



Asia Pacific VAT/GST Alert

# InTouch

with indirect tax news

Issue 01/20



## India

- Electronic invoicing or 'E-invoicing' system being introduced to ensure the inter-operability of invoices across the entire ecosystem and reporting of e-invoices to a central system.

## Singapore

- Changes of GST treatment to digital payment tokens to exempt them from GST.
- Amendments will be made to the zero-rating rules for services supplied to persons outside of Singapore and the services benefit persons in Singapore.

## E-commerce developments

### New Zealand

- Certain offshore suppliers of goods valued at or below \$1,000 sold to private consumers for delivery to New Zealand are now required to register, collect and return GST at 15%.

## E-commerce developments (continued)

### Japan

- Major changes come into effect with regard to the Japanese Consumption Tax regime, which for the first time introduced multiple tax rates (8% and 10%).

### Vietnam

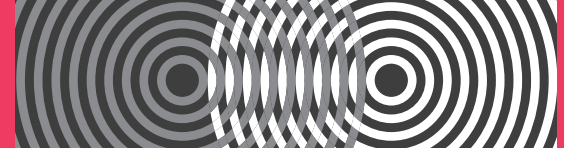
- Amendments to arrangements involving the VAT treatment of imports and refunds related to machinery and equipment for investment projects.
- Declaration and payment systems in 15 provinces will be replaced by a new online tax services system (eTax).

### Singapore

- Updated e-tax guides on reverse charge and overseas vendor registration regime

Welcome to issue 01/20 of InTouch\* which covers the key developments in VAT/ GST in Asia Pacific during the period July 2019 to December 2019.

Please feel free to reach out to any of the PwC contacts on the back of this issue if you have any questions on the news items.



## E-invoicing

'E-invoicing' or 'electronic invoicing' is a system in which B2B invoices are authenticated electronically by GSTN for further use on the common GST portal. The Goods and Services Tax Council (GST Council) in its 35th meeting held on June 21, 2019 gave in-principle approval to the new system for raising all the tax invoices on the GST portal in a phase wise manner for B2B transactions from 1 January 2020 on voluntary basis. Further, the department has released a statement highlighting that e-invoicing system to be mandated from April 1, 2020 for businesses with turnover of Rs. 100 crore and above.

Key objective is to ensure inter-operability of invoices across entire ecosystem as well as reporting of e-invoice to central system (by pre-populating returns). This would also ensure reduction in tax evasion as well as efficiency in tax administration.

E-invoice system to cover invoices, credit notes, debit notes and other documents required by law to be reported. However, since there was no standard for e-invoice existing in the country, standard for the same has been finalised and approved by the GST Council in its 37th meeting held on September 20, 2019 along with schema published on the GST portal.

Apart from the GST System, adoption of a standard will also ensure that an e-invoice shared by a seller with their buyer or bank or agent or any other player in the whole business eco-system can be read by machines and obviate and hence eliminate data entry errors.

## Proposed Workflow

- Seller to generate the invoice containing all mandatory fields as provided in the E-invoice schema;
- Post finalisation of the invoice, seller can upload the invoice details (at least the mandatory fields) in a JSON format on Invoice Registrations Portal (IRP) to generate a unique Invoice reference number (IRN);
- IRP would generate the IRN. It would also digitally sign the invoice and generate a QR code which will contain all the key information of the invoice;
- IRP would send the signed e-invoice along with IRN, QR Code to the Seller on an email;
- Alternatively, GSTN would provide the algorithm from which the IRN can be generated by Seller at its end as well. This can be done using a third party application or in its own ERP system;
- In such a case, Seller would upload the IRN generated along with invoice details in JSON format, for verification by IRP;
- IRP would verify the IRN and authenticate the same with its digital signature. It would share the validated IRN, along with digitally signed invoice and QR code;
- The e-invoice will also be sent to seller and buyer on mail ID provided in invoice; and
- The IRP will transmit the data to GSTN, EWB system.

## Key points for consideration

- E-invoice system to cover invoices, credit notes, debit notes and other documents required by law to be reported – clarity awaited whether this could cover advance related documents, delivery challan (which is required to be reported for EWB purposes).
- IRN required for RCM as well as exports.
- E-invoice without authenticated IRN will not be a valid invoice.
- IRN format to be based on GSTIN of generator of document, year and document number (like invoice number).
- QR code to contain various important details of invoices and would enable quick view, validation and access of invoice from handheld system also. Seller at its option may print the QR code on invoice.
- Modes for generation of IRN – Web, API, SMS, Mobile App, Offline tool and GSP based.
- IRP to preserve invoice details for not more than 24 hours.
- There would be one IRP at the beginning (NIC) followed by multiple IRPs over a period of time.
- IRP will also perform duplication check from a central repository of all IRN to ensure uniqueness of IRN – could this result in delay in receiving IRN from IRP.

- There are multiple checks applied by GSTIN/ EWB system currently on upload of invoice level details. No clarity provided whether such validations would be done by IRP or not.
- Cancellation of an invoice allowed only fully and not partially. Cancellation can be done on IRP within 24 hours post which it can be done on GSTN while filing returns.
- Amendments of e-invoice can be done on GSTN portal only, this should not impact IRN already generated. In such a case some of the details captured by QR code may vary.
- Credit notes/ Debit notes can be linked to multiple invoices.
- Company Logo cannot be uploaded as part of JSON and hence would not be shared with IRP
- IRN to be included in every invoice and also advisable to keep the same in ERP
- Not mandatory for seller to sign e-invoice after IRP has signed digitally.
- Discounts can be shown on total level or item level.
- The proposed system (JSON) to support only 100 line items per invoice (a challenge for quite a few industries).
- Invoices to be uploaded on IRP one by one – this could result in delays.

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### Digital payment tokens – change of GST treatment

The supply of virtual currencies (e.g. Bitcoin) is currently regarded as a taxable supply of services. Businesses supplying virtual currencies are liable for GST registration if such supplies exceeds the S\$1 million registration threshold. In addition, a GST-registered business who pays for goods or services using virtual currencies has to account for GST on the supply of virtual currency to the supplier and be charged GST on the supply of goods / services by the GST-registered supplier.

With effect from 1 January 2020, the supply of virtual currencies which qualify as digital payment tokens would be exempt from GST. The Inland Revenue Authority of Singapore (“IRAS”) has recently released an e-tax guide dated 19 November 2019 setting out the rules on such tokens. The key points are as follows:

- Businesses would no longer be liable for GST registration arising from the supply of digital payment tokens;
- The use / provision of digital payment tokens as payment for anything (other than for fiat currency / other digital payment tokens) is not to be treated as a supply for GST purposes;
- The exchange of digital payment tokens for fiat currency / digital payment tokens is an exempt supply; and
- The provision of any loan, advance or credit of digital payment tokens is an exempt supply.

### Changes to the zero-rating rules

There will be amendments to the zero-rating rules with effect from 1 January 2020 for services which are contractually supplied to persons belonging outside Singapore and the services directly benefit persons in Singapore. The directly benefit criterion is present in sections 21(3)(j), 21(3)(k), 21(3)(s) and 21(3)(y) of the GST Act.

Prior to 1 January 2020, the aforementioned zero-rating provisions require the direct beneficiary of the services to be person(s) belonging outside Singapore (amongst other conditions) before zero-rating can apply. With effect from 1 January 2020, a supply of services can qualify for zero-rating under the said provisions so long as the direct beneficiary of the services are person(s) belonging outside Singapore and/or persons who are GST-registered in Singapore, assuming that the other conditions for zero-rating are satisfied. Businesses should determine whether the direct beneficiary is GST-registered in accordance to the time of supply rules. This is generally the earlier of the date of invoice issuance or payment receipt. In addition, businesses can check if a person is GST-registered via the Inland Revenue Authority of Singapore's website.

Businesses who are affected by this development should evaluate if changes are required to their business processes/ systems and the GST treatment to be adopted. The IRAS has stipulated that businesses are required to maintain records of the direct beneficiaries (e.g. their names and GST-registration numbers etc) when applying zero-rating on services which directly benefits GST-registered person(s).

# E-commerce developments



## New Zealand

### Low-value imported goods

From 1 December 2019, certain offshore suppliers of goods valued at or below \$1,000 sold to private consumers for delivery to New Zealand are required to register, collect and return GST at 15%.

The new regime will apply to the following non-residents, if their supplies subject to GST exceed NZ\$60,000 in any 12-month period:

- Electronic marketplace operators;
- Re-deliverers who arrange for the delivery of low-value goods from an offshore Location to New Zealand; and
- Non-residents who supply low-value goods directly (i.e. not through a Marketplace or redeliverer) to New Zealand consumers.

It is important to note that all persons caught by the rules will be liable to return New Zealand GST regardless of whether they have increased their pricing. It is therefore crucial to determine as soon as possible whether the GST charge applies, so systems and pricing can be updated.

Since the law was passed, Inland Revenue has been engaged in an education campaign and has sent out letters over the past few months to many overseas suppliers who may be affected by the new rules.

The first transitional return period will run from 1 December 2019 to 31 March 2020, with the first return due on 7 May 2020. From 1 April 2020, returns must be filed quarterly.

Some key features to note about the new regime are:

- The NZ\$1,000 low-value goods threshold applies on an item by item basis. For example, two items worth \$600 each supplied from overseas to a New Zealand customer will be charged with GST by the supplier even though the total combined shipment has a value over NZ\$1,000;
- Marketplace operators will be liable to account for and return GST on supplies of goods made by underlying suppliers to New Zealand consumers through their platforms;
- To ease the burden of compliance, suppliers can opt to charge GST on goods valued above NZD 1,000, provided low-value items (at or under NZ\$1,000) make up more than 75% of the total value of items sold to NZ consumers; and
- GST/duty will not be imposed at the border by New Zealand Customs on consignments of less than NZ\$1,000. If the total value of a package is over NZ\$1,000, New Zealand Customs will collect tariff duty (as applicable) and import entry fees from the New Zealand customer as the goods are imported into New Zealand, but will only collect GST if it has no evidence that GST has been charged by the offshore supplier.

## Japan

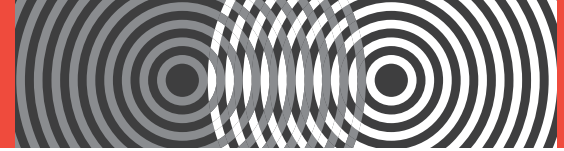
### Japanese Consumption Tax rate rise

October 1, 2019 saw major changes come into effect with regard to the Japanese Consumption Tax ("JCT") regime, which for the first time introduced multiple tax rates (8% and 10%).

Additionally, with effect from October 1, 2023, the JCT rules introduce a new qualified invoice regime, under which a purchaser will only be able to obtain a JCT input credit if presented with a qualified invoice. During a transitional period from October 1, 2019 until the new qualified invoice rules come into effect, stricter JCT invoice and bookkeeping rules apply, requiring taxpayers to include more detailed information in their invoices and books.

It will also be necessary for all taxpayers wishing to issue "qualified invoices" to register with Japan's National Tax Agency ("NTA") prior to October 2023.

In short, Japan's JCT regime has become increasingly complex. In order to ensure proper compliance, it is essential that taxpayers understand not only the current rules, but also the transitional provisions and the rules coming into effect going forward, to allow sufficient time to register, and to amend accounting software and properly train relevant personnel if necessary.



## Singapore

### Updated e-tax guides on reverse charge and overseas vendor registration regime

With effect from 1 January 2020, GST will be applied on:

- Imported services in the context of business-to-business (“B2B”) transactions by way of a reverse charge mechanism; and
- Imported digital services in the context of business-to-consumer (“B2C”) transactions by way of an overseas vendor registration regime.

The IRAS has published updated versions of the e-tax guides “GST: Taxing imported services by way of reverse charge” and “GST: Taxing imported services by way of an overseas vendor registration regime” on 22 August 2019 and 26 August 2019 respectively. The updates mainly provides clarity over the application of the new rules.

A Frequently Asked Questions “FAQ” document on the reverse charge was also released.

## Vietnam

### New Circular amending regulations on Value Added Tax (“VAT”)

In April 2019, the Ministry of Finance released Circular 18/2019/TT-BTC (“Circular 18”) to repeal the contents of Circular 134/2014/TT-BTC guiding the procedures for extending the deadline for VAT payment at import stage and VAT refund related to machinery and equipment imported to create fixed assets of investment projects. The circular took effect from 20 May 2019.

The key change under Circular 18 is highlighted as below:

- Previously, Circular 134 implemented the instructions under Resolution 63/NQ-CP dated 25 August 2014 on solutions for reducing difficulties for enterprises (“Resolution 63”). Specifically, Circular 134 provided detailed guidance on procedures for extending the deadline for payment of VAT at import stage and procedures for claiming VAT refund for machinery and equipment imported to create fixed assets of investment projects. This was to support newly established enterprises but still in the investment phase or operating enterprises with new or expansion investment projects which encountered financial difficulties in order to speed up the importation process.

- However, following the recent issuance of Resolution 150/NQ-CP by the Government on 13 December 2018 which removed the deferral of VAT payment and prompt VAT refund as previously instructed under Resolution 63, the MoF has released Circular 18 which repeals all the contents of Circular 134.
- Accordingly, from 20 May 2019, investment projects importing machinery and equipment with value from VND 100 billion or more shall no longer be entitled to VAT payment deferral within a period of 60 days after the statutory deadline or prompt VAT refund (i.e. refund first, audit later).
- Applications for deferral of VAT payments or VAT refund under Circular 134 which have been submitted to the customs or tax authorities before the effective date of Circular 18 (i.e. 20 May 2019) will be handled as regulated under Circular 134.

### Announcement of new online tax system

The General Department of Taxation announced the termination of operation of online tax declaration and online tax payment systems in 15 provinces. These two systems were replaced by a new online tax service system (eTax). The replacement took effect from 6 May 2019. The key changes are highlighted below:



- Effective from 8am on 6 May 2019, the online tax declaration system (iHTKK) and the online tax payment system (NTĐT) (currently operated via website “<http://nhantokhai.gdt.gov.vn>” and website “<http://nophue.gdt.gov.vn>”, respectively) in 14 northern provinces, including: Hanoi, Tuyen Quang, Ha Nam, Hai Phong, Nam Dinh, Ninh Binh, Thai Binh, Vinh Phuc, Quang Ninh, Son La, Thanh Hoa, Nghe An, Ha Tinh, Quang Binh, and 1 southern province: Dong Nai were replaced by a new online tax services system (eTax).
- The new online tax services system is available at the following website “<http://thuendienst.gdt.gov.vn>”. Taxpayer can access the new system via the username being its [tax code] (in case the previous system is iHTKK) or [tax code-QL] (in case the previous system is NTĐT). Taxpayer’s password under the old systems remains unchanged under the new system. For further details, please access <http://thuendienst.gdt.gov.vn>.
- This replacement will be phased gradually in other southern provinces in the near future.

### **New law on tax administration was issued**

In June 2019, the new law on tax administration 38/2019/QH14 was approved by the National Assembly. The new law will take effect from 1 July 2020, except for its provisions on invoices and e-documents, which will come into force on 1 July 2022. A decree and circular will be issued in due course to provide more detailed guidance on the new law. Below are some notable points regarding e-commerce activities, e- tax transactions and consolidation of e- invoice rules.

#### **E-commerce activities:**

- The State Bank will play a role in the taxation of e-commerce activities, including the building and development of a nationwide payment system to facilitate the collection of taxes from e-commerce activities.
- Banks will also be required to play a role in the taxation of e-commerce activities by way of withholding and making tax payments on behalf of overseas parties which conduct e-commerce activities and derive income from Vietnam. This will place a significant burden on commercial banks, and it remains unclear exactly what is required and how this will work in practice.
- For activities of e-commerce, doing business based on digital platforms and other services conducted by overseas suppliers without permanent establishments in Vietnam, the overseas suppliers must register for tax in Vietnam or authorise others to do so. Further guidance in this respect will be issued by the Ministry of Finance.

- The meaning and intended application of the above provisions are vague but there is a clear intention of taxing e- commerce and digital platform based business more consistently, and to impose compliance obligations on either overseas or Vietnamese entities in order to do this. This would be a new departure as Vietnam has not hitherto generally required foreign companies doing business with/ in Vietnam to register for tax. More details should be forthcoming in the implementing decree and circular.

#### **E-tax transactions:**

- Taxpayers and tax authorities which fully satisfy the conditions for conducting e-tax transactions will be required to conduct e-transactions for tax purposes.
- “E-tax transactions” are defined under Circular 110/2015 as inter alia conducting tax administrative procedures prescribed by the tax admin law electronically.

#### **E-invoices:**

- A section sets out guidance on e-invoicing, which aligns with the guidance under the new decree on e-invoicing (i.e. Decree 119/2018 -please see our NewsBrief dated 27 September 2018 for background on this).
- These provisions will take effect from 1 July 2022 (i.e. 2 years after the effective date of the tax admin law), while Decree 119/2018 on e-invoices requires all taxpayers to apply e-invoices from 1 November 2020. This suggests a slippage in the implementation of invoicing and further developments in this respect need to be closely monitored.

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