

# InTouch

with indirect tax news

Asia Pacific VAT/GST Alert

## In this issue

### Australia

- GST reforms to cross-border transport
- Release of draft GST legislation
- New tax agent services legislation
- Recently issued taxpayer alert

### India

- Highlights of India Budget 2010 relating to GST

### Japan

- Update on restriction of consumption tax saving

### Malaysia

- Second reading of the GST Bill

### New Zealand

- Potential for GST rate to be increased to 15%

- Time of supply on payments of deposits
- No avoidance where structure was commercial

### Philippines

- VAT exemption on sale of medicines to elderly

### Singapore

- Revised e-tax guides
- Singapore Budget 2010

### South Korea

- Aggregated VAT Payment

### Taiwan

- VAT refund for foreign entities

### Thailand

- Updates to Thailand's VAT regulations and guidelines

Welcome to our second issue of InTouch for 2010. In this issue, we provide an update on the status of the proposed GST in Malaysia and present highlights of India's Budget 2010 relating to GST and other developments in Asia Pacific. We welcome you to contact any of the PwC VAT/GST network contacts on the back of this issue on any of the topics that may be of interest and relevance to your business.

# Australia

## GST reforms to cross-border transport

The Assistant Treasurer has released draft legislation aimed at streamlining the GST treatment of domestic transport of imported and exported goods.

In practice, the changes will mean that the transportation of goods by Australian subcontractors for non-residents that is part of an international move will be GST-free i.e. no GST will be charged on these supplies.

## Release of draft GST legislation

The Australian Federal Treasury has released a further round of draft legislation for public comment on the changes to the Australian GST legislation.

The draft Bill includes the following GST administration measures:

- allowing entities to self-assess their eligibility to form, alter or revoke a GST group or joint venture at any time during a tax period;
- introducing clear exit rules for entities leaving GST groups or joint ventures and to allow entities to enter into indirect tax sharing agreements;
- expanding the income tax rulings system to include indirect taxes; and
- reducing the complexity around the tax invoice requirements.

## New tax agent services legislation

The new Tax Agent Services (TAS) Act will apply from 1 March 2010. There are a number of changes brought about by the introduction of the new legislation including new registration requirements for Tax Agents and individuals responsible for preparing the Business Activity Statement.

## Recently issued taxpayer alert

The ATO has released Taxpayer Alert 2010/11 concerning uncommercial arrangements designed to claim unintended GST benefits for a company's float, merger or acquisition. In particular the alert highlights the Commissioner's concerns where an associated entity is established to procure all services required in relation to the takeover and then bundles those services and invoices the company for one supply that receives a more favourable GST treatment.

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# India

Highlights of India Budget 2010 relating to GST

The Budget announced on 26 February 2010 contained a number of key proposals on direct and indirect taxes, including:

- The dual goods and services tax (GST) is to be introduced on 1 April 2010.
- The general Central VAT (CENVAT) rate has been increased from 8% to 10%.
- The service tax rate continues at 10% and applicability of service tax has been extended to eight new categories of services.
- The central sales tax (CST) is maintained at 2% for inter-state sale of goods.
- Announcement of some service specific exemptions and refund procedure rationalisation for service exporters.

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# Japan

## Update on restriction of consumption tax saving

On 24 March 2010, the 2010 Japanese tax reform package was passed. There is no major tax reform regarding consumption tax in this package except for a new law which restricts consumption tax saving mainly in real estate liquidation.

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# Malaysia

## Second reading of the GST Bill

The Government has announced that the anticipated second reading of the GST Bill will not be included in the Parliamentary sitting of 15 March to 15 April 2010. The delay is primarily due to the Government wanting to explain and obtain feedback from the public before GST is rolled out. It should be noted that the Bill has not been withdrawn.

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# New Zealand

## Potential for GST rate to be increased to 15%

The Government is considering increasing the New Zealand GST rate from 12.5% to 15% as early as 1 October 2010. Any announcement in respect of the rate increase is expected on 20 May 2010 when the Government announces its budget for the year.

For more detailed information on the implications of a rate change on businesses, please visit our website (<http://www.pwc.com/nz/en/GSTDirect/index.jhtml>) for March 2010 issue of "GST Direct".

## Time of supply on payments of deposits

Inland Revenue recently released a draft interpretation statement (INS0102) on when a payment is received for "time of supply" purposes, specifically in relation to the receipt of a deposit by a stakeholder.

## No avoidance where structure was commercial

The recent Taxation Review Authority (TRA) Case Z22 concerned a property developer group entering into a series of transactions where the Commissioner asserted there was income tax and GST avoidance.

According to the TRA, the taxpayer was entitled to plan the group's affairs - the structure was entirely sensible from a commercial perspective.

The case is a rare win for the taxpayers in the avoidance area and will not be appealed.

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# Philippines

## VAT exemption on sale of medicines to the elderly

The Expanded Senior Citizens Act of 2010 (Republic Act No. 9994) grants 20% discount and exemption from VAT on the sale of qualified goods and services (i.e. medicines, medical and dental fees, transport fares, services in hotels and restaurants, admission fees in theaters and other places of leisure) to senior citizens.

In the case of discount promotions, the senior citizens shall avail themselves of either the promotional discount or the 20% discount, whichever is higher.

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# Singapore

## Revised e-tax guides

The Inland Revenue Authority of Singapore (“IRAS”) has revised the following e-tax guides:

- GST Guide for the Aerospace Industry (revised on 1 January 2010);
- A Guide on Exports (revised on 17 February 2010);
- GST Guide for Freight Forwarding Industry (revised on 2 March 2010); and
- Charities and Non-Profit Organisation (revised on 25 March 2010).

The IRAS has issued a new e-tax guide “Import GST Deferment Scheme” on 1 April 2010. The scheme (to take effect from 1 October 2010 subject to application) allows approved business to defer the payment of import GST until the submission of the GST return for the prescribed accounting period.

## Singapore Budget 2010

The Singapore Budget 2010 announced the following measures for GST:

- Expansion of zero-rating treatment for supplies made in the shipping industry;
- New scheme to defer the payment of import GST (see above); and
- Time of supply rules simplified to issue of tax invoice or receipt of payment (with effect from 1 January 2011).

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# South Korea

## Aggregated VAT Payment

Currently, a taxpayer who has more than one place of business is required to file and make payment for each business. Prior approval from the National Tax Service (NTS) is required if such a taxpayer wants to make a consolidated payment and filing of VAT. Starting from 1 July 2010, such approval is no longer necessary and the aggregated VAT payment would be allowed by filing an application to NTS.

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# Taiwan

## VAT refund for foreign entities

In Taiwan, foreign enterprises with no fixed place of business to be registered as VAT entities are unable to obtain a refund of the VAT incurred while doing business in Taiwan.

The Legislative Yuan in Taiwan is currently discussing a draft bill to allow VAT refunds for foreign entities engaging in exhibitions or temporary business activities within the territory of Taiwan. To qualify for the VAT refund, the VAT paid should be of a certain amount and the certificate for the VAT paid should be obtained and kept.

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# Thailand

## Updates to Thailand's VAT regulations and guidelines

Regulations were issued to provide VAT exemption on certain unique products such as fluoride added milk and precious stones. Some guidelines were also issued on tax return filing for auctions.

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