

PRISM

Tax Newsletter

October 2012

Inaugural Issue

- ▶ **China: The expansion of pilot scope of VAT**
- ▶ **Hong Kong: New law to emerge as an intellectual property hub**
- ▶ **Japan: The updates of the tax system in Japan**
- ▶ **Malaysia: Budget 2013 - Is the public's wish list met?**



Introduction to the Reanda International tax newsletter -

PRISM

The 2013 general global and U.S. economic outlooks predictably gloomier. Massive spending cuts and tax hikes is expected to due next year. These measures will cause even worse economic damage as gross domestic product is expected to shrink. Doing business globally will be even more challenging than that in the previous years. However we are set to help our valued clients to achieve more!

We are glad to inform you that we have launched our International Tax Panel (ITP) in order to serve our valued clients better of their international tax needs. The ITP comprises of Yao Ning (China), Chan Lok Sang, L.S. (Hong Kong), Nishimura Yoichi (Japan), LL Koong (Malaysia), Neoh Boon Toe (Cambodia), Irene Chan (Singapore), Jackson Chan (Macau), Adrian Calleia (Australia) and Adonis Theocharides (Cyprus). Member Firm shall be at its discretion to refer their international tax enquiries or assignments to the ITP depending on client's interest. Whenever there are queries of international assignment that require immediate and prompt response and beyond the Member Firm's resources to handle them, Member Firm can refer to the ITP. The email and domain name of email address for the ITP is Taxenquiry@reanda-international.com.

We are proud to present the inaugural issue of our collective tax newsletters to our most valued clients and associates. The title, PRISM is chosen since it represents a media which allows global tax news to pass through and disperse into a spectrum of colorful news contributed by each counterpart firm from various parts of the world. In 2013 and the future, we will endeavour to publish PRISM tax newsletter on a quarterly basis for the benefits of our readers. Your constructive feedback to improve our newsletter will be most appreciated. Last but not least, happy reading to all of you!



L L Koong,

Chairman
International Tax Panel

In this issue:

Australia

Company tax loss carry back: draft legislation released by the Australian Government

The Australian Government has released draft legislation to allow companies to carry back tax losses of up to AUD \$1 million each year, providing a cash benefit of up to AUD \$300,000 a year. A tax loss carry back scheme will bring the Australian taxation system into line with a number of international taxation systems including the United Kingdom, France, Germany, the United States and Canada.

澳大利亚政府颁布了立法草案，允许公司每年移前扣减不超过100万澳元的税务亏损，提供不超过30万澳元的现金款额。《税务亏损移前扣减计划》实行后，澳大利亚的税制将与英国、法国、德国、美国和加拿大等国际多个国家的税制保持一致。

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Cambodia

Tax obligations of sale of enterprise's share

The General Department of Taxation (GDT) of Cambodia has recently issued a notification letter to remind of tax obligations of sale of enterprise's share which had been stipulated under Article 71 of the Law on Financial Management for year 1995. In this regard, a buyer and seller shall be jointly responsible for settling tax and penalty if a business or enterprise, or immovable property has been sold.

柬埔寨税务总局（GDT）最近发出通知，提醒售卖企业股份的税务责任。根据1995年颁布的《财政管理法》第71条款，当公司、企业或不动产出售时，买卖双方应共同负责解决税款及罚款。

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China

The expansion of the scope of pilot program of "VAT in Lieu of Business Tax" in P.R.C

"Value-added Tax (VAT) in lieu of business tax" is an important step in the nation's structural tax cut, which takes eliminating repeated taxation as the primary goal and achieving "no increase or a slight decrease" in respect of taxation of businesses on the whole. Shanghai commenced a pilot program of VAT in lieu of business tax on January 1, 2012, Beijing's application for a pilot program has also been approved officially on September 1 2012. In addition, more than 10 provinces and cities, including Shenzhen, Tianjin, Chongqing, Jiangsu and Zhejiang, have filed applications for pilot program of "VAT in lieu of business tax" one by one.

“营改增”是国家结构性减税的重要步骤，其首要目标是消除重复征税，在行业总体税负上实现“不增加或略有下降”。上海于2012年1月1日正式启动“营改增”试点，同时北京提出的试点申请也正式获批，并已于2012年9月1日开始进行试点。此外，深圳、天津、重庆、江苏、浙江等十余个省市也纷纷提出“营改增”试点申请。

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Cyprus

Why Cyprus & Tax facts at a glance

Operating through a company registered in Cyprus can significantly reduce the tax liability of the business and the ultimate shareholders, thus increasing the net return on the investment. Trading profits of a Cyprus tax resident company are taxed at the rate of ten percent (10%), one of the lowest corporate income tax rates in Europe. Capital Gains that arise from the disposal of immovable property held outside Cyprus or shares in companies in which the underlying asset is immovable property held outside Cyprus, are completely exempted from capital gains tax.

A company is considered to be tax resident in Cyprus, if its management and control is exercised in Cyprus. In addition to the favourable corporation tax rate, there is an 80% exemption on the net profit from the utilization of patent, trademark or any other intellectual property rights. Cyprus is the largest EU ship management centre and among the top 5 internationally (3rd fleet in EU and 10th in the world – 1857 vessels with gross tonnage in excess of 21 million). Gains from trading and disposal of securities such as shares and bonds are tax free.

Cyprus has currently concluded DTAs with more than 45 countries.

通过在塞浦路斯登记设立一个公司可显著减轻公司和最终股东的税务负担。塞浦路斯纳税居民公司只需交纳公司利润的10%，是公司所得税最低的欧洲国家之一。处置位于塞浦路斯之外的房地产或出售含有此类不动产资产公司的股份的资本收益不需缴纳资本所得税。

如果一个公司的管理和控制在塞浦路斯实施，则该公司被认为是塞浦路斯纳税居民。除了优惠的公司所得税率之外，利用专利、商标或任何其他知识产权权利所得净利的80%可免于纳税。塞浦路斯是全球前五大、欧洲最大的船舶管理中心（欧洲第三大船队，全球第十大船队-共有总吨位超过21百万吨的1857艘船舶）。

塞浦路斯已和超过45个国家签订了避免双重征税协定。

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Hong Kong

Hong Kong legislated new law to emerge as an intellectual property hub

In recognition that innovation and application of technology add value to products and services and to facilitate the development of creative industries, Hong Kong recently legislated to allow deduction against profits for costs incurred in acquiring copyrights as well as registered designs and trademarks.

意识到科技的创新和应用可提升产品及服务的价值，及有助推动创意产业的发展，香港最近制订法例，企业可就获取版权、注册外观设计及商标的开支，得到利得税的减免。

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Japan

The updates of the tax system in Japan

In the context of corporate globalization as well as active international transactions of large corporations, small and medium-sized enterprises, the tax system in Japan is constantly being revised annually and is becoming more sophisticated. The tax reform brings significant influences to the domestic and foreign enterprises in Japan.

在企业全球化，大型企业、中小型企业国际交易活跃化的背景下，日本的课税制度每年也在不停的修改，日渐复杂化。这些税制改革内容对日本国内企业以及国外企业来说有着重要的影响。

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Malaysia

Budget 2013 - Is the public's budget wish list met?

On 28 September 2012, the whole nation was all eyes on our Prime Minister and Minister of Finance YAB Dato' Seri Najib Tun Abdul Razak. Given the short period of time before the 13th general election, which must be held by May next year, many expect Budget 2013 to be filled with lots of goodies in view of the forthcoming polls. Besides this, our PM announced a lower budget deficit and strategies to sustain economic growth amidst global economic slowdown.

Was there a second round of handouts to low income families? A cut of 1% in the highest bracket of personal tax rate? Some additional tax reliefs? No increase in sin tax on tobacco and alcohol? A two pronged approach to curb the spiralling property prices? What magic can be done to attract more foreign direct investments? Any corporate tax rate reduction? New tax incentives? Further measures to ease inflation? Announcement of the long awaited Goods and Service Tax? Well, these are some of the major questions the public have in mind for the Budget 2013. We will find out if the public's budget wish list is met.

2012年9月28日当天，我国举国上下的人民无不将眼睛聚焦于我国首相兼财政部长拿督斯里纳吉，事因他在当日公布2013年财政预算案。由于距离全国大选仅剩短短几个月的时间，即最迟在明年5月或之前举行，因此，许多人皆希望此次的预算案能带给人民更多好消息。此次，我国首相公布了一个低赤字与具策略性的财政预算案，以期在全球经济放缓之际，仍维持国内经济增长。

低收入家庭是否会有第二次的援助金？个人所得税最高税率会否减低1%？会有一些额外的扣税项目的公布吗？会不会再次提高烟酒税？是否有双管齐下的办法以抑制楼价的攀升？有什么策略可吸引更多的外国投资？会否降低公司税？是否有新的税务奖励？是否有纾缓通货膨胀的更好办法？会不会宣布已计划实施良久的消费税？

以上所述的，都是一般人民对2013年财政预算案，普遍在脑海将会浮现的主要问题。就让我们看看这个预算案是否符合人民的预期了。

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Australia



Company tax loss carry back: draft legislation released by the Australian Government

On 23 August 2012 the Australian Government released for consultation draft legislation that will provide tax relief for companies (and entities taxed like companies) by allowing them to “carry-back” revenue tax losses so they receive a refund against tax previously paid, as follows:

- For 2012/13 – tax losses incurred in 2012/13 can be carried back and offset against tax paid in respect of the 2011/12 year only; and
- For 2013/14 and later years – tax losses can be carried back and offset against tax paid up to two years earlier.

Companies will be able to carry-back up to AUD \$1 million of revenue tax losses each year, providing a cash benefit of up to AUD \$300,000 a year (i.e. AUD \$1 million x 30% company tax rate).

The measures will be subject to integrity rules, and limited to a company’s franking account balance.

The draft legislation applies to companies only. It does not apply to other business structures such as partnerships, trusts and sole traders.

According to the Australian Government, tax loss carry back received strong and widespread support at the Government’s Tax Forum last year and was developed in close consultation with business representatives and tax experts.

The Assistant Treasurer, The Hon David Bradbury MP, stated “Allowing tax loss carry-back will encourage businesses to invest and adapt, and will mean companies can use their tax losses now, when they need to, rather than in the future when their businesses are performing better”.

A tax loss carry back scheme will bring the Australian taxation system into line with a number of international taxation systems including the United Kingdom, France, Germany, the United States and Canada. [R](#)

Cambodia



Tax obligation of sale of enterprise’s share

The General Department of Taxation (GDT) of Cambodia has recently issued a notification letter to remind of tax obligations of sale of enterprise’s share which had been stipulated under Article 71 of the Law on Financial Management for year 1995. In this regard, a buyer and seller shall be jointly responsible for settling tax and penalty if a business or enterprise, or immovable property has been sold. The obligations of both the buyer and seller are as follows:

1. If there was a purchase-sale of an enterprise including the purchase and sale of all or part of the enterprise’s shares, the seller has to clear all the tax liabilities first before selling the enterprise. The tax clearance shall be made through the payment of all tax liabilities incurred after the tax audit.
2. The purchaser shall be responsible for all tax liabilities of the enterprise incurred regardless the period controlled by a seller or purchaser.

From this notification, it seems that a tax audit of the enterprise would be required to be conducted by the GDT and any reassessed tax liabilities be settled first, before the enterprise can be sold. With regard to this, the tax officials have clarified that the motive of the notification is just to clarify tax obligations for both sellers and buyers. If the buyers wish to clear all the tax liabilities before buying, the buyer can request the seller to request the GDT to conduct the tax audit, and, thereafter, clear all the tax liabilities in order to close the pre-acquisition tax year. Otherwise, the buyer is obliged to take over any historical outstanding tax liabilities (if any) after taking over the enterprise.

As is common commercial practice in a share acquisition of an enterprise, the purchaser is generally taking over the target company/enterprise together with all related liabilities, including contingent liabilities such as taxation. The purchaser will, therefore, normally require extensive indemnities and warranties which among those included historical outstanding tax liabilities of the enterprise from the seller.

In addition, due to the notification indicates that there should be no compulsory requirement for the sellers to request for a tax audit being conducted by the GDT first before they can dispose their share to another shareholder. Any such decision would be based on agreement between the buyer and the

sellers on how they would deal with any outstanding tax liabilities pre-acquisition in their Purchase and Sale Agreement (PSA).

Nevertheless, it is always recommended that a proper tax due diligence should be considered by the purchaser to identify any potential outstanding historical tax liabilities of the target company, as well as seek advice for any potential tax-efficient financing and investment holding structure in the enterprise, as part of the acquisition consideration. [u](#)

China



The expansion of the scope of pilot program of "VAT in Lieu of Business Tax" in P.R.C

Background information, present situation and statistics of "VAT in lieu of business tax"

"VAT in lieu of business tax" is an important step in the nation's structural tax cut, which takes eliminating repeated taxation as the primary goal and achieving "no increase or a slight decrease" in respect of taxation of businesses on the whole. Therefore, pilot program enterprises should not wishfully believe that "VAT in lieu of business tax" is equal to tax reduction. Not long after Shanghai commenced the pilot program, Beijing's application for a pilot program has also been approved officially on 1 September 2012. In addition, more than 10 provinces and cities, including Shenzhen, Tianjin, Chongqing, Jiangsu and Zhejiang, have filed applications for pilot program of "VAT in lieu of business tax" one by one. For these enterprises, both opportunities and challenges co-existed in this "VAT in lieu of business tax".

Since 1 January 2012, Shanghai started to replace its business tax with value added tax, known as "VAT in lieu of business tax" below, 70% small scale tax payers of the 120 thousands of pilot enterprises have benefited from apparent drop of tax burden since the 5% business tax rate is replaced by a 3% VAT rate; whilst about 30% general enterprises tax payers have suffered heavier tax burden, especially transportation and other logistics enterprises, as their business tax rate of 5% is increased into a VAT rate of 11%, in addition this is due to lower income tax credit and limited pilot scope, and they are also unable to obtain VAT special invoices from upstream enterprises. For details, the pilot program in Shanghai includes five major sectors such as transportation by land, water, air or pipe and modern services such as R&D and technology services, information technology services,

cultural creativity services, logistics supplying services, tangible movables renting services, and certification and consulting services, covering 35 thousands general VAT tax payers and 85 thousands small VAT tax payers.

1. Significant government policies against "VAT in lieu of business tax"

In order to avoid repeated taxation, Shanghai enforces the Measures for Administration of Balance Levy of Business Tax in September 2010, which prescribe that when calculating taxable turnover, a business taxpayer may deduct tax allowable expenditures from all of its collected consideration and additional fees and charges and listed some 60 deductible items, classified into 8 main categories. To a certain degree, the balance levy reduces repeated levy of business tax before the implementation of "VAT in lieu of business tax" pilot program and has become a mainstream choice for those regions which have yet been subjected to the pilot program of "VAT in lieu of business tax".

At the same time, in order to help pilot enterprises weather through the transition steadily and realizing the State's target of "no increase or a slight decrease" in respect of taxation of businesses on the whole, Shanghai promulgated two policies about transitional financial supports, such as Hu Cai Shui [2012] No. 5 and Hu Cai Shui [2012] No. 6. Those enterprises suffering heavier tax burden shall make a rapid response without hesitation and apply for relevant financial support in accordance with the relevant documentation requirement.

2. Conclusion and comment

"VAT in lieu of business tax" will benefit the enterprises' professional development, and it is an important tax reform of our country during the Twelfth Five-Year Plan and an important measure to optimize our nation's tax structure. Current Shanghai pilot program and upcoming Beijing pilot program are at their initial phase of reform, i.e. such pilot program is carried out in chosen industries of selected areas. According to the reform plan, the second phase is to expand the pilot program from selective industries into all around the country; and the third phase is to realize "VAT in lieu of business tax" in its real meaning and "eliminate" business tax in all industries all over the country during Twelfth Five-Year Plan.

In respond to the "VAT in lieu of business tax", enterprises should treat it as if a systematic project and needs more attention from the management and participation by all staff. Firstly, enterprises should carefully analyse the transformation impact and make

plans; secondly, enterprises should also reset business processes in key reform fields; and thirdly, enterprises should do a good job in follow-ups and checks so as to prevent major risks. In addition, simultaneously, enterprises should pay close attention to Shanghai pilot program status, especially in four aspects such as handling of balance levy, application for financial supports, cleaning-up and collection of differential tax, and prevention of tax legal risks under the new tax policies, which are significant to the enterprises' interests, and execute well in various aspects so as to help the enterprises maximize benefits and seize opportunities in challenges. 📌

Cyprus



Why Cyprus & tax facts at a glance

Operating through a company registered in Cyprus can significantly reduce the tax liability of the business and the ultimate shareholders, thus increasing the net return on the investment. Cyprus has been a full member of the European Union since 2004 and adopted the Euro as its official currency since the beginning of 2008. The strategic position and time-zone of Cyprus, enables comfortable connections between Europe, Middle East, Africa and Asia and make the island a natural hub for business and trade. Cyprus is an established and reputable business and financial center supported by an advanced legal, accounting and banking system, highly skilled and multilingual workforce, excellent telecommunication systems and convenient year round flight connections. In addition, due to the great numbers of international businesses already situated in Cyprus, there are outstanding networking possibilities for all of new entrants along with the fact that it is an onshore jurisdiction governed under the EU Directives. The local governments have traditionally been promoting Cyprus as an international business center, through the enactment of favorable tax laws, which are in full compliance with EU directives and the reduced paperwork and costs necessary to register a Cyprus company. There are active and promising business bonds and ties between China and Cyprus along with Asia and Europe in general.

1. Corporate Tax Rate

Trading profits of a Cyprus tax resident company are taxed at the rate of ten percent (10%), one of the lowest corporate income tax rates in Europe. A

company is considered to be tax resident in Cyprus, if its management and control is exercised in Cyprus.

2. Interest Income

There are two types of taxes that may apply to interest income earned by a Cypriot company: income tax at 10% levied on interest derived, less any allowable expenses or Special Defence Contribution (SDC) at 15% applied to gross interest income. Interest earned by a Cypriot tax resident company derived in the ordinary course of business or closely connected thereto is only subject to income tax. Interest income by all other companies is subject to SDC.

3. Dividends

● Inter-company dividends

Dividends paid from one Cyprus tax resident company to another are exempt from any tax in Cyprus.

● Dividends Received from Abroad and Income from Foreign Permanent Establishments (PE)

Dividends received from abroad and income from Foreign PE are tax exempt unless both of the following conditions are not satisfied, in which case they are taxed to Special Contribution for Defence (SCD) at 20% for the tax years 2012 and 2013 and 17% for 2014 and thereafter:

1. The company paying the dividend must not engage directly or indirectly more than 50% in activities which lead to passive income (non-trading income), and
2. The foreign tax burden on the income of the company paying the dividend is not substantially lower than the tax burden in Cyprus (an effective tax rate higher than 5% in the country paying the dividend satisfies this condition).

4. Intellectual property rights and Royalties

There is an 80% exemption on the net profit (defined as income from intellectual property minus all expenses attributable with the specific income) from the utilization of patent, trademark or any other intellectual property rights. The same exemption applies in cases of any gain arising from the disposal of such intellectual property. In addition, the rate of capital allowances on such intangibles has been set at 20% of the cost of acquisition.

It is worth noting that the definition of patent right and intellectual property rights has been amended to correspond to the meaning of the local Patent Rights Law of 1998, the Intellectual Property Law of 1976 and the Law regarding Trademarks. This development ensures that uncertainty is lifted in regards to which types of intellectual rights are covered.

5. The Shipping Industry

Cyprus is the largest EU ship management centre and among the top 5 internationally (3rd fleet in EU and 10th in the world – 1857 vessels with gross tonnage in excess of 21 million). Cyprus is also a member of Paris MOU – Cyprus Flag on White List. More than 130 ship owning and ship management companies with offices in Cyprus, conducting international activities. There are in place deep-sea ports with easy access to Suez Canal and other major freight routes. The Geographical position of the Island played a significant role for being among the largest ship management centres as it is in the crossroads of 3 major continents (Europe, Asia, Africa) and Middle East.

Cyprus Tonnage Tax:

Full tax exemption of:

- Profits of the ship-owners or charterer of EU/EEA flag ships and foreign ships (foreign ships are subject to conditions)
- Capital gains on sale or transfer of such vessels or the shares of the ship-owning company
- Profit from crewing or technical management of ships are carried out from a fully-fledged office in Cyprus
- Dividend distribution at all level of the above profits
- Income on the emoluments of officers or crew on board of vessels
- Tonnage tax is payable instead based on age and tonnage capacity of vessel

6. Trading In Titles

Gains from trading and disposal of securities such as shares and bonds are tax free.

Other Taxes

7. Withholding Taxes

There are no withholding taxes on payments to non-tax resident persons (companies or individuals) in respect of dividends and interest.

8. Capital Gains Tax (CGT)

Capital gains from the sale of immovable property

situated in Cyprus as well as from the sale of shares in companies (other than quoted shares) in which the underlying asset is immovable property situated in Cyprus, are taxed at a flat rate of 20% after allowing for indexation. Capital gains that arise from the disposal of immovable property held outside Cyprus or shares in companies in which the underlying asset is immovable property held outside Cyprus, are completely exempted from capital gains tax.

9. Other Taxes

There are no inheritance, estate or wealth taxes on shares held in a Cyprus company.

Double Tax Agreements (DTA)

Cyprus has currently concluded **DTAs with more than 45 countries** including the majority of the European countries, the United States of America, Canada, India, China, Russia and the C.I.S countries. [↗](#)

Hong Kong

Hong Kong legislated new law to emerge as an intellectual property hub

Hong Kong generally only taxes profits derived from a source within its jurisdiction. Coupled with its general exemption for capital gains, Hong Kong has been the regional hub for cross border trades and businesses since World War II. Such beauty adds on its geographical vicinity and cultural nexus to Mainland China to render it the main gateway to the booming market of the latter.

For profits derived from a source in Hong Kong, the tax rate is currently 16.5%, among the lowest in the region and globally.

In recognition that innovation and application of technology add value to products and services and to facilitate the development of creative industries, Hong Kong recently legislated to allow deduction against profits for costs incurred in acquiring copyrights as well as registered designs and trademarks. The costs are deductible in equal amounts over five years or, if the period during which the right in the property may subsist is shorter, over that period. The deduction is proportionately disallowed if part of the income derived from the use of the properties is not chargeable to tax in Hong Kong.

Following the legislation, the Inland Revenue Department also clarified its view on taxation of royalty, the consideration for the use of intellectual properties.


If the intellectual properties is purchased and licensed for use outside Hong Kong, the royalty income so

derived is not taxable. Thus an owner of intellectual properties in high tax jurisdictions might sell its intellectual properties to a Hong Kong subsidiary for onward licensing to the end users in other jurisdictions to make use of the exemption.

If an intellectual property is created or developed in Hong Kong, the royalty received from allowing other persons to use the property is taxable in Hong Kong at 16.5%. Hence intellectual properties may be created or developed in Hong Kong and then licensed for use in a high tax jurisdiction.

Hong Kong charges no withholding tax on repatriation of profits to foreign shareholders.

Proper procedures needed to be complied with and the taxation in the holding company's as well as the end users' jurisdictions should be evaluated by appropriate professionals before putting into place the aforesaid structures.

Advanced ruling may be obtained from the Inland Revenue Department. 

Japan



The updates of the tax system in Japan

In the context of corporate globalization as well as active international transactions of large corporations, small and medium-sized enterprises, the tax system in Japan is constantly being revised annually and is becoming more sophisticated. The tax reform brings significant influences to the domestic and foreign enterprises in Japan. The major tax reforms are as follows:

1. Reduction in corporate income tax rate

The corporate income tax rate has been reduced from 30% to 25.5% since 2011 aiming to enhance the international competitiveness of enterprises. Yet, to ensure funds for post-disaster reconstruction after the massive earthquake in North-eastern Japan, the Japanese government put forward the proposal on 'Tax Increase for Rehabilitation', which stipulates tax increases for 3 consecutive years from 2012. 10% subtax will be added on top of the present Corporate Income Tax. Therefore, the effective corporate income tax rate for the following 3 years is 28.05% (Rehabilitation Special Corporate Income Tax).

2. Losses carry forward

Originally, the corporate income tax law in Japan permits losses to be carried forward for 7 years as a

treatment for losses. However, according to the bill, an additional 2 years be extended for the losses to be carried forward, thus it will be 9 years effective from 2012.


Yet, the bill also stipulates that the losses to be carried forward by large enterprises shall be limited to 80% of its recurring profit. So even though greater losses were incurred, 20% of the recurring profits are still necessarily be subjected to tax. Whereas small and medium-sized enterprises are not subject to this restriction, hence they will benefit more from this new provision.

3. Increase in consumption tax rate

In order to ensure financial sources for social security and other aspects, the Japanese government announced the bill related to the 'Reform of integrating social security and tax system' in August 2012. The consumption tax rate is currently 5%. The bill decided to raise it to 8% from April 2014 and further to 10% from October 2015.

4. Obligating overseas assets declaration system

Considering the expansion of Japan's overseas investments and overseas assets year by year, the Japanese government enhanced its system for taxing overseas assets in the 2012 revised tax draft. The obligating declaration system will be applicable to citizens' overseas assets from 2014 onwards.

The Revenue Bureau will impose the obligating declaration system annually to the individuals (who own more than 50 million Yen of overseas deposits, shares and real estates) in order to ascertain their overseas assets and collect income tax and inheritance tax accordingly. Any individual who fails to declare their overseas assets honestly will be subject to an imprisonment of not more than one year. 

Malaysia



BUDGET 2013- Is the public's budget wish list met?

On 28 September 2012, the whole nation was all eyes on our Prime Minister (PM) and Minister of Finance YAB Dato' Seri Najib Tun Abdul Razak. Given the short period of time before the 13th general election, which must be held by May next year, many expected Budget 2013 to be filled with lots of goodies in view of the forthcoming polls. However the government said that this is not an election budget but one that

looks into the people's welfare at all levels.

The Budget 2013 is themed "PROSPERING THE NATION, ENHANCING WELL-BEING OF THE PUBLIC, A PROMISE FULFILLED" and focuses on the following five key areas:

1. BOOSTING INVESTMENT ACTIVITY
2. STRENGTHENING EDUCATION AND TRAINING
3. INCULCATING INNOVATION, INCREASING PRODUCTIVITY
4. FISCAL CONSOLIDATION AND ENHANCING THE PUBLIC SERVICE DELIVERY
5. ENHANCING THE WELL BEING OF THE PUBLIC

The Budget is overall optimistic about the Malaysian economic outlook. The Malaysian economy is forecast to grow between 4.5% and 5.5% in 2013, the economy being poised to expand 4.5% to 5% for 2012, spurred by private investments. The government, which is keeping a tight rein on its expenditure, expects fiscal deficit to be reduced to 4% of GDP in 2013 from 4.5% in 2012.

The 2013 Budget tax highlights are as follows:

- Individual tax rates be reduced by 1% for each band of chargeable income from RM 2,501 until RM 50,000 category
- Disposal of properties and real property company (RPC) shares within 2 years will pay 15% real property gains tax (RPGT) instead of 10%, in the 3rd to 5th year, pay 10% RPGT instead of 5% . Disposal after 5 years remains at 0%
- Time bar for raising income tax assessment or additional assessment be reduced from 6 years to 5 years except in cases of investigation, false declaration, wilful late payment and negligence
- Extending the tax incentives for commercialisation of research & development (R&D) findings of public research institutions to non resource based activities/products
- Total value of investment by an angel investor in a venture company be allowed as deduction against all income
- Tax incentives for private entrepreneurs in the oil & gas industry including 100% income tax waiver for 10 years, exemption of withholding tax & stamp duty
- Tax exemption for inbound tour operators of not less than 750 inbound tourists per year for years of assessment 2013 to 2015
- Tax exemption for domestic tour operators of not less than 1,500 local tourists per year for years of assessment 2013 to 2015
- 10 year s tax exemption for companies with Tun Razak Exchange (TRX) status ,i.e. world class green status
- Tax exemption be given on income received by certain approved annuity funds by Bank Negara Malaysia
- 5 years tax exemption and 10% industrial building allowance for new and existing private childcare centers and pre-schools
- Double deduction on expenses incurred by employers for provision & maintenance of childcare centers and childcare allowances for employees
- Business trusts(BT) be given similar income tax treatment to that of a company. Stamp duty exemption on instruments of transfer of businesses, assets or properties. RPGT exemption on disposal of real properties or RPC shares to BT
- Double deduction for issuance of approved Agro-Sukuk and retail sukuk and bonds
- Tax incentives for banking institutions, rescuing contractors and original house buyers of abandoned housing projects
- 100% accelerated capital allowances on security control and surveillance equipment installed in factories and all business premises be extended for another 3 years. This covers companies that install such equipment in residential areas

In addition to the above, there are more freebies, where the head of the household earning less than RM3,000 is eligible for the assistance. Whereas single unmarried individuals aged 21 and above and earning not more than RM2,000 a month will get assistance amounts to RM250. The Government will also continue the Malaysia Book Voucher programme for all students in institutions of higher learning and at pre-university level, the value of the voucher will be increased from RM200 to RM250.

As there is an election period ahead, as predicted by many, there are no unfavourable measures like higher sin taxes of liquor and tobacco or even the introduction of the Goods and Services Tax for 2013. Will these all round of goodies offered keeps the electorate happy and wins votes? Well, we will all have to wait and see the result soon. 🇲🇾

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