

PRISM

Tax Newsletter

3rd Quarter 2015

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Australia

Australian taxation on the Managed Investment Trusts (“MITs”)

In the 2010-11 Federal Budget, the government first announced the intention to introduce a new tax system for Australian managed investment trusts (“MITs”) in response to the Board of Taxation’s review of MIT tax arrangements. On 12 May 2015, the government announced in its 2015-16 Federal Budget, the long awaited changes to Australian MITs will be implemented with a twelve month transition period. The modernised tax regime will now apply from 1 July 2016, however, MITs can choose to apply the new regime from the earlier start date of 1 July 2015.

在2010-11的联邦预算里联邦政府第一次宣布打算推出一个对澳大利亚管理投资信托基金(“MITs”)的新税制。这个新税制是回应税务委员会对MITs现有税务安排的审查。在2015年5月12日, 联邦政府在2015-16年的联邦预算里宣布, 期待已久的MITs新税制将从2016年7月1日。这个新税制将有十二个月的过渡期实施。然而MITs可以选择2015年7月1日开始使用新的税制。

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China

The Challenges of Taxing Cross-border Third Party Payment

On December 13th, 2013, the State Council decisions on major issues concerning NEEQ were released by the State Council, which marks the national-wide expansion of the new three board. To commemorate this historical moment, national SME share transfer system held a collective listing ceremony for the nation’s 266 companies on January 24th, 2014, which increases the number of listed companies to 679. This predicts the normalization of the new three board’s listing in the future. In this paper, the related tax risks and proposes possible solutions in the listing process of NEEQ are discussed below in detail.

2013年12月13日, 国务院发布了《国务院关于全国中小企业股份转让系统有关问题的决定》标志着新三板正式扩容至全国。全国中小企业股份转让系统有限责任公司在2014年1月24日为来自全国的266家中小企业举行集体挂牌仪式。这使得在新三板挂牌的企业达到679家, 也标志着新三板的挂牌在以后将会常态化。本文针对新三板的挂牌条件,对相关税务风险进行分析, 为合理控制拟挂牌企业在挂牌过程中可能出现的风险提供借鉴。

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Cyprus

Cyprus signs off a Double Taxation Avoidance Agreement (DTAA) with Georgia

Cyprus and Georgia have concluded and signed a Double Taxation Avoidance Agreement (DTAA) during the 24th Annual Meeting of the European Bank of Reconstruction and Development which took place in May in Tbilisi. The DTAA, is based on the OECD Model Convention and will come into force as from 1 January 2016 when both countries are expected to complete the ratifications procedures. The treaty sign off was well received by the business communities of the two countries and it further enhances Cyprus position as an international business center, since some of its provisions are deemed to be significantly favorable. The DTAA’s main provisions are analyzed below:

在第比利斯2015年5月欧洲复兴开发银行第24届年会上, 塞浦路斯和格鲁吉亚签署了避免双重征税协定, 该协定以经济合作和发展组织范本为基础, 双方政府将完成批准程序, 将于2016年1月1日生效, 两国商界对此协定的签署表示欢迎。该协定部分规定被认为是显著有利的, 相信协定的签署将进一步加强塞浦路斯作为国际商业中心的地位。现对协定主要规定分析如下:

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Germany

Trade Tax versus German Foreign Tax Act

Hardly a matter of principle in the application of German foreign tax law was controversially discussed than the matter if the additional amount based on § 10 section 1 sentence 1 AStG is qualified as a part of the German trade income that comes from a foreign permanent establishment. In consequence it was a matter of debate if the additional amount is only subject to corporation tax or also to trade tax. This question is all the more relevant, because the additional burden with trade tax in many cases has punitive, because the foreign “low” tax is not creditable against the trade tax. Now the German Federal Fiscal Court has decided in its decision published on 11 March 2015 that the AStG-additional amount is not subject to trade tax.

在德国外资税法的实施上, 像这样原则性问题很少在讨论时遭到激烈争议: 这个问题就是控股外企的附加金额根据AStG第二条第十款是否既要征收企业税, 还要征收贸易税。这是一个相关性非常高的问题, 因为贸易税的额外税负在很多情况下属于惩罚性的和外资的“低”税是不能抵免贸易税的。现在德国联邦税务法庭已经在2015年3月11日公布的决议中决定, AStG额外金额不需要征收贸易税。

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Hong Kong

New Protocol to the China-HK double tax arrangement signed - new benefits and obligations to taxpayers

On 1 April 2015, Hong Kong (HK) and Mainland China (PRC) signed a new protocol to facilitate clear implementation of their double tax arrangement. The new protocol exempts HK taxpayers from PRC tax for capital gains on transferring listed shares and reduces withholding tax rate on aircraft and ship leasing business. This should be welcome by taxpayers in Hong Kong. Nevertheless, taxpayers should be aware of the strengthening of anti-avoidance measures and the expansion of the scope of information exchange between HK and PRC at the same time.

香港与内地于2015年4月1日就对所得避免双重征税安排签订了新的议定书，以促进避免双重征税安排的执行。在新的议定书下，香港纳税人转让内地上市公司股票的收益获得免征中国税的待遇。另外，新的议定书亦降低了有关飞机和船舶租赁业务支付的特许权使用费的预扣税税率。这些都是值得香港纳税人欢迎的。然而，纳税人应该注意到，新的议定书亦同时加强了反避税措施和扩大了中港资料交换范围。

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Korea

New tax revisions for 2015

The government has unveiled on Aug 6, 2014 new tax revisions for 2015. The package outlines strategies for increasing household incomes, among other things, to help rejuvenate domestic demand. Most notable is that the government has come up with three plans to equip households with increased disposable income. These measures will be effective starting from the beginning of 2015 for 3 years, and is aimed at crafting a virtuous circle in which expanded corporate income will lead to a rise in household incomes, which would in turn prompt businesses to prosper thanks to increased consumption.

韩国政府于2014年8月6日宣布了14条2015年的新税制法令的修订，其中包括3套目的在于提高家庭收入和刺激国内市场的税制法令。本文将为读者简要介绍这3套税制——提高工资收入的税制、提高股息收入的税制、和加强企业和家庭收入间关系的税制。

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Malaysia

Getting Ready for Goods and Services Tax (GST) Audit

On 1 April 2015, Malaysia has implemented Goods and Services Tax (GST) to replace sales and service tax. Royal Malaysian Customs Department (RMCD) will conduct audit on businesses from time to time to ensure that GST Returns are being prepared correctly and businesses are making GST declarations accordingly.

马来西亚于2015年4月1日实施了物品及服务税（消费税）以取代销售税及服务税。为了确保所呈报的消费税报表的正确性，以及商家皆据实呈报消费税，马来西亚皇家关税局将不定期对商家进行消费税审查。

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Singapore

Singapore Budget 2015: Brief Highlights

In the Budget 2015, the Government is endeavouring to building a fair and inclusive society and expanding a social network for those in need and also taking steps to strengthen future tax revenues by implementing progressive tax and benefits systems. As there is a need to keep our individual tax regime more progressive and reducing income inequality, tax rates will be increased for high income earners. The Government will continue to fund businesses to alleviate rise in business cost in the long term through various tax deduction schemes or incentives.

在2015年财政预算案，新加坡政府正在努力建设一个公平和包容性的社会并采取为公众扩大社会网络措施，通过实施累进税制和福利制度加强今后的税收。现有必要对高收入者调高税率来保持税务制度先进性及减少收入不平等。政府将会继续资助企业通过各种减税计划或奖励，在长期内减轻上升商业成本的增加。

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Australian taxation on the Managed Investment Trusts (“MITs”)

What is MITs

Under the existing regime, broadly speaking, a MIT is a managed investment scheme (“MIS”), as defined in the Corporations Act 2001 (Cth), which also satisfies certain other criteria, including:

1. that MIS must have Australian central management and control;
2. hold Australian assets; and
3. not carrying on an active trading business.

However, the new regime will broaden the circumstances in which a trust qualifies as an MIT. As such, the new definition of MITs will be an amalgam of two existing definitions from the income tax provisions and the deemed CGT treatment provisions.

Background

The new regime is implemented in response to the Board of Taxation's review, and will create a new standalone tax regime to apply to MITs. As such, MITs that meet the qualifying criteria and opt into the new regime will not be subject to the existing present entitlement rules in Division 6 of the Income Tax Assessment Act 1936 (Cth) (“ITAA 36”), instead, they will be subject to their own specific MIT rules. Those trusts and MITs that do not qualify will continue to be taxed under the existing trust tax provisions in Division 6 of the ITAA 36.

Key features of the new regime

The new regime will apply to trusts that are Attribution Managed Investment Trusts (“AMITs”), which are broadly MITs under the existing definition in the tax law with minor modifications.

There are two principal eligibility requirements for the new tax system:

1. The trust is a MIT under the amended definition; and
2. The members of the MIT all have interests that are clearly defined.

The test requires that the entitlement of each member to the income of the MIT can be worked out on a fair and reasonable basis having regard to the trust deed of the MIT, and the rights of each member to the income and capital of the trust cannot be materially diminished through the exercise of a power or right in the trust deed.

Further this relevant test must be met for each year

and there are provisions exist to handle MITs which fail to qualify as an AMIT in later years.

In addition, the new regime will amend the 20% tracing rule for public unit trusts so it does not apply to superannuation funds and exempt entities that are entitled to a refund of excess imputation credits.

AMITs

AMITs are in which members have a ‘clearly defined interest’. This means that only MITs which are sufficiently non-discretionary will receive the benefit of the attribution MIT status.

Where MITs meets the AMIT eligibility conditions, it will be subjected to the rules below:

1. The income attribution mechanism, which includes amounts in the assessable income of the unitholders based on their entitlements.
2. A formal system to allow errors in calculating taxable income to be rectified by making adjustments in the year they are discovered.
3. Cost base adjustment rules to avoid double taxation, which will increase as well as decrease the cost base of units for CGT purposes.
4. Certain types of units issued by the entity will be treated as debt, both for trust and the unitholder.
5. The ability to make an irrevocable election to treat income and assets attributable to a class of units as a separate AMIT.
6. A special arm's length rule which can result in a marginal tax rate of tax payable by the trustee on non-arm's length income earned.
7. The trust is deemed to be a fixed trust, which has important consequences for the trust loss and franking provisions.

Accordingly, MITs that may be subject to the new regime will need to review its existing trust deed to determine whether they should be amended to allow trustees and responsible entities to comply with some or all of the requirements of the new regime.

However, in doing so, the MITs will need to be aware whether such amendments can be effected without triggering other tax or duty consequences.

Regardless, the implementation of the new MITs tax regime will be welcomed by the industry, which has been awaiting changes for some years. 🇦🇺

China



The Challenges in the Process of National Equities Exchange and Quotations listing

Introduction

NEEQ is an important part of the multi-level capital market in China. NEEQ is a special capital market, which specifically provides financial support for the enterprises that are not up to the standard of the main board (including small and medium-sized plate) and the GEM listing conditions of enterprises. Currently, NEEQ is not only providing the services to the science and technology enterprises, it also provides its services to manufacturing, cultural industry, financial industry and others.

The conditions for NEEQ listing by regulations:

1. Set up in accordance with the law and remain for two years
2. Clear Business Plan and able to continue in operations
3. Good corporate governance mechanism and legitimate business
4. Clear equity structure and the issuance and transfer of share are in accordance with law
5. Recommended and supervised by brokerage

Related tax risks

1. Personal investment in non-monetary assets

Individual shareholders invested in stocks of non-monetary assets such as intangible assets, without paying individual income tax meanwhile amortized the intangible assets over certain number of years. According to the tax policy notice relating to the personal non-monetary assets investment (Public Notice [2015] No. 41), when individuals invest in stocks of non-monetary assets; the assignment of non-monetary assets and investment take place at the same time. The income of personal assignment for non-monetary assets is taxable and individual income tax is computed in accordance with the law "property transfer income". The non-monetary assets are transferred at fair value in accordance with valuation from relevant authority. The taxable income is the fair value of non-monetary assets on transfer reduced by the original value of the assets and related taxes.

2. The record of special tax treatment

The enterprises which had applied the special tax treatment in the process of restructuring, did

not always file in the records to the competent authority. Such application of special tax treatment should be put on records according to the eleventh rule of "the Notice of the reorganization of the business enterprise income tax treatment" (Public Notice [2009] No.59). If the parties of restructuring enterprise require the acknowledgement of tax authorities, leading party may apply to the tax authorities and file in the records to the provincial tax authorities respectively.

3. Deed tax, business tax and land value increment tax

Enterprises involve in major restructuring exercise did not pay the respective deed tax, business tax and land value increment tax. In accordance with the provisions of the tax law, the transfer of the physical assets and related rights, debt and labor force to other units and individual through merger, division, sell and exchange in the process of assets reorganization, do not attract business tax. Similarly, the transfer real estate and the right of use of land also do not attract business tax. According to the fifth rule of "the tax policy notice of land value increment tax in the process of enterprise reorganization" (Public Notice [2015] No.5), land value increment tax is temporarily not imposed on restructuring exercises which fulfilled certain conditions.

Recently, tax disputes involving NEEQ is growing, hence, the above article mainly elaborated the common tax risks in the process of National Equities Exchange and Quotations listing, which means both parties of NEEQ should fulfill their tax obligations. At the same time, the two parties can do some proper tax planning to reduce their taxes legitimately. 🇨🇳

Cyprus



Cyprus signs off a Double Taxation Avoidance Agreement (DTAA) with Georgia

Permanent Establishment

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.

Dividends

The withholding tax rate is set at 0%

Interest

The withholding tax rate on interest is set at 0%.

Royalties

The withholding tax rate on royalties is set at 0% (e.g. for patents, trademarks, copyrights, secret formulas/processes relating to scientific, commercial and industrial experience, artistic or scientific work including films).

Capital Gains

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.

Capital gains resulting from the disposal of shares (irrespective of the underlying assets of the company of which the shares are being disposed) are taxable only in the Contracting State in which the alienator is tax resident.

Important Notes for Tax Planning

The DTAA rates are deemed very favorable for international investment flows through Cyprus, given that dividend income and gain from the disposal of shares are exempted from income and any other taxation in the island. 🇨🇵

Germany



Trade Tax Versus German Foreign Tax Act

In the case of dispute, the plaintive Corporation (GmbH) was the sole shareholder of a Singapore Ltd.. The achieved revenues of the German GmbH was qualified as passive income (interest and exchange differences) as defined in § 8 of the AStG. The additional amount of the Gmb was based on § 10 AStG but was only subjected to corporation tax instead of trade tax too. In the course of the trade tax return the GmbH reduced the additional amount under application of § 9 no. 3 GewStG. This procedure followed neither the tax authorities nor the finance court of the first instance. But in consequence the German Federal Fiscal Court has canceled the previous decision because the refusal of the trade tax reduction was not legally justified.

The German Federal Fiscal Court argued that the additional amount under paragraph 10 section 1 sentence 1 AStG is part of the trade income of a domestic enterprise, not situated within a domestic

permanent establishment deleted. Therefore the profit of a domestic company has to be reduced by this amount which does not apply to the domestic permanent establishment.

The Foreign Tax Act explicit qualifies the additional amount for corporate income tax purposes (e.g. dividends) as capital income by legal fiction.

Any other interpretation would produce improper results. In consequence the inclusion of the additional amount would lead to an unsystematic double taxation. Therefore foreign taxes that are levied on intermediate company's attribution of profit would be taken into account only for income tax or corporation tax but would not diminish the trade tax.

The judgment of the German Federal Court is to be welcomed and for the practice of high relevance. In particular the decision leads to legal certainty. The elimination of unequal taxation treatment considering domestic taxpayers with or without a foreign subsidiary company regarding the possibility of tax imputation (corporate income tax or trade tax) was removed. 🇩🇪

Hong Kong



New Protocol to the China-HK double tax arrangement signed - new benefits and obligations to taxpayers

On 1 April 2015, Hong Kong (HK) and Mainland China (PRC) signed a new protocol (the 4th protocol) to amend their double tax arrangement (HK-PRC DTA), with the 1st, 2nd and 3rd protocols signed in 2006, 2008 and 2010 respectively. The new protocol will come into force after the completion of ratification procedures and notification by both sides.

Included in the new protocol are the following provisions:

- (1) providing exemption to HK investors from PRC tax for capital gains from selling shares listed in the PRC, provided certain conditions are met;
- (2) reducing the PRC withholding tax rate for rentals from aircraft leasing and ship chartering to the treaty cap of 5%;
- (3) introducing the main purpose test to the Dividends, Interest, Royalties and Capital Gains articles as an additional anti-treaty abuse measure; and
- (4) expanding the scope of information exchange under the HK-PRC DTA to cover information related to taxes other than income taxes in China.

Capital gains on listed shares

The new protocol provides certainty to HK investors by clearly provides exemption from PRC tax for capital gains from selling shares listed the PRC, so long as the shares were purchased and sold on the same stock exchange. HK tax residents and qualifying HK investment funds (meeting the following conditions) are entitled to enjoy the capital gain exemption:

- The investment fund is established under the laws of HK, and is recognized and regulated by the Securities and Futures Commission of Hong Kong (SFC);
- The fund is managed by SFC licensed managers according to regulations stipulated by SFC;
- More than 85% of the capital of the fund is raised through the market in HK (e.g. the fund is listed and traded on the HK stock exchange, the fund is sold or placed through HK financial institutions with operational substance, the fund is directly sold or placed to investors in HK, etc.)

The capital gain exemption treatment under the new protocol is consistent with that already provided for the gains derived by a Hong Kong resident from the sale and purchase, under the Shanghai-Hong Kong Stock Connect pilot programme (Stock Connect). For details of Stock Connect, please refer to our previous newsletter 1st Quarter Issue, 2015 by visiting: <http://www.reanda-international.com/regional/en/publication.php>

Aircraft leasing and ship chartering

The new protocol reduces the PRC withholding tax rate for rentals from aircraft leasing and ship chartering from the current treaty cap of 7% to 5%. The reduced withholding tax rate of 5% is the most beneficial one amongst all the tax treaties signed by the PRC. This provision will certainly help promotes HK's aircraft leasing and ship chartering businesses with the PRC and reinforces the positioning of HK as the international transport services hub.

Anti-avoidance


Including in the existing HK-PRC DTA are the following anti-treaty abuse provisions:

- confirming that both HK and PRC can apply their domestic laws and measures concerning tax avoidance (under the Miscellaneous Provisions treaty article).
- requiring that the recipient of dividends, interest and royalties has to be the beneficial owner of the income for purpose of claiming treaty benefits (under the Dividends, Interest and Royalties treaty articles).

The new protocol introduces another anti-treaty abuse provision (i.e. the main purpose test) under which the treaty benefits for dividends, interest, royalties and capital gains would not apply if the main purpose for entering into an arrangement is to take advantage of these treaty benefits.

The anti-treaty abuse provision under the new protocol echoes the increasing focus on preventing treaty abuse in the international tax arena. In a report published by the Organisation for Economic Cooperation and Development in September 2014, among other things, it is recommended to include a similar test (i.e. the principal purpose test) in tax treaties for preventing treaty abuse.

Exchange of information

The new protocol extends the scope of information exchange between treaty parties to other PRC taxes (including value-added tax, consumption tax, business tax, land appreciation tax and real estate tax) in addition to the types of PRC taxes covered in Article 2 of the HK-PRC DTA (i.e. individual income tax and corporate income tax). 

Korea



New tax revisions for 2015

The 3 Tax Packages are as follows:

1) Tax package to boost earned income

Law: Businesses that increase employee wages will receive a 10 percent tax credit (5% for large corporations) on the portion that was increased, on the condition that wage growth exceeds average growth for the past 3 years and the number of permanent employees does not decrease from the previous year.

The permanent employee condition does not include board of executive members, employees earning more than 120 million won a year or relatives of the largest shareholders.

2) Tax package to boost dividend income

Law: Lower the withholding tax rate on dividend income earned on stocks held in listed corporations (14% -> 9%) and allow financial income, which had been taxed at the general rate, to be taxed separately (at a 25% rate)

Tax credit applies to listed stocks whose dividend payout ratios or dividend yields are more than 120 percent of the market average and total dividend payouts increase more than 10 percent

from the previous year, as well as listed stocks whose dividend payout ratios or dividend yields are more than 50 percent of the market average and total dividend payouts increase more than 30 percent compared with the previous year. Newly listed stocks and stocks with no previous dividend payouts are required to issue dividends in excess of 130 percent of the market average.

3) Tax package to strengthen the link between corporate earnings and household income

Law: Businesses which do not spend a certain amount of earnings for the current fiscal year on investment, employee raises and dividend payments will be subject to a tax (10%)

- Applicable to businesses with an excess of 50 billion in equity capital (excluding SMEs) and large conglomerates where mutual shareholding between affiliates is banned

- Businesses choose between either A or B methods

- A: $[\text{income} \times \text{base rate } \alpha(60-80\%) - (\text{investment} + \text{employee wage increase} + \text{dividends})] \times 10\% \text{ tax rate}$


- B: $[\text{income} \times \text{base rate } \beta(20-40\%) - (\text{employee wage increase} + \text{dividends})] \times 10\% \text{ tax rate}$

In the A method, which includes investment, α will be set at 80%, and in the B method, which excludes investment, β will be set at 30%. Taxable income includes dividends earned from subsidiaries, depreciation on assets purchased in the current fiscal year (to avoid double deduction as it is already deducted from corporate income), interest earned from national tax refunds. Taxable income will exclude taxes to be paid (excluding this tax package), corporate contributions required by law, losses transferred from the previous fiscal year, donations exceeding the amount that can be treated as costs

Investment will include both fixed asset and non-tangible fixed asset investment. Fixed asset investment includes investment in machinery, transportation equipment, tools, construction of new buildings and extension of old buildings, land used for business construction and expansions. Non-tangible fixed asset investment includes development costs, patent rights, trademarks and mining rights (excluding business rights).

Investment will exclude foreign investment in order to promote domestic investment, and will exclude share purchases for M&As. In the case of M&As, corporations can choose to be taxed with the B method, instead of the A method.

Investments that will be sold or rented within 2 years will be taxed, unless they are freely rented or sold to SMEs. Employee raises do not include raises for executive members, employees earning more than 120 million won per year and the largest shareholder relatives.

While the above two measures are carrots for companies, the third is a stick that will tax them if they refrain from investing, raising wages or paying out more dividends. Specifically, the tax authorities will impose a tax of 10 percent on companies reluctant to use internal reserves. The government estimates that about 4,000 companies with 50 billion won or more in capital will be subject to this new taxation. 

Malaysia



Getting Ready for Goods and Services Tax (GST) Audit

Introduction

On 1 April 2015, Malaysia has implemented Goods and Services Tax (GST) to replace sales and service tax. Royal Malaysian Customs Department (RMCD) will conduct audit on businesses from time to time to ensure that GST Returns are being prepared correctly and businesses are making GST declarations accordingly.

Proper Record Keeping

During the GST Audit, businesses may be required to submit detailed breakdown of their business transactions. It is a common procedure for RMCD to request for certain accounting information as part of the audit.

With proper record keeping in place to accurately capture and produce accounting information for GST reporting purposes, businesses are less likely to make errors in their GST declarations. This would reduce compliance costs for businesses, as any GST reporting errors would result in penalties being imposed.

Accounting Software

For businesses using manual records, the process of producing the records required by RMCD is usually time-consuming. Businesses using accounting software would find it easier to meet RMCD requests and this saves the businesses time and effort.

Accounting software should allow businesses to easily obtain the necessary information required for periodic filing of GST Returns. For example, the accounting software should be able to generate report containing

all the data elements required for GST Return submission.

GST Specific Issues

In preparing for GST Audit, businesses should be aware of several common GST issues and address them accordingly:

(a) Tax Invoice

Tax Invoice is an important document with respect to GST. If the Tax Invoice issued by the supplier does not comply with the GST legislation, the buyer will not be eligible for Input Tax Credit. Therefore, businesses must ensure their Tax Invoices complied with the GST legislation.

(b) Credit Note/Debit Note

If there are changes in quantity, amount, tax rate or cancellation of transactions, Credit Note/Debit Note must be issued by the related parties (i.e. seller or buyer). The Credit Note/Debit Note should comply with the GST legislation.

(c) Purchase Listing

For GST purposes, Purchase Listing includes purchases, expenses and importation of goods regardless of whether the importation of goods is a result of a purchase.

In importation of goods into Malaysia, it is important that details such as the document number of import declaration approved by RMCD and actual GST paid to RMCD are captured in the accounting system.

(d) Supply Listing

The concept of supply in GST is different from the accounting concept of revenue.

For example, the value of business goods put to private use is a deemed supply but not revenue to the businesses. The value of deemed supply and the relevant GST should be correctly included in the listing.

Conclusion

GST Audit is a relatively new experience for Malaysia, hence getting ready for it is a challenging preparation.



Singapore



Singapore Budget 2015: Brief Highlights

TAXATION FOR INDIVIDUALS

Marginal Tax Rates

The Marginal tax rate will increase for high-income earners with chargeable income above S\$320,000,

the marginal tax rate for the additional income will be increased to 22% from 20%. It will apply on income earning in year 2016 and on taxes to be paid in year 2017. The personal income tax rate structure is as follows:

Current tax calculation:

	Tax Rate	S\$
On the first of \$320,000		42,350
In the excess of \$320,000	20%	

Tax calculation for income earning in year 2016:

	Tax Rate	S\$
On the first of \$320,000		44,550
In the excess of \$320,000	22%	

The changes to the personal tax rates are made to enhance progressively of our personal income tax rate regime and strengthen future revenues.

Simplified claim for rental expenses for Individuals

To simplify tax filing and reduce the burden of record keeping, apply on passive rental income deriving from year 2015 onwards, the individual taxpayers may opt to claim the rental expenses based on 15% of the gross rental income derived from the residential property. It will be claimed against the gross rental income in lieu of the actual amount of deductible expenses (excluding interest expense).

In addition to 15%, the individual taxpayers may claim interest on the loan obtained wholly and exclusively for acquiring and enhancing that leased property.

Tax Exemption for non-tax resident mediators

In order to promote Singapore's commercial mediation sector, income derived by a non-resident mediator (stayed or worked in Singapore for less than 183 days) for mediation work performed in Singapore for the period from 01 May 2015 to 31 March 2020 will be exempted from tax if:

- The mediator is a non-resident of Singapore for income tax purposes;
- The mediator is certified under an approved certification scheme/ conducts mediation administered by a designated mediation service provider; and
- The mediation case is undertaken in Singapore or was planned to be undertaken in Singapore but was settled before the mediation hearing.

The Singapore International Mediation Institute and the Singapore International Mediation Center will assist in determining whether a non-resident mediator is eligible for tax exemption.

Personal Income Tax Rebate

All tax residents individuals are given a personal income tax rebate of 50% of tax payable, capped at S\$1,000.00 per taxpayer who earned chargeable income for the period from 01 January 2014 to 31 December 2014.

TAXATION FOR BUSINESSES

Corporate Income Tax Rebate

Companies will be granted a 30% corporate income tax rebate for Years of Assessment ("YA") 2016 and 2017 at a reduced cap of S\$20,000 per company per YA, to alleviate high cost of doing business.

Productivity Innovation Credit ("PIC") Scheme

As the PIC Scheme has been extended to Year of Assessment ("YA") 2018, all businesses can continue till YA 2018 to enjoy 400% tax deductions/allowances and/or 60% cash payout (i.e. 60% of qualifying cost incurred) for investments made in any of the Six Qualifying Activities as follows:

- a) Acquisition and Leasing of PIC IT and Automation Equipment
- b) Training of Employees
- c) Acquisition and Licensing of Intellectual Property Rights (IPR)
- d) Registration of Patents, Trademarks, Designs and Plant Varieties
- e) Research and Development (R&D) Activities
- f) Design Projects Approved by Design Singapore Council

Wage Credit Scheme ("WCS")

The WCS will be extended for two more years (i.e. years 2016 and 2017). The Government will co-fund 20% instead of 40% of wage increase given to Singaporean employees earning a gross monthly wage of S\$4,000 and below.

In addition, for wage increases given in 2015 which are sustained in 2016 and 2017 by the same employer, employers will continue to receive co-funding at 20% for 2016 and 2017.

TAX DEDUCTION FOR INDIVIDUALS AND BUSINESSES

Enhanced tax deduction for Approved Donation

Donations made to an approved Institution of a Public Character or Singapore Government for causes that benefit the local community are deductible donation. The current tax deduction for qualifying donations is 2.5 times of the amount of donation made.

In conjunction with the 50th birthday of Singapore,

the tax deduction for qualifying donations will be 3 times of the amount of donation made from 01 January 2015 to 31 December 2015. 🇸🇬

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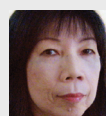
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