

# Asia Financial Services Tax Quarterly Developments Report

October to December 2006



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# Introduction

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For a number of years the PricewaterhouseCoopers Financial Services tax network in Asia has been sharing within the network a quarterly report on tax developments. We have now decided to share this knowledge with clients.

This PwC Asia Financial Services Tax Quarterly Developments Report covers the period ended 31 December 2006. It very briefly lists tax developments in the Asia region that are relevant to financial services operations.

The report is sorted by Asian territory. Please contact your local PwC tax adviser if you wish to obtain further information on any development listed in this report.

We hope you find the report useful. I would be delighted to receive comments on the report.

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# Australia

**Sector:** Property      **Date:** November 2006      **Contact:** George Stamoulos - Sydney

## **TR 2006/13- Taxation Consequences of Sale and Leaseback Arrangements for Depreciating Assets Subject to Div 40**

The Australian Tax Office finalised the *Taxation Ruling 2006/13* which governs the sale and leaseback arrangements involving depreciating assets. Taxpayers involved in real property financing arrangements should consider the tax consequences of these arrangements in light of the tax ruling.

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**Sector:** Property      **Date:** November 2006      **Contact:** George Stamoulos - Sydney

## **Tasmanian Taxation Legislation Amendments**

The Taxation Legislation (Miscellaneous Amendments) Bill 2006 (Tas) has been introduced into the Tasmanian Parliament.

The Bill includes amendments to:

- the *Duties Act 2001* (Tas) to include provisions relating to transactions involving put and call options, to make changes relating to the transfer of partnership interest in land-related assets.

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**Sector:** Property      **Date:** December 2006      **Contact:** George Stamoulos - Sydney

## **TR 2006/15: Effective Life of Depreciating Assets**

*Application Date:* On and From 1 January 2007.

*TR 2006/15* sets out the Commissioner's views in the making of determinations on the effective life of depreciating assets under s40-100, which are reproduced in Tables A and B of the schedule to the Ruling. An entity which acquired a plant/depreciating asset before 11.45 am 21 September 1999 may use the effective life for the plant set out in *IT 2685*.

This Ruling replaces *TR 2006/5*, which is withdrawn on and from 1 January 2006 as a result of the Commissioner's determination of the effective life of depreciating assets being amended with effect from 1 January 2006. However, where taxpayers were using an effective life from determination which is in force before the latest amendments (eg as contained in the schedule to *TR 2006/5*), they can continue to use that effective life.



**Sector:** Banking and Capital Markets

**Date:** December 2006

**Contact:** Jason Heng - Sydney

### Capital protected borrowings

*Tax Laws Amendment (2006 Measures No. 7) Bill 2006* proposes amendments to the *Income Tax Assessment Act 1997* to ensure that where part of the expense of a capital protected borrowing is attributed to the cost of the capital protection feature, it is not interest and not deductible where this cost is capital in nature. The proposed measure will treat capital protection under the capital protected borrowing that is not provided under an explicit put option as though it is a put option that is acquired by the borrower.

The measure will also treat the amount incurred in respect of such capital protection as though it is a put option premium paid by the borrower under the capital protected borrowing to the provider of the protection under the borrowing. The measure will also apply to capital protected borrowings with explicit put options.

The Bill provides a transitional and a long-term methodology to determine the amount that is reasonably attributable to the cost of capital protection.

Date of effect: The long-term methodology proposed by the Bill applies to arrangements entered into from 1 July 2007.

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**Sector:** Insurance

**Date:** October 2006

**Contact:** Mono Ray - Sydney

### GST Act

The ATO issued GSTR 2006/10 on 25 October 2006. This GST ruling sets out the ATO's view on the interaction between Division 11 and Division 78 of the *GST Act* where a payment of money or a supply is made by an insurer in the course of settling a claim under an insurance policy.



# China

**Sector:** All

**Date:** Not applicable

**Contact:** Matthew Mui - Beijing

The Standing Committee of the National People's Congress (NPC) approved the draft corporate income tax law (CIT Law) in December 2006, and plans to put it forward for voting at the upcoming NPC meeting in early March 2007. If passed, the CIT Law may take effect from 1 January 2008. The new CIT law is a significant step forward in Chinese taxation history, unifying the income tax laws for foreign invested enterprises and domestic enterprises. It will have a wide impact for almost all enterprises in China, including those in financial services sectors.

Based on the information available in public domain and speeches made by the governmental authorities in the 4th quarter of 2006, summarised below is the direction of certain possible changes as far as foreign investments are concerned:

- A new concept of "tax resident enterprise" may be introduced. It may impact foreign enterprises whose effective management is based in China being deemed as "tax resident enterprises" with the consequence of exposing their worldwide income to China.
- The standard CIT rate could be unified at 25%. However, this could be an increase in tax bill for most foreign invested enterprises (FIE) which have been subject to effective tax rates lower than this level under the old regime.
- A unified set of expense deduction rules would be adopted for all enterprises with prescribed limits on certain types of expenses.
- General tax holidays on manufacturing enterprises and export oriented enterprises are expected to be abolished with a 5-year grandfathering period granted to enterprises approved before the publication of the new CIT Law.
- Going forward, all tax incentives will be geared primarily towards encouraged industries and activities, and be granted in different forms, for example tax holidays, reduced tax rate, tax credit, super deductions.
- More anti-avoidance provisions are to be implemented, including power to void transactions without business substance, more stringent requirements on transfer pricing disclosure, thin-capitalisation rules, "Controlled Foreign Company" rules, surcharges on tax adjustments.
- Cost sharing may be allowed for preferred activities.



**Sector:** All

**Date:** November 2006 **Contact:** May Huang - Beijing

The State Administration of Taxation issued the *Trial Measures for Individual Income Tax (IIT) Self Reporting* (Trial Measures). The Trial Measures earmark a big step forward in IIT administration and collection. China has been adopting the mechanism of withholding IIT by payers of income at source, with a few exceptions. The objective of the Trial Measures is to provide cross check from the individual income recipients (who are the taxpayers) and to strengthen the tax administration on individuals who receive taxable income but have no IIT withholding agents.

The Trial Measures lay down specific requirements and procedures for the prescribed groups of IIT payers to perform IIT self reporting.

Among others, the major group of individuals being required to undergo self-reporting are those who derive annual income of more than RMB120,000 (approximately equivalent to USD15,500). There are 11 income categories subject to IIT, including wages and salaries, personal service and business income, transfer or use of tangible and intangible assets. The Trial Measures exempt some individuals and income categories from the self-reporting requirement.

With regard to the reporting deadlines, individuals deriving annual income of more than RMB120,000 should undergo the annual IIT reporting no later than 31 March of the subsequent year. Since this requirement is effective from 1 January 2006, the first IIT self reporting should be completed by 31 March 2007. There are also other reporting deadlines for other individual taxpayers.



# Hong Kong

**Sector:** All

**Date:** December 2006

**Contact:** Peter Yu  
Florence Yip - Hong Kong

## Goods and Services Tax

As set out in the September 2006 Quarterly Developments Report, the Government of Hong Kong Special Administrative Region (SAR) has issued a Consultation Document on the proposed Good and Services Tax (GST) on 18 July 2006. The consultation period is scheduled to end on 31 March 2007.

On 5 December 2006, an Interim Report on the public consultation was issued, accepting that at this point in time there was insufficient public support, nor were the conditions right for the introduction of GST. Hence for the remaining part of the consultation period, the Government would not be advocating GST.

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**Sector:** All

**Date:** December 2006

**Contact:** Peter Yu  
Florence Yip - Hong Kong

## New Mainland China and Hong Kong Tax Arrangement

The Inland Revenue Department issued a Departmental Interpretation and Practice Notes No. 44 on 29 December 2006 to provide some guidance on the interpretation and implementation of the comprehensive double tax agreement (DTA) signed between the Mainland China and Hong Kong. The DTA which was signed on 21 August 2006 and entered into force on 8 December 2006 would replace the old DTA signed in 1998. The new DTA will take effect on 1 January 2007 in the Mainland and 1 April 2007 in Hong Kong.

As outlined in the September 2006 Quarterly Developments Report, the new DTA is broader in scope as it covers the taxation of passive income.

### *Scope of the New DTA*

The old DTA mainly covered business profits of permanent establishments, income from shipping, land and air transportation and income from personal services. The new DTA expands on the scope of the old DTA by covering other passive income such as income from immovable property, dividends, interest, royalties and capital gains.

### *Permanent Establishment*

The definition of "permanent establishment" in the new DTA is more consistent with that in the United Nation Model Treaty Convention.

### *Transfer Pricing*

The new DTA has an associated enterprises article which allows the Mainland or Hong Kong tax authorities to make transfer pricing adjustments for transactions between associated enterprises.

The provision of the new DTA will continue to provide some protection for Hong Kong investors investing in the Mainland. It is expected that with the implementation of proposed tax reform measures to unify the Mainland's domestic and foreign taxation regimes, such protection would otherwise be lost.

### *Withholding Tax*

The withholding tax rates on dividends, interest and royalties offered by the new DTA are amongst the lowest rates available in double tax treaties signed by the Mainland.

### *Capital Gains*

The new DTA contains a capital gains article. Under this article, capital gains derived by a Hong Kong resident from the disposal of properties situated in the Mainland, with some exceptions, are not taxable in the Mainland. These exceptions include immovable property situated on the Mainland and others. Exemption is available on capital gains derived from the disposal by Hong Kong investors of less than 25% interest in a Mainland company whose assets are not comprised mainly of immovable property situated in the Mainland.

### *Income from Employment*

Under the new DTA, there is a change from a calendar year to any 12-month period in the counting of the number of days of presence in the Mainland for Hong Kong employees frequently visiting the Mainland.

As a result, it may be harder for some Hong Kong individuals travelling to the Mainland to work to claim treaty protection.

### *Elimination of Double Taxation*

Due to the inclusion of passive income in the new DTA, foreign tax credit relief could now be claimed on both active and passive income.

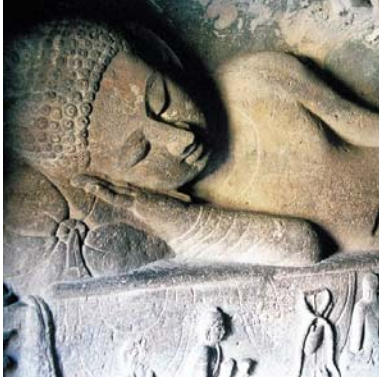
### *Exchange of Information*

The new DTA contains an “exchange of information” article that is based on the 1995 version of the OECD model convention. The 1995 version is more restrictive in the scope of information to be exchanged than that contained in the 2004 version. Under this article, only the information necessary for carrying out the provisions of the new DTA can be exchanged.

### *Planning Opportunities*

The new DTA will further enhance Hong Kong’s position as a gateway for investing in the Mainland. Tax planning ideas that can be explored include:

- using a Hong Kong company to provide short-term cross border consultancy services in the Mainland
- using a Hong Kong company as an intermediate holding company for investments in the Mainland
- using a Hong Kong company as a vehicle for financing investments in the Mainland
- using a Hong Kong company as a vehicle for licensing intellectual properties to companies in the Mainland.



# India

**Sector:** Investment Management    **Date:** October 2006    **Contact:** Jairaj Purandare  
Radhakishan Rawal - Mumbai

## India-Mauritius tax treaty

In capital gains earned by tax residents of Mauritius from India are not subject to tax in India. Substantial amount of investments in India has been routed through Mauritius.

For the last few months, there have been media reports indicating that the Indian and Mauritian authorities have been discussing the provisions of the DTAA and the same may be modified. Subsequently the Mauritius authorities have made certain amendments in the Mauritius law in an apparent offer towards making the substance tests more stringent.

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**Sector:** Investment Management    **Date:** December 2006    **Contact:** Jairaj Purandare  
Radhakishan Rawal - Mumbai

## Fidelity Advance Ruling

A large majority of Foreign Institutional Investors(FIIs) have been classifying the income from disposal of securities as 'capital gains' and offering the same to tax under the special provisions of the law dealing with tax implications of FII income. A few FII's had adopted the position that the said income was in the nature of 'business income', and, in the absence of a permanent establishment in India, had argued that the same was not taxable in India as per the provisions of the relevant tax treaty. This has been accepted by the Authority for Advance Ruling (AAR) in a few rulings in the past.

However, the AAR has recently pronounced a tax ruling holding, inter alia, that the profits arising to the applicant FII's from the sale of portfolio investments in India ['the said income'] could not be treated as 'business income' of the Applicants, and was instead taxable as 'capital gains'. The views of the AAR in this case were as follows:

- The AAR analysed various provisions of the FII regulations, including those laid out by SEBI, the Reserve Bank of India and the tax law, and concluded that circumstances and the framework of the plethora of legislative provisions unmistakably point out that an FII is not registered for carrying on trade in securities.
- It noted that foreign exchange regulations specifically permitted FII's to 'trade' in all exchange traded derivative contracts and interpreted this to mean that trading in other securities was prohibited.
- It did not agree with the Applicant's argument that the wordings of certain specific portions of the regulatory and tax law could be interpreted as permitting business activities as well.

**Sector:** Capital Markets      **Date:** December 2006      **Contact:** Jairaj Purandare  
Radhakishan Rawal - Mumbai

#### **Techno Shares & Stocks Ltd vs ITO (Mum)(101 TTJ 349)**

As per the tax laws, depreciation is also available on intangible assets such as know-how, patents, copyrights, trade marks, licences, franchise or other business or commercial rights.

The Mumbai Tribunal in this case held that by acquiring a stock exchange membership card, the tax payer has acquired a right to trade on the floor of the stock exchange and hence it is an 'intangible asset' and the tax payer would be eligible for tax depreciation.

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**Sector:** Banking      **Date:** December 2006      **Contact:** Jairaj Purandare  
Radhakishan Rawal - Mumbai

#### **Dresdner Bank AG v. Addl. CIT (105 TTJ 149) (Mum ITAT)**

If the tax payable by a company on its total income computed in accordance with the normal provisions of the law is lower than a specified percentage of the 'book profits' the company is liable to pay Minimum Alternate Tax (MAT). For this purpose the 'book profits' mean the profits prepared in accordance with the provisions of the Indian corporate law. Banks in India are not required to prepare accounts in accordance with the corporate law as the banking law requires a different format. Further, whether the MAT provisions could also be applied to foreign companies is a debatable issue for reasons such as the foreign companies do not adopt such accounts in an annual general meeting in India.

The Mumbai Tribunal has in this case held that the Indian branch of Dresdner Bank ( a German tax resident) was liable to pay MAT based on the book profits. The Bank had not claimed benefit of the India-Germany tax treaty.

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**Sector:** Banking      **Date:** December 2006      **Contact:** Jairaj Purandare  
Radhakishan Rawal - Mumbai

#### **Dresdner Bank AG v. Addl. CIT (105 TTJ 149) (Mum ITAT)**

In the above judgment, the Mumbai Tribunal has held that interest receivable by an Indian branch of a foreign bank from head office / overseas branches is income liable to tax in India.

Dresdner Bank, a German tax resident, operated in India in the form of a branch. The Indian branch earned interest income from head office. In the tax return Dresdner had claimed that interest receivable from Head Office (HO) / overseas branches not subject to tax in India as Dresdner cannot be regarded as trading with itself.

However, the tax officer did not agree with the banks contention and taxed the interest earned by the Indian branch from the HO / overseas branches. The first level appellate authority also agreed with the stand taken by the tax officer.

In the second appeal, the Tribunal upheld the order passed by the tax officer. In the earlier rulings the courts had accepted the claim that a branch and its head officer are part of one single legal entity and cannot have tax implications as a person cannot trade with himself. In the case of Dresdner bank the Tribunal distinguished the earlier decisions.

Last year the Special Bench of Kolkata Tribunal had held that the interest paid by the Indian branch to the head office was not an allowable expenditure. However, Dresdner Bank preferred not to litigate further as it had wound up its operations in India.



# Indonesia

**Sector:** Banking

**Date:** October 2006

**Contact:** Saiful H. Manan  
Margie Margaret  
Tomy Harsono  
- Jakarta

In October 2006, Bank Indonesia issued regulations stipulating bank consolidation to strengthen the banks structure and capital such as:

- Regulation Number 8/17/PBI/2006 regarding incentives in the framework of bank consolidation. The incentives available for banks implementing merger or consolidation, based on this regulation are:
  - a. ease in the extension of license to become a foreign exchange bank
  - b. temporary relaxation from obligation to meet the Rupiah Minimum Reserve Requirement
  - c. extension of time period allowed to settle excess of the Legal Lending Limit arising from the Merger or Consolidation
  - d. ease in the extension of license to open a Bank branch office; and/or
  - e. partial reimbursement of consultant's fees for due diligence work performed.
- Regulation Number 8/16/2006 regarding single presence policy in Indonesian Banks. This regulation provides alternatives of method to adjust the bank shares ownership by the controlling shareholders.

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**Sector:** Banking

**Date:** October,  
November and  
December 2006

**Contact:** Saiful H. Manan  
Margie Margaret  
Tomy Harsono  
- Jakarta

During the fourth quarter of 2006, Bank Indonesia issued various regulations on Rural Banks (Bank Perkreditan Rakyat/BPR). Those are, among others, as follows:

- Regulation No. 8/18/PBI/2006 regarding minimum capital adequacy requirement for Rural Banks. This regulation is to build and enhance capacity for providing services to the public and especially micro and small enterprises so that it is necessary to strengthen the capital of Rural Banks, among others, through compliance with capital adequacy commensurate with business risk.
- Regulation No. 8/19/PBI/2006 regarding earning assets quality and allowance for earning assets losses for Rural Banks. This regulation is to regulate procedures for rating earning assets quality of Rural Banks and establishment of allowance for earning assets losses based on prudential principles and in anticipating business development of Rural banks as an institution dealing with collection and extension of community funds.





# Japan

**Sector:** Bank and Capital Markets  
Investment Management  
Insurance  
Real Estate

**Date:** December 2006

**Contact:** Sachihiko Fujimoto  
Katsuyo Oishi  
Yuka Matsuda  
Tetsuo Imura  
Akemi Kitou - Tokyo

## Proposed 2007 Japanese Tax Reforms Impact on the Financial Services Industry

On December 14, 2006, the Liberal Democratic Party released the proposed 2007 Tax Reform package. This was followed by the 2007 National and Local Tax Reform proposals released by the Ministry of Finance on December 19, 2006 and the Ministry of Internal Affairs and Communications also on December 19, 2006 (together, the “2007 Tax Reforms”).

### *Kumiai*

1. Withholding tax on TK profit distributions based on the number of TK investors who conclude a TK contract with a TK operator is removed, therefore all distributions of profits to the TK investors, including a resident or a resident corporation, based on the TK contract will be subject to payment record or withholding tax.
2. With regard to profits or losses which belong to the Partners of an Investment Limited Partnership, the system of submitting account statement will be introduced, as well as the existing “Accounting Statement of Partners Income for Limited Liability Partnership” under the new proposed reform.
3. The above (1) and (2) will be applicable to profit distributions based on a TK contract and a submission of Accounting Statement on or after January 1, 2008.

### *International Taxation*

Special rules on income taxation with regard to a Special Foreign Subsidiary of a domestic company (referred to as the Anti-tax Haven Rules)

1. With regard to the test to determine whether a foreign related company or resident company falls under the Anti-tax Haven Rules, in the case where the shares with a varied voting right (limited to voting right for dividend of residual income) or the shares with a varied claim right are issued, the test will be determined by the ratios, being whichever is higher among (a) ratio by number of shares, (b) ratio by number of voting rights, or (c) ratio by profit distribution in the form of dividend based on claim rights.

Although there are cases where Anti-tax Haven Rules do not apply, for example where a foreign company holds common shares with voting rights; as a new standard of determination has been added with regard to the ratio in the consideration of profit distribution in the form of dividend based on claim rights, caution is required as more cases will fall under this new rule.

2. Inapplicability of Anti-tax Haven Rule will not be permitted unless necessary relevant documents are retained.

### *Depreciation of Fixed Assets*

1. With regard to fixed assets acquired on or after April 1, 2007, they will be fully depreciated based on their useful life until their remainder value is the equivalent of JPY 1, due to the removal of the residual value rule.
2. With regard to fixed assets acquired on or before March 31, 2007, further depreciation on the residual value is available using a straight line method for an additional account period of five years, after the current available limit for depreciation (being 95% of the acquisition cost) is depreciated.
3. Shortening the useful life of specific equipment is also planned. However, the current valuation or evaluation is maintained with regard to depreciation assets under the Fixed Assets Tax.

### *Tax System Reform along with Trust Law Reform*

1. Improvement in the Japanese tax system relating to trusts is planned with the introduction of a new system for classification of trusts (namely in respect of the following types of trust (i) Trust issuing Beneficiary Securities, (ii) No Beneficiary Trust, and (iii) Trust allowing continual change of Beneficiary along with the reform of the Trust Law.
2. It was proposed that a rationalization measure be implemented with regard to tax avoidance which arises by using a trust structure. Corporation tax will be imposed on a trustee with regard to a trust entrusted by a company as settlor in the following cases (i) where there is a trust in which more than half of the beneficial certificates for certain business trust will be transferred to its shareholders (ii) long term trust created by a declaration; and (iii) trust created by a declaration where the distribution ratio of profits or losses is changeable.
3. Implementation of rules on trust beneficiaries with regard to utilization of trust losses.
4. In the case of a merger or division of a Proviso Trust, being one of the forms of investment trust, whereby no title to property other than a beneficial certificate of the new trust can be transferred, realization of the profit or loss on the beneficial certificate of the original trust could be carried forward to a later date.
5. With regard to a trust where the trustee is taxed, a trust entrusted at a domestic office will be taxed as a domestic company and a trust entrusted at a foreign office will be taxed as a foreign company.
6. Clarification of the definitions with regard to a range of (i) joint operation trust; (ii) a beneficiary treated as having an interest in a trust asset; and (iii) a settlor or other party are planned.

### *Improvement to the Tax System on Lease Transactions*

“Financial Lease Transactions that are not treated as transferring ownership” are now deemed as sale and purchase transaction. In connection with this, the lease period-based straight line method is to be applied by the lessee when depreciating the leased asset within a lease under “Financial Lease Transactions that are not treated as transferring ownership”. In this instance, the lessor under “Financial Lease Transactions that are not treated as transferring ownership” is allowed to apply a certain profit recognition method.

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### *The Tax System on Finance, Corporate Securities and Land*

1. Preferential Tax Treatment for Dividend Income and Capital Gains on Listed Stocks will be extended for one year.
2. Preferential Tax Treatment on the Tax Base for Real Estate Acquisition Tax with regard to real estate properties will be extended for two years in the following cases:
  - a. certain real estate properties acquired by a Tokutei Mokuteiki Kaisha (TMK) based on the Asset Liquidation Plan
  - b. certain real estate properties acquired through an Investment Trust
  - c. certain real estate properties acquired by an investment corporation.

### Miscellaneous Items

1. **The Corporate Tax Treatment of Directors' Compensation:** Improvement with regard to the tax treatment of director's compensation (with regard to an amendment in Periodic Fixed Compensation due to a change of status in the company and the terms of notification with regard to Prefixed Compensation).
2. Undistributed profits of Family Corporations whose paid-in capital is JPY 100 million or less shall not be subject to Family Corporation surtax.
3. The special tax treatment on a deemed dividend realized where a company purchases its own shares from the market in a certain way (kokai kaitsuke) will be extended for two years.
4. Improvements in the tax system regarding the introduction of triangular merger.
5. With regard to special cases where tax is imposed on a transaction that was made with a foreign related person (referred to as the Transfer Pricing Rules), (i) the introduction of a deferral taxation system with regard to the mutual agreement procedure with a tax treaty country on the treaty and (ii) improvement of the administrative system with regard to pre-consultation and confirmation are planned.
6. The exemption from withholding tax imposed on redemption gains from issuance will be extended to cover the short-term bonds issued by investment corporation.
7. The deduction for life insurance premiums will be applied to contracts relating to certain mutual life insurance products concluded with specified mutual aid associations and specified federations of mutual aid associations under the cooperative union law of medium and small companies.

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|----------------|--|--------------|---------------|-----------------|---|
| <b>Sector:</b> | Bank and Capital<br>Markets<br>Investment Management<br>Insurance<br>Real Estate | <b>Date:</b> | December 2006 | <b>Contact:</b> | Sachihiko Fujimoto<br>Katsuyo Oishi<br>Yuka Matsuda<br>Tetsuo Iimura<br>Akemi Kitou - Tokyo |
|----------------|--|--------------|---------------|-----------------|---|

### Trust Law Reform

On December 15, 2006, a new Trust Law was announced. The Trust Law broadly provides:

1. an improvement in the rules regarding how to use the various new trust types
2. a rationalization of the duties of trustees under the appropriate conditions
3. improvement in the rules to allow a beneficiary's rights to be exercised more effectively and flexibly.

Improvements in the rules regarding how to use the various new trust types, which are considered to have an impact on the tax system, are as follows;

- a system allowing merger and division of trusts was introduced
- improvement in the rules for treating beneficiary certificates as securities
- introduction of new trust types such as (a) Trust created by declaration, (b) No Beneficiary Trust, (c) Trust allowing continual change of Beneficiary and (d) Limited liability Trust.

It will come into force within 18 months from the day that it was announced (December 15, 2006).



## Korea

**Sector:** Insurance      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Under the proposed amendment to the Presidential Decree of the Corporate Income Tax Act (CITA), statutory reserve of IBNR for personal insurance will be gradually allowed for tax purposes. Reserve subject to deduction is reserve recorded after the effective date.

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**Sector:** Banking & Capital Markets  
Investment Management  
Insurance      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Currently only valuation gain or loss from a currency swap to hedge currency fluctuation risk is recognized for tax purposes. Under the proposed amendment to the Presidential Decree of the CITA, valuation gain or loss arising from other currency related derivatives held by a corporation to hedge currency fluctuation risk will be recognized for tax purposes. For financial institutions, valuation gain or loss from currency related derivatives will be recognized even if there is no hedging purpose.

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**Sector:** Banking & Capital Markets  
Investment Management  
Insurance      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Effective January 1, 2007, dividend received deduction available to financial institutions in respect of portfolio shareholding in listed companies is to be reduced from 90% to 30%.

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**Sector:** Banking & Capital Markets  
Investment Management  
Insurance      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Effective January 1, 2007, withholding tax rate on the interest income arising from bonds held by non-residents is to be reduced from 25% to 14%.

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**Sector:** Real Estate      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Foreign tax credit is available for foreign tax paid by a REIT, effective January 1, 2007

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**Sector:** Investment Management      **Date:** December 2006      **Contact:** J. Y. Lee - Seoul

Under the recent change to the Tax Preferential Control Act (TPCA), broadly 5% withholding tax rate is applicable to distribution from a fund which invests at least 60% of its assets in domestic bonds and at least 10% in junk bonds (ie BB+ or lower). This provision applies to the investment fund created on or after January 1, 2007.

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**Sector:** Banking & Capital Markets  
Investment Management      **Date:** December 2006      **Contact:** J.Y. Lee - Seoul

Security transaction tax exemption for funds under the Indirect Investment Asset Management Business Act is to be abolished for private funds from January 1, 2007 while being extended for 2 years up to December 31, 2008 for public funds.



# Malaysia

**Sector:** Banking and Capital Markets  
Insurance  
Investment Management  
Real Estate

**Date:** December 2006

**Contact:** Khoo Chuan Keat  
Frances Po  
Jennifer Chang  
Lim Phaik Hoon - Kuala Lumpur

## Deduction on expenditure incurred on the issuance of Islamic securities

A new Gazette Order has been issued - Income Tax (Deduction for Expenditure on Issuance of Islamic Securities) Rules 2007 which provides for tax deduction on expenses incurred on the issuance of Islamic securities based on the principle of 'mudharabah, musysrakah, ijarah and istisna' and any other principle in accordance with the Syariah principle approved by the Minister, as approved by the Securities Commission.

This is effective from year of assessment 2007 until 2010.

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**Sector:** Banking and Capital Markets  
Insurance  
Investment Management  
Real Estate

**Date:** December 2006

**Contact:** Khoo Chuan Keat  
Frances Po  
Jennifer Chang  
Lim Phaik Hoon - Kuala Lumpur

The Finance Act 2006 gazetted on 31 December 2006 has taken into account the proposals in the 2007 Budget as follows:

- reduction of corporate tax rate to 27% for Year of Assessment (YA) 2007
- profits in lieu of interest income received by non-residents from banks and financial institutions established under the Islamic Banking Act 1983, and other financial institutions approved by MOF is exempted from tax
- real Estate Investment Trusts (REITs) are exempted from income tax provided at least 90% of their total income is distributed to unit holders
- reduced tax rates for unit holders from distribution from REITs.

**Sector:** Banking and Capital Markets  
Insurance  
Investment Management

**Date:** December 2006

**Contact:** Khoo Chuan Keat  
Frances Po  
Jennifer Chang  
Lim Phaik Hoon - Kuala Lumpur

The Central Bank of Malaysia has, on 14 September 2006, issued guidelines to specify the eligibility criteria and scope of business of the following new entities in the Malaysia International Islamic Financial Centre to conduct Islamic financial business in international currencies. Details of the above guidelines can be found in <http://www.bnm.gov.my/>.

The tax incentives accorded are:

1. **International Islamic Bank (IIB)**

The IIB (Islamic banking institutions licensed under the Islamic Banking Act, 1963) is eligible for full tax exemption under the Income Tax Act, 1967 (ITA) for 10 years effective from YA 2007.

2. **International Takaful Operator (ITO)**

The ITO (licensed under the Takaful Act, 1984) is eligible for full tax exemption under the ITA for 10 years effective from YA 2007.

3. **International Currency Business Unit (ICBU) for Islamic Bank and Takaful Operator**

Income arising from the transaction of ICBU (licensed under the Islamic Banking Act, 1963 or Takaful Act, 1984) is eligible for full tax exemption under the ITA for 10 years effective from YA 2007.

4. **Fund managers**

Local and foreign companies managing funds of foreign investors established under the Shariah principles is given full tax exemption on the management fees for 10 years. This fund must be approved by Securities Commission. This is effective from YA 2007.

5. **Operation officers of Labuan entities in Malaysia**

Existing and new offshore financial institutions licensed to conduct Islamic financial business in international currencies by the Labuan Offshore Financial Services Authority (LOFSA) including offshore Islamic banks; offshore Islamic investment banks; offshore takaful companies; Islamic divisions of offshore banks; and offshore insurance companies, can now open operation offices anywhere in Malaysia without having the need to maintain physical presence in Labuan. The current guidelines and requirements issued by LOFSA will continue to apply.

These entities will continue to be taxed at the preferential rate of 3% or RM20,000 under the Labuan Offshore Business Activity Tax Act 1990.

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**Sector:** Banking and Capital Markets  
Insurance  
Investment Management

**Date:** December 2006

**Contact:** Khoo Chuan Keat  
Frances Po  
Jennifer Chang  
Lim Phaik Hoon - Kuala Lumpur

The Inland Revenue Board (IRB) has issued a Tax Audit Framework and Tax Investigation Framework. Salient points are as follows:

**Tax Audit Framework**

- Tax audit covers desk audit and field audit (visits to taxpayers' premises).
- Tax audit normally covers one to three years of assessments.
- A taxpayer who is selected for tax audit will be notified by the IRB through a letter of notification of audit. The period between the date of notification of audit and the audit visit is 14 days.
- A taxpayer is allowed 14 days from the date of notification of the proposed tax adjustments to file an official objection if he disagrees with the proposed tax adjustments.

### *Tax Investigation Framework*

- Tax investigation covers of civil and criminal tax investigation
- Investigation is conducted through surprise visits.
- Where there is fraud, willful default and negligence, the statutory limitation is not applicable for tax investigation cases.
- The standards for settlement of civil tax investigation cases are as follows:
  - Capital statement cases – within 24 months from the date of issue of notice
  - Accounts cases – within 18 months from the date of commencement.
- Settlement of criminal tax investigation cases is dependent upon court decisions.

The above are effective 1 January 2007.



# New Zealand

**Sector:** All

**Date:** December 2006

**Contact:** Declan Mordaunt/  
Ian Fay - New Zealand

## Review of International Tax Rules

The Government released a discussion document titled "New Zealand's International Tax Review: a direction for change" on 13 December 2006. The Government is proposing to relax the current Controlled Foreign Company ('CFC') rules by introducing an active income exemption.

If the proposal is implemented, active income (eg income from manufacturing and industrial activity) would be exempt from tax whereas passive income (such as dividends, interest, royalties and rent) derived by a CFC would continue to be taxed on an accrual basis. The active income exemption could be extended to dividends repatriated to New Zealand.

The discussion document considers possible changes to other aspects of New Zealand's international tax rules. These could include amendments to the thin capitalisation and interest allocation rules to limit interest deductions where businesses are investing in CFCs. The Government is also asking for submissions on whether the conduit tax relief regime should be abolished and whether the grey-list exemption for CFCs should be retained.

Also under consideration by the Government is a possible reduction in New Zealand's Non-Resident Withholding Tax ('NRWT') rates that apply to dividends in particular and maybe interest and royalties derived by non-residents from New Zealand.

The deadline for making submissions on the document is 9 March 2007, with the Government expecting to be in a position to make decisions on the proposals by mid-2007.

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**Sector:** Investment management

**Date:** December 2006

**Contact:** Paul Mersi/  
Mark Russell - New Zealand

## Taxation of Investment Income

The Taxation (Savings Investment and Miscellaneous Provisions) Act 2006, containing the new rules for the taxation of Portfolio Investment Entities ('PIE') and offshore portfolio investment, was enacted by Royal assent on 18 December 2006 (refer to the September quarterly update for further information).

A Supplementary Order Paper ('SOP') incorporated into the Bill on 12 December 2006 made amendments in relation to the offshore portfolio equity investment changes and the new PIE regime.

The SOP contained amendments to the Bill that clarified the timing of the application of the new offshore portfolio equity investment rules. The application of the new rules is to begin from 1 April 2007 for taxpayers who have standard tax balance dates (ie 31 March). For those taxpayers that do not have standard tax balance dates, they are to apply the new rules from the beginning of their first income year beginning after 1 April 2007.

The SOP also confirmed that investors must use the 'Last In First Out' ('LIFO') method for calculating "quick sales" adjustments when calculating income under the Fair Dividend Rate ('FDR') method.

**Sector:** Insurance

**Date:** October 2006

**Contact:** Paul Mersi/  
Ian Rowe - New Zealand

### Life Insurance

Following on from the Governments announced "comprehensive review" of New Zealand's life insurance tax rules announced in August 2006, the Government has released an officials paper titled "Life insurance tax reform - Officials' paper No. 1 - scope of the review".

The Government wants to ensure that the life insurance industry is taxed on a basis that is consistent with similar businesses eg general insurers and that the savings element of life insurance policies is integrated into the new Portfolio Investment Entity ('PIE') rules. The paper suggests two broad options for the design of a future regime. The two options are:

- retain the current distinction between income attributable to shareholders and income attributable to policyholders but also proposes an adjustment to the way underwriting results are calculated and provides life insurers with the ability to include their savings products in the new PIE regime; or
- tax life insurers on their net income reported in accordance with the new International Financial Reporting Standards ('IFRS'). Under this option life insurers would treat premiums as income and claims as deductible expenditure.

The Paper is intended to form a basis for discussion with the life insurance industry over the next two months, after which further consultative papers will be prepared.

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**Sector:** All / Investment  
management

**Date:** December 2006

**Contact:** Paul Mersi/  
Ian Rowe - New Zealand

### KiwiSaver – SSCWT exemption

From 1 July 2007 employer contributions to qualifying registered superannuation schemes will be exempt from Specified Superannuation Contribution Withholding Tax ('SSCWT') subject to a cap of the lesser of:

- the employee's contribution; or
- 4% of the employee's gross salary or wages.

To be eligible for this exemption, a registered superannuation scheme must comply with the KiwiSaver requirements included in the KiwiSaver Act 2006.

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**Sector:** All

**Date:** October 2006

**Contact:** Paul Mersi  
Ian Fay - New Zealand

### Review of tax penalties

The Government released a discussion document titled "Tax penalties, tax agents and disclosures" on 17 October 2006 proposing changes to the current rules relating to tax penalties that are intended to make the rules fairer and more likely to encourage voluntary compliance by taxpayers.

Significant changes proposed by the Government are:

- that the Inland Revenue Department ('IRD') no longer impose shortfall penalties for lack of reasonable care or an unacceptable tax position when a taxpayer voluntarily discloses a tax shortfall before the Department notifies the taxpayer of an audit or investigation;
- the unacceptable tax position shortfall penalty threshold be raised significantly;
- the IRD be required to give late paying taxpayers a chance to pay by a new date before it imposes a late payment penalty
- a \$250 late filing penalty be imposed when a taxpayer files a GST return late.

Submissions on the proposed changes were submitted by 30 November 2006. The final proposals will be included in a tax bill that is likely to be introduced this year with most of the amendments likely to apply from the date of that bill's enactment.





# Philippines

**Sector:** Banking and Capital  
Markets  
Real Estate

**Date:** October 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

## Taxability of Foreclosure Sales initiated by the Department of Agrarian Reform

The Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 62-2006 to circulate BIR Ruling No. 11-2006 which states that Revenue Regulations (RR) 4-99 relative to the payment of capital gains tax (CGT) and Documentary Stamp Tax (DST) on extra-judicial foreclosure sale applies only to extra-judicial foreclosure sales initiated by banks, finance and insurance companies. Other extra-judicial foreclosure which is not covered by RR No. 4-99, including foreclosure sales initiated by the Department of Agrarian Reform (DAR) shall be liable to pay capital gains tax (CGT) within thirty (30) days from the time the foreclosure sale was made. The sale is likewise subject to withholding and documentary stamp taxes which are due on the fifth (5th) day after the close of the month when the foreclosure was made.

In an extra-judicial sale where the DAR is the highest bidder, such sale shall be exempt from all taxes including the penalties, surcharge and interest, if the funds that will be used to pay the same will be coming from the government's treasury. For all other foreclosure sales where the highest bidder is other than the DAR, the highest bidder assumes payment of the taxes imposed as a consequence of the foreclosure sales. Thus, if there is delay in the payment of the taxes due thereon, the highest bidder shall be liable to pay the increments thereto (penalties, surcharge and interest imposed for the delay in payment of taxes).

(Revenue Memorandum Circular No. 62-2006, dated October 20, 2006)

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**Sector:** Insurance

**Date:** October 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

## Microinsurance Regulation and Declaration of Policy Objectives

Microinsurance refers to the insurance business activity of providing specific insurance products that meet the needs of the disadvantaged for risk protection and relief against distress or misfortune.

Pursuant to Insurance Memorandum Circular 9-2006 any mutual benefit association wholly engaged in the business of providing microinsurance for their members shall be referred to as "Microinsurance MBA". Any existing and/or new MBA shall be considered wholly engaged in microinsurance if:

1. it only provides microinsurance policies to its members
2. it has at least five thousand (5,000) member-clients.

Microinsurance MBA's must have a Guarantee Fund equivalent to not less than five million pesos (P5,000,000.00) on or before December 31, 2006. Such amount shall be maintained at all times and every year thereafter, all microinsurance MBA's must increase their Guarantee Fund by an amount equivalent to five percent (5%) of their gross premium collections until the amount of the Guarantee Fund shall reach twelve and a half percent (12.5%) of the required capital for domestic life insurance companies.

(Insurance Memorandum Circular 9-2006, dated October 25, 2006)

**Sector:** Banking and Capital  
Markets  
Investment Management

**Date:** October 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

### **Increase in Processing Fee on Applications for Certificate of eligibility Pursuant to the Special Purpose Vehicle Act**

The Securities and Exchange Commission (SEC) increased the processing fee on applications for Certificate of Eligibility (COE) covering non-performing assets (NPAs) in accordance with Republic Act No. 9182 otherwise known as the Special Purpose Vehicle Act (as amended by R.A. No. 9343), as follows:

|  | <b>New Rate</b>                                      |
|--|--|
| For transfer to be made to an SPV by financial institutions under SEC jurisdiction | 0.50% of the transfer price but not below P20,000.00 |
| For second leg transfers (individual, third party)                                 | 0.10% of the transfer price but not below P5,000.00  |

(SEC Memorandum Circular No. 11, dated October 12, 2006)

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**Sector:** Banking and Capital  
Markets  
Investment Management  
Insurance  
Real Estate

**Date:** November 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

### **Repeal of 70% cap on input taxes**

Republic Act No. 9361 amended section 110 (B) of the Tax Code, as amended by R.A. 9337 deleting the provision imposing the seventy percent (70%) cap on input tax that may be credited against the output tax. Under the 70% cap rule, the input tax that can be credited against the output tax shall not exceed 70% of the output tax when the input tax exceeds the output tax at the end of any taxable quarter.

(Republic Act No. 9361)

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**Sector:** Banking and Capital  
Markets

**Date:** November 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

### **New Conversion Rate for Foreign Currency Denominated Deposits (FCDs) for purposes of computing the assessment**

Republic Act (RA) No. 3591, as amended, approved the amendment of Section 1 (a) of the Philippine Deposit Insurance Corporation (PDIC) Regulatory Issuance No. 2002-04, which amended Section 3.02 paragraph 4 of the PDIC Rules and Regulations prescribing that FCDs shall be converted to pesos using the Philippine Dealing System (PDS) closing rates as of the assessment base days: Provided that, in the event of future amendment of the prescribed conversion rate for foreign exchange transactions, the basis for converting foreign currency denominated deposits into pesos shall be aligned with the Bangko Sentral ng Pilipinas' prescribed conversion rate as of assessment base days.

(PDIC Regulatory Issuance No. 2006-02, published November 22, 2006)

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**Sector:** Insurance

**Date:** November 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

### **Integrating Compliance Standards for Fixed Capitalization and Risk-Based Capital Framework**

*Industry RBC Ratio Compliance Rate* is the ratio of the number of insurers which are able to meet the corresponding "RBC Hurdle Rates" requirement for a given year to the total number of insurers in the industry.

The fixed capitalization (Statutory Net Worth and Paid-up Capital) requirement for a given year set out in Department of Finance Department Order (D.O.) No. 27-06 may be suspended for insurers that comply with the required RBC Hurdle Rate, provided that the industry (either life or non-life) to which they belong, complies with



(BSP Circular No. 553, dated December 22, 2006)

**Sector:** Banking and Capital Markets  
Investment Management  
Insurance  
Real Estate

**Date:** December 2006

**Contact:** George Lavadia  
Malou Lim - Philippines

**Amendment of Certain Provisions of Revenue Regulations (RR) No. 16-2005, Otherwise known as the Consolidated Value-Added Tax Regulations of 2005**

The BIR issued Revenue Regulations No. 2-2007 implementing R.A. No. 9361 that repealed the 70% cap on input taxes.

The repeal of 70% cap on input taxes applies to quarterly VAT returns filed after the effectivity of R.A. No. 9361 (ie, December 13, 2006) except VAT returns covering the taxable quarters ending earlier than December 2006.

(Revenue Regulations No. 2-2007, dated December 22, 2006, published January 12, 2007)



# Singapore

**Sector:** Investment Management    **Date:** November 2006    **Contact:** Shefali Deshmukh - Singapore

The Monetary Authority of Singapore (MAS) issued a Circular on 1 November 2006 setting out the qualifying conditions to avail the exemption rules for Singapore Resident Funds (the Scheme). The objective of the Scheme was to extend the tax benefits accorded to Foreign Funds to Singapore Domiciled Funds and applies to a fund approved by the MAS between 17 February 2006 to 16 February 2011 (Approved Fund). The Scheme exempts specified income from certain designated investments for the life of the fund. Additionally, management/ investment advisory fees earned by a financial sector incentive company from an Approved Fund would be subject to tax at a concessionary rate of 10%. The MAS has also released application forms for seeking Approved Fund status that require details for the fund and the fund management company.

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**Sector:** Investment Management    **Date:** November 2006    **Contact:** Shefali Deshmukh - Singapore

The Inland Revenue Authority of Singapore (IRAS) issued a Circular on the income tax treatment of trusts on 30 November 2006, which mainly highlights the tax changes proposed in the Income Tax (Amendment) Bill 2006. The changes are essentially in relation to the following:

1. Income of a trust to which Singapore tax resident beneficiaries are entitled will be accorded the same concession, exemptions and foreign tax credits as if the beneficiaries had received the income directly. In other words, for purposes of claiming tax concessions, exemptions and foreign tax credits, distributions received by Singapore tax resident beneficiaries who are entitled to the income of a trust will be deemed to have retained the nature of the underlying trust income.
2. Income from trade or business carried on by the trustees will be subject to a final tax at the trustee level.

The above changes do not apply to certain types of trusts (e.g. real estate investment trusts and designated unit trusts) for which specified tax treatments have been prescribed in the legislation. With these changes, there should not be any scenario where a beneficiary will be subject to tax on any distribution from a trust which has also been subject to tax at the trustee level.

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**Sector:** Banking and capital markets    **Date:** November 2006    **Contact:** Tan Tay Lek - Singapore

The MAS introduced a package of new tax incentives to catalyse the growth of the project finance industry through Singapore's capital markets. The incentives include:

- exemption of interest income from qualifying project debt securities
- exemption of foreign source interest income of qualifying entities listed on the Singapore Exchange (SGX) that invest in offshore qualifying infrastructure projects /assets
- remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/assets to entities listed or to be listed on the SGX
- concessionary tax rate (5%) on income derived by a Financial Sector Incentive (Project Finance) company from arranging, underwriting and distributing any qualifying project bond, qualifying project loan and from project finance advisory services related to a qualifying infrastructure project.

**Sector:** Real Estate                      **Date:** November 2006                      **Contact:** David Sandison/ Teo Wee Hwee - Singapore

The IRAS issued a Circular to explain the proposed legislative changes relating to the tax treatments according to real estate investment trusts (REITs). Pursuant to the Circular and subject to meeting the approving conditions, specified income of REITs which are distributed to unit-holders, will be exempt from tax. Unit-holders receiving distributions of the specified income would either be exempted from tax, subject to a 10% tax or normal corporate tax rate, depending on the tax attributes of the recipient. Any other income of the REIT will be subject to tax at the REIT's level (in the hands of the trustee). Distribution made out of such other income would be treated as capital in nature and will not be subject to any further tax when received by the unit-holders.

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**Sector:** Insurance                              **Date:** November 2006                      **Contact:** Yip Yoke Har & Nur Adila - Singapore

The Monetary Authority of Singapore ("MAS") released a circular detailing the enhancement to the Qualifying Processing Services Company ("QPC") Scheme to include services supporting the insurance and reinsurance industry. With this enhancement, with effect from 1 November 2006, qualifying income derived by a QPC from the provision of prescribed processing services in Singapore to any financial institution or another QPC to support insurance activities will qualify for the concessionary tax rate of 5%.

*Minimum qualifying criteria for new applicants*

Throughout the incentive period, the financial institution (or its sub-unit) or company must :

- employ and maintain 8 professionals to undertake the prescribed processing services for each core category
- provide the prescribed processing services to 2 or more countries outside Singapore.

*Additional qualifying criteria (minimum) for existing QPCs*

Existing QPCs seeking to include qualifying income from prescribed services to support insurance activities under their existing QPC award must:

- Seek approval from MAS
- Meet the following additional criteria from the date of approval of the expansion of scope of prescribed processing services to the expiry of the existing QPC award:
  - employ and maintain 8 professionals to undertake the prescribed processing services to support the insurance activity
  - provide the prescribed processing services to support the insurance activity to 2 or more countries outside Singapore.

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**Sector:** General                                      **Date:** December 2006                      **Contact:** Tan Tay Lek - Singapore

The MAS issued a circular which extended the expiry dates of the following financial sector tax incentives to 31 December 2008:

- FSI (fund management) award
- FSI (standard tier) award
- FSI (equity market) award
- FSI (derivatives market) award.





# Taiwan

**Sector:** Banking and Capital Market, insurance, investment management and real estate      **Date:** January 2007      **Contact:** Richard Watanabe - Taiwan

On January 2007, Ministry of Finance has announced that proper transfer pricing study reports must be prepared in order to determine the profit attributed to a permanent establishment (PE) in Taiwan.

However, the above requirement is not applicable to

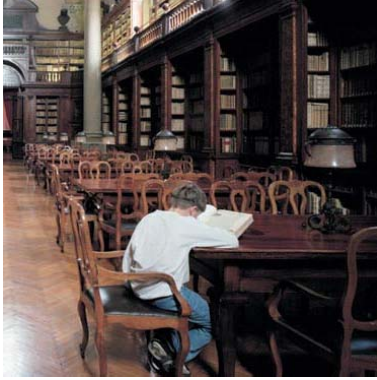
1. remuneration for services performed in Taiwan
2. profit resulting from the disposal of goods in Taiwan.

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**Sector:** Banking and Capital Market, insurance, investment management and real estate      **Date:** November 2006      **Contact:** Richard Watanabe - Taiwan

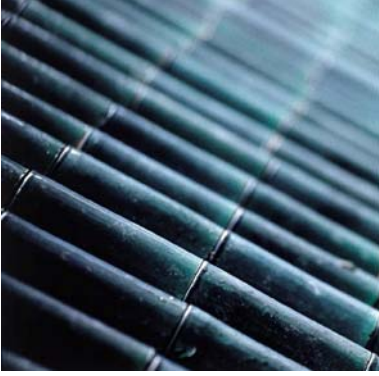
Paragraph 3, Article 21 of the Regulations Governing Investment In Securities states an overseas Chinese or foreign nationals outside Taiwan shall use inwardly remitted investment capital for the purpose of investment in securities.

On November 2006, domestic financial institutions are permitted providing New Taiwan Dollar loan to overseas Chinese or foreign nationals who invest in domestic securities and not subject to Paragraph 3, Article 21 of the Regulations Governing Investment In Securities restriction.



# Glossary

|              |   |                |  |
|--------------|---|----------------|--|
| <b>ABI</b>   | Approved Bond Intermediaries                              | <b>J-REIT</b>  | Japan Real Estate Investment Trust                           |
| <b>ACU</b>   | Asian Currency Unit                                       | <b>LLC</b>     | Limited Liability Company                                    |
| <b>ADR</b>   | American Depository Receipt                               | <b>LRA</b>     | Land Registration Authority                                  |
| <b>ADT</b>   | Approved Derivative Traders of entity profit distribution | <b>NRP</b>     | Non- resident Professional                                   |
| <b>AFM</b>   | Approved Fund Managers                                    | <b>O</b>       | Other  |
| <b>AMLC</b>  | Anti-money Laundering Council                             | <b>OH</b>      | Operational Headquarters                                     |
| <b>BCM</b>   | Banking & Capital Markets                                 | <b>PD</b>      | Change in rules on taxation                                  |
| <b>CAR</b>   | Certificate Authorising Registration                      | <b>QDI</b>     | Qualifying Debt Instrument                                   |
| <b>CSEZ</b>  | Clark Special Economic Zone                               | <b>QDS</b>     | Qualifying Debt Securities AUD Issues arising from tax audit |
| <b>CTR</b>   | Changes in domestic corporate                             | <b>QFII</b>    | Qualified Foreign Institutional Investor                     |
| <b>CWT</b>   | Creditable Withholding Tax                                | <b>R&amp;D</b> | Research & Development                                       |
| <b>DES</b>   | Debt-to-equity swap                                       | <b>RAMO</b>    | Revenue Memorandum Order                                     |
| <b>DST</b>   | Documentary Stamp Tax                                     | <b>RBU</b>     | Regular Banking Unit Register of Deeds                       |
| <b>ECB</b>   | External Commercial Borrowing owned and acquired          | <b>RD</b>      | tax rate   |
| <b>ECMI</b>  | Equity Capital Market                                     | <b>RDO</b>     | Revenue District Office                                      |
| <b>EFCDU</b> | Expanded Foreign Currency Commission Deposit Unit         | <b>RE</b>      | Real Estate  |
| <b>EFPS</b>  | Electronic Filing and Purchases Payment System            | <b>RMC</b>     | Revenue Memorandum Circular                                  |
| <b>ELS</b>   | Equity Linked Securities                                  | <b>ROPOA</b>   | Real and Other Properties                                    |
| <b>FCDU</b>  | Foreign Currency Deposit Unit                             | <b>RR</b>      | Revenue Regulation Intermediaries                            |
| <b>GDR</b>   | Global Depository Receipt                                 | <b>SEC</b>     | Securities and Exchange                                      |
| <b>IAET</b>  | Improperly Accumulated Abatement Program Earnings Tax     | <b>SLSP</b>    | Summary Lists of Sales and                                   |
| <b>IM</b>    | Investment Management                                     | <b>SME</b>     | Small Medium Enterprises                                     |
| <b>INS</b>   | Insurance   | <b>SPC</b>     | Special Purpose Companies                                    |
| <b>IT</b>    | Information Technology                                    | <b>TT</b>      | Tax Treaty Change  |
| <b>ITR</b>   | Income Tax Return   | <b>VAAP</b>    | Voluntary Assessment and                                     |
|              |   | <b>VAT</b>     | Value Added Tax  |
|              |   | <b>WHT</b>     | Withholding Tax  |



## Notes



# Recent PwC Asia Publications

## **Future of foreign banks in Australia 2006**

This survey is the first comprehensive report on foreign banks in Australia to be released by PricewaterhouseCoopers since 1997 and builds on comparable surveys in Canada, China, India, Japan and South Africa.

## **Future of foreign banks in China 2006**

This survey includes observations on the changes in China's financial markets, the development of the regulatory environment, banking risks in China, future opportunities and the results of the peer review.

## **Future of foreign banks in India 2006**

This survey includes overall performance of foreign banks, new opportunities in wholesale and retail segments, the range of regulatory issues and results of peer review.

## **Asia Pacific Insurance Digest**

This publication is dedicated to providing thought-provoking insights into some of the key strategic issues facing the insurance industry in Asia. (April 2004)

## **IM Asia Pacific Newsletter**

China's fund market opens up; Japanese real estate investments on the rise; Singapore reforms for growth, and Hedge Funds: scale vs capacity. (March 2004)

## **Role of Auditors and Tax Advisers in the Hedge Fund Industry**

Includes taxation considerations in Hong Kong, Singapore, Japan, Taiwan, Korea and Australia. (March 2004)

## **Asia Banking and Capital Markets Handbook – 2<sup>nd</sup> edition**

Outlines the regulatory, supervisory, financial reporting and taxation environment faced by financial institutions operating in, or seeking to enter, the Banking and Capital Markets of 15 Asian territories. (March 2004)

## **The Financial Jungle – International Taxation of Equity Finance - Asia**

An analysis of the taxation of equity financing – stock lending, repurchase agreements, equity swaps in 15 Asian territories. (November 2003)

## **Asia Pacific Insurance Handbook 2003 – 3<sup>rd</sup> edition**

In CD-Rom format, the handbook contains a brief overview of the insurance industry in the Asia Pacific region, as well as a comprehensive guide on the industry in 27 Asian territories. (October 2003)

**Asia Pacific Private Banking/Wealth Management Survey 2002-2003**

An Asia Pacific private banking/wealth management survey based on responses to detailed questionnaires by private banks/wealth management organisations from Australia, Hong Kong and Singapore. (July 2003)

**The Financial Jungle – Taxation of Derivative Financial Instruments in Asia**

This publication provides an overview of derivative financial instruments and an analysis of the tax implications of using them in 14 Asian countries. (February 2003)

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