

# PRISM

**Tax Newsletter**

1st Quarter 2016

**UAE: Investment Opportunities in the Land of Tax Haven**

**Australia: Australian Taxation Office and Foreign Investment**

**Korea: Increased Tax Benefits for Angel Investors and  
Start-up investments.**

**Singapore: Singapore's International Tax Cooperation**



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## Australia

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### Australian Taxation Office and its Roles in Foreign Investment

The Australian government welcomes foreign investments, however recent foreign investment activities in Australia have put Australia's foreign investment rules under the spotlight. As a result, a series of developments in Australia's foreign investment regime have been introduced by the Australian government to strengthen these rules to better govern foreign investment into Australia. Amongst one of the new changes give the Australian Taxation Office ("ATO") the unprecedented power to monitor and enforce compliance of foreign investment rules surrounding residential real estate and investment in agricultural land by utilising its capabilities to match taxpayer data with a range of third party sources.

澳大利亚政府欢迎海外投资，但最近的这些外国投资活动已经让澳大利亚的海外投资规定成为焦点。澳大利亚政府目前正修订和改善一系列澳洲外资投资规定，以更好地管理这些进入澳大利亚的外资活动。而当中的新变化之一是给澳大利亚税务局前所未有的权力，以监督和执行住宅房地产和农业用地的海外投资规定。

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## China

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### Base Erosion and Profit Shifting (BEPS) -Core Contents of Fifteen Projects

The BEPS Project aims to provide governments with clear international solutions for fighting corporate tax planning strategies that exploit gaps and loopholes of the current system to artificially shift profits to locations where they are subject to more favorable tax treatment. BEPS includes fifteen actions the core contents are analyzed below.

摘要：BEPS15项行动致力于解决当前国际税收制度的不足，为各国政府提供完善国内、国际法的基本原则，以应对税基侵蚀和利润转移挑战。BEPS行动计划包括15项行动，核心内容如下。

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## Cyprus

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### Come to Cyprus to do business

The Cyprus parliament voted a number of additional incentives to entice international businesses moving into the island. These incentives mostly aim to attract physical relocation of business premises and high caliber employees to Cyprus.

塞浦路斯议会通过更多的优惠措施以鼓励国际企业进驻塞岛。这些优惠措施的主要目的旨在吸引更多国际企业及高端人才迁移至塞浦路斯。

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## Hong Kong

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### Hong Kong Aspires to Strengthen Its Edge as Corporate Treasury Centre

Hong Kong has released a draft tax law for attracting overseas and China companies to set up their corporate treasury centres (CTCs) in Hong Kong. It provides for a 50% reduction in profits tax rate for qualifying CTCs and allows an interest deduction for qualifying interest.

香港颁布新税法草案旨在吸引海外和中国公司到香港设立企业财资中心。新税法草案对合格企业财资中心提供百分之五十之利得税宽减並同时对符合条件的借款利息支出准予扣除。

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# Indonesia

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## Indonesian Tax Amnesty Plan

The Indonesia Government plans to implement the remission of Tax policy called the Tax Amnesty. However, this application of tax amnesty is still under discussion of the pros and cons. This policy is expected to increase the tax revenues from the funds reside outside Indonesia, and to improve taxpayer compliance in the long run.

印尼政府计划实施的税收减免政策，称为税收特赦。

无论如何，政府仍旧对这项税收减免的实施进行讨论其中的优劣势。从长远来说，这一政策将让印尼从外在资金中增加税收，并会是提高纳税人遵循税务法令的方法。

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# Korea

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## Increased Tax Benefits for Angel Investors and Start-up investments

The BRICs (Brazil, Russia, India and China) are being replaced by the TICKs, made up of Taiwan, India, China and Korea. The realignment tells us much about the changing nature of emerging markets — and the world in general — with services, particularly technology, to the fore and trade in physical goods, especially commodities, in retreat. The South Korean Government is doing as much as they can to support and foster the creative economy by increasing benefits for investors in Korea. They have expanded the scope of special tax treatment on capital gains of angel investors, and the scope of business start-ups for which investment is eligible for tax deduction.

金砖四国 (BRIC) 正在被 TICKs (台湾、印度、中国和韩国) 取代。这次重组在反映新兴市场和世界市场大体的变化，服务业特别是科技技术在高速发展，贸易尤其是传统大宗商品则呈倒退发展。韩国政府尽力扩大给予投资者的优惠，以支持并促进创意经济。这次新税法扩大了天使投资者资本利益的税务优惠，以及对于新兴公司的投资可享有税务减免的范围。

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# Malaysia

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## Recalibration of Budget 2016

Prime Minister, YAB Dato' Sri Mohd Najib Bin Tun Razak has announced a recalibrated 2016 Budget on 28 January 2016, to reflect the current economic climate, and to adjust the budget accordingly to address rising cost of living, stimulate investment activities and strengthen the country's balance of payment.

为了反映最新的经济情况，以及因为生活成本的提高、刺激投资活动以及强化国家收支平衡，我国首相拿督斯里纳吉于2016年1月28日，宣布调整2016年财政预算案。

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# Russia

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## The Main Changes and Trends in Tax Policy and Legislation of the Russian Federation

The main changes included the controlled foreign company, incentives for investors in high technology, individual securities and the revaluation of depersonalized metal accounts were detailed and the order of elimination of double taxation according to double taxation treaties (Treaty on avoidance of double taxation) was amended.

Regarding the proposed changes, the legislators will continue to update thin capitalisation rules, and also it is proposed to:

- Develop a unified mechanism for administering tax, customs and other fiscal payments;
- Vest Russia's regions with the right to reduce the profits tax rate to 0% (i.e., there would be only a federal component, amounting to 2%) for companies, which invest under special investment contracts;
- Develop the domestic corporate bond market.

主要的改变是有关于外国公司的工作，投资高科技技术方面的投资者优惠，有些证券事业受周密的作出，未分配金属账户被重新估价，根据消除双重征税的条约双重征税的程序也改变了。

关于大家期待的变化，立法者会继续改善在资本不足领域的规矩。他们建议：

1. 成型统一管理交税的，海关的和其他的财政支出结构
2. 为了专门投资条约参加投资者公司的好处给联邦地区授甚至于0%减少收税率的权力（这样只剩下联邦税率2%）
3. 发展国内债券市场

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# Singapore

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## Singapore's International Tax Cooperation

In order to enhance Singapore's International tax cooperation framework, Singapore extended the Standard to all tax agreement partners subject to reciprocity. Singapore also amended its legislation to allow Inland Revenue Authority of Singapore to obtain bank and trust information from financial institutions without seeking a Court Order. Singapore signed an Inter-Government Agreement with US to facilitate financial institutions' compliance with the Foreign Account Tax Compliance Act ("FATCA") which required foreign financial institutions to report the information of bank accounts held by US persons to US Internal Revenue Service.

为了提高新加坡的国际税务合作框架，新加坡扩大了所有税务协定伙伴的互惠准则。新加坡也修改了法规来允许新加坡国内税务局在无需寻求法院命令下从金融机构获得银行和信托的信息。新加坡与美国签订了政府间协议以促进金融机构遵循《外国账户税务合规法案》，此法案要求外国金融要向美国国税局申报美国居民的银行账户信息。

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# UAE

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## Opportunities in the land of tax haven

The United Arab Emirates (UAE) has a unique and important position not only in the Middle East but in the global business environment as well. The beauty of the UAE jurisdiction is that it offers investors great opportunities to invest in the country and carry out business with an ease and enjoy a tax-free environment. The UAE government has also signed Double Taxation Avoidance Agreements with more than 55 countries aimed at making the UAE a more attractive territory. An investor can easily select Free Zone, Offshore or a Limited Liability Company as per his structural and/or trade requirements.

阿拉伯联合酋长国 (UAE) 不仅在中东地区，而且在全球商业环境中都占据着独特而重要的地位。阿联酋司法管辖区的突出优势在于，它不仅能够为投资者在该国的投资活动提供巨大机遇，而且能够使投资者轻松开展业务并享受免税环境。阿联酋政府还与超过55个国家签署了《避免双重征税协定》，其目的是使阿联酋成为一个更具吸引力的国土。投资者可以根据自身结构和/或商业要求轻松选择自由贸易区、离岸公司或有限责任公司等商业形式。

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# Australia



## Australian Taxation Office and its Roles in Foreign Investment

In February 2015, the Australian Government announced that the Australian Taxation Office (“ATO”) will be given the responsibility for both approving foreign investment in residential real estate and a new register of foreign investment in agricultural land.

### Reasons for giving ATO such power

All foreign investment in Australia will be approved by the Australian Treasurer if there is no contrary to Australia’s national interest. Traditionally, the Treasurer only focused on factors such as the impact of the investment on the community and the economy. However, the potential loss of tax revenue through neglecting to consider the tax affairs has become an increasingly consideration. Accordingly, the then Treasurer Joe Hockey warned that he would take foreign investor’s tax affairs into account when considering whether or not a foreign investment proposal would contrary to Australia’s national interest.

Further, the ATO’s effectiveness as an enforcer of Australia’s foreign investment rules is recognised by the Treasurer due to ATO’s ability to undertake data matching of Foreign Investment Review Board with other government-held information to identify any tax evasion by non-residents as well as non compliance with foreign investment rules.

To further assist with the monitoring and enforcement of the new foreign investment rules, the ATO will refine and improve the use of its data matching system which enables them to electronically match documents and other data to identify non-compliance with registration, lodgement, reporting and payment obligations under the Australian taxation laws. The type of data and documents that typically go through the ATO’s data matching system will typically be information from tax returns, ASIC, land title offices, residential tenancy authorities, Australian Transaction Reports and Analysis Centre, and Foreign Investment Review Board, and other data received under the Common Reporting Standard.

### ATO’s powers

The new powers are given to the ATO in the following stages:

1. From May 2015, the ATO will immediately commence compliance activities to ensure foreign investors investing in Australian residential

property meets their obligations under the Foreign Acquisition and Takeover Act 1975 (Cth).

2. From 1 December 2015, the ATO will be responsible for:
  - (a) processing and approving of applications received from foreign persons proposing to invest in Australian residential land;
  - (b) the collection of fees in relation to all foreign investment applications; and
  - (c) administering of the Agricultural Land Register.
3. From 1 July 2016, the ATO will also be responsible for the administration of a register related to foreign ownership of residential real estate.

The establishment of the Registers will strengthen the reporting requirements and compliance and to provide a clear picture of foreign investment in Australia’s residential real estate and the agricultural sector. This is largely due to the fact that foreign investment in residential real estate and agricultural land, regardless of its investment value, must register with the Register.

Failure to comply with the requirements under the new regime would allow ATO to impose both civil and criminal penalties. 🇦🇺

# China



## Base Erosion and Profit Shifting (BEPS) -Core Contents of Fifteen Projects

### (1) Digital Economy

Based on the characteristics of business model under digital economy, BEPS re-examines the current tax system, tax treaty, and the existing problems in the transfer pricing rules, and suggests adjustments for domestic legislation and international rules.

### (2) Hybrid Mismatch Arrangements

Based on the model of tax planning comparing two countries or multinational tax system differences BEPS proposes adjustments for domestic legislation and international rules.

### (3) Controlled Foreign Company Rules

BEPS makes suggestions on how to strengthen the controlled foreign company profits tax rules.

### (4) Interest Deduction

Based on the difficulties in claiming the interest deduction and financial instruments, BEPS recommends adjustments for the domestic legislation and international rules. This work coordinates with

hybrid mismatch arrangements and controlled foreign company rules.

#### **(5) Unfavourable Tax Practices**

BEPS takes into consideration preferential tax system of the OECD members and non-members and facilitates different countries to improve or abolish the unfavourable preferential income tax system, putting forward suggestions to solve the issue of unhealthy tax competition at the same time.

#### **(6) The abuse of tax treaty**

Based on various abuse treatment agreements, on one hand, revise and make clear the tax treaty; on the other hand, make necessary revision to domestic law revision, which can prevent the abuse of tax treaty.

#### **(7) Permanent Establishment**

BEPS should make a revision to the provision of permanent establishment in tax treaty to mitigate the negative implications.

#### **(8) Intangible Assets, Risk and Capital as well as other High-Risk Transactions**

BEPS draw up rules to avoid intra-company and associated enterprises' behavior of tax avoidance through the intangible assets, human distribution of risk and capital transferring profits to the local region.

#### **(9) The Statistical Analysis**

Build data collection and analysis indicator system, designed for monitoring and early warning indicators of BEPS behavior, conduct analysis to estimate the size and economic impact of BEPS behavior.

#### **(10) Principle of Mandatory Disclosure**

Helping countries to design disclosure mechanisms for tax planning scheme disclosure mechanisms (including nature of transaction and disclosure of the way, and the information related to the use of sanctions, etc.), to strengthen the supervision of the tax authorities for tax risk management and prevention.


#### **(11) Transfer Pricing Documentation**

The development of generic template on transfer pricing documentation will improve tax transparency, reduce compliance cost and lighten the burden on taxpayers.

#### **(12) Dispute Settlement**

The action plan aims to establish a more effective dispute settlement mechanism, to avoid double taxation of cross-border investors.

#### **(13) Multilateral Tool**

In order to expedite the implementation of the action plan, the results of research to develop a multilateral agreement on the existing terms of the agreement be revised and improved. 

# Cyprus



## **Come to Cyprus to do business**

### **Doing business in a tax efficient environment - Corporation tax**

Trading profits of a Cyprus tax resident company are taxed at the rate of twelve and a half percent (12.5%), one of the lowest corporate income tax rates in Europe. Income from trading securities (shares, bonds etc), whether on disposal or due to fair value gains is tax free. In addition, dividend income is exempted from the corporation tax provisions. There is also an eighty percent (80%) discount on tax for income derived from intangible assets registered under a Cyprus company (such as patents, trademarks).

### **Additional incentive**

A deemed interest expense will be allowed in the tax computation of a Cyprus company on fresh funds introduced into the company on or after 1 January 2015 in the form of new capital. Hence, the taxable profits of any Cyprus company will be reduced by this notional interest expense.

The deemed interest would be deductible according to the same rules as actual interest expense, i.e. the degree of tax deductibility would depend on the way the fresh equity/capital will be utilized.

This incentive provides a significant tax incentive for existing companies to re-capitalize their operations. Furthermore, it aims to attract new companies to set up their operations in Cyprus and benefit from this tax incentive.

### **Moving with your business to Cyprus – Withholding taxes**

Cyprus has introduced significant incentives to attract physical relocation of businesses and their owners in Cyprus. Until recently, withholding tax was payable on dividends, interest and rental income earned by all persons considered to be tax residents of Cyprus. Effective from July 2015 tax residents of Cyprus considered to be 'non-domiciled' in Cyprus will be exempt from payment of withholding tax on dividends, interest and rental income. In essence, a non-Cypriot moving to Cyprus to set up or continue business will only have to consider the 12.5% corporation tax since there will be no additional tax upon dividend distributions.

The definition of 'domiciled' follows the Cyprus Wills and Succession Law provisions. The domicile of origin prevails the domicile of choice, which is acquired when an individual chooses to a place of permanent

or indefinite residence to be somewhere other than the domicile of origin.

### **Moving your key personnel to Cyprus – Personal Income Tax**

#### **Personal Income Tax Incentive A**

20% of income earned from employment in Cyprus by an individual who was not tax resident of Cyprus in the previous year is exempt for a period of 5 years, subject to maximum of €8.550 per annum. The exemption is allowed until the year 2020.

#### **Personal Income Tax Incentive B**

Any physical person who was not a Cyprus tax resident and comes to work in Cyprus is entitled to a 50% exemption on income from employment in Cyprus exceeding €100.000 per annum, for a period of 10 years.


Note: The exemptions above (20% and 50%) cannot be claimed jointly.

### **Thinking on investing in immovable property?**

#### **Capital Gains Tax**

Whether you are considering an investment in immovable property or to acquire premises for relocating your business to Cyprus now is the time to do it. Property prices are at their lowest and gains arising from the disposal of immovable property acquired till 31 December 2016 will be exempt from capital gains tax.

#### **Permanent Residency Permit (P.R.P.) and EU Passport**

While the schemes for PRP and Cyprus Passport have already been in place <http://www.reandacyprus.com/eu-citizenship-by-investing> it is worth noting that they can be combined with a number of the new incentives, such as the Capital Gains tax incentive mentioned above. Hence, a foreign investor could take advantage of reduced taxes and at the same time exploit the immigration schemes of the Cyprus government. 

## **Hong Kong**

### **Hong Kong Aspires to Strengthen Its Edge as Corporate Treasury Centre**

In December 2015, a new draft tax law has been released for attracting overseas and China companies to set up their corporate treasury centres (CTCs) in Hong Kong.

Among other things, the following key provisions are proposed:

- Introducing a reduced profits tax rate of 8.25% (which is half of the standard profits tax rate of 16.5%) for profits derived by a qualifying CTC in Hong Kong; and
- Enhancing the interest expense deduction rules for intra-group interest paid on loans from foreign associated corporations.

It is advisable for multinational enterprises to review their current corporate operation to tap into the potential benefits of the draft tax law while taking note of the potential issues in interpreting and applying the proposed provisions.

### **Reduced profits tax rate for qualifying CTCs**

To enjoy the tax concession, the CTC would have to be a corporation that is centrally managed and controlled in Hong Kong and its qualifying corporate treasury activities would have to be carried out in Hong Kong.

There are three categories of qualifying CTCs:

#### **Category 1 - Standalone CTC:**

CTC should conduct one of the following three specific treasury activities and it should not conduct any other activities:

- carrying on an intragroup financing business (i.e. the business of borrowing money from and lending money to an associated corporation);
- providing any of the designated corporate treasury services (as listed in the draft tax law) to an associated corporation; or
- entering into any of the designated corporate treasury transactions (as listed in the draft tax law) that is associated with the operation of an associated corporation.

“Qualifying profits” that would be subject to the 8.25% reduced tax rate are profits derived from activities with non-Hong Kong associated corporations. A non-Hong Kong associated corporation is defined as an associated corporation that does not carry on any trade, profession or business in Hong Kong.

#### **Category 2 - CTC by safe-harbour rule:**

CTC should satisfy either one of the following safe-harbour rules:

- The 1-year safe harbour rule:
  - The corporate treasury profits (CTP) percentage is not less than 75% for a 1-year period, where the CTP percentage is the ratio of the total CTP to the total profits accruing to the CTC; and
  - The corporate treasury assets (CTA) percentage is not less than 75% for a 1-year period, where the CTA percentage is the ratio of the total CTA to the total value of all assets of CTC.

(ii) The multiple-year safe harbour rule:

Similar to the 1-year safe harbour rule except that the average CTP and CTA percentages over a period of two or three years will be used.

### **Category 3 - CTC by the Commissioner's determination:**

CTC can obtain a determination from the Commissioner of Inland Revenue that it is a qualifying CTC.

### **Deductibility of intra-group interest paid on loans from foreign associated corporations**

Subject to certain conditions, the draft tax law would allow deduction for interest payable to a foreign associated corporation (i.e. the lender), incurred by a company (i.e. the borrower) carrying on an intra-group financing business in Hong Kong. 🇮🇩

## Indonesia



### **Indonesian Tax Amnesty Plan**

The Indonesian government announces that it will immediately propose and discuss the draft Tax Amnesty Law with the Parliaments. The legislation shall be effective in the 2016 fiscal year. The tax amnesty is the tax policy which grants the remission of taxes (including tax interest and sanction) to certain tax payers in certain periods, which related to previous tax obligation.

Indonesia indeed depends on a tax amnesty program to boost state revenues. Due to recent decreasing of the oil prices and lower commodity prices, the government relies heavily on the tax revenue as a source of income to finance the state development and spending.

The Coordinating Minister for Economic Mr. Darmin Nasution said tax rates of the tax amnesty have already proposed, but the exact value have not been decided. The tax amnesty rate may vary from 2 percent or 4 percent to 6 percent. It will be depending on the time of application. The other point of tax amnesty is no repatriation obligation of assets. However, if intend to repatriate the assets, the taxpayer will be given incentives in the form of tax reduction on time deposits in the rupiah and foreign currency. 1)

The tax amnesty was implemented in 1964 and 1984 which was regulated by Presidential Decree. However, the tax amnesty effectiveness was very low in view of the low participation of tax payers.

This policy is expected to increase the tax revenues from the funds which reside outside Indonesia. Potential fund flows estimated to range from US \$ 20-40 billion.

When the tax amnesty program is implemented successfully, the Government has several advantages, among others, the government can

focus on efforts to combat the corruption. Likewise with the implemented tax amnesty, the asset recovery will be more easier because it does not need to do investigation, prosecution and other legal proceedings to

take over the assets related to the corruption crime. The Asset recovery is a comparison between the amount of loss of state indicted by the confiscation of assets or return on assets from corruption. During this time the percentage of asset recovery still relatively small. Furthermore, the Asset recovery percentage is referred for determination of tax amnesty rate. 🇮🇩

## Korea



### **Increased Tax Benefits for Angel Investors and Start-up investments**

The Financial Times reported that the quartet of Brazil, Russia, India and China that made up the BRIC index of emerging markets is being replaced by the TICKS, made up of Taiwan, India, China and Korea. Over the past decade Brazil and Russia led economic growth in emerging markets. However, plummeting commodity prices have resulted in deepening recessions in the two countries. Reacting to the change, fund managers are eyeing tech-heavy Korea and Taiwan as replacements.

The South Korean government plans to invest 5.6 trillion won (\$5 billion) into new growth engine industries by 2020, ministries said, reaffirming Park Geun-hye administration's will to realize its creative economy initiative.

The South Korean government's efforts to create more jobs, support startups, improve the unemployment rate and boost the nation's economy globally does not stop here. They have expanded the scope of special tax treatment on capital gains of angel investors, and the scope of business start-ups for which investment is eligible for tax deduction.

Angel investors may enjoy tax benefits for gains derived from investment in certain start-up ventures. Currently, in order for angel investors to qualify for the tax benefits, their investment must be made in



a venture enterprise which has started business or a company converted to a venture enterprise in the last three years or less. The three-year threshold is proposed to be five years under the proposed change of the Presidential Decree.

In addition, in order for angel investors to qualify for the tax benefits, certain conditions must be satisfied: the capital of an angel investor cannot be provided in a venture business which is the angel investor's related party; the angel investor cannot be a related party with any of the shareholders in the venture, excluding minority shareholders holding less than 1% interest ("1%" rule) nor the family of these shareholders.

Under the proposed amendment, the conditions for tax benefits will be relaxed for additional injections of capital in the venture: i) Additional capital may be injected in the period of three years from the date of the initial injection of capital; ii) the total amount of investment cannot exceed KRW 1billion; and iii) exception will be granted in applying the 1% rule.

Angel investors may take a tax deduction on investments in a qualifying venture when they invest directly or via an individual investment association. Under a proposed change, the scope of qualifying ventures will expand to include a small and midsize company having the following attributes: i) a startup small and midsize company which has engaged in business for no more than three years (two years for a company in any of 16 specified knowledge-based service businesses); and ii) annual R&D investment amounts to at least KRW 30million (KRW 20million for knowledge-based service business). However, the deduction ranging from 30% to 100% of the investment amount from taxable income will remain unchanged. In addition, the deduction continues to be limited to 50% of the amount of the angel investor's taxable income. 

# Malaysia



## Recalibration of Budget 2016

Budget 2016 Malaysia was tabled on October 23, 2015, it was based on Brent oil price assumption of US\$48 (RM204) per barrel, and estimated a revenue of RM225.7 billion for 2016. The objectives include to achieve a 3.1% fiscal deficit target and to hit a 4% to 5% Gross Domestic Product (GDP) growth this year.

Unfortunately, Brent oil price has since fallen to around US\$30 per barrel (at this point in writing) which meant lesser revenue for the government.

Prime Minister, YAB Dato' Sri Mohd Najib Bin Tun Razak has then announced a recalibrated 2016 Budget on 28 January 2016, to reflect the current economic climate, and to adjust the budget accordingly to address rising cost of living, stimulate investment activities and strengthen the country's balance of payment. The major measures taken by the government include:

- Employees' contribution to the Employees Provident Fund (EPF) will be reduced by 3% from March 2016 to December 2017.
- For the year of assessment 2015, a special tax relief of RM2,000 to individual taxpayers with a monthly income of RM8,000 or below.
- Relaxation for penalty on taxpayers who declare their past years' income and settled their arrears before 31 December 2016.
- The Government will restructure the selling channel of cigarettes and liquors limited to duty-free outlets licensed by the Royal Malaysian Customs Department (RMCD).
- The Government will tighten the duty-free treatment on imported vehicles in duty-free islands.
- 30% of the levy contribution to the Human Resources Development Fund (HRDF) will be provided to enhance the competency and skills of employees.
- RM6 billion additional financing funds from Development Financial Institutions (DFIs) and Government owned Venture Capital Funds (VCs) to provide financing for small and medium enterprises (SMEs) and start-up companies.
- For all new housing projects, houses priced up to RM300,000 are mandatorily for sale to first-time house buyers only.
- Organise Integrated House Ownership Expo Roadshows offering more than 100,000 housing units under the National Housing Department (JPN), 1Malaysia People Housing Programme (PR1MA), Syarikat Perumahan Negara Berhad (SPNB), Perumahan Penjawat Awam 1Malaysia (PPA1M) and state agencies as well as private sector.
- Financing package at 4% offered by Bank Simpanan Nasional (BSN) and Bank Rakyat for houses priced at RM35,000 under the People's Housing Program.
- To alleviate the people's burden from the rising cost of daily basic necessities:
  - Temporary liberalisation of control on import quotas or approved permits on eight

agriculture produce, including raw coffee beans, buffalo meat, beef and mutton.

- The Federal Agricultural Marketing Authority (FAMA) will establish markets or MyFarm Outlets that sell agricultural produce such as fish, poultry, meat, vegetables and fruits at prices that are 5% to 20% below market prices.
- Additional cash of RM50 will be given for every metric tonne of cleaned paddy as an input incentive for paddy production and introduce "MyBeras program" where every registered hardcore poor household will be supplied with 20kg of rice every month until December 2016.
- Set up enforcement of the Price Control And Anti-Profiteering Act 2011 and increase the number of fair price shops, including local and foreign hypermarkets, to 1,000 this year. 🇲🇾

# Russia



## The Main Changes and Trends in Tax Policy and Legislation of the Russian Federation

### Updated rules and regulations of the current legislation regarding a controlled foreign company (CFC) - Federal law No. 150-FL of 08.06.2015:

1. The concept of CFC exempts active foreign companies (with not more than 20% of profits comprising passive income) from the scope of CFC rules. Moreover, active holding and sub-holding companies are deemed as non-CFC if they comply with certain conditions (i.e., the Russian controlling party shall hold an interest of over 75% in such a company for more than one year, while the company should receive dividends from active foreign companies, which it has also owned for more than one year, and such interest should come to a least 50%);
2. Detailed criteria of tax residence for legal entities and, among other things, reduces the key criteria to two (at least one of them should be met): (a) the company's executive board operates in Russia and (b) its chief executive officers perform their functions in Russia.

### Introduced incentives for investors in high technology - Federal law No. 396-FL of 29.12.2015.

Up to 2023, when selling certain types of securities and stakes in Russian entities, revenues from such sales shall not be subject to tax. This exemption may be applied to both by legal entities and individuals.

Regarding impersonal metal accounts (IMA):

- It has been clarified that banks are to revalue IMA as at the end of the reporting (tax) period.

### Elimination of double taxation according to double taxation treaties (Treaty on avoidance of double taxation) - Federal law No. 146-FL of 8 June 2015:

The procedure for elimination of double taxation under DTT has been updated:

- the time limits for provision of documents to receive credit of a tax paid in a foreign state has been extended;
- the option of applying tax benefits through a DTT has been provided directly to the tax agent;
- to confirm residency in a foreign state, an individual may provide the tax agent a foreign national passport.

### Expected key changes in tax legislation of the Russian Federation

1. Russian legislators may continue to update its thin capitalisation rules.  
A corresponding bill has been passed in its first reading. The key changes are as follows: the rules shall apply when funds are borrowed (1) from foreign companies characterised by vertical equity participation in the Russian borrower (subject to one of three dependence criteria as per Article 105.1 of the RTC); (2) from entities affiliated with such foreign companies (both Russian and foreign entities); and (3) from other entities, if entities described in items (1) and (2) acted as guarantors in relevant transactions (with the exception of independent banks).
2. It is also proposed that:
  - develop a unified mechanism for administering tax, customs and other fiscal payments;
  - vest Russia's regions with the right to reduce the profits tax rate to 0% (i.e., there would be only a federal component, amounting to 2%) for companies, which invest under special investment contracts. In turn, the government should be able to buy up to 30% of the products manufactured under such contracts outside of tenders;
  - develop the domestic corporate bond market. This would require not only simplifying the procedure for issuing and purchasing bonds, but also making coupon yields derived by investors tax exempt (PIT). 🇲🇾

# Singapore



## Singapore's International Tax Cooperation

### Singapore - Russia

Singapore and Russia signed a Protocol on 17 November 2015 to amend the existing Double Taxation Agreement ("DTA") which is expected to enhance trade and investment flows between the two countries. The Protocol was signed in Moscow between Singapore's Ambassador to the Russian Federation, Ms Kim Keng Hua and Russian Deputy Minister of Finance, Mr Sergey Shatalov.

Amongst other changes, the Protocol lengthens the threshold period for determining the presence of permanent establishment and lowers the withholding tax rates for dividends, interest and royalties. The Protocol will enter into force after its ratification by both countries.

### Singapore - Ecuador, San Marino and Seychelles

Singapore's bilateral agreements with Ecuador, San Marino and Seychelles for the avoidance of DTA entered into force on 18 December 2015. The DTAs provide clarity on tax matters and eliminate double taxation in relation to cross-border transactions.

### Singapore - Luxembourg

Singapore's revised bilateral agreement with Luxembourg entered into force on 28 December 2015, which lowers the withholding tax rates for dividends, interest and royalties, lengthens the period test for determining permanent establishments as well as provides a more mutually favorable tax treatment for international air transport and shipping income, amongst other changes.

These changes are expected to enhance trade and investment flows between Singapore and the respective contracting jurisdictions.

### Singapore-US Foreign Account Tax Compliance Act ("FATCA")


The FATCA is a US law that requires all foreign financial institutions worldwide to regularly submit information on financial accounts held by US persons to the US Internal Revenue Service, or face a 30% withholding tax on certain gross payments received from the US.

In year 2014, the Ministry of Finance ("MOF"), the Inland Revenue Authority of Singapore ("IRAS") and the Monetary Authority of Singapore ("MAS") held a public consultation on the FATCA Regulations, as well as Guidance which elaborates on the obligations of reporting Singaporean Financial Institutions ("SGFI")

under Singapore-US Inter-governmental Agreement ("IGA").

Singapore has concluded a FATCA Model 1 IGA and Regulations with the US, which entered into force on 18 March 2015. A latest comprehensive agreement and Regulations was published publicly by Inland Revenue Authority of Singapore on 17 November 2015.

A reporting SGFI is required to submit an annual return to IRAS setting out the required information in relation to every US reportable account via the International Data Exchange Service ("IDES"). If a Reporting SGFI that does not maintain any US Reportable Account, a NIL return is also required to provide either by preparing a FATCA reporting packet and transmitting it through the IDES or completing a paper FATCA NIL Return and mailing it to IRAS.

Transmitting this information through IRAS helps to ease the compliance burden for Singapore financial institutions as their reporting obligations would be deemed met once they transmitted the information to IRAS. 

## UAE



### Opportunities in the land of tax haven

The United Arab Emirates (UAE) has a unique and important position not only in the Middle East but in the global business environment as well. The world renowned United Arab Emirates is a federation of seven emirates namely Dubai, Abu Dhabi, Sharjah, Ras Al Khaimah, Ajman, Fujairah and Umm al-Quwain. The most famous emirate amongst the seven is Dubai which is a popular tourism destination and business hub of the middle east.

The beauty of the UAE jurisdiction is that it offers investors great opportunities to invest in the country and carry out business with an ease and enjoy a tax-free environment. Generally, in the UAE, there are two types of companies that are incorporated to reap the maximum benefits of UAE's strategic location and tax free regime.

Firstly, an investor can set up a Free Zone Company which is generally incorporated in designated areas where the companies are guaranteed 100% tax free status, that means there is no tax on income, dividend or even capital & profit repatriation. All the employees of Free Zone companies also enjoy tax-free remuneration and there are no taxes of any kind on

individual's income. Most of the free zone companies can be 100% owned by foreign nationals without any requirement of local UAE National's shareholding.

A Free Zone Company can freely conduct its business globally and locally with certain restrictions. These companies can also serve the purpose of a holding company in such a manner that most of the income from international and local business can be accumulated and parked here in UAE and this can be further invested in other projects or business ventures across the globe without any taxation.

An investor may also choose to open up a Limited Liability Company (LLC) that allows businesses to carry out business operations anywhere in the UAE. In this type of company structure, 51% of the shares are held by a UAE National (commonly known as 'Sponsor') and 49% of the shares can be owned by any foreign national or a corporate shareholder. This kind of arrangement is very common in the UAE and any profit that is generated by LLC Company is also 100% tax free.

Therefore, we can say that both Free Zone Companies and LLC Companies have limited liabilities and are incorporated in different areas of operations for various purposes but both enjoy same tax free status.

The companies registered in the UAE enjoy a unique advantage as the investors can have residence visas not just for themselves but for their families as well. Their employees who fall into a certain salary bracket may also sponsor their families which makes this a very unique position in this country which is constantly working to upgrade and expand its world class infrastructure. Accessibility wise, UAE is well within reach of the Far Eastern, European, African and American countries and travelers from all the continents can easily reach here by a single connecting flight and UAE is considered one of the busiest and paramount central business hub of the Middle East.

Since the UAE does not have any taxes, the UAE government has signed Double Taxation Avoidance Agreements with more than 55 countries aimed at making UAE a more attractive territory. So having these agreements in place the investors can get a residence tax certificate of the UAE and protect themselves from any double taxation.


The only tax applicable in UAE is the import duty wherein any product imported for sales & distribution into the UAE attracts a maximum of 5% of the import duty which varies from product to product. However, on the other hand, all exports from the UAE are duty free and exempted from any kind of tax. The local revenue generated by the authorities generally comes

from the licensing fees applicable every year as well as luxury tax on hotels, toll tax, tax on real estate transactions and other similar government fees.

The UAE's thriving economy indeed offers an outstanding opportunity to international businesses.



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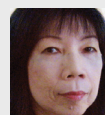
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