wts global

Global Asia: Tax transformation and opportunities

WTS Global at a glance

Founded in 2003 by WTS Germany

Locally rooted – Globally connected: Present in more than 100 countries with more than 3,500 tax professionals

Tax-focused: Coverage of the entire range of tax advisory services

Independent & free of conflict: No audit

Quality assurance: Stringent quality reviews

Diverse customer base: From multinationals to private clients

Central management & coordination: Centrally managed global tax practice

About WTS Global

We are the leading independent non-audit tax practice worldwide with representation in more than 100 countries. WTS Global deliberately refrains from conducting annual audits in order to avoid any conflicts of interest and to be the long- term trusted advisor for its international clients. Clients of WTS Global include multinational companies, international mid-size companies as well as private clients and family offices.

The member firms of WTS Global are carefully selected through stringent quality reviews. They are strong local players in their home market who are united by the ambition of building a truly global practice that develops the tax leaders of the future and anticipates the new digital tax world.

WTS Global effectively combines senior tax expertise from different cultures and backgrounds and offers world-class skills in advisory, in-house, regulatory and digital, coupled with the ability to think like experienced business people in a constantly changing world.

For more information please visit: wts.com

Locally rooted – Globally connected

Asia Pacific

We can help you lead the transformation in a complex tax world

Asia Pacific focus areas

- Global Value Chains
- International Tax & Permanent Establishment
- Tax Controversy
- Mergers & Acquisitions
- International Trade

Post-pandemic Asia has seen a proliferation of tax developments in response to economic and political change.

Global and regional tax MNC tax executives ask WTS Global to support them in navigating this fast-changing landscape. Our latest Asia Pacific brochure provides insights, analysis, links to further information and contact details to help clients keep pace with what matters most.

The Asia Pacific economic outlook for 2024 calls for continued growth and lower inflation, in addition to downside risks associated with some sectoral weaknesses in China, El Niño-linked food security and financial stability as the "easy money" era winds down. The latest report from the Asian Development Bank anticipates a Developing Asia inflation rate of 3.5% and GDP growth of 4.8%, buoyed by strong projected growth in India.

While global supply chain vulnerabilities, geopolitical and trade tensions, an evolving digital economy and the growing climate crisis have contributed to an increasingly volatile environment, these trends also support opportunities for nimble businesses and policy makers to seize competitive advantages and to attract investment.

Tax regulators in the region look to rebuild their tax and fiscal policies to maximise revenue generation, boost public finances and in some cases, repay loans from international organisations. **Tax executives**, meanwhile, are at the receiving end of stricter tax audits, compliance and other complex unilateral tax policies.

Despite being at the opposing ends of the tax spectrum, governments and businesses in the region need to strike a balance, for one without the other cannot result in a sustainable recovery.

In the following pages, read about the key themes associated with the post-pandemic recovery of economies and businesses:

- Pillar Two-GloBE rules implementation is currently scattered in Asia. For companies operating in Asia, it is crucial to monitor the legislative process and to be aware of this "incomplete puzzle".
- US-China trade tensions continue to shape global value chains and global investments continue as strategic derisking considerations weigh heavily on all businesses.
- Tax reliefs and subsidies for businesses have been part of a number of governments' recovery plan in the region to help spur economic activities.
- This is complemented with stricter tax audits and tax compliance requirements.
- There have been a number of noteworthy jurisdiction-specific changes, such as the introduction in UAE of corporate tax and transfer pricing, the relocation of the Indonesia capital city and anticipated policy changes for China's mega-metropolitans.

Tax executives in need of long-term, conflict-free advisors covering multiple jurisdictions in developing collaborative approaches and responses in line with complex audit and compliance requirements of tax authorities, can turn to WTS Global experts in Asia Pacific and around the world. We have the expertise and experience to provide global businesses with insights and advice to navigate an increasingly complex and changing tax and trade landscape in the region.

We look forward to sharing more of our insights on the trends and outlooks highlighted in this brochure and to discussing your business and tax challenges and opportunities. Please contact us if you'd like to explore further.

Pillar Two - The Asian Pieces of the Global Puzzle

Lars Behrendt
Partner, International Corporate Tax, WTS GmbH, Hamburg / Germany

Pillar Two brings unprecedented changes to the global tax system and impacts large multinational companies. Pillar Two introduces a 15% global minimum Effective Tax Rate for Multinational Enterprise Groups with consolidated revenue over €750m. The regime aims at a reduction of cross-border profits shifting by establishing a global minimum level of taxation in relation to each country where the Multinational Enterprise Group operates.

In December 2021, the Inclusive Framework of the OECD released Pillar Two Model Rules which define the scope and key mechanics of this new global minimum tax. Many Asian countries are members of this Inclusive Framework and supported this global initiative at that point of time.

It, therefore, did not come as a surprise that South Korea and Japan already approved global minimum tax rules in their respective tax reform proposals. Many other Asian countries are expected to bring the Pillar Two Rules into domestic legislation in 2023 to be effective from 2024 but in some countries, this legislative process may take longer. For example, several Asia-Pacific jurisdictions have also confirmed that they will apply the Pillar Two rules with effect from 2025 onwards, including Singapore, Hong Kong SAR and Thailand. Decision for Vietnam in this direction is expected in the last quarter of 2023 while Malaysia has deferred implementation to 2025. Given that its income tax system is heavily featured with tax incentives, China is expected to assess Pillar Two rules with much deliberation.

Against this background, the Pillar Two implementation is at this point of time scattered in Asia. For companies operating in Asia, it is crucial to monitor the legislative process and to be aware of this "incomplete puzzle".

At the same time, there are jurisdictions in Asia that attempt to adjust their legal framework for investment by foreign enterprises. This applies in particular to countries that have used certain tax incentives in the past in order to attract such investments and which led to relatively low effective tax rates for the enterprises. Such tax incentives may no longer have the envisaged effect when the new global minimum tax rules will come into play. Countries may, therefore, seek to offer other kind of non-tax advantages to companies and it will be interesting to see how the OECD and other (foreign tax) authorities will treat such incentives under the new Pillar Two framework.

The complexity and legal uncertainty of the Pillar Two rules are a major challenge for the existing global compliance and regulatory framework of Multinational Enterprises. It is a massive task for tax departments, in particular if they have limited resource capacity. Pillar Two's global adoption, including the anticipated divergence in local rules, create additional complexities which undoubtedly require a global network of international tax experts to ensure compliance with the rules. Multinational enterprises will need to focus on data availability, systems, technology, and processes as the basis for global and statutory compliance.

The new international tax system will become reality quite soon. Group of companies with operations in Asia should prepare themselves. Otherwise, they could be "puzzled" by the anticipated divergence in local implementation rules.

US-China decoupling poses increasing trade risks and compliance for Asian businesses

The extraterritorial application of US export control laws means that businesses in Asia regardless of their home jurisdictions are not spared. Business executives in the region must take heed of the developments arising from volatile US-China relations and the ongoing US and its allies' decoupling and de-risking from China. These include the extent of the impact of the growing US Entity List and the expanding October 7 Export Control Rules on doing business in Asia Pacific. "No one wants to be on the US Entity List as that could mean the end of one's business," WTS Founding Principal Eugene Lim said.

US-based WTS Taxise Consultant Karmi Leiman*, who specialises in international trade and compliance, identified trade and technology as a key battleground for the US-China geopolitical rivalry. The interconnectedness of the industry makes its players vulnerable. "If you're using US-origin products, tools, machines, manufacturing equipment, software or technologies in your production outside the US, then the output of those factories is now subject to the US rules... these rules are now routinely applied not only to control the activities of US persons on US soil but also to control the activities of foreign persons and foreign products. In other words, the US rules now apply routinely extra-territorially," Karmi explained. Chinese companies such as Huawei and ZTE have been targeted by US trade rules, so are US tech companies like Nvidia and, to some extent, Intel to curb the importation into China of advanced microchips and technologies from the US and its allies.

For business executives in the region, here are some key steps and potential responses to consider in light of the US-China tensions.

Knowledge
Executives are recommended to keep abreast of developments in export controls, sanctions and trade laws of the US and China as the former has the extraterritorial reach and influence while the latter has the infrastructure to have global application. To receive the latest updates on this front, please complete this form.

Realignment
Developments in the regulatory and geopolitical environment need to be considered by all strategic functions within the company. Executives are advised to ensure that current value chains, geographic presence and holding structures are reassessed for vulnerabilities. Ensuring an established communication and regular dialogues among key departments of the business such as operations and compliance with relevant government authorities is key.

Resources
Trade will be a key component in strategic discussions within the company. In-house trade professionals need to be sufficiently equipped to address the existing and long-term business priorities and challenges. Establishing a scalable support for trade compliance needs (hybrid in-house and external support) would enable the business to be agile in addressing urgent export, sanctions and trade developments.

For more details about this the latest US-China trade relations, please visit taxiseasia.com.

Potential responses as tensions build

Open Collaboration	Friendly Competition	Identified Threat	Segregation	Open Hostility
› Open collaboration and economic cooperation › Markets able to exploit comparative advantages efficiently	› Competition to build relationships with allies › Building closer ties with the neutrals › Disputes resolved through international institutions	› Regulations and policies openly targeted at the identified threat (export controls, sanctions, tariffs and quantitative restrictions) › Allies will be asked to participate in coordinated efforts › Building alliances with the neutrals	› Neutrals will be pressured to pick sides › Countries will be forced to pick sides based on national interests	› Open hostility may be direct or indirect (i.e., through proxy conflicts) › Neutrality will be a premium and will be hard to maintain
› Companies aim to achieve efficiency and optimisation	› Efficiency and optimisation continue to be primary goals	› Companies feeling the impact of regulations and policies of competing powers › Pressure to move production and business activities to neutral locations or back to home jurisdiction	› Companies will need to look at decoupling strategies for supply chains as well as ownership structures › Securing resilient sources of supplies will be key	› Companies will find it difficult to operate cross-border › Expect expropriation of foreign assets and investments

* Karmi Leiman advises on global trade policy and compliance and is a Consultant with WTS Taxise Consulting.

Country overview

Australia

Australia's tax policy is undergoing a crucial transformation, with growing concerns surrounding the erosion of the domestic tax base by profit-shifting multinationals, whilst endeavouring to provide greater tax transparency.

- **Thin Capitalisation** - At the heart of this transformation are proposed amendments to Australia's thin capitalisation rules, marking the most substantial changes to the rules since introduction in 2001.

  The proposed changes demonstrate a shift from asset-based tests to earnings-based tests, an effort to align an entity's debt deductions with its profits. The changes represent a concerted effort to strengthen Australia's thin capitalisation rules, better aligning them with the OECD's best practice guidance. These also aim to prevent multinationals from engaging in profit-shifting practices and ensure they are contributing their fair share to the Australian tax system.

  While these have yet to become law, MNCs in Australia must promptly assess how they could impact their businesses.

- **CBC Regime** - For foreign companies with entities in Australia, it is important to note that the Australian CBC regime differs materially from the OECD Guidelines, and the rules in other countries. For example, the Australian Local File is rather granular and detailed, with a format not equivalent to that of the OECD Local File.

  The Australian CBC regime is currently subject to legislative revisions yet to be finalised. Separate Australia transfer pricing documentation requirements under Subdivision 815-B of the Income Tax Assessment Act (ITAA) 1997 and Subdivision 284-E of the Taxation Administration Act (TAA) 1953 must also be considered.

Bangladesh

The Income Tax Act of 2023 places a significant emphasis on the automation of tax processes and aims to enhance the efficiency of tax revenue collection.

The National Board of Revenue (NBR) introduced the Income Tax Act 2023, effective June 22, 2023. While currently only available in Bengali, the NBR will release an authenticated English version soon. This new tax law's key components are: Electronic Taxpayer Identification Numbers (e-TINs), Automated Treasury Challans (A-Challans) and online tax return filing. Taxpayers can now obtain e-TINs within a few minutes and pay taxes from mobile phones and computers.

The Tax Deduction at Source (TDS) applies to various expense payments, with mandatory proof of return submission (PSR) for registrations, bank account openings, vehicle purchases, and other transactions.

The company registration process, meanwhile, has been streamlined to one week and branch and liaison office registration to two weeks. The corporate tax rate is 27.5%, while individual tax rates are structured in various slabs, ranging from 0% to 25%. To attract foreign investments, the government provides tax benefits eg 100% to 20% waiver on corporate income tax (CIT) for 10 years, a 100% tax exemption from taxes on dividend income and capital gains from share transfers during the same period for businesses in economic zones and high-tech parks.

Taxpayers must file tax returns by November 30, while companies must do so on the 15th day of the 7th month following their fiscal year-end.

Lastly, Bangladesh has signed DTAAs with 40 countries, facilitating international trade and investment. More details on our website

China

China is pacing her fiscal and tax reforms to prioritize stability and economic progress according to the "14th Five-Year Plan" (2021-2025) while the OECD members are laying the groundwork for the global implementation of the two-pillar program. The unprecedented interaction between China's domestic tax incentive regimes and the Pillar Two rules will inevitably add fuel to the flame amid the time of global supply chain upheaval and the fast-restructuring Chinese economy.

- Fiscal and tax improvement policies are underway to spearhead economic developments in mega metropolitans: **Yangtze River Delta** (Shanghai, Jiangsu Province, Zhejiang Province, and Anhui Province) the **Pearl River Delta** (the Guangdong-Hong Kong-Macao Greater Bay Area), the **Beijing-Tianjin-Hebei Triangle**, and the **Chengdu-Chongqing Economic Circle**, and special economic zones like Hengqin, Hainan, Qianhai and Lingang. Read more on our China website

- Tax incentives in CIT, VAT, individual income tax ("IIT) and customs tariff regimes are being refined to support e-business, talent retention, R&D and investments, and to safeguard economic growth and cultivate domestic demand. Read more

- More supporting regulations for digital deliverable services are developing to align with global practices, e.g. digital assets in accounting and tax, and the coming first-ever VAT Law.

- Targeted tax audits are being planned to regulate the fast-growing but deficit-recording service trade, especially the knowledge-intensive service trade which accounted for around 45% of total service trade in the past six years. Read more

Hong Kong

Hong Kong strives to meet international tax standards set by the OECD and EU, amongst others, while it also wants to maintain its territorial tax regime and attract foreign businesses to HK by facilitating the development of various industries.

Hong Kong launched a new foreign-sourced income exemption (FSIE) regime covering four types of passive income (i.e. interest, dividends, equity disposal gains, and IP income) with effect from 1 January 2023. The FSIE will be further refined, as of 1 January 2024, to include income from the disposal of other assets. Furthermore, Hong Kong plans to accept the Pillar Two related measures from 2025 onwards.

Hong Kong introduced a concessionary tax regime for family-owned investment holding vehicles (FIHVs) managed by a single-family office, to enjoy a 0% tax rate on profits earned from qualifying and incidental transactions. A concessionary tax regime has also been introduced for profits derived from qualifying ship agency, management and broking activities.

Domestically, the judgment in *Newfair Holdings Limited v. CIR* provided a welcoming confirmation that the use of a Hong Kong bank account for receiving revenue and paying expenses should be regarded as antecedent or incidental rather than profit-producing under HK's long established territorial tax regime.

India

India's tax system has witnessed several developments. Some noteworthy pointers:

- Introduction of a series of tax incentives to enhance the International Financial Services Centre (IFSC) as a destination for global capital.

- The Foreign Trade Policy 2023 with emphasis on shift from incentives to remission, fostering export through collaboration, continuous revisions cum feedback-based enhancements and capitalizing on emerging domains such as e-commerce. All these will collectively reshape India's export landscape.

- Extension of applicability of 'angel tax' to non-resident investors effective April 1, 2023, where the valuation for consideration received by an unlisted company from investors is being put to test, and any excess in the value of the shares issued (value determined in a prescribed manner by the government) would be taxable in the hands of the company raising such funds. More details

- The tax rate applicable on income by way of royalty and fees for technical services earned by non-residents or foreign companies has increased from 10% to 20% with effect from April 1, 2023, push up the cost of doing business in India, if the tax treaty does not provide for a lower rate.

- The Indian Government released its 5th Annual Report on its APA programme, highlighting several major jurisdictions and the service sector. The programme is one of the preferred dispute resolution mechanisms for foreign MNEs. Read the Report.

- India's request before the OECD in its G20 presidency to develop a handbook to support the effective implementation of the Pillar Two-GloBE Rules likely indicates it is gearing up for implementation. We also prepared a FAQ-oriented publication here to disseminate knowledge on the subject. At the time of printing, the handbook is yet to be delivered. Read further updates here.

Indonesia

Among the latest tax developments in Indonesia include:

- Indonesia's new Capital City: "Nusantara" (IKN) generous tax exemptions granted
  - CIT reductions in the IKN and Partner Regions for investments of IDR10 billion +
  - CIT reductions and withholding tax exemptions in IKN Financial Centres
  - Headquarters or regional offices to the IKN may get 100% and 50% CIT reduction for up to 20 years
  - Super deductions 200-350% for Internship programmes and/or a vocational training; R&D activities; donations and/or building public, social, and/or other non-profit facilities
  - Article 21 Payroll Tax for Employees reside in IKN is borne by the government up to 2035
  - Zero-rated final tax for Micro, Small and Medium Enterprises (MSME) with annual gross turnover of up to IDR 50 billion in the IKN. Up until 2035.
  - Income Tax reduction on Transfer of Land and/or Building (L&B) rights, up to 100% on first acquisition

- Electric motor vehicles (EV) get incentives on VAT and Luxury Goods Sales Tax for deliveries until end 2023.

- Benefits in Kinds (BIKs) are now tax-deductible in CIT computation but taxable for employees with some notable exceptions.

Contact us for more information.

Korea

Since the new president was elected in 2022, a host of tax law amendments were proposed and enacted in 2022. This trend continues in 2023. Some salient tax amendments in 2022 or to be made (proposed) in 2023 are:

- Following the OECD/IF's release of the 15% global minimum tax model rules and related commentary in December 2021 and March 2022 respectively, Korea enacted into law its version of the GloBE Rules in December 2022 and became one of the first countries to codify Pillar Two rules in its domestic legislation.
- As a part of the 2023 tax amendment legislated in Dec 2022, Korea revised its CIT rates across all tax brackets. Effective January 1, 2023, the CIT rates have decreased by 1% for all income categories (from 9% to 24%).
- The 2023 tax law amendments have brought a significant change to the treatment of dividends from foreign subsidiaries. Previously, such dividends were fully taxable, with relief from double taxation available through FTC. Now, 95% of these dividends can be deducted from a Korean company's taxable income.
- To bolster the efficacy of the simplified Digital VAT regime for foreign electronic service providers without a permanent establishment in Korea, penalties for non-registration will be introduced.
- Initially slated for implementation on January 1, 2023, the taxation of virtual assets has been postponed to January 1, 2025. At that time, any gains derived from the transfer, loan, or withdrawal of virtual assets will be categorized as "other income" for tax purposes.

More details on our website here and here.

Malaysia

New tax policies have been actively mooted and considered over the last few years. Here are some of the key tax policy changes.

Introduction of CGT
Until February 2024, Malaysia does not have a capital gains tax (CGT) regime in place, save for gains for disposal of real properties and shares of property-rich companies. Commencing from 1st March 2024, CGT would be imposed at the rate of 10% on gains arising from disposal of domestic unlisted shares. The treatment of gains arising from disposal of foreign assets is yet to be announced at the time of writing.

For shares acquired prior to 1st March 2024 and sold on or after 1st March 2024, as a transitionary measure, taxpayers are allowed to choose to pay CGT at either the rate of 2% of the disposal proceeds or 10% of the net gain.

Review of exemptions for foreign source income
Until December 31, 2021, Malaysia had in place a territorial scope of taxation (except for taxpayers in banking, insurance, sea & air transport).

Effective January 1, 2022, Malaysia implemented 'derived and remittance' basis of taxation for all resident taxpayers, for which two key conditional exemptions is granted up to 2026. It is expected that the scope of exemption would be reviewed and the potentially made permanent (instead of sunset in 2026).

Implementation of e-invoicing
The Inland Revenue Board of Malaysia is rolling out mandatory e-invoicing in August 2024 for taxpayers with annual revenue exceeding MYR 100 million. The Malaysian e-invoicing model is a 'clearance model' whereby the tax authority's validation is required prior to issuance of each invoice. The scope includes B2B, B2G and B2C transactions, with conditional exclusion in place for B2C transactions.

Also, there is requirement to perform self-billing e-invoice for purchase of goods or services from foreign vendors.

Implementation of Pillar Two / Global Minimum Tax
It has been announced that the implementation of global minimum tax is deferred to year 2025. It is expected that Malaysia will implement Qualified Domestic Minimum Top-Up Tax (QDMTT) in 2025.

Please email us for more information.

Pakistan

Corporate income tax rates remain unchanged. The rates of Super Tax on high earning persons have been revised to range from 0% (for income up to PKR 150 million) to 10% (for income of PKR 500 million or more) with expanded scope.

- Personal income tax rates have gradually increased. Additionally, residents are liable to pay 20% tax on deemed income from certain capital assets (effectively 1% of value of capital asset).
- 1% capital value tax is chargeable on residents having foreign assets worth more than PKR 100 million at the last day of relevant tax year.
- Withholding tax rates for payments in respect of goods, services and contracts are increased by 1%.
- Federal Government has been empowered to impose tax on windfall income during three tax years preceding tax year 2023 and onwards.
- Place of business is no more required to be 'fixed' to fall in the definition of permanent establishment.
- Buyers are required to deduct advance tax from gross consideration in capital gain transactions or obtain prior tax clearance. Read details of changes in capital gains tax regime.
- Federal sales tax rate increased from 17% to 18% generally; and from 12% to 15% for Tier-1 retailers.

For more insights, visit the updates page on our Pakistan website.

Philippines

The Philippines is continuously pursuing fiscal, structural and administrative reforms aimed at making the country more accessible to investments and conducive to starting and doing business. Complimentary to these are the continuing reforms in the taxation laws.

- **Tax Reforms** – Recent tax reforms resulted in the changes in individual taxation and consumption taxes as well as amendments in corporate income taxation and incentive system. On corporate income taxation, the rate was reduced from the previous single-tiered rate of 30% to the now two-tiered rates of 25% and 20%. On tax incentives, the reformed tax incentive system covers three basic incentives: (a) income tax – income tax holiday and the 5% special corporate income tax or enhanced deductions, (b) duty exemption on importation of capital equipment, raw materials, spare parts or accessories, and (c) VAT exemption on importation and VAT zero-rating on local purchases.
- **Pending Tax Bills** - A number of tax bills may soon be passed into laws:
  - Ease of Paying Taxes Act which aims to introduce reforms in tax administration and compliance
  - the Digital Taxation Law which aims to impose VAT on digital transactions (more details on our Philippines website)
  - the Real Property Valuation and Assessment Reform Act which proposes to simplify the real property valuation system in the country; and
  - the Passive Income and Financial Intermediation Taxation Act which aims to redesign the taxation of capital income and financial services into simpler, fairer, and more efficient tax system. And these include the harmonization of the rates on capital gains, dividend and interest income, such that the rates would be the same regardless of who the investor is and regardless of the nature of the investment instrument.

Singapore

Highlights of Major Tax Developments

Key tax changes were introduced in Singapore's Budget 2023, Income Tax Act (ITA) Amendment Bill and related developments. Read more on our Singapore website

Global Anti-Base Erosion Rules and Domestic Top-up Tax

- Timing: implementation starting 1 January 2025.
- Impact: Overall tax rate increases to 15% for multinational enterprise groups with annual revenues of at least €750 million operating in Singapore.

New Regime to Tax Capital Gains on Foreign Disposals from January 1, 2024

- Draft regulations issued to tax capital gains from foreign asset disposals that are received or deemed received in Singapore from January 1, 2024, with certain exceptions.
- Singapore companies holding assets overseas must ensure that they have sufficient activities in Singapore to ensure that disposal gains are not taxed under this regime.

Incentive Regimes

New Incentives

- Enterprise Incentive Scheme introduced to encourage businesses to engage in research and development, innovation and capability development activities to allow for tax deductions (or non-taxable cash payouts) for businesses engaging in qualifying activities.
- Philanthropy Tax Incentive Scheme for Family Offices introduced to strengthen Singapore as a regional philanthropy hub. Qualifying donors may claim a 100% tax deduction for overseas donations made through qualifying local intermediaries, subject to eligibility conditions.

Enhancement to existing incentives

- Enhancements were made to the Double Tax Deduction for Internationalisation Scheme and options for accelerated write off of (i) plant and machinery acquisition costs, and (ii) deductions for renovation and refurbishment expenses.

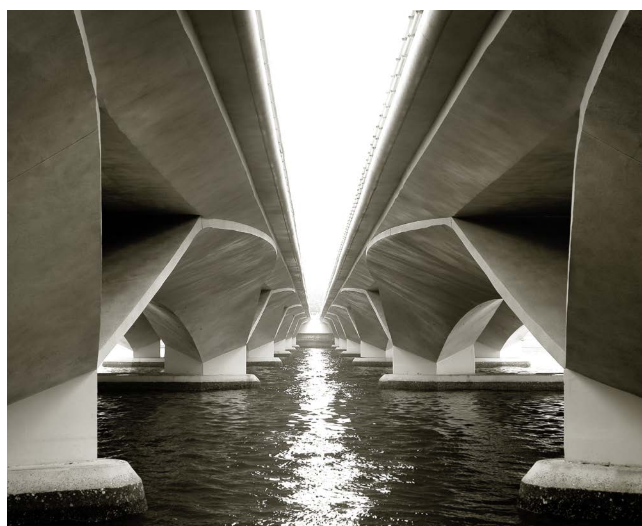
Extension of incentives

- Investment Allowance Scheme, Pioneer Certificate Incentive, Development and Expansion Incentive, IP Development Incentive, Approved Special Purpose Vehicle Scheme and Insurance Business Development – Insurance Broking Business Scheme, Qualifying Debt Securities Scheme and Financial Sector Incentive Scheme all extended until December 31, 2028.
- IA-100% scheme for Automation Projects until March 31, 2026.
- 250% Tax deduction for qualifying donations to Institutions of Public Character and Eligible Institutions until December 31, 2026.

Tax Rate Increases

- Singapore GST rate will rise to 9% on January 1, 2024.
- Top marginal personal income tax rates increase from year of assessment 2024.
- Additional Buyer Stamp Duty rates increased as further property cooling measure.
- Additional Registration Fees payable for cars, taxis, and goods-cum-passenger vehicles changed.

Changes to the Procedures for Income Tax and GST Boards of Review.



Thailand

BEPS Pillar Two and the New BOI Incentives

Thailand's Board of Investment (BOI) has announced measures to mitigate or at least minimize any potential impact arising from the implementation of BEPS Pillar Two on Thailand's existing Thai tax incentive programs, while also preserving the country's appeal as an investment destination for MNCs.

Companies with existing BOI promotion as well as new BOI applicants that demonstrate consolidated group annual sales of at least THB28 billion (currently approximately USD800 million) or fall within the scope of a country-by-country reporting, meet the eligibility criteria.

The investment incentive measure essentially consists of the option to receive a 50% reduction in corporate income tax for twice the remaining duration of the project's tax incentive period, capped at a maximum of 10 years. This option replaces the earlier granted or remaining corporate income tax exemption.

New BOI Applicants:

› Option to choose between "tax exemption scheme", which follows the standard tax exemption period, depending on the BOI activity type) with the flexibility to move to tax reduction at a later date or "tax reduction scheme" (twice as long as the standard incentive period, with a maximum limit of 10 years)

Existing BOI-Promoted Companies:

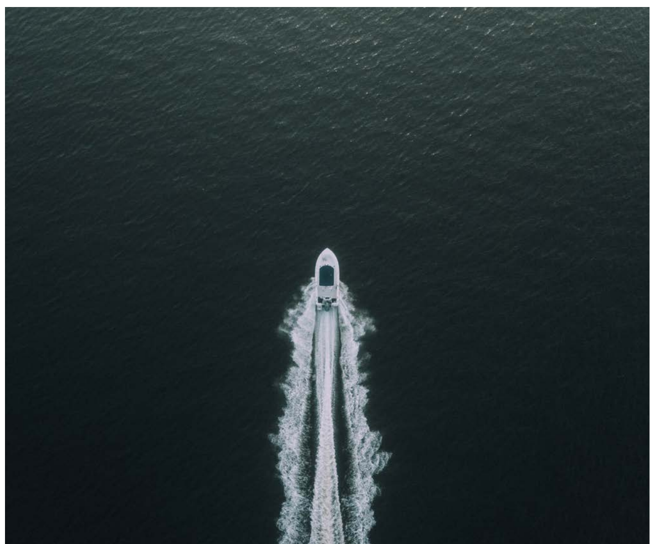
› Option to transition from the current tax exemption structure to a 50% reduction in the standard corporate income tax rate

› Duration: Twice the remaining full-year eligibility period, up to a maximum of 10 years

› Other rights and incentives remain unchanged.

Eligible MNCs with existing BOI promotion and/or those planning to apply for new BOI promotion should examine which of the promotion schemes make more sense in the long term. Particularly in the case of sharply rising profits toward the end of the promotion period, it may make sense - quite independently of other considerations - to implement the new model for purely arithmetical reasons.

Furthermore, it is recommended to assess the implications of implementing the Pillar Two regulations on investments in Thailand. If this assessment indicates that the effective tax rate for the company in Thailand might dip below 15% and that additional taxes are likely under Pillar Two, the resulting consequences should also factor into the calculation in order to determine the preferable scheme and, if necessary, the optimal time to transition from the old to the new one.



UAE

According to the UAE Federal Decree-Law No. 47 of 2022 on the taxation of corporations and businesses (CT Law), introducing corporate tax (CT) and Transfer Pricing (TP), businesses will become subject to CT from the beginning of the first fiscal year that starts on or after June 1, 2023. Tax rate is 9% on taxable income above AED 375,000. Businesses in free zones will be taxed at 0%, subject to satisfaction of qualifying conditions.

TP rules are in line with the internationally accepted OECD TP Guidelines and the arm's-length principle, which aims to ensure that transactions between related parties and connected persons are carried out as if between independent parties (a 'market value').

UAE businesses need to prepare and maintain a Master File and a Local File in case any of the following conditions are met:

› Total revenue in a relevant tax period of at least AED 200 million; OR

› Belonging to a MNE group with total consolidated revenue of AED 3.15 billion

Over the past few months, the Federal Tax Authority (FTA) has issued various Decisions providing clarifications on various aspects of CT. Read more on our UAE website

With the CT becoming a reality now, businesses have to gear up to review the impact of CT and identify areas for optimisation.

In a recent amendment to VAT legislation, Cabinet Resolution No. 91 of 2023 introduced a domestic reverse charge on supplies of electronic devices, which are purchased either for resale or to be used to produce or manufacture other electronic devices. The rules apply to mobile phones, smart phones, computers, tablets, as well as their parts and components, and will provide significant cash flow relief to distributors engaged in reselling electronic devices.

Vietnam

No significant changes occurred regarding the laws on Corporate and Private Income Tax and VAT except for changing the general VAT rate for Q3 and Q4 2023 to 8%. From 1 January 2024, it is 10% again.

The enforcement of tax compliance is continuously improving. For better compliance of foreign companies active in cross-border e-commerce regarding VAT and CIT, Vietnam implemented the Digital Services Tax (DST). It is not a special tax but a new system of enforcing the VAT and CIT obligations. So far, the DST is similar to the Foreign Contractor Withholding Tax (FCWT), which covers the implementation of the VAT and CIT for other fields of foreign business. To receive a copy of WTS Vietnam's brochures or updates on the DST or FCWT, please email us.

The system of centrally controlled E-invoicing allows the tax authorities to identify possible cases of tax fraud more systematically. In August 2023, more than 100,000 companies in Ho Chi Minh City were subjected to investigations as tax authorities suspected that these companies bought invoices without receiving the service.

Read the recently published "Quick Guide on Market Entry in Vietnam" in German here.

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