

Asia-Pacific Health Industries Newsletter

Keeping you up-to-date with
the latest developments in
Pharmaceutical &
Healthcare industries

Issue 15, December 2015
News and analysis by
PwC industry specialists
for pharmaceutical,
biotechnology, medical
device, diagnostic and
healthcare companies
and healthcare institutes.



Editor's note

PwC's Global Health Industries network is pleased to present you with its 15th issue of the Asia-Pacific Health Industries Newsletter.

This newsletter aims to keep you informed of the latest developments, related not only to pharmaceutical and medical device industries, but also to healthcare industry in the region.

To mark the end of the year 2015, we highlight two topics as special issues. One issue covers **BEPS** updates and regional trend in **Australia, China, Japan and Singapore**. Another topic focuses on **Australia's biennial pharma survey** report which showed the perspectives on the different aspects such as pricing, reimbursement, R&D and compliance of 23 pharmaceutical companies based in Australia.

Further, **Regulatory** section outlines recent external environment changes in **Japan's pharmacovigilance regulatory**.

Our section on **Pricing** developments includes pressures on price in **Australia's** pharmaceutical industry, and initiatives to lower the price of treatment for critical illnesses in **India**. Additionally, we focus on **M&A** of med-tech companies expanding into healthcare market in **Taiwan**.

The **Tax** section includes an update on the double taxation avoidance pact signed by **China** and **Taiwan**.

In the final section, we also present **Healthcare** section highlighting **patient experience** in **India**, as consumers' points of view have become major interests within the hospitals and clinics to improve their quality of care.

We hope that our timely updates and analysis presented in this issue are of use to you and your business.

Tim Hogan-Doran
tim.hogan-doran@au.pwc.com

Ayako Miyata
ayako.a.miyata@au.pwc.com

Inside this issue

Special Issue – BEPS in Asia:

A summary of the key BEPS initiatives being undertaken within the Asia Pacific region's main economies and their impact for Pharma companies.....4

Thought Leadership in Australia:

Biennial Pharma Survey Report.....7

Regulatory:

Japan: Challenges to build a robust and global Pharmacovigilance(PV) operating model8

Pricing:

Australia: Continuing pressures on price9

India: Initiatives taken towards making treatment for critical illnesses more affordable in India.....10

M&A:

Taiwan: Taiwanese tech companies expanding into healthcare.....11

Taxation:

Taiwan: China and Taiwan formally signed the "Cross-Strait Tax Agreement Revised tax guidance on Advance Pricing Agreements (APAs)"12

Healthcare:

India: Decoding the patient experience.....13

Updates

APAC people's update.....14

Asia-Pacific Health Industries Update



John Cannings **PwC East Cluster (Asia Pac)** **Pharmaceuticals & Life Sciences Leader**

Welcome to our 15th Edition of the Asia-Pacific Health Industries Newsletter.

In this issue, we have highlighted two topics as special issues.

The first area is the potential for reform arising out of the recent policy discussions around the globe on Base Erosion and Profit Shifting (BEPS) which could lead to profitability issues for many participants in the Pharma & Life Sciences sector. Understanding the recent updates of BEPS implementation in different countries will help multinational companies maximize their profit by reviewing their current services and expenditure within the new rules.

The other area of focus comes out of the results of our fourth biennial industry survey of 23 Australian pharmaceutical companies, which we conducted in association with Medicines Australia. Our findings show that our system of reimbursement and pricing does not operate as efficiently or as effectively for stakeholders-including tax payers, government, suppliers and patients.

More than thirty years have passed since the WHO declared “[Health for all by 2000](#)”. All countries continue to struggle with increased health expenditure yet try to tackle this problem to guarantee equality in accessibility to care for all. In other words, improving access to new medicines, new technology, and at the same time finding the way for a sustainable growth are our challenges. It is incumbent on all stakeholders to find better ways to work together, to bring forward access to new innovation across the Pharma and Healthcare industries.

In this edition we also cover a variety of topics such as pharmacovigilance in Japan, and patient experience in India in addition to our usual topics around, Pricing, M&A and Tax.

I would like to take this opportunity to convey my gratitude to my PwC colleagues across the various territories, for their active engagement and excellent contributions to this issue. I would also like to thank you, our clients and industry colleagues for your contributions, feedback and engagement during this time and hope that we have added to, and will continue to add value to your businesses.

I trust that you will find the enclosed newsletter of use and interest to your businesses and I welcome your thoughts on any of the issues and priorities it raises for your organisation.

As this is our last issue for 2015 I would also like to wish everyone a safe and happy holiday season and look forward to a prosperous and successful new year in 2016.

If you have any topics you would like to discuss, please feel free to contact me or any of the territory leaders and industry experts whose contact details are set out on the back page of this newsletter.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'John Cannings', written in a cursive style.

John Cannings, OAM
Partner

Special Report: BEPS in Asia

Base Erosion and Profit Shifting (BEPS) in Asia

The concept of Base Erosion and Profit Shifting (BEPS) has taken on greater meaning and has been subject to much analysis by tax authorities around the world as Governments grapple with a post-GFC world where tax revenues are not recovering to their pre-GFC levels. Ostensibly, the review seeks to identify where double non-taxation outcomes arise from gaps in the international framework of tax agreements and laws, as well as address situations where profits are perceived to be geographically divorced from their activities. Whilst the G20 & OECD have largely sought to coordinate their responses, some countries in the region have already made a start by targeting perceived tax planning abuses.

With the release of the final package of the Base Erosion and Profit Shifting (“BEPS”) project on October 5, 2015, this special report focuses in on the current BEPS-related developments and the impact for Pharma & Life Sciences companies operating in Singapore, Australia, Japan and China.

Singapore BEPS actions

For Singaporean based Pharma companies, there are a number of recent measures that will impact them in the coming years that are BEPS related. Singapore already has adopted the internationally agreed arm's length principle for the determination of prices for transactions between related parties, has tax treaties that incorporate provisions to guard against treaty abuse, and has provided for exchange of information upon request in line with the internationally agreed standards. Nevertheless, Singapore's new BEPS plan includes a number of recent features that are directly relevant to pharmaceutical companies.

i) Maintenance of contemporaneous Transfer Pricing (TP) documentation

With the second edition of the Singapore TP guidelines issued by IRAS (Inland Revenue Authority of Singapore) on January 6 2015, tax payers must have in place transfer pricing (TP) analyses and contemporaneous TP documentation to establish the arm's length prices. It has therefore become imperative for MNC's across industries to align profit with substance in each location where they have a business presence. If taxpayers are unable to substantiate their transfer prices are at arm's length by maintaining

contemporaneous TP documentation, IRAS may not support the taxpayers in mutual agreement procedure (MAP) discussions to resolve the double taxation matters and may not accept advance pricing agreement (APA) applications.

ii) Tax Incentive for R&D, Innovation, and product development activities

Singapore's Economic Development Board (EDB) provides a number of tax and grant incentive schemes for foreign and domestic investors to attract investments. The government makes strategic use of tax incentives to draw investments that create economic value and supports the BEPS principle that profits should be taxed where substantive economic activities generating the profits are performed and where value is created. These programs continue to be developed in the BEPS environment, and may be impacted by other country's own BEPS measures.

iii) Withholding tax benefits

Pharmaceutical manufacturers often pay royalties to their head office for the use of rights to manufacture drugs. Royalties received from overseas parties by a Singapore company will generally be subject to foreign withholding tax. In most cases, a tax treaty would help to reduce the withholding tax exposure, given Singapore's extensive treaty network. Under Approved Royalty Incentive (ARI), full or partial exemption of withholding tax on royalties is given to eligible companies, usually subject to the condition that the tax relief does not result in an increase in tax liability in the foreign country. The grant of ARI is given provided it helps in economic spin off for Singapore where the technology or know-how transferred must be more advanced than the prevailing industry average.

Australian BEPS actions

While preferring to act in coordination with the G20 and OECD, Australia has been an early mover in relation to the BEPS project, enacting new 'BEPS inspired' measures to combat perceived weaknesses in its tax system as a result of BEPS-related activities being undertaken by domestic and foreign multinational companies. In a climate that is being fuelled by a Senate Inquiry into Corporate Tax Avoidance that is publicly investigating the tax practices of Multinational Companies, including Global Pharmaceutical companies operating in Australia, there is much to be concerned. While further measures are expected on Transfer Pricing, Country by Country (CbC) Reporting and other BEPS related projects, some new rules have already come into effect in Australia.

Special Report: BEPS in Asia

(i) Multinational Anti Avoidance Law (MAAL)

As a part of the response to the Digital Economy element of the BEPS program, the Australian Government has recently enacted into law, new rules that seek to overcome tax planning that seeks to avoid the creation of a permanent establishment in Australia and thereby retain offshore (usually in low or nil tax jurisdictions) the profits from sales into the Australian market. While these rules are primarily aimed at technology and licensing companies who have a presence in Australia that are contractually separate from the sales transactions conducted with the offshore entity, and is limited to company groups with global revenues of over A\$1 billion, there is scope for these rules to apply to services provided or goods sold into Australia that are not sold through a local 'buy/sell' distributor subsidiary. These laws will take effect from 1 January 2016.

(ii) Tax transparency measures

Further BEPS-related measures in Australia include new 'Tax Transparency' measures whereby the Commissioner is required to publish an entity's name, Australian Business Number (ABN), total income, taxable income or net income (if any) and income tax payable for Australian subsidiaries with turnover of over A\$100m. The information to be published is sourced from taxpayers' tax returns, which is a break from the tradition of the ATO of maintaining full confidentiality of such tax information. The first release of information is expected in December. In conjunction with the ongoing Senate Inquiry, the publication of this information is likely to put more pressure on Multinational Pharma companies, especially those operating on small margins or generating small tax profits or even losses.

(iii) Anti-hybrid measures

On the financing front, the Board of Taxation has recently begun consultation on proposed anti-hybrid rules with the release of a Discussion Paper. The Board has been requested to undertake consultation on the implementation of new tax laws to neutralise hybrid mismatch arrangements, pursuant to the recommendations of the G20 and OECD under Action Item 2 of the BEPS Action Plan and to examine how best to implement anti-hybrid rules in the Australian legal context. The Board is due to deliver its report by March 2016 to allow this issue to be considered as part of the 2016 Australian Federal Budget response.

(iv) Other BEPS-Related Measures

As part of the BEPS project, the Australian companies are required, as from 1 January 2016, to provide Country by Country (CbC) reporting through master and local file

transfer pricing documentation requirements, for years of income commencing on or after 1 January 2016. The General Anti-Avoidance rules have also been amended to increase the penalties for anti-avoidance or transfer pricing related adjustments arising after 1 July 2015.

Japanese BEPS actions

As a result of the release of the final package from the OECD/G20's Base Erosion and Profit Shifting ("BEPS") project on October 5, 2015, Japan will make necessary amendments to its legislations and tax treaties in accordance with the guidance given in the final reports.

(i) Actions that have already been implemented

The 2015 Japanese Tax reform package amended Japan's domestic legislation with respect to the dividend exclusion rule. Specifically, from the perspective of preventing international double non-taxation, Action 2 of the BEPS Project recommends that countries that have a dividend exclusion rule should deny the dividend exemption for dividends that are deductible in the counterparty jurisdiction. Therefore, based on the OECD guidance, dividends included as deductible expenses are to be excluded from the scope of foreign dividend exclusion rule in Japan for fiscal years commencing on or after April 1, 2016.

(ii) Actions expected to be implemented in the FY2016 tax reform

The final BEPS paper on Action 13 recommends that taxpayers develop and submit three-tiered documentation in order to improve the transparency of transfer pricing documentation standard. It recommends preparation of a "master file" that summarizes the intercompany transactions with foreign affiliates, a "local file" that reports the transfer pricing analysis of the relevant transactions in compliance with each country's transfer pricing legislation, and a "Country-by-Country Report" that illustrates the distribution of a company's economic activity at a global level. The OECD guidance recommends that the Country-by-Country Report be developed and submitted for fiscal years commencing on or after January 1, 2016. It is expected that the Japanese tax law will be reformed in the next fiscal year, in which the development and submission of the country-by-country report will be required from the business years starting on or after April 2016.

Special Report: BEPS in Asia

(iii) Actions expected to be discussed including the needs for further tax reform

Further reforms to the Japanese tax system in response to the final BEPS papers are expected by PwC. The existing Controlled Foreign Corporations (“CFC”) rules will likely be examined in light of the OECD’s guidance since the Japanese CFC rules are outdated. For the transfer pricing (“TP”) rules, reform of the current TP rules as well as the enforcement of the rules is expected to be discussed in line with the OECD guidance. And, finally, for the earnings stripping rules, as the OECD guidance advises that the fixed standard ratio of the non-deductible portion of interest should be between 10 percent and 30 percent, and that the thin capitalization rule should be supplemental, Japan’s divergence from this may raise a need for further tax reform in order for it to be compliant with the current OECD guidance.

Chinese BEPS actions

Earlier this year the Chinese State Administration of Tax (SAT) released discussion draft of *Implementation Measures of Special Tax Adjustment (Discussion Draft) to revise and upgrade the existing Implementation Measures of Special Tax Adjustment (Trial)* (Guoshuifa [2009]No.2,Circular 2). This document, which referenced the OECDs BEPS Action Plans and China’s specific issues, included key changes that will see: the introduction of the three-tier TP documentation (TPD) requirement; detailed procedures of special tax adjustments and investigation; additional TP administration rules on equity transfers, intangibles, and intercompany services; and refined controlled foreign corporations (CFC) rules. See [here](#) for more information on these developments.

More recently, following the release on 5 October 2015 of the final BEPS Report on all 15 Action Plans, the SAT presented its stance on these measures and plans to ‘localise’ these actions for implementation in China on an as-needed basis. Speaking as to the principles of this localization, the SAT identified the following principles for implementation.

Principle 1. Combination of BEPS recommendations and addressing China’s specific circumstances

While some BEPS recommendations will be introduced into the China’s domestic tax laws and regulations, not all of them will be copied directly. Instead, China will adapt BEPS recommendations based on its own circumstances on an as-needed basis, and may also develop some tax rules to address China-specific issues.

Principle 2. Combination of protecting tax interest and boosting economic development

On one hand, China will improve tax laws and regulations to plug BEPS loopholes, especially by developing rules to prevent profits from being shifted to low or no tax jurisdictions. But on the other hand, China will also protect the interest of cross-border business activities that are full of substance, give enough certainty to MNCs and remove tax barriers in their cross-border businesses.

Principle 3. Combination of reinforcing tax administration and promoting tax compliance

China will enhance its international tax administration capacity and capability through strengthening exchange of information, improving its tax administration system, as well as further collaborating with international counterparts. But all in all, the main purpose of a strengthened tax administration is to encourage taxpayers’ compliance. China expects that the new international tax regime will not only allocate tax revenue among different countries in a fairer way, but also protect the interest of MNCs on cross-border businesses.

For more information on these principles, see this [link](#).

PwC Observations on BEPS in Asia

The global Base Erosion and Profit Shifting agenda being driven by the G20 and OECD is likely to impact all Pharma companies operating in the region. Asia is a vital component of many global pharmaceutical companies’ value chains with manufacturing, distribution, research & development and sales & marketing functions spread throughout the region. As such, changes in tax reporting (CbC, tax transparency) and tax rules (anti-avoidance measures, Transfer Pricing) on a local and international level is likely to impact how companies are structured and operate in Asia. Pharma companies should therefore be across the guidance in the final BEPS and be ready, as from January 1, 2016, as the Country-by-Country Reporting and other new BEPS inspired rules come into effect (if not earlier).

DISCUSS THIS WITH

Abhijit Ghosh
Partner, PwC Singapore
+65 6236 3888
abhijit.ghosh@sg.pwc.com

Chris Cuthbert
Partner, PwC Australia
+61 2 8266 7957
chris.cuthbert@au.pwc.com

Takeki Nagafuji
Partner, PwC Japan
+81 3 5251 2438
takeki.t.nagafuji@jp.pwc.com

Alan Yam
Partner, PwC China
+86 21 2323 2518
alan.yam@cn.pwc.com

Latest PwC Thought Leadership in Australia

Australia

Biennial Pharma Survey Report

The 2015 PwC pharmaceutical industry survey was conducted to provide the pharmaceutical industry, regulators and the government with up-to-date information about the industry, to help support sound business strategies and decision making. With assistance from the local industry body, Medicines Australia, PwC's Australian pharma team was able to develop a detailed survey.

Survey questions were based on themes from [previous surveys](#), as well as local trends. Follow-up interviews were also conducted with some of the respondents.

Highlights of the results

Overall, the findings suggest that the pharmaceutical industry's current business environment is more challenging than it was two years ago. For example:

- Regulatory processes have not improved and pricing pressure has increased;
- The majority of companies are using risk sharing agreements to gain access and/or not applying for reimbursement if they believe they will not achieve the minimum price;
- Lack of clarity is a burden for the industry—the naming and reimbursement position for Biosimilars is an example of this;
- There appears to be a trust issue between originators and the government, with some respondents citing inconsistent application of methods, lack of transparency and unreasonable pricing expectations in regulatory processes; and
- There is increased compliance and tax transparency pressure, i.e., companies are investing more in compliance and business ethics.

The survey and report were launched during a very turbulent year, which also saw the release of a new Medicines Australia code of conduct (including transparency standards), failed agreements between Medicines Australia and the government, senate inquiries into tax structures and additional reforms to reduce pharmaceutical prices.

PwC Observations

Despite the challenges, some companies are hoping for growth and investing in new strategies and business models, in order to meet future needs, and there is continued investment into collaboration, i.e., to support innovation.

Over the last five years, enthusiasm for digital solutions appears to have waned; however, it is still important to understand how digital solutions can form an integral part of growth strategy. With regards to cost management, headcount reductions, outsourcing and restructuring—these were found to still be areas of focus for the majority of pharmaceutical companies.



[Click](#) to download the PwC Report to learn more.

DISCUSS THIS WITH

John Cannings OAM

+61 2 8266 6410
john.cannings@au.pwc.com

Regulatory

Japan

Challenges to build a robust and global Pharmacovigilance (PV) operating model

As drug development and marketing become more globalised, pharmacovigilance (PV) operations and databases need to be integrated in order to realise 'one voice' for global drug safety information. Such a model ensures consistency in the management of drug safety information collection, evaluation and submission across the globe, which are generally performed to comply with the regulations of country- or regional-level authorities.

A shift from passive PV operations to more proactive and preventative PV management is inevitable, and such a change would allow for benefit-risk evaluations to be conducted on drug safety information, i.e., from clinical development through to post-marketing. In fact, when Japanese pharmaceutical companies expand their businesses throughout Asia the establishment of PV governance becomes one of their key management imperatives.

Indeed, due to increases in business requirements and safety information, the workload of staff in PV departments has become greater than ever.

PwC has supported its pharmaceutical clients in the PV space by providing industry expertise and benchmarking data, and applying a wide range of relevant experience to projects, which have included:

- Developing global visions.
- Designing new organisation structures and global governance models.
- Defining centralised business processes that comply with local regulatory requirements.
- Refining standard operating procedures and work instructions.
- Optimising external resource utilisation.
- Developing change management plans, including trainings for end users.
- Preparing inspections and audits.

PwC Observations

PV compliance has become an important business risk factor. In fact, the regulatory authority has already flagged omissions of expedited case reports, by some Japanese pharmaceutical companies. Therefore, a robust global PV operating model not only reduces the business risks of a pharmaceutical company, but also contributes to increasing drug values.

DISCUSS THIS WITH

Shunsuke Horii

+81 803317 6966
shunsuke.s.horii@jp.pwc.com



Pricing

Australia

Continuing pressures on price

On 23 June 2015 the National Health Amendment (Pharmaceutical Benefits) Bill 2015 was passed by the Australian Parliament. The Bill gave effect to the PBS Access and Sustainability Package (PASP), which is a set of reforms to the PBS and medicines supply chain. The PASP accompanied the signing of the Sixth Community Pharmacy Agreement (6-CPA) which set the funding arrangement for community pharmacies for the next five years. The PASP and the 6-CPA will continue to add to price pressure within the wider industry by:



- Lifting the number of times a year a PBS medicine price can change from three to five times per year.
- A one-off statutory price reduction of 5% to all brands on the F1 formulary once the medicine has been listed for a minimum of five years, commencing 1 April, 2016 and thereafter every April from 2017 to 2020 for other medicines on their 5th anniversary of PBS listing.
- Further accelerating price disclosure by removing originator brands from the price disclosure calculations following three years of being listed on the F2 formulary.
- Application of price disclosure reductions for single ingredient medicines (e.g., atorvastatin) to related combination items (e.g., amlodipine and atorvastatin).
- Freezing of the indexation on the Community Service Order (CSO) for the duration of the agreement period.
- Removing certain Over The Counter (OTC) medicines from the PBS.

PwC Observations

These measures are likely to significantly hit the revenue of originator pharmaceutical companies the most, and similarly generic manufacturers and upstream wholesalers will also be impacted. There is also no guarantee that there will not be further cuts to the PBS including patented drugs listed on the FI formulary. Companies therefore will need to make strategic decisions as to the products they launch into the Australian market and when, which will ultimately influence the health outcomes of Australians through access to new therapies.

DISCUSS THIS WITH

John Cannings OAM

+61 2 8266 6410
john.cannings@au.pwc.com

Pricing

India

Initiatives taken towards making treatment for critical illnesses more affordable in India

Affordability and accessibility to essential medicines, for the people of India, have been major challenges for the country. Through the Drug Price Control Order (DPCO) 2013, the National Pharmaceutical Pricing Authority (NPPA)—an Indian Government body—brought 652 medicine packs, based on 348 formulations of essential medicines, under price control. Additionally, they fixed the maximum retail prices of these medicines at the average of Mutual Recognition Procedure (MRP) of all other medicines (with at least 1% market share) available in their relevant therapeutic segment. More recently, the Indian Government has decided to cap the prices of 18 new drugs that treat diabetes and hypertension. The price fixes by the NPPA include drugs from leading Indian pharmaceutical companies.

In order to ensure that the supply of these medicines is not negatively impacted, regulators have asked companies that are planning to discontinue the manufacture or sale of any of these medicines, to first seek permission from the regulator, six months in advance. Furthermore, under the provisions of the DPCO 2013, if the company fails to comply with the retail price, as prescribed by the NPPA, then the manufacturer/marketing company in question is liable to repay the overcharged amount/s.

The Indian Health Ministry has also launched a programme called AMRIT (Affordable Medicines and Reliable Implants for Treatment), under which the government will run pharmacy retail stores to sell medicines in hospitals. Over 200 cancer drugs, 186 medicines to treat cardiovascular diseases and 148 stents and cardiac implants will now be available at central government hospitals at prices 50-60% lower than the open market.

Impact

Both the AMRIT programme and NPPA's price control of essential medicines is expected to provide Indian consumers with more treatment options, which are cheaper for critical diseases like cancer, diabetes and hypertension. This will make the treatment of critical diseases more affordable and, therefore, constitutes a major part of the total health expenditure, particularly in cases of tertiary care. Additionally, it is likely to keep a check on companies

attempting to launch price-controlled formulations, under new brand names, after only making minor changes to dosage compositions.

Growing online transaction of prescription drugs in India faced opposition from drug retailers

With the surge of ecommerce in India, many websites have started selling prescription medicines online. At present, there is no regulation governing the sale of drugs through online sites in India. However, the Government recently announced that it would take steps towards regulating online sales. In response to this, the All-India Organisation of Chemists and Druggists (AIOCD), which has approximately 800,000 member chemists across the country, is supporting the proposed move.

Impact

The AIOCD's view is that online sales of drugs will increase the risk of adverse drug reactions and also provide an opening for low-quality, unbranded and spurious products. Should such low quality products enter the market, they would likely lead to major economic setbacks, which will impact the AIOCD's 800,000 chemists and its 80 million member workers and their families.

DISCUSS THIS WITH

Sujay Shetty

+91 2 2666 91305
sujay.shetty@in.pwc.com

Taiwan

Taiwanese tech companies expanding into healthcare

From Asia to the Americas, new entrants are changing the status quo in the health industries. This is particularly so in Taiwan where the combination of a strong technological sector and one of the top healthcare systems in the world is generating new opportunities in the area of smart medical devices.

With the growth in the consumer health market blurring the traditional divide between consumer electronics and medical devices, a growing number of Taiwanese tech companies are looking to expand into the healthcare space, as reflected by a recent series of investments and alliances by several leading players.

For instance, Taiwan's Delta Electronics, a leading global manufacturer of power supply products, currently focuses on computers and other electronics but is looking to expand its strategic reach into the growing healthcare industry, by leveraging its state-of-the-art R&D and manufacturing capabilities.

In November, Delta made a US\$30m private equity investment in US ophthalmic device company Optovue. The funding will enable Optovue to expand its imaging platforms, and support the development and commercialisation of technologies to better diagnose and manage diseases that lead to blindness. A month earlier Delta invested US\$27.5m in Swissray Global Healthcare Holding, which has operations in Taiwan, Switzerland and the US. Swissray developed the world's first US FDA-approved low-dose diagnostics X-ray system and has achieved major accomplishments in digital X-ray system technology.

Other notable Taiwanese entrants to the healthcare market include Hon Hai Precision Industry (also known as Foxconn Technology Group), the world's largest contract electronics maker by revenue, which established a healthcare business group in 2009 as it searches for new growth engines.

Last year, Hon Hai teamed up with San Diego-based medical device start-up Sotera Wireless, which makes wearable devices that can monitor a patient's vital signs, as well as with Palo Alto-based smartphone-enabled hearing device company Soundhawk, which markets itself as an 'ear wearable' ear.

Following suit, Compal Electronics, the world's second-largest contract laptop, announced in October that it plans to set up a dedicated business unit to expand into the healthcare market. Since the beginning of this year, Compal has formed strategic alliances with more than 30 Taiwanese medical device companies.

PwC Observations

More Taiwanese technology companies will enter the healthcare space in the coming years, primarily in the medical device and healthcare IoT (Internet of Things) areas, such as wearable devices and mobile healthcare equipment. Besides the private equity investment channel, these new entrants will also likely resort to strategic alliances, mergers and acquisitions to deepen their roots in the healthcare market.

DISCUSS THIS WITH

Lily Wong

+886 2 27296703
lily.wong@tw.pwc.com



Taiwan

China and Taiwan formally signed the “Cross-Strait Tax Agreement Revised tax guidance on Advance Pricing Agreements (APAs)”

The Cross-Strait Agreement for Avoidance of Double Taxation with respect to Taxes on Income (“Cross-Strait Tax Agreement”) was signed on August 25, 2015, which is yet another milestone demonstrating closer ties between China and Taiwan. Tax implications on Taiwanese enterprises and employees before and after the Cross-Strait Tax Agreement came into force and are summarized below.

PwC Observations

Once the Cross-Strait Tax Agreement becomes effective, Taiwanese enterprise may have opportunities to initiate

negotiation and signing of a Bilateral Advance Pricing Agreement (“BAPA”) with the tax authorities of China and Taiwan to significantly reduce uncertainties arising from future transfer pricing audits. On the other hand, Taiwanese enterprises that have not signed any BAPA, but have already been selected by the China tax authorities for transfer pricing audits, and are currently subject to special tax adjustments, may also request for “Mutual Agreement Procedures (MAP)” in the future to claim corresponding adjustments in Taiwan, which can also successfully alleviate the burden of double taxation.

DISCUSS THIS WITH

Elliot Liao

+886 2 2729 6217
elliot.liao@tw.pwc.com

Tax implication of Taiwanese companies and employees		Before	After	Key tax impact
Income derived in China	Business profit	Subject to corporate income tax assessment	Exempt from corporate income tax assessment, if certain conditions are met	Assist in flexible usage of Taiwanese enterprises’ fund and increase shareholders’ imputation tax credit
	Dividends, interest and royalties	Subject to withholding tax (10%)	Reduced withholding tax rates (5%, 7%, 7%)*	
	Capital gain from securities transaction	Subject to corporate income tax assessment	Exempt from corporate income tax assessment, unless certain conditions are met**	
	Income derived from personal services	Subject to individual income tax	Exempt from individual income tax assessment, if certain conditions are met	Taiwanese employees sent to China for short-term business trips (i.e. less than 183 days within any 12 months period), with costs borne by Taiwan entity, may be exempted from China individual income tax assessment
Problems encountered in China	Double taxation from transfer pricing adjustments	Unable to resolve problem	Able to resolve problem systematically	Assist in minimizing the impact of double taxation on Taiwanese enterprises
	Inconsistent tax opinion between local, regional and national tax authorities	Unable to resolve problem	Resolve problem through mutual discussion across the Taiwan Strait	

* Reduced withholding tax rate on dividends applies only to shareholders who own 25% or more of the shares of the investee company. When applying reduced withholding tax rates on interest and royalties involving transactions with related parties, the reasonableness of the transfer price shall be taken into consideration.

** For sale of shares, where over 50% of the value of the shares is directly or indirectly reflected by the value of real property located in the other territory, capital gain from sale of the shares may be taxed in that other territory.

Healthcare

India

Decoding the patient experience

Patients are increasingly making health-related decisions, based on their perception of ‘quality’. Indeed, it has become increasingly evident that putting patients first not only requires world-class clinical care and infrastructure, but also an “overall ecosystem” that is wired to deeply understand the perceptions, expectations and varied experiences of patients and their families.

Given that we typically identify and witness positive correlations between patient levels of satisfaction and patient loyalty, as well as sales and profits, the quality of patient experiences, as well as high levels of their satisfaction, are likely to hold greater significance for hospitals and healthcare providers, in both the short and long terms.

More and more health systems, worldwide, are investing significant time and money into understanding patients; their journeys, their ‘wow’ moments during hospital stays, their complaints and what may have displeased them, and most importantly, the likelihood that patients would strongly recommend the hospital to others. An interesting study demonstrated that “a patient who has had an unpleasant experience with a business will talk about that with approximately nine to ten other people”. Furthermore, 13% of this extended group will go on to tell more than 20 people*. Another intriguing insight, published in the American Journal of Medicine, pointed to a critical observation that demonstrated that physicians with patient satisfaction ratings at the lowest 20% are nearly four times more likely to experience patient turnover, in comparison with physicians at the top 20%**.

Therefore, transforming the practices and operations of healthcare organisations, i.e., linking customer experience to business outcomes and assisting hospitals to identifying critical touch points that drive heightened levels of patient satisfaction—and eventually helping them implement a patient experience program monitoring office—is the key to success.

PwC Observations

PwC has developed an approach to deepen understandings about patients and map their overall experience across all hospital touch points. This approach helps with understanding patients’ overall experiences through their entire journey, as well as the specific facets that may contribute to high levels of patient satisfaction or relatively poor experiences. In daily practice, applying the results of such knowledge—and using them as a primary tools to build scope and solutions—enhances the positive experiences of patients (Figure 1).

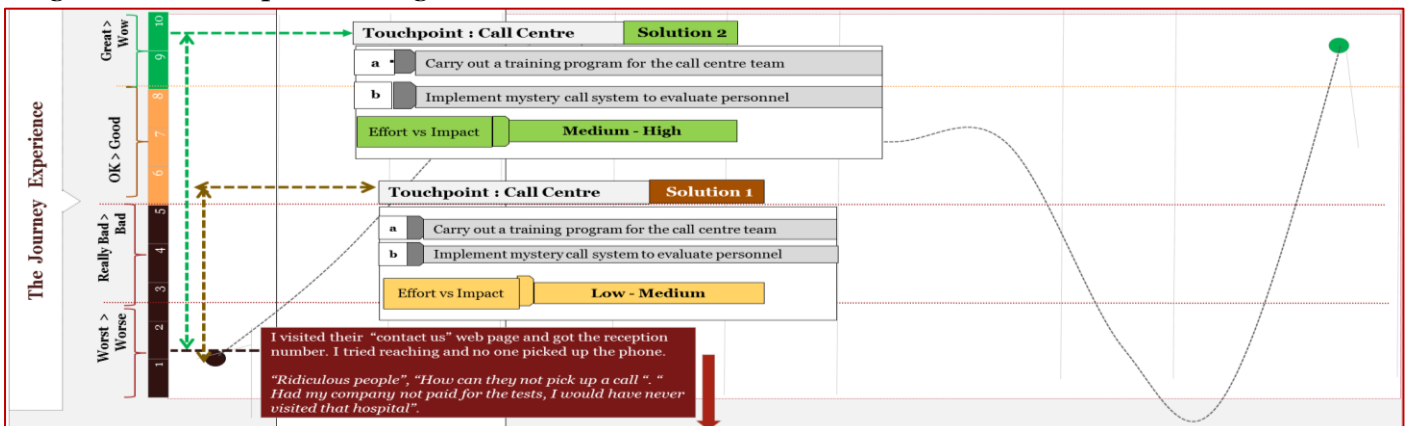
*(Source: "Managing Consumer Complaints - Responsive Business Approaches To Consumer Needs." Office of Consumer Affairs, U.S. Department of Commerce.)

***(Source: Rubin, H.R. et al. "Patients' ratings of outpatient visits in different practice settings: Results from the Medical Outcomes Study." JAMA. 1993. 270(7), 835-840.)

DISCUSS THIS WITH

Dr. Rana Mehta/ Dr. Vijay Raaghavan
 +91 99105 11577/ +91 9008020304
 rana.mehta@in.pwc.com/
 vijay.raaghavan@in.pwc.com

Figure 1. Patient experience diagram



Updates

PwC Asia-Pacific: People update in Australia

Australian Consulting Health Lead



Sarah Butler
Partner
Australian Consulting Health Lead
sarah.butler@strategyand.pwc.com

- Sarah is an experienced leader with more than 25 years of in strategic consulting. For the past 5 years Sarah has been the Strategy& Leader of Greater China Health practice
- She has deep experience in strategy and JVs/partnerships and helping Multinational Companies in China, Asia, Australia and Europe

She is a recognized thought leader, authoring a range of publications including *China Healthcare 2020; China Health Insurance – at a Tipping Point* and *Reforming Australia's Health Sector: The Next Wave*.

- Sarah has also been a Board Director for two years on the Booz & Company global board and Chair of the Audit Committee in the lead up to the combination with PwC. She is on the Strategy& Legacy Committee and Shareholder Representative Committee, and chairs the Asia-Pacific, ME & South America partner appraisal committee.

Areas of Expertise

Health insurance / health provision / hospitals / pharmaceuticals / medical devices / government policy / go-to-market / Capability-driven Strategy / organization / partnership

Quality improvement advisor



Gareth Craddock
Director
+61 2 8266 0326
gareth.craddock@au.pwc.com

- Gareth is a highly experienced turnaround and quality improvement advisor to public and private healthcare providers to the UK Department of Health.
- He has successfully managed multi-disciplinary teams at times of crisis and uncertainty whilst operating at all levels within organisations including extensive interaction at Board level. He is also a qualified Chartered Accountant and Insolvency Practitioner with significant experience of formal insolvency processes and successful restructuring of underperforming businesses in a wide range of sectors.

Key Example Projects includes:

•**NHS Foundation Trust** – Gareth was a turnaround director for the women's and children's healthcare division at a £1bn+ multi-site teaching hospital. Provided support and coaching to the divisional management team and oversaw the development of a turnaround plan to address the 10% in year shortfall in funding.

•**NHS England** – He led a review for NHS England of the financial position, governance arrangements, and recovery capacity and capability at a Clinical Commissioning Group where there had been a significant decline in the financial position. Our review identified the reasons for the breakdown in the financial position, gave a view on the likely financial out-turn and made recommendations for improvements to be made to the governance arrangements.

PwC Publications

Asia-Pac regional perspectives:



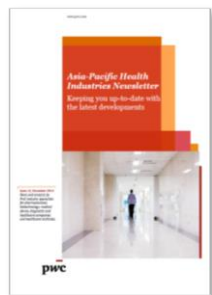
From vision to decision Pharma 2020 (2012)

Many of the conditions that will determine what happens in 2020 are already in place: most of the products that will be launched are already in the pipeline; processes being used to develop them are similar to those of the past 10 years; the prevailing management culture remains that of the late 20th century, and a demanding commercial environment will likely continue. We focus on how companies can reach 2020 in a position from which to benefit from more favourable conditions thereafter.



Challenges and Change A Report on the Australian Pharmaceutical Industry (2015)

This is PwC's fourth survey of the Australian pharmaceutical industry, and the second in conjunction with Medicines Australia. In recent years, the Australian pharma industry has been characterised by a more competitive market; significant advancements in technology; constrained budgets; major reform; and increasing scrutiny from payers, regulators and the community. The report explores the industry's key challenges, trends and opportunities.



Asia-Pac Health Industries Newsletter (2014) - December issue

In this edition we highlight a number of recent developments that are of direct interest to Pharmaceutical companies and healthcare organisations including: developing a China strategy in the med-tech industry; drivers to achieve Universal Healthcare in India; Transparency measurement in Australia and China; M&A on the rise in Taiwan; and Tax updates in Australia and Singapore.



Asia-Pac Health Industries Newsletter (2015) - April issue

In April issue we included articles ranging across activities in Taiwan's health sector, looking at a specific health economics project in Australia, e-commerce and healthcare system challenges in China, talent management in Japan and Singapore as well as regular topics around tax and pricing within the Asia-Pacific region.



Asia-Pac Health Industries Newsletter (2015) - August issue

In this issue, we cover healthcare market trends and challenges in South East Asia as well as Japan, M&A trends in the growing Philippines market, regulatory developments in India and reform of long term care in Taiwan in addition to our usual topics around Compliance, Regulatory and Tax.



Taiwan Health Industries Outlook (2015)

An introductory overview of Taiwan's healthcare, biotech, pharma and medical device sectors. This report examines the future prospects, opportunities and challenges for market participants. It's primarily targeted at international companies and investors interested in Taiwan's health industries market.

Other publications:



These and other publications can be found on PwC's Pharmaceuticals & Life Sciences and Healthcare websites at www.pwc.com

About PwC

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 208,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

As a global leader serving Pharmaceutical and Life Sciences companies, PwC has extensive experience working with organisations across the industry, including: proprietary and generic drug manufacturers, specialty drug makers, medical device and diagnostics suppliers, biotechnology companies, wholesalers, pharmacy benefit managers, contract research organisations, and industry associations. We have aligned our practice with the broader health industries market to ensure that our people are well versed in the relationships between suppliers, providers, payers, and customers.

Visit us at www.pwc.com/pharma and www.pwc.com/healthcare

Asia-Pac Health Industries main country contacts

Australia

John Cannings
+61 2 8266 6410
john.cannings@au.pwc.com

China

Mark Gilbraith
+86 21 2323 2898
mark.gilbraith@cn.pwc.com

India

Sujay Shetty
+91 22 6669 1305
sujay.shetty@in.pwc.com

Indonesia

Ay Tjhing Phan
+62 21 5289 0658
ay.tjhing.phan@id.pwc.com

Japan

Naoya Takuma
+81 80 49597701
naoya.takuma@jp.pwc.com

Korea

Hyung-Do Choi
+82 2 709 0253
hdchoi@samil.com

Malaysia

Mei Lin Fung
+60 3 2173 1505
mei.lin.fung@my.pwc.com

New Zealand

Eleanor Ward
+64 4 462 7242
eleanor.x.ward@nz.pwc.com

Philippines

Cherrylin Javier
+63 2 845 2728
che.javier@ph.pwc.com

Singapore

Abhijit Ghosh
+65 6236 3888
abhijit.ghosh@sg.pwc.com

South East Asia

David McKeering
+65 6236 4828
david.mckeering@sg.pwc.com

Taiwan

Lily Wong
+886 2 2729 6703
lily.wong@tw.pwc.com

Thailand

Charles Ostick
+66 23 441 167
charles.ostick@th.pwc.com

Vietnam

Richard Irwin
+84 8 38240117
r.j.irwin@vn.pwc.com

To subscribe or unsubscribe, please get in touch with your local territory contact.

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PwC does not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2015 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.