV-regulation. 

Hong Kong

Cross-Border Stock Trading Scheme between Hong Kong and Mainland China – A Snapshot from Tax Angle

To achieve a mutual market access between Hong Kong and Mainland China, the highly anticipated Shanghai-Hong Kong Stock Connect pilot programme (“Stock Connect”) was launched on 17 November 2014. Stock Connect establishes a “northbound trading link” (allowing Hong Kong investors to trade designated securities listed in Shanghai) and a “southbound trading link” (allowing Mainland investors to trade designated securities listed in Hong Kong). This link-up marks another milestone in China’s drive to expand its connection with the international financial system and transform its currency into a global investment medium.

While Stock Connect could unleash a wealth of new opportunities for investors and companies, investors should understand the related taxation issues in order to leverage on the opportunities of this cutting-edge initiative.

Key tax implications of the “northbound trading link”

For Hong Kong and overseas investors investing in securities listed in Mainland via Stock Connect, there should be no Hong Kong profits tax exposure on dividend income and disposal gains as the income is generally regarded as offshore/ capital in nature and hence non-taxable. In addition, the transfer of securities listed in China will not be subject to Hong Kong stamp duty.

The People’s Republic of China (PRC) tax treatments of Stock Connect and Qualified Foreign Institutional Investors, QFIIs/ Renminbi Qualified Foreign Institutional Investors, RQFIIs were clarified in the tax circulars Caishui [2014] No. 81 (“Circular 81”) and Caishui [2014] No. 79.

The PRC tax implications of investing in shares listed in China are summarized in the next page:

PRC tax implications of investing in shares listed in China				
Investors	PRC Corporate Income Tax ("CIT")/ Individual Income Tax ("IIT")		PRC Business Tax	PRC Stamp Duty
	Capital Gains	Dividends		
Hong Kong & overseas institutional individual investors investing in shares listed in China under Stock Connect	Temporarily Exempted (until further notice)	Subject to PRC withholding tax at 10% (unless reduced/ exempt by tax treaty)	Temporarily Exempted	subject to PRC Stamp Duty at 0.1%
QFII/ RQFII investing in shares listed in China (see Note below)	temporarily exempt from CIT; Capital gain derived before 17 November 2014 is generally subject to CIT		Exempted	
Note Prior to Stock Connect, foreign investors are generally not able to invest in China A-share market other than via the scheme of QFII/ RQFII				

PRC tax implications of investing in shares listed in Hong Kong				
Investors	PRC Corporate Income Tax ("CIT")/ Individual Income Tax ("IIT")		PRC Business Tax	PRC Stamp Duty
	Capital Gains	Dividends		
PRC corporate investors investing in shares listed in Hong Kong under Stock Connect	Generally subject to CIT at 25%	Generally subject to CIT at 25% (Exception: If the shares are H-shares and they have been held for at least 12 months, the dividends are exempt from CIT)	Taxable or exempted (existing rules)	Not subject to PRC Stamp Duty
PRC individual investors investing in shares listed in Hong Kong under Stock Connect	Temporarily exempted from IIT for three years for the period from 17 November 2014 to 16 November 2017	Subject to IIT at 20%	Temporarily exempted (existing rules)	



Key tax implications of the "southbound trading link"

The "southbound trading link" under Stock Connect allows Mainland institutional investors and those individual investors who satisfy the eligibility criteria (i.e. Individual investors who hold an aggregate balance of not less than RMB500,000 in their securities and cash accounts) to trade designated securities listed in Hong Kong.

For Mainland investors investing in Hong Kong securities via Stock Connect, the Hong Kong profits tax exposure should be negligible. These investors will not be subject to Hong Kong profits tax as long as they do not conduct any trade or business in Hong Kong. In addition, Hong Kong currently does not levy any withholding tax on dividends or capital gains derived by non-residents. However, the transfer of securities listed in Hong Kong will be subject to Hong Kong stamp duty of 0.1% on both the sale and purchase of securities.

The PRC tax implications of investing in shares listed in Hong Kong (as per Circular 81) are summarized below:

Indonesia



Tax-related Information Exchange between Indonesia and Singapore


Indonesia and Singapore are at the forefront in the fight against tax evasion across the country. In December 2014, a meeting was held between Minister of Finance of the Republic of Indonesia, Bambang P.S. Brodjonegoro and Finance Minister of Singapore, Mr. Tharman Shanmugaratnam to discuss initiatives on enhancing bilateral cooperation between Indonesia and Singapore in respect of information exchange for tax purposes.

The information exchange bilateral cooperation between Indonesia and Singapore has been well established since the signing of the Double Taxation Avoidance Agreement (P3B) Indonesia-Singapore which is effective from January 1, 1992. To improve the quality of information exchange on request, the two countries have also committed to the information

exchange in accordance with international standards. Moreover, both countries have agreed to exchange any data and information related to taxes, for tax compliance governance. In addition, the two countries have signed the Convention on Joint Administrative Assistance in the Field of Taxation (Convention on Mutual Administrative Assistance in Taxation), a standard in the implementation of tax cooperation between two countries.

Voluminous exchange of information between the two countries has been conducted through the mechanism of information exchange on request. Consequently, many tax compliance examined and tax revenue increases. Minister of Finance of both countries agreed to disclose more information when exchanging information on request, additional information are such as all assets owned by residents of both countries and financial accounts which are deliberately hidden to evade tax.

In order to further enhance the information exchange bilateral cooperation, initiatives have been taken to expedite the movement of information from one country to another. Indonesia and Malaysia have committed to exchange information automatically to complete the mechanism for information exchange on request. In this respect, Indonesia and Singapore have committed to immediately revamp domestic legislations to support the automatic information exchange between the two countries. This commitment is in line with a Communiqué released in November 2013 by the leaders of G20 Member States, including President Joko Widodo, in Brisbane Summit. The Communiqué supports global standard automatic information exchange (Common Reporting Standard) with the principle of reciprocity. This standard aims at ensuring justice for international tax system and securing the revenue base for each country. The automatic exchange of information between these countries is expected to begin in 2017 or 2018.

With the above initiatives, tax avoidance is discouraged and tax revenues of Indonesia and Singapore will increase accordingly. 

Japan



Taxes on Foreign Investment in Real Estate

Since Tokyo was announced as the host city of Olympics in 2020, an increased number of foreign investors have been purchasing real estate in Japan.

There are no restrictions on who can purchase property in Japan, i.e. resident individuals, non-

resident individuals and companies may invest in property located in Japan.

However, residency status and whether an individual holds the property in his name or in the name of a local or offshore entity will result in different tax treatments. Generally, foreign investment in real property situated in Japan is subject to the following taxes.

Taxes on Acquisition

- Real Estate Acquisition Tax

The tax rate is 3% (for land and residential buildings) or 4% (for non-residential buildings), applied on the assessed value of the real estate.

- Registration Tax

The tax rate varies according to type of registration, for instance preservation of ownership, transfer of ownership, or granting or transfer of lease interest. The tax rate ranges from 0.4% to 2%, applied on the assessed value of the real estate.

- Consumption Tax

Consumption tax is imposed only on building, at the rate of 8% on assessed value of the building.

- Stamp Tax

Agreements for the transfer of ownership title of real estate are taxed on ad valorem basis, ranging from JPY 200 to JPY 600,000, based on the amount stipulated in the agreement.

Taxes on Holding

- Fixed Asset Tax

Fixed asset tax is imposed on land, buildings and other depreciable assets used for business purposes. It is imposed on 1 January every year and is 1.7%, applied to the assessed value of the fixed asset.

There are certain tax deductions available for the owners who have the building reformed for anti-earthquake reinforcement. The owner is exempted from paying fixed assets tax for a period of up to 3 years depending on the conditions that the construction meets; the owner is also able to enjoy 1/3 fixed asset tax deduction for the reform that upgrades the functions of the property if certain requirements met.

- City Planning Tax

City planning tax is levied on land and buildings located in certain urban areas as a surcharge to fixed asset tax. The annual tax rate is 0.3% or less, applied to the assessed value of the fixed asset.

Taxes on Rental Income

Rental income is aggregated with other taxable income and taxed at the applicable tax rate, for both individuals and companies.


If a foreign investor invest in Japanese property directly and then lease it, the rental income is subject to marginal tax rate based on annual income. The highest tax rate is 55%.

When a foreign investor chooses to set up a company in Japan to purchase real estate for rental purpose, the effective tax rate on the taxable income is approximately 38%.

Taxes on Capital Gain from the Sale of Real Estate

Tax imposed on capital gain from the sale of real estate varies depending on whether the owner is an individual or company, resident or non-resident, and the holding period of the real estate.

For individuals, capital gain is taxed separately from other taxable income. In respect of non-resident individuals, capital gain from selling short-term investment i.e. property held for less than 5 years is taxed at 30%; while capital gain from sale of property held for more than 5 years is taxed at 15%.

For companies, capital gain is aggregated with other taxable income and taxed at the applicable tax rate. The effective tax rate for a foreign company is approximately 38%. 

Malaysia



Goods and Services Tax (GST) – Finally here!

Introduction of GST

In his 2005 Budget the then Prime Minister YAB Dato' Seri Abdullah bin Ahmad Badawi stated:

"... The government proposes to replace both these taxes (sales tax and service tax) with a single consumption tax, based on the value-added concept. The new tax, known as the Goods and Services Tax (GST), will be comprehensive, efficient, transparent and effective, thereby enhancing tax compliance..."

The idea of introducing GST in Malaysia was first announced in 2005 Budget. However, in February 2006, Malaysian Government announced that GST would be deferred with the intention to engage in further public consultation and to accord businesses more time to prepare for its implementation.

Finally, on 25 October 2013, the incumbent Prime Minister cum Finance Minister YAB Dato' Sri Mohd Najib bin Tun Abdul Razak announced in Budget

2014 the implementation of GST to replace sales and service tax with effect from 1 April 2015 at the rate of 6%. The Goods and Services Tax Act 2014 was gazetted on 19 June 2014.

Why GST?

The introduction of GST is part of the Government's tax reform program to enhance the efficiency and effectiveness of the existing taxation system. GST is proven to be a better tax system as it is more effective, efficient, transparent and business friendly and could spur economic growth as well as increase competitiveness in the global market.

GST will replace the current consumption tax, i.e. the sales tax and service tax (SST). It is important to replace the existing SST in order to eliminate its inherent weaknesses such as cascading and compounding effects, transfer pricing and value shifting, no complete relief on goods exported, discourage vertical integration, administrative bureaucratic red tape, classification issues and etc.

In addition, GST is capable of generating a more stable source of revenue to Malaysia because it is less susceptible to economic fluctuations.

Understanding GST

GST in Malaysia will operate along the lines of other GST and VAT regimes globally. Being broad based tax, GST could be practically charged on all supplies of goods and services except some supplies being designated zero-rated or exempt where GST will not be charged.

Generally, essential items such as basic food stuffs, agriculture products, livestock, poultry and eggs, seafood, piped water supply for domestic consumers, the first 300 units of electricity consumption for domestic consumers, various medicine brands for 30 types of diseases, reading materials and newspapers are zero-rated; and, critical services such as healthcare, public transportation, education, residential property and financial services are exempt supplies.

In Malaysia, GST can only be levied and charged if the business is registered under GST. Businesses making taxable supplies have to be registered under GST if their annual sales turnover has exceeded the prescribed threshold of RM500,000. Nevertheless, businesses can apply to be registered voluntarily.

Challenges of New Tax Regime

The biggest challenge that Malaysia faces is public perception that GST will bring about general rise in the prices of goods and services. To alleviate inflationary concerns, the Price Control and Anti-Profiteering Act was enacted in 2011 to curb opportunistic price increases.

Government Initiative

With the implementation of GST, the Government will be able to reduce the tax burden on people as follows:

1. Individuals income tax rates will be reduced by 1% to 3% across all chargeable income bands with effect from year of assessment 2015; and
2. Corporate income tax rate will also be reduced by 1% to 2% with effect from year of assessment 2016.

To assist businesses, the following assistance will be provided:

1. Training grant of RM100 million provided to businesses for their employees to attend GST courses;
2. Financial assistance amounting to RM150 million provided to Small and Medium Enterprises for the purchase of accounting software;
3. Accelerated Capital Allowance on purchase of information and communication technology (ICT) equipment and software; and
4. Expenses incurred for training in accounting and ICT relating to GST will be given additional tax deduction.

International Tax Panel



Malaysia

LL KOONG

Tel: +603 2166 2303

ITP Chairman



China

Zhu Yuxiang

Tel: +86 512 6807 6947

ITP Vice-Chairman



Hong Kong

Lorance Chan

Tel: +852 3182 2429

ITP Vice-Chairman



Australia

HOWARD TING

Tel: +61 2 9999 5611



Cambodia

Neoh Boon Toe

Tel: +855 17 363 303



China

Liu Jihong

Tel: +86 10 8588 6650 8531



China

WANG KEYU

Tel: +86 5718588 0288



Cyprus

ADONIS THEOCHARIDES

Tel: +357 22 670680



Germany

ACHIM SIEGMANN

Tel: +49 7132 968 58



Indonesia

HERU PRASETYO

Tel: +6221 2305569



Japan

HIROYUKI YAMADA

Tel: +81 3 3519 3970



Kazakhstan

DANIYAR NURSEITOV

Tel: +7 (727) 275-22-39



Macau

JACKSON CHAN

Tel: +853 2856 2288



Mauritius

JAMES HO FONG

Tel: +230 210 8588



New Zealand

GEOFF BOWKER

Tel: +649 522 5451



Russia

LEV SHUKLOV

Tel: +7 495 231 1059



Singapore

IRENE CHAN

Tel: +65 6323 1613



Taiwan

KEN WU

Tel: +886 2 8772 6262



Vietnam

LIM CHOR CHEE

Tel: +84 8 3999 0091

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