

**Deloitte.**

# 2021 Asia Pacific Tax Complexity Survey



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# Preface

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## Welcome to the 4<sup>th</sup> Deloitte Asia Pacific Tax Complexity Survey

This is the fourth time we have conducted this survey among regional business leaders on their perspectives of tax complexity, consistency and predictability across all the Asia Pacific jurisdictions in which their businesses operate. We focus on these three factors in each survey



because we believe they are the key indicators of the tax environment. Additionally, we ask questions about other important indicators of the tax environment, as well as questions focused on specific developments during the last three years. We hope this survey allows executives to develop a clearer picture of the tax environment in the region so as to make informed business decisions.

Tax changes do not occur in a vacuum – economic and societal forces significantly impact the rate of policy change and government’s need for tax collection. During the period this survey covered, 2018-2020, two events greatly impacted changes in the tax arena, globally as well as regionally – the increased digitalization of the world’s economy and COVID-19.

The rapid digitalization of the global economy has led to the OECD/G20’s ongoing Base Erosion and Profit Shifting (BEPS) project, and the issuance of the Pillar 1 and Pillar 2 blueprints in 2020, outlining proposed new international tax rules to deal with automated digital services businesses and large consumer-facing businesses, and to ensure that large international businesses pay a minimum level of tax. Consensus has not been reached on the rules, and, in the meantime, some jurisdictions have introduced unilateral measures. However, it is increasingly likely that new rules will be agreed to, impacting jurisdictions across Asia Pacific and other parts of the world. We have asked our respondents to provide their preliminary views on these rules, and the likely impact on their business from an Asia Pacific perspective.

COVID-19 has had a significant impact on businesses as well as governments. While businesses have worked hard to rapidly respond to the changing economic conditions, governments have taken unprecedented actions to support individuals and businesses and to stimulate the economy while facing declining tax collection. Given the importance of this event, we added questions to our survey to address how businesses have been responding, as well as the effect of government actions.

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## Our methodology

In this edition of our survey, we received responses from 407 executives across the Asia Pacific region. A breakdown of the profile of these respondents is contained in Appendix 1, and our report should be read in light of the profile of the respondents. The respondents come from across the region and were asked to identify the jurisdictions in which their businesses operated and to provide responses for each of these locations. Our 407 respondents provided 2,386 responses covering the 24 jurisdictions included in the survey. Where this report provides the results of the survey with a breakdown by jurisdiction, the percentage for a particular jurisdiction is calculated using the total number of responses for that jurisdiction as the denominator.

In presenting the results for each question, we have generally sought to identify a majority (over 50%) view of the total responses for that jurisdiction as the first basis for our comments. Where the most common views of most jurisdictions do not indicate a clear trend for the region, or where there are outliers or other points of interest, we have used higher or lower thresholds to illustrate the point. Furthermore, we have presented the 24 jurisdictions in the charts in a way to make trends and patterns more identifiable to readers.

Asia Pacific is a diverse region with several of the world's largest economies as well as some of the smallest. In the case of some small jurisdictions, there are very few responses. However, for the purposes of being complete and inclusive we have shown the survey result of all 24 jurisdictions, although our analysis tends to focus on larger jurisdictions for which more responses have been received.

## Key definitions

For purposes of this survey, “complexity” refers to the perceived level of difficulty in interpreting and understanding the respective jurisdiction’s tax laws and regulations based on the respondent’s knowledge and experience.

“Consistency” refers to the perceived uniformity and transparency of enforcement of prevailing tax laws by the jurisdiction based on the respondent’s knowledge and experience.

“Predictability” refers to the availability of information and resources from tax authorities that allow taxpayers to foresee the direction and potential changes in tax laws so to allow business planning promptly.

## Acknowledgment

We would like to thank all respondents who took the time to participate in the 2021 Asia Pacific Tax Complexity Survey. Our tax practitioners across the Deloitte Asia Pacific network value your thoughts and feedback.



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# Key findings

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By majority view and as a general observation, responses to the 2021 survey indicate an overall positive tax environment in Asia Pacific, with key areas showing encouraging news.

### **Broadly positive views on consistency and predictability**

A majority of the responses for 19 jurisdictions, representing about 80% of the survey jurisdictions, have shown that these jurisdictions' tax environments are consistent or very consistent. In 12 jurisdictions, this view represents over 75% of the responses. Similarly, a majority of the responses for 18 jurisdictions have indicated that there is an intermediate or very high level of predictability in the tax environment of these jurisdictions. These views speak to the growing professionalism of tax authorities in Asia Pacific. The growing number of double tax agreements within the region over the last few years likely also contributed to this positive environment.

### **Complex tax regimes in most of the region**

Asia Pacific remains a region with relatively complex tax environments. There are only three jurisdictions where the majority view is that the compliance and reporting

requirements are simple: Hong Kong, Macau, and Mauritius. This is consistent with our 2017 survey, which showed that compliance and reporting requirements in the vast majority of jurisdictions were not considered to be simple. Furthermore, in the 2021 survey, there are 19 jurisdictions with substantially more responses saying that the tax regime has become more complex over the last three years than those saying that regime has become less complex.

Tax systems are developed over extended periods of time and new laws are generally additive to existing rules. Following on from the changes after BEPS, we continue to see new laws introduced around the region to deal with specific issues, and to focus on areas of the tax base that had not been dealt with by the OECD/G20 BEPS project. Therefore, the growing complexity of the tax environment in the region is understandable. Hopefully, the increased use of digital tools in tax administration, as later discussed in this report, may ease the complexity of tax compliance to some extent.

By majority view and as a general observation, responses to the 2021 survey indicate an overall positive tax environment in Asia Pacific, with key areas showing encouraging news.

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### Relationships with tax authorities generally neutral or positive, but continue to be a focus

The majority of the respondents for each jurisdiction have described their relationships with tax authorities as neutral or positive. We regard a neutral relationship as a positive sign because the interests of tax authorities and taxpayers tend not to be in agreement, and negative relationships may more easily arise. Accordingly, the majority view of respondents across the region regarding their relationships with tax authorities is encouraging. Still, building a good relationship with tax authority remains a focus area for many businesses, as it was in the 2017 survey.

### Diverse confidence in appeal systems

Asia Pacific has a wide range of different appeal systems and procedures for challenging tax authorities. When asked about confidence in the appeal systems, the respondents for the relatively more mature economies, Australia, Hong Kong, Japan, New Zealand, and Singapore, are confident in the appeal process. These jurisdictions tend to have well understood and well established channels or precedents for independent or judicial review of cases. In contrast, respondents for a number of the less mature economies do not show confidence in the appeal process, indicating room for improvement. Given the important role that an appeal process plays in establishing a fair and effective tax system, the processes in more mature economies may serve as good examples to other less mature economies.

### Preliminary views on Pillar 1 and Pillar 2

We asked our respondents about the implications of the proposed new rules in the Pillar 1 and Pillar 2 blueprints. These very early results indicate that almost three times more people support Pillar 1 than those who do not support it, although over 60% of respondents are still neutral. Similarly, for Pillar 2, a majority of respondents expect no impact or even a positive impact from the change. However, we think there is still a long way to go before businesses can fully appreciate the impact of the rules on their tax payments, and their competitive position in different markets. Therefore, respondents' views may change over time.

When asked whether their businesses would face materially higher tax costs (an increase of tax expense of more than 15%) within one year if the proposed rules of Pillar 1 and Pillar 2 were to be implemented, 25% of the respondents expected so for Pillar 1, and 18% of the respondents expected so for Pillar 2. For purposes of the Pillar 1 responses, we limited the respondents to those whose businesses meet the two thresholds specified in Pillar 1.

### Businesses at different stages of dealing with the impact of COVID-19

Our survey has identified a wide range of views regarding the state of the corporate recovery from COVID-19. In 16 jurisdictions, the majority of the respondents indicate that

their businesses have not gone past the “recover” stage. In four jurisdictions, a majority of the relevant respondents indicate that their businesses have gone past the “recover” stage, all of which are jurisdictions that have better managed the health challenges of COVID-19: Cambodia, Mainland China, Mauritius and Singapore.



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# Complexity, consistency and predictability

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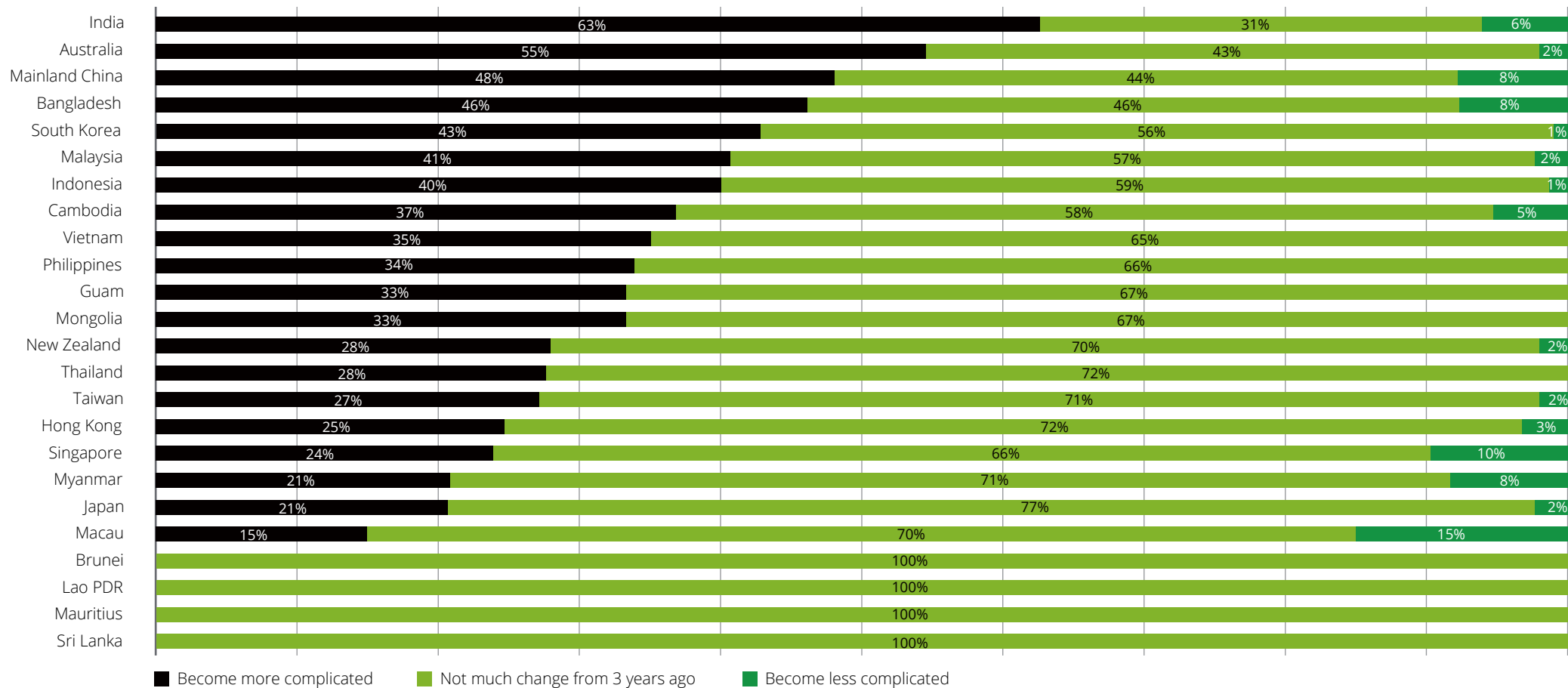
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### 3.1 How has the complexity of the tax regime changed in the last three years in the following jurisdictions?

Figure 1



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## The change of the complexity of the tax regime



**In 19 jurisdictions, there are substantially more responses saying that the tax regime has become more complex over the last three years than those saying that regime has become less complex.**

This should not be surprising considering the number of new rules introduced following the BEPS project, which would be expected to increase complexity.



Both **India** and **Australia** have a majority of responses indicating that the jurisdictions have become more complex. The percentage of respondents having this view is also high in a number of other jurisdictions: Bangladesh, Indonesia, Mainland China, Malaysia and South Korea.



Considering **South Korea**, for example, there have been notable changes to the tax regime in recent years due to the introduction of BEPS, provision of various tax benefits to deal with COVID-19, IFRS implementation, and more, resulting in the observed increase of complexity of the tax regime in South Korea. We expect the rapidly changing tax, business and societal environment may also be a contributing factor for the increased complexity of other jurisdictions.



There is a sharp fall in the percentage of respondents regarding **Mainland China's** tax system as becoming more complex: from 67% in the 2017 survey to 48% in the 2021 survey. This improvement may be due to the fact that, in the last few years, for many of the newly issued tax laws and regulations, Mainland China's State Taxation Administration has issued accompanying interpretation notes, which contain detailed explanations and useful examples for the new laws and regulations and are seen as a good source of guidance for taxpayers. But still, Mainland China is not recognized as a simple tax system. As Mainland China continues to grow its economy, continued efforts to contain the complexity of its tax regime will be welcomed.



**Japan** is no exception to having growing complexity in the tax system - 21% of respondents take the view that there is growing complexity in the system. But among the major economies in the region, Japan has the lowest percentage of respondents taking that view. As the results on consistency and predictability in subsequent questions show, efforts on the tax administration side to achieve high consistency and predictability in the Japanese tax system seem to have softened the burden of the growing complexity.

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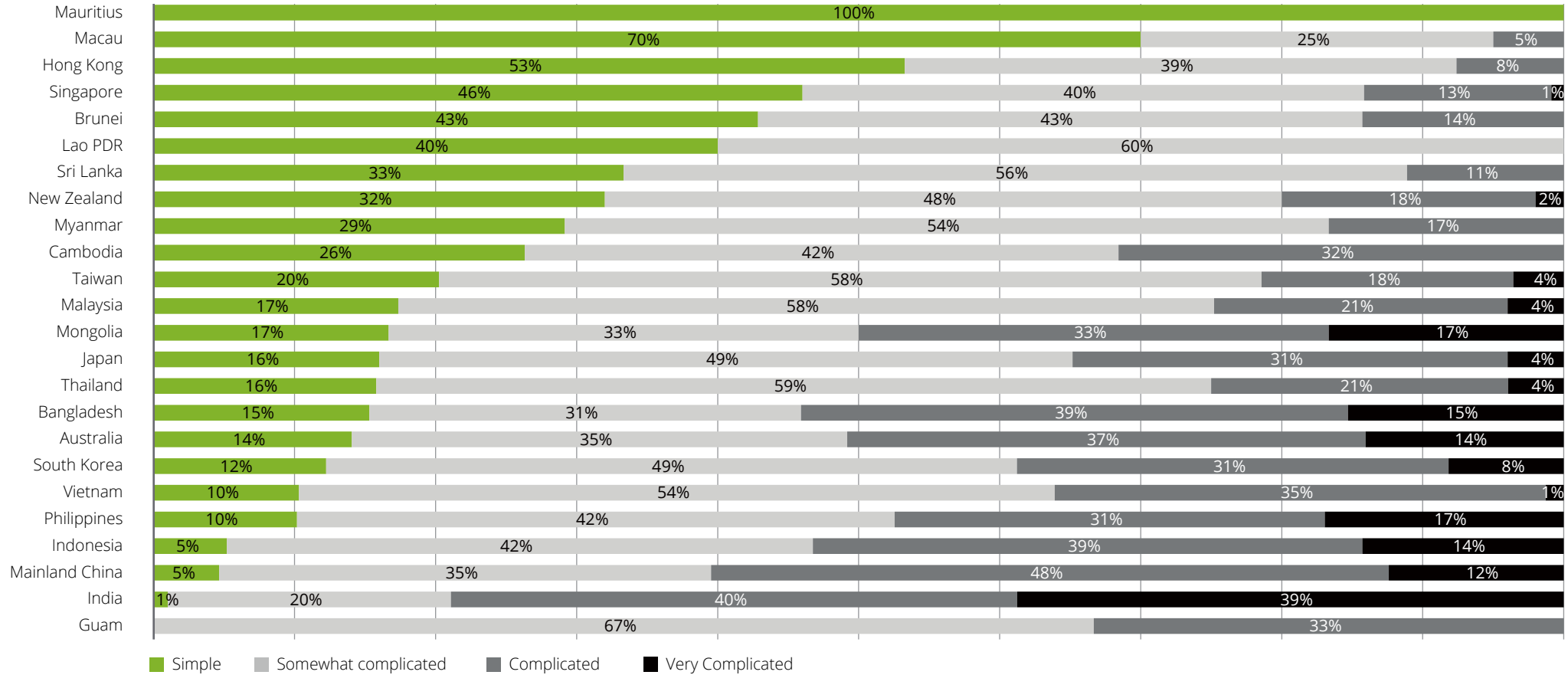
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### 3.2 The complexity of the tax compliance and reporting requirements

Figure 2



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## The complexity of the tax compliance and reporting requirements



Tax compliance and reporting requirements are an essential part of doing business for multinational businesses. Having optimal tax compliance and reporting requirements could drive voluntary compliance and the collection of revenue, enhance taxpayer experience, reduce the costs of doing business, and ultimately improve the efficiency of tax administration.



**There are three jurisdictions where the majority view is that the compliance and reporting requirements are simple: Hong Kong, Macau, and Mauritius.** If we lower the threshold of respondents who have indicated simple to “above 30%”, five more jurisdictions would be included: Singapore (46%), Brunei (43%), Lao PDR (40%), Sri Lanka (33%) and New Zealand (32%). This is similar to the 2017 survey result.



**Hong Kong’s** simplicity can be attributed to the fact that there are only three main types of taxes (profits tax, salaries tax and property tax) in Hong Kong, and there is no sales tax, consumption tax and value added tax (VAT), and there is limited withholding tax. Further, companies are only required to file an annual tax return, with no requirement for a quarterly or other interim return. As such, the Hong Kong tax system is relatively simple as compared to those in other jurisdictions in the region.



However, even for **Hong Kong**, around 47% respondents consider its tax compliance and reporting system to be complicated or somewhat complicated. This may be caused by a trend for the Hong Kong government to request more information as a result of the development of international tax. For example, the three-tier transfer pricing documentation requirement was introduced in 2018.



Asia Pacific has five jurisdictions where a majority of responses indicate that there are **“complicated” or “very complicated”** tax compliance and reporting requirements: **Australia, Bangladesh, India, Indonesia, and Mainland China.**



The complex tax compliance and reporting regime in **Mainland China** can be attributed to the fact that it has 18 types of taxes, including lesser seen taxes such as land appreciation tax, land use tax, environmental protection tax, resources tax, vehicle purchase tax, vehicle and vessel tax, etc. The types of taxes a company needs to pay depends on its business operations and the types of assets it owns. There are different filing and reporting requirements for different types of taxes.



In **India**, the good news is that the government is gradually moving to a digital reporting and audit system for direct and indirect taxes, but there have been some initial technical issues in the course of implementation. Furthermore, the reporting system has been expanded in recent years with the objective of eventually reducing the number of audits requiring scrutiny.

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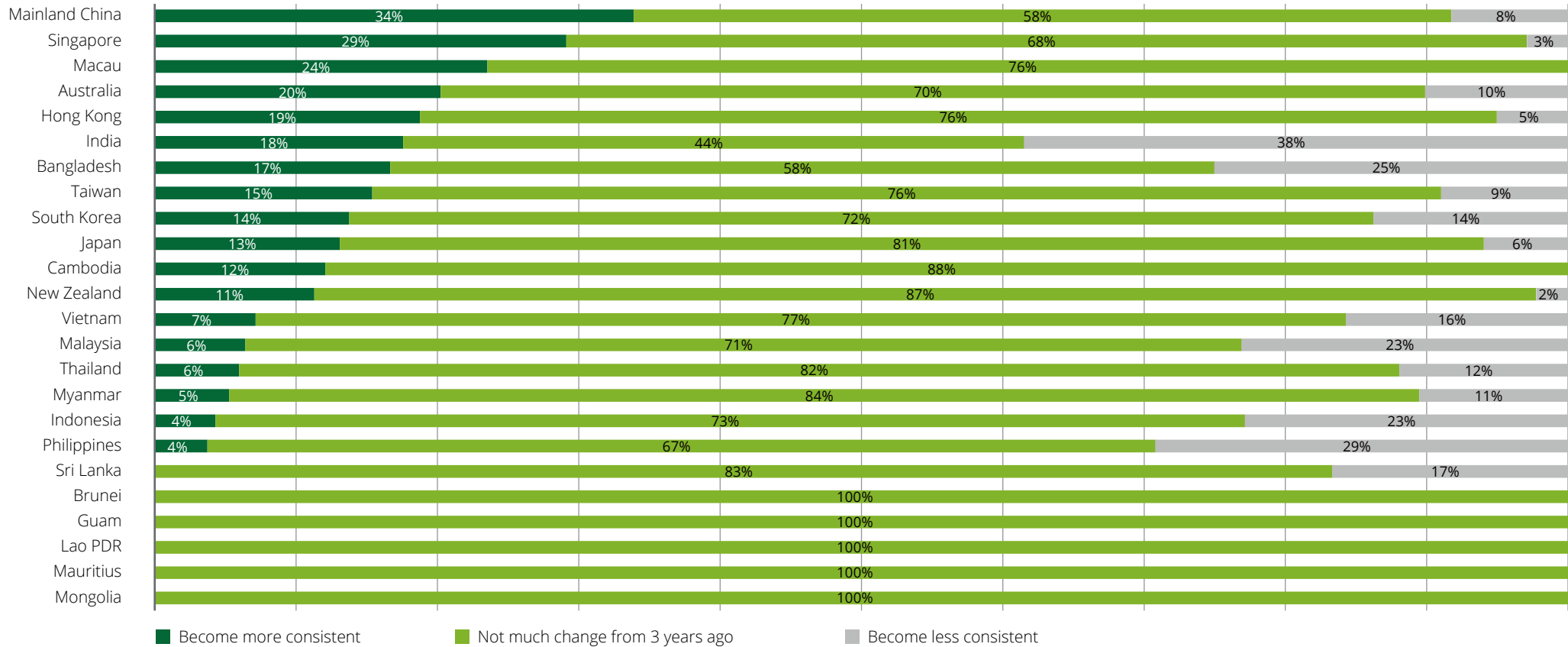
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### 3.3 How has the consistency of the tax regime changed in the last three years in the following jurisdictions?

Figure 3



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## The change of the consistency of the tax regime



**Across almost all the jurisdictions, the perception of the majority of responses is that the consistency of tax authorities has not changed much over the last three years or has become less complex.**



Our previous surveys showed that consistency was a big issue for Mainland China. However, in the 2021 survey **Mainland China** has seen a significant increase in consistency, with 34% of the responses affirming that authorities have become more consistent, which is the highest percentage among all 24 jurisdictions. This may be partly attributed to an ongoing upskilling of tax officials, and the introduction of measures such as national panels overseeing cross-province tax issues, for example tax adjustments and indirect transfer cases. However, as Mainland China has a vast number of local officials at the provincial, municipal and district levels, continuous improvement in the area of consistency will still be needed.



**Singapore** has also seen a significant improvement in consistency, with 29% of relevant respondents taking that view, the second highest among all 24 jurisdictions. This could be due to an increase in the guidance issued by the Singapore tax authorities on certain tax treatments, easier access to the tax authorities to clarify unclear tax treatment via an advance ruling system, and a more comprehensive website managed by the Singapore tax authorities providing a wide suite of tax related data and information.

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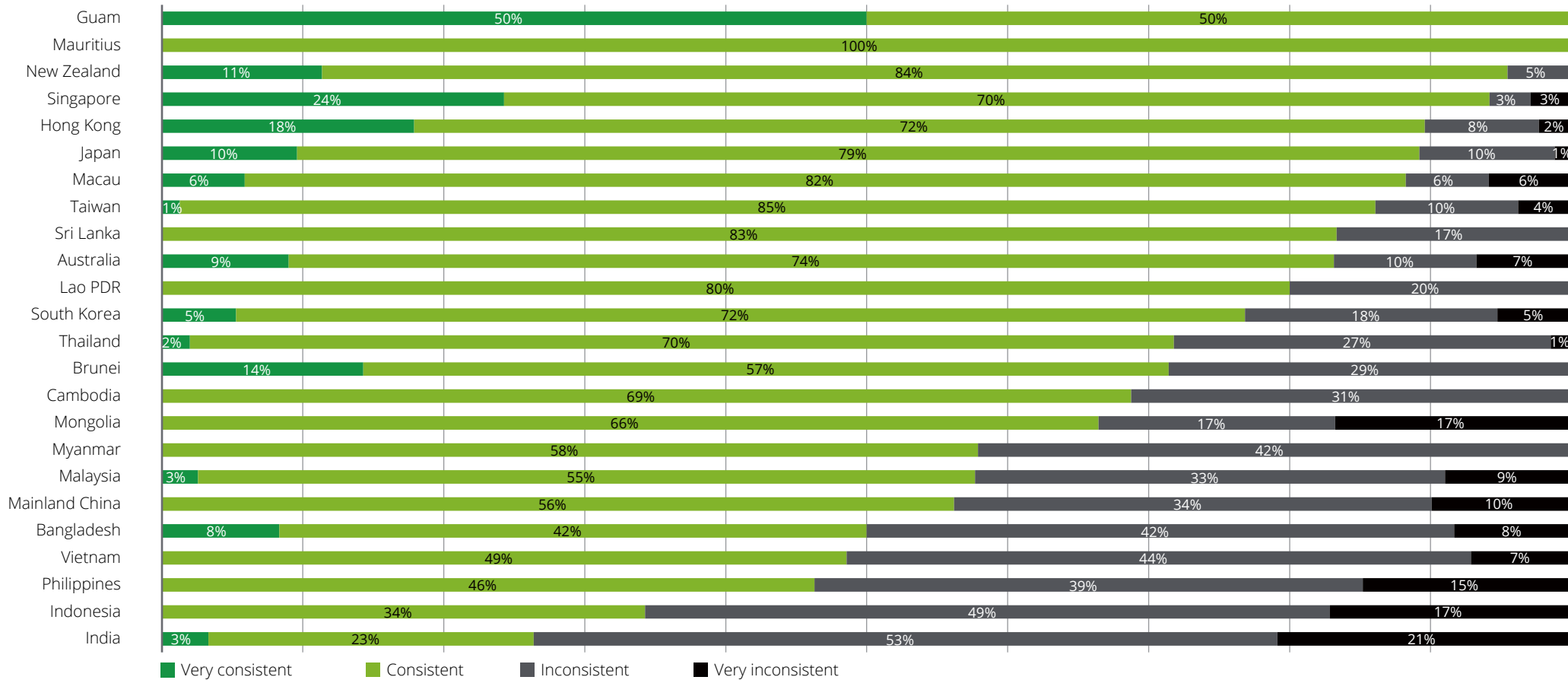
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### 3.4 Please rate the following jurisdictions' consistency.

Figure 4



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## The consistency of the AP jurisdictions



**A majority of respondents in 19 jurisdictions, representing about 80% of the survey jurisdictions, have told us that the jurisdictions are consistent or very consistent in their enforcement of tax laws. In 12 jurisdictions, this view represents over 75% of the responses.**



Four jurisdictions, **India, Indonesia, the Philippines, and Vietnam**, have the majority of their respondents answering that tax authorities are “inconsistent” or “very inconsistent.” For India, this may be due to the fact the Indian tax officers have considerable discretion in framing assessments. It is when one moves up to the higher appellate levels that more consistency is possible. With the introduction of the Faceless Assessment Scheme from mid-2020, it is expected that the perception of taxpayers would improve on this issue as assessment orders will be subject to an independent internal review mechanism before they are issued.



In **Vietnam**, which has several local tax departments at municipal or provincial levels, the lower level of consistency is sometimes caused by local tax authorities having different interpretations of the same tax law where there are grey areas.



In **Indonesia**, the inconsistency is partially caused by the fact that tax auditors are free to interpret tax regulations independently and the court system in Indonesia does not adopt the rule of precedent in tax cases. Therefore, on the same issue, the decision made by one tax auditor may be different from that of another tax auditor, and the decision from one judge in an Indonesian tax court may be different from that of another judge.

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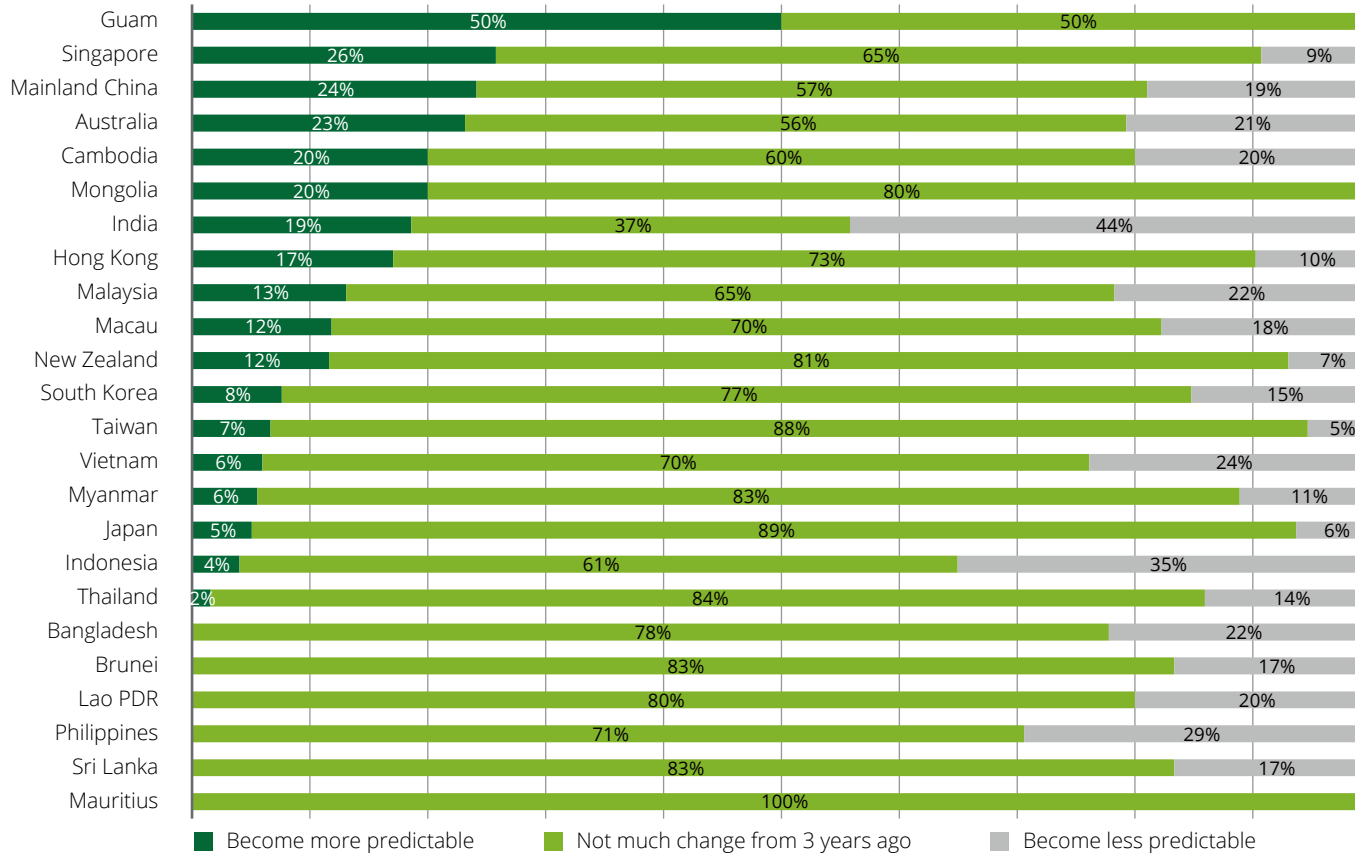
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### 3.5 How has the predictability of the tax regime changed in the last three years in the following jurisdictions?

Figure 5



### The change of the predictability of the tax regime

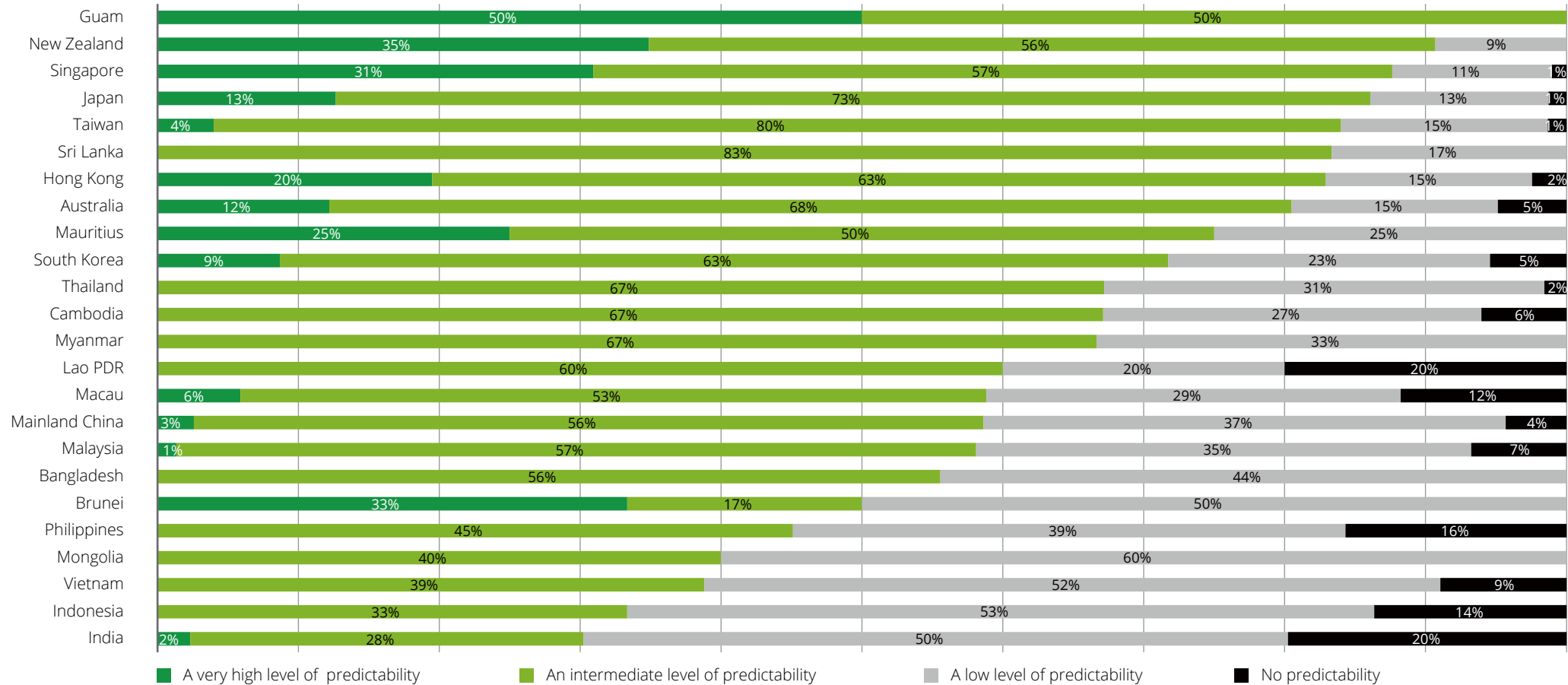
The predictability of changes to a tax regime is very important for businesses, which need to take tax changes into account when considering market entry or exit and making other long term plans. **Based on the majority of responses for each jurisdiction, all of the 24 jurisdictions have become more predictable or have not had much change over the last three years.** Furthermore, **for 22 of the 24 jurisdictions, this view is held by at least 70% of the relevant respondents, representing an overwhelming percentage.**

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### 3.6 Please rate the predictability of the tax environment in the following jurisdictions.

Figure 6



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## The predictability of the tax environment



**A majority of the respondents for 18 of the 24 jurisdictions have answered that there is an intermediate or very high level of predictability in the tax environment.** This is reassuring for businesses operating in Asia Pacific, considering many of the jurisdictions are still maturing.



Mature economies tend to have more predictable tax regimes, including **Australia, Hong Kong, Japan, New Zealand, Singapore** and **Taiwan**, which have responses of intermediate and very high levels of predictability of over 75%. Features commonly seen in the tax regimes of these jurisdictions are consultation with the public or stakeholders regarding changes or unclear issues in the tax laws, giving taxpayers sufficient notice before a change in law is made, and effective advance ruling systems.



The **Singapore tax authorities**, for example, generally consult multiple stakeholders on uncertain tax positions/tax treatment to better understand the concerns of these stakeholders before finalizing their approach. Singapore also has in place a robust advance ruling system whereby taxpayers can seek certainty of tax treatment relating to their specific transactions with the authorities upfront.



In **Japan**, proposed changes or additions to the existing tax laws are disclosed to the public at the last month of every year and approved by the Japanese legislature by the end of the third month in the following year, without many changes to the proposal. This stable process gives time for taxpayers to prepare for the upcoming changes.

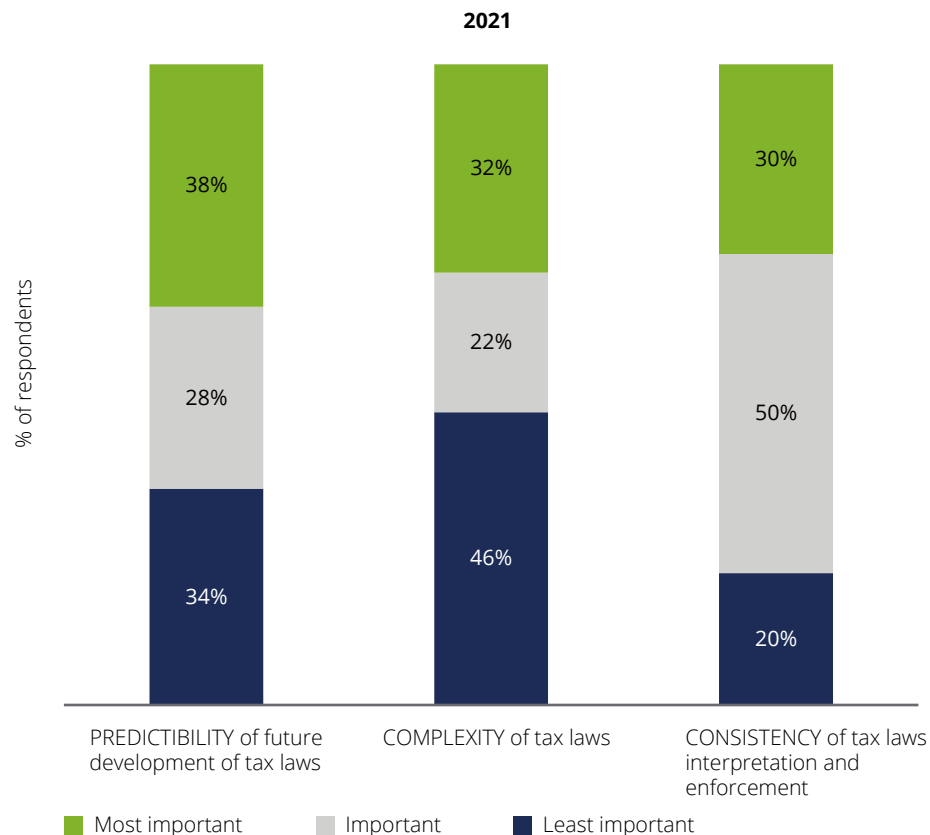


It is worth noting that **Mainland China** had a material increase in predictability – from 43% in the 2017 survey to 59% in the 2021 survey, measured by the sum of responses of an intermediate level of predictability and very high level of predictability. This may be attributed to the fact that the Chinese government has increasingly invited comments from the public regarding major tax law reforms. For example, during 2018-2020, public comments were sought by the government for several draft tax laws, including: draft stamp duty law, draft VAT law, draft land appreciation tax law and draft consumption tax law. However, Mainland China is still lagging in terms of its national advance ruling system, although in the last few years local tax authorities have started pilot programs for advance rulings in some cities, such as Shanghai, Shenzhen, Nanjing and a district of Guangzhou.



### 3.7 Rank the following in order of importance to your company's decision-making.

Figure 7



### Relative importance of the three factors



**The most important factor** for our respondents has remained the same between 2017 and 2021 – predictability of future tax developments. In this aspect, the more mature economies have some good practices and mechanisms, which can serve as good examples for less mature economies.



Consistency has clearly become **the second most important factor**. While businesses are able to plan for some degree of inconsistency, the respondents clearly indicate that businesses desire consistency. As discussed, this is still an issue across several jurisdictions in Asia Pacific. Although several jurisdictions have made significant progress in improving consistency – other locations may learn from these developments and focus more on consistency.



Tax complexity remains **the least important factor** for almost half of the respondents. This is not surprising as tax complexity is something which business can manage internally or with the assistance of advisors – but does not result in unexpected tax costs. Nevertheless it remains a source of inefficiency and diverts resources to administrative compliance and away from value creation. We hope that continuing efforts to simplify systems, including digitalization and e-filing, can help ease the complexity of tax regimes, freeing businesses from the associated inefficiency.

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# Other tax environment indicators

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### 4.1 Please rate your perception of tax officials' rigorousness as they conduct tax audits.

Figure 8



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## Rigorousness of tax audits



The types of audits and sophistication of tax authorities vary significantly across the Asia Pacific region. Some tax authorities will have reviewed a taxpayer's records prior to audit and will only focus on the specific issue at hand, whereas other authorities will undertake a detailed review throughout the audit process. When we look at the response for very rigorous and use the majority view as the threshold, none of the 24 jurisdictions is viewed as having very rigorous audits. However, with the exception of Mauritius and Sri Lanka, the combined responses for very rigorous, fairly rigorous, and somewhat rigorous represent over 70% of the total responses for each of the other 22 jurisdictions, indicating that **overall speaking, tax authorities in the region conduct fairly rigorous audits.**



**The three jurisdictions having the highest percentages for having very rigorous audits are India, Indonesia and Mainland China.** The 2017 report shows a similar result, although the percentage of "very rigorous" responses has fallen for each of the three jurisdictions.



In **Indonesia**, tax authorities typically apply strict standards during tax audits, especially when the matter is related to a tax refund or other tax benefits that have been given by the government. The situation is similar in Mainland China and India.



In **India**, following the removal of most tax exemptions from the tax law, the scope of a detailed tax audit is expected to reduce in future years.



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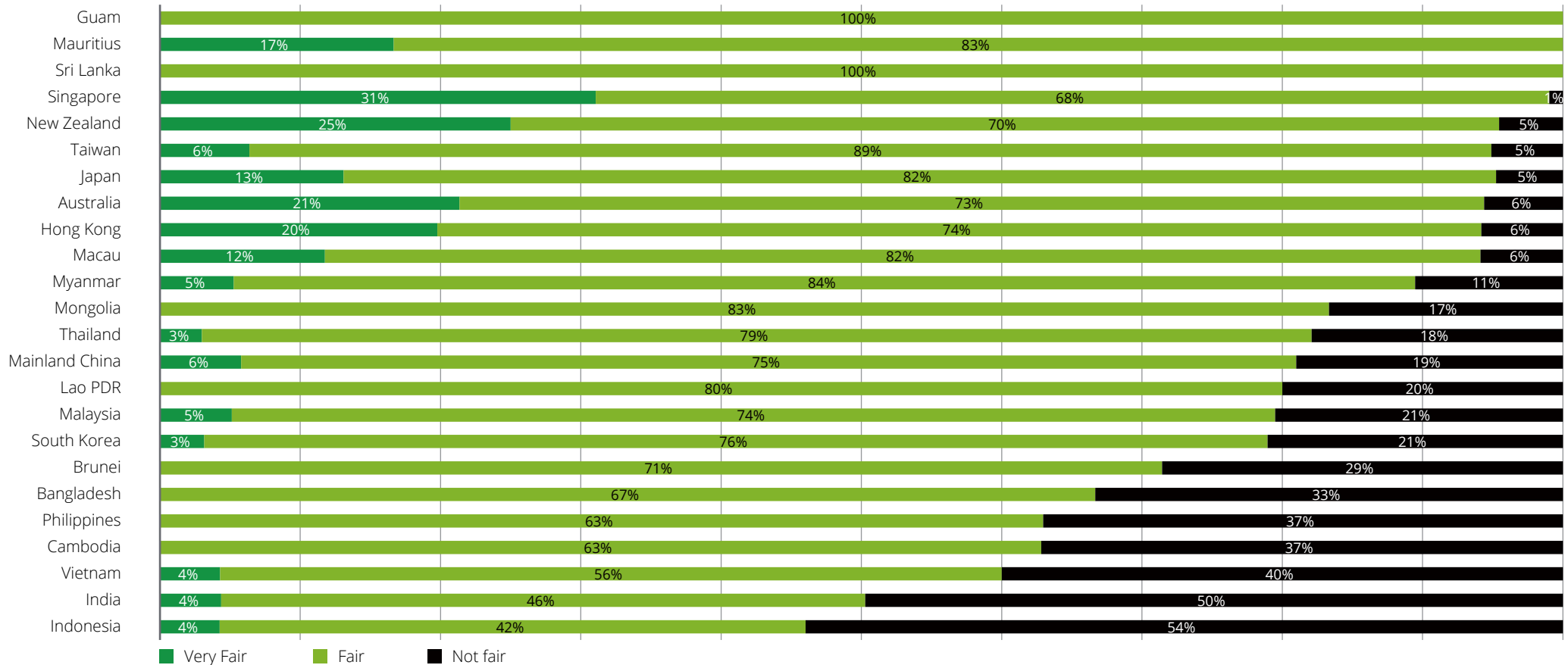
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**4.2 Please rate the tax officials' reasonableness and fairness in conducting tax audits. In this survey, "reasonableness and fairness" refer to the manner in which tax officials treat the taxpayers, including for professionalism and proper business conduct.**

**Figure 9**



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## The reasonableness and fairness of tax officials



**In 23 of the 24 jurisdictions covered by the survey, 50% or more of the respondents indicate that tax authorities treat them fairly or very fairly. In 18 jurisdictions, this view represents 70% of the total responses.** Furthermore, there have been increases in the number of “very fair” responses from almost all jurisdictions compared to the 2017 results. As a generalization, this is reflective of the overall upskilling and increasing professionalism of tax authorities within the region, consistent with the overall observation of the Asia Pacific tax environment improving over time.



**Mainland China** has again seen significant improvement – with fair and very fair responses improving from 55% in 2017 to 81% in 2021. Among other factors, one contributing factor is the fact that Chinese tax officials have become more and more experienced in understanding complex business transaction and dealing with multinational corporations, particularly officials in first-tier cities like Beijing, Shanghai, Guanzhou and Shenzhen, and they are more likely to make decisions in light of the commercial reasons behind the transactions.

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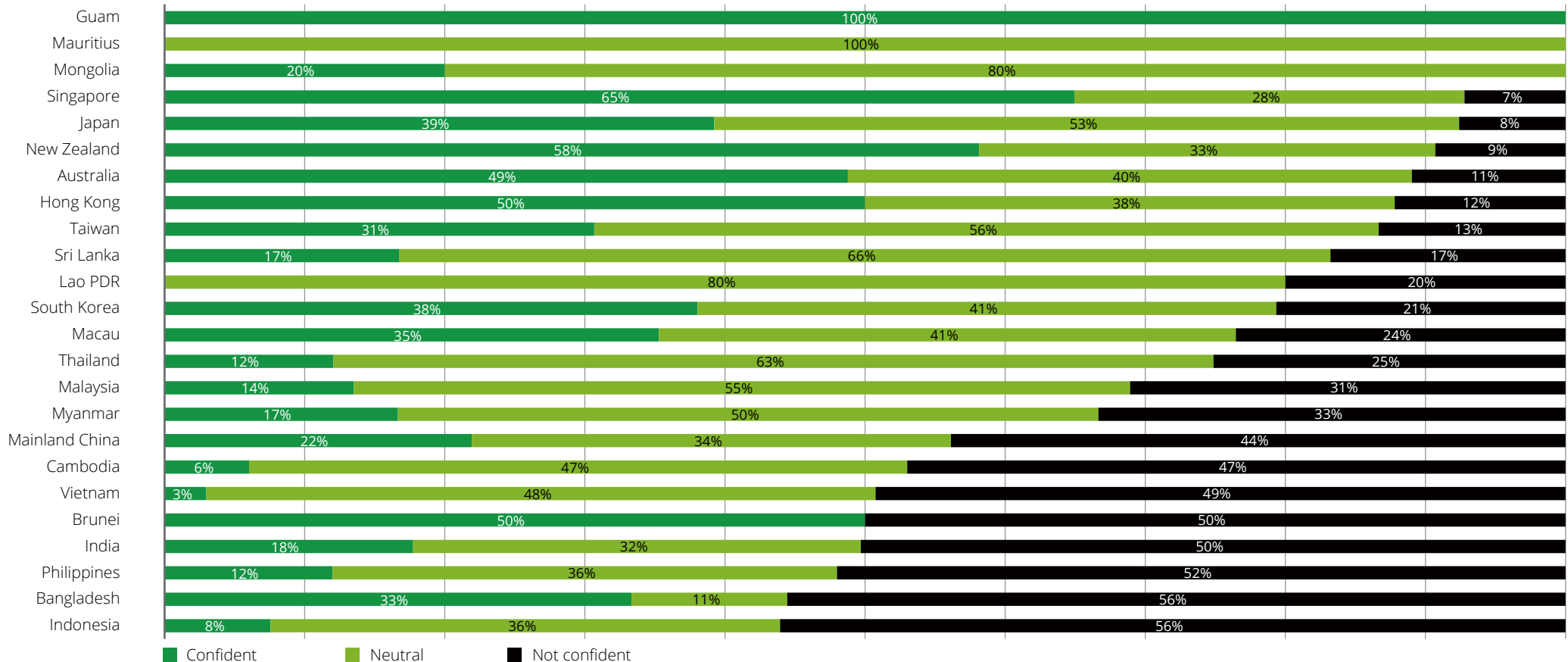
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**4.3 If your company was not able to reach an agreement with the local tax authorities in a tax audit, how confident are you of the appeal system and procedures (administrative review, administrative appeals, courts etc.) to reasonably and fairly resolve the issue?**

**Figure 10**



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## Confidence in the appeal system and procedures



Asia Pacific's diversity is exemplified by the different appeal systems and procedures for challenging tax authorities. While the mature economies in the region tend to have well established systems, many of the other economies in the region may not have an effective mechanism for challenging the tax authority's position.



This question shows a clear distinction between the responses for different types of economies.

**When combining the jurisdictional responses for confident and neutral, the relatively more mature jurisdictions of Australia, Hong Kong, Japan, New Zealand, and Singapore all have responses very close to or over 90%.** These jurisdictions have well understood and well established independent channels or precedents for independent or judicial review of cases.



In **Japan**, for example, the National Tax Tribunal (NTT) is independent from the Nation Tax Agency (NTA). To ensure its independence, NTT employs its own staff, including lawyers and CPAs from private sector as well as ex-judges and ex-prosecutors. NTT is bound by NTT's ruling but taxpayers have the option of accepting the ruling or appealing to a higher court. Additionally, NTT is expected to issue its ruling within one year from receiving the appeal from taxpayers.



**New Zealand**, for example, has had a well-defined disputes process embedded within its tax legislation for a number of years, with clear guidance from the Inland Revenue on how each step in the process is to be followed. We expect that part of the reason for 33% neutral responses for New Zealand is that many issues are resolved amicably prior to needing to enter formal disputes processes, meaning that fewer taxpayers have experience in this area.



**In contrast, in several maturing economies, Bangladesh, Indonesia, and the Philippines, a majority of the relevant respondents are not confident in the appeal system and procedures in these jurisdictions to fairly resolve issues.**



In **India**, this may be due to the time involved in completing appeals. To remedy this situation, India recently implemented a Tax Disputes Settlement Scheme to clear pending issues. A Faceless Appeals Scheme has been implemented in 2021, which is expected to avoid the creation of a backlog of appeals.



In **the Philippines**, both administrative and judicial appeals usually take a very long time. It is not uncommon for appealed cases to be resolved after more than five years. Some appeals may even take 10 or 20 years before the cases are decided by the courts. In Indonesia, however, despite the low confidence shown in our survey, statistically, the majority of the cases brought to Indonesia tax courts are won by taxpayers, indicating that the tax court system is still a feasible choice for taxpayers to resolve their tax disputes.

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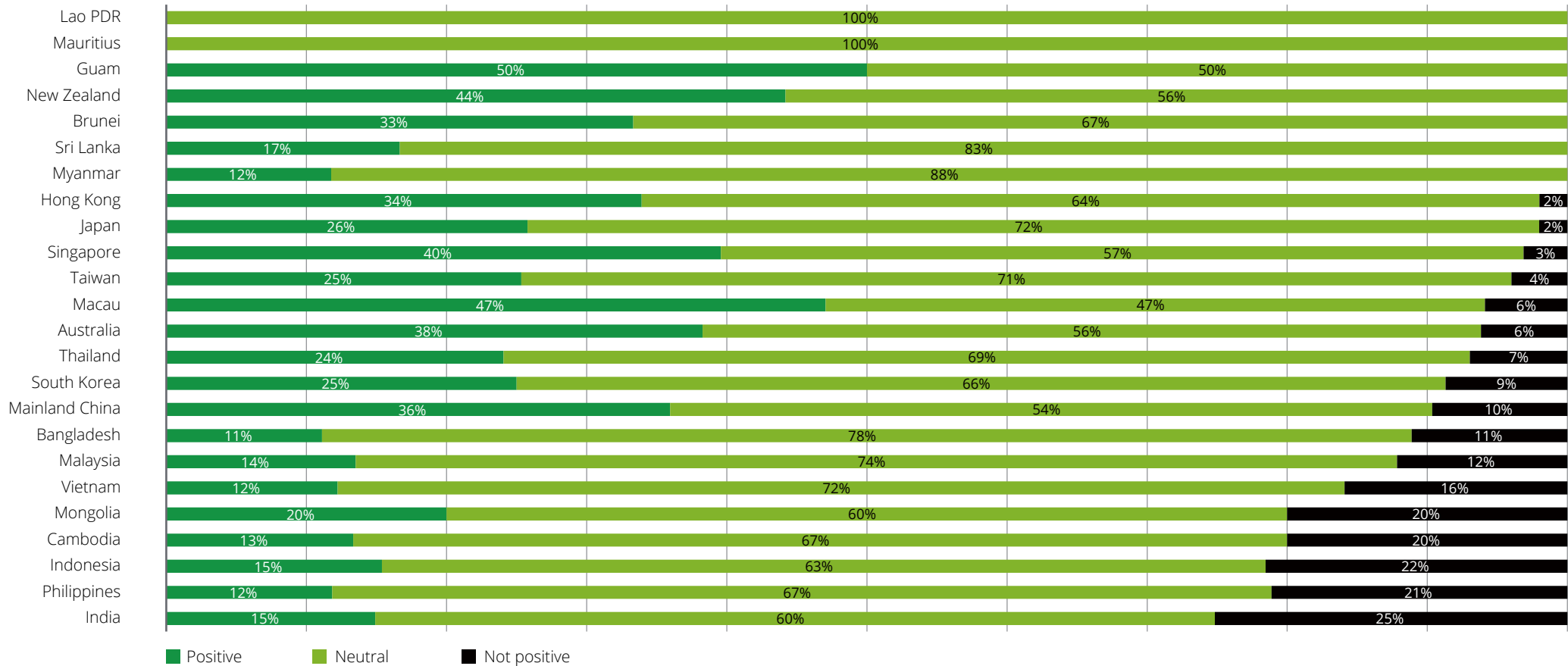
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#### 4.4 How would you describe your relationship with the following tax authorities?

Figure 11



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## Relationships with tax authorities



Relationships with tax authorities have been consistently viewed as of high importance in the region. In both this survey and the 2017 survey, respondents indicated that strengthening their relationships with government authorities was one of their top three current plans for managing tax affairs and tax risks.



**In all of the 24 jurisdictions, the majority view of the relevant respondents is that they have a either neutral or positive relationship with tax authorities. In fact, in 19 jurisdictions, this view of being neutral or positive represents more than 80% of the relevant responses.** We view a neutral relationship as a good sign because taxpayers and tax authorities can take opposite positions in many aspects and become adversarial. Therefore, having a neutral relationship may not be straightforward.

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4.5 In which of the following tax service areas does your company wish tax authorities to enhance the utilization of digital tools?<sup>1</sup>

Jurisdictions	Tax filings	Tax registration and supporting documents	Communications with the tax authorities	Tax invoices or receipts	Audit proceedings	Appeal proceedings
Australia	√	√	√			
Bangladesh	√	√		√		
Brunei	√	√	√			
Cambodia	√		√			
Mainland China	√	√		√	√	
Guam	√	√		√		
Hong Kong	√	√	√			
India	√	√	√	√		
Indonesia	√	√				
Japan	√	√	√		√	
Lao PDR	√	√	√	√		
Macau	√	√	√			
Malaysia	√	√	√			
Mauritius	√	√	√	√		
Mongolia	√	√	√			
Myanmar	√	√	√	√		
New Zealand	√	√	√			
Philippines	√	√	√	√		
Singapore	√		√		√	
South Korea	√	√			√	
Sri Lanka	√	√	√	√		
Taiwan	√	√	√	√		
Thailand	√	√	√	√		
Vietnam	√	√	√	√		

<sup>1</sup> Please note that “√” indicates the top 3 areas in each jurisdiction. Some jurisdictions have more than three areas due to multiple choices having equal responses.

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## Utilization of digital tools



**The top three responses to the question are clear – taxpayers would like to use digital tools with tax filings, tax registration and supporting documents, and communications with tax authorities.**



Digitalization of tax authorities and tax processes is a common request across the world, and this is reflected in the Asia Pacific region as well. Regional forums and other tax administration meetings have allowed authorities to share their best practices, and we are seeing the embrace of digital solutions by tax authorities across the region.



**Mainland China** has made substantial progress in going digital. In 2015, the State Taxation Administration formulated an “Internet plus Taxation” action plan to build an electronic tax system. In 2020, substantial progress was made under this plan with many tax-related matters being handled online. A significant milestone has been the rollout of issuing electronic special VAT invoices. Previously, all VAT special invoices had to be issued in physical form (i.e., paper invoices). But from 21 December 2020, newly registered Chinese VAT payers in 11 regions may issue electronic VAT special invoices, and, as from 21 January 2021, newly registered VAT payers in other domestic regions may do so as well.



**India** had a similar experience migrating over to a technology aided goods and services tax (GST) system on 1 July 2017, with over 3.8 million taxpayers being migrated into the new system. This number increased rapidly to over 12.3 million active GST registrations as at 31 March 2020. This growth indicates a significant increase in tax base and a change in taxpayers' compliance behavior.



Face-to-face meetings are considered not to be an efficient channel for taxpayers and tax authorities. So it is not a surprise to see utilization of digital tools for communications with tax authorities being selected as one of the top three wishes of respondents. In this aspect, **India** also has some encouraging news: India's recent Union Budget of 2021 will transition almost all communications with tax authorities for audit and appeal proceedings to be made through a portal based electronic interface instead of in-person interactions.

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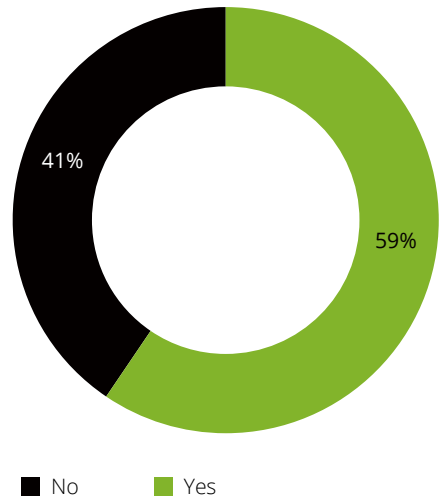
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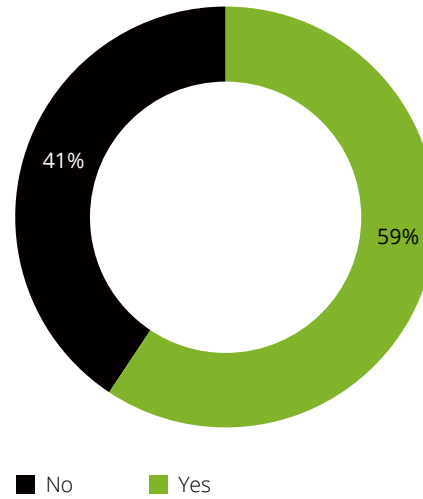
#### 4.6 Is your C-suite or board of directors more engaged in tax affairs now than in the past?

Figure 13

2021



2017



- Due to the growing emphasis on tax social responsibility and increasing public attention to tax issues, there has been a change in how C-suite and boards of directors engage with tax affairs over the years. Directors and non-finance executives have been coming up to speed on the overall tax positions of their businesses, and staying more informed about upcoming legislative changes and global tax reform.
- **The percentage of respondents who feel their directors and executives are more engaged in tax affairs is 59% across both the 2021 and 2017 surveys.** Given that the 2017 survey already indicated an increase in involvement by directors and executives, the 2021 survey demonstrates that this increase has been sustained and tax remains a key focus area for senior business leaders.
- With further international tax reforms expected in the near future, the reaction of the C-Suite and board of directors will be interesting to follow, especially once the reforms are clearer and the impact on tax expense can be predicted more accurately.

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# Businesses' reaction to Pillar 1 and Pillar 2

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Introduced as part of OECD/G20 Inclusive Framework's ongoing work to address the tax challenges arising from the digitalization of the economy, the Pillar 1 and Pillar 2 blueprints seek to establish new international tax rules. Pillar 1 is based in part on the view that automated digital services businesses and large consumer-facing businesses can build their brands, develop engaged customer bases, and create value, even where they lack physical presence in a market and seeks to revise existing profit allocation and nexus rules, realigning who gets to tax, while Pillar 2 is a global anti-base erosion and treaty proposal to ensure a global minimum level of tax.

The introduction of Pillar 1 and Pillar 2 would impact some multinational corporations directly: Pillar 1 may result in additional taxes being paid in market jurisdictions; Pillar 2 may increase taxes for large organizations that currently benefit from low tax rates somewhere in the world. For businesses that are competing with those organizations impacted by Pillars 1 and 2, the new rules may help level the playing field – with the affected businesses possibly having to pay higher taxes and having less free cash flow for investment.

Even though people's views of the Pillar 1 and Pillar 2 blueprints may change over time as the OECD/G20 Inclusive Framework continue with their work and issue more refined guidance and implementation rules, we think it is still helpful to take the pulse of the 407 respondents and present their views at the time of the survey. It will be very interesting to see how people's views may change in future surveys.

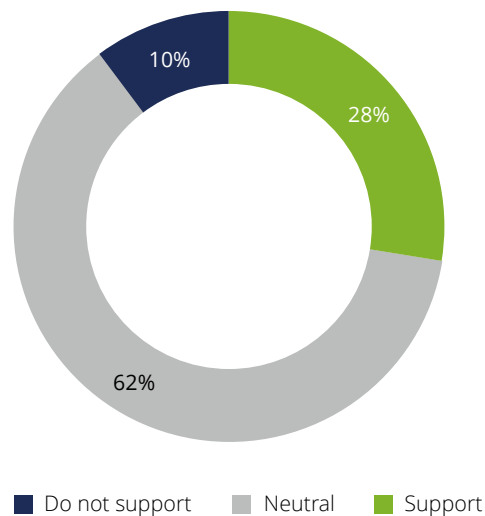
Some jurisdictions in the Asia Pacific region have taken unilateral actions to address the tax challenges arising from the digitalization of the economy. For instance, India introduced the Equalisation Levy, Malaysia, Australia and Singapore brought in indirect taxation, Indonesia introduced a tax on digital services provided by non-residents, and Vietnam followed suit with a tax on cross-border e-commerce traders. A number of jurisdictions in the region are also considering local responses (e.g., New Zealand is looking to proceed with a digital services tax), whilst other jurisdictions are continuing to stay the course with the OECD/G20 with a view to reaching a global consensus. Some of these measures would need to be repealed if the tax rules under Pillar 1 were to be implemented.

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### 5.1 Do you support the Pillar 1 blueprint to re-allocate a portion of the global non-routine profit of automated digital services and large consumer-facing businesses to market jurisdictions based on a formulaic approach?

Figure 14

Total: 407 respondents



28% of the respondents indicate that they support the Pillar 1 blueprint, 10% indicate that they do not support, with another 62% being neutral on the proposal.

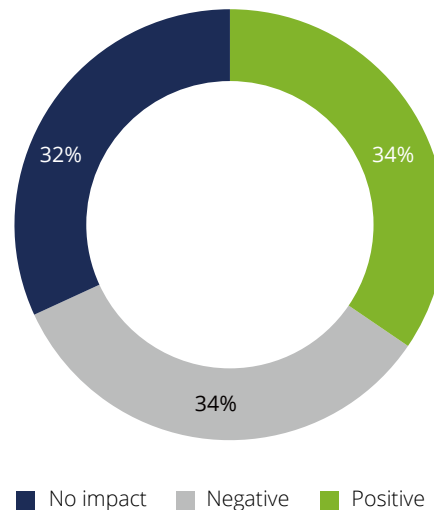
It is worth noting that **only 10% of the respondents do not support the Pillar 1 blueprint, and that almost three times as many (28% of respondents) support the Pillar 1 blueprint**, indicating a high level of support at the time of the survey.

The Pillar 1 blueprint lacks details in a number of areas, and consensus has not yet been reached between governments on several key issues. Accordingly, there could be different reasons for people expressing a “neutral” view: their businesses are not affected by Pillar 1, they are still waiting for the final proposals before undertaking detailed analyses of the implications, etc. As such, the result of this question should be seen only as an early indication of support. **It remains to be seen how people’s views may evolve as the rules evolve, particularly the view of the currently neutral majority.**

### 5.2 How do you think the Pillar 2 blueprint would impact your company’s overall business competitiveness?

Figure 15

Pillar 2



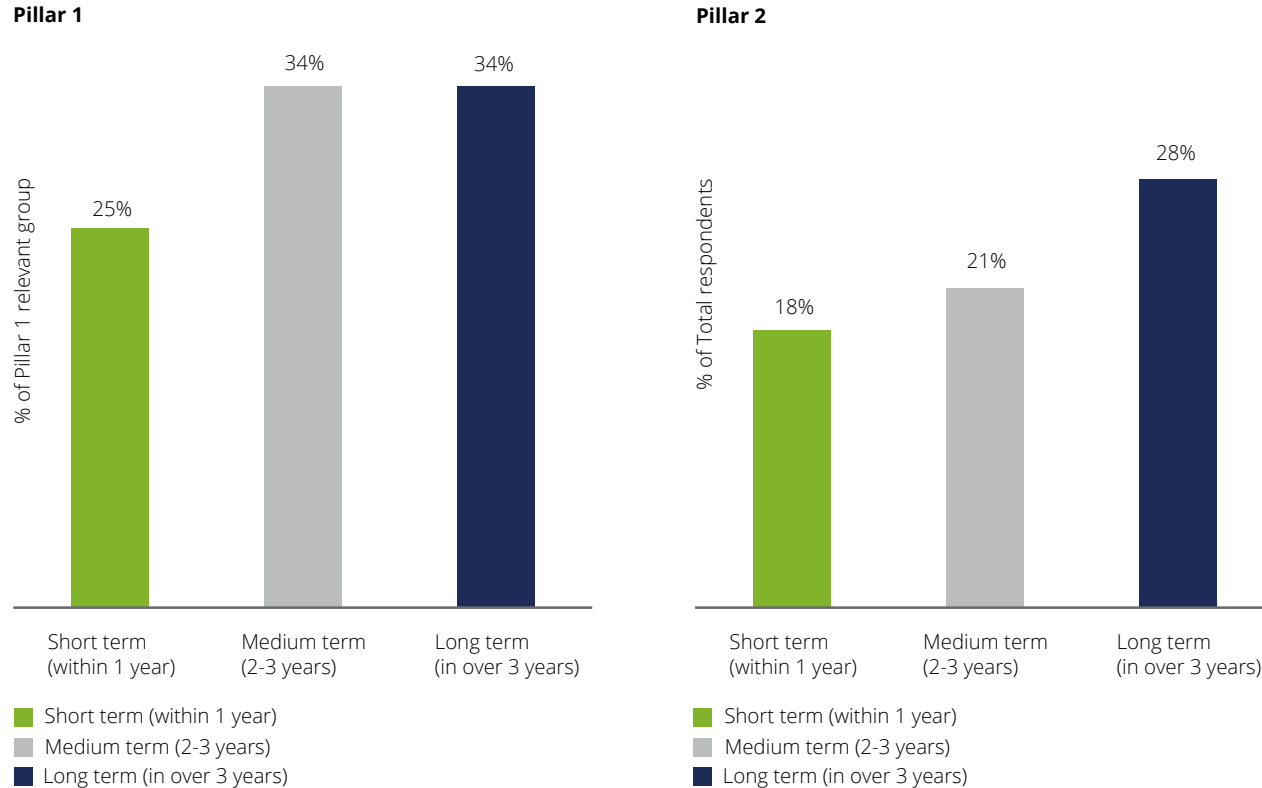
The result of the survey above demonstrates a fairly even spread of opinions among positive, negative, or no impact.

Similar to what is discussed in question 5.1 regarding the survey result on Pillar 1, although a majority of respondents indicated no impact or even a positive impact from Pillar 2, we expect these percentages to change as the rules are to be finalized.

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### 5.3 Do you think the Pillar 1 and Pillar 2 blueprints would impact your group company's overall tax expense by more than 15%?

Figure 16



Our survey approached the issue of the direct tax impact on businesses, considering the anticipated short, medium and long term effects. As this is a rough estimate only, we have only presented results showing an expected increase of tax expense of more than 15%. As with many new tax rules, people likely expect that it would take some time for tax authorities to build their understanding of the new rules and that the authorities would become more rigorous over time. Accordingly, we are not surprised to see that, **for both Pillar 1 and Pillar 2, the number of respondents who expect an increase of 15% of tax expense go up over time.**

For Pillar 2, we have included all of the 407 respondents in our sample since the threshold for the application of the Pillar 2 rules has not been clearly defined. For Pillar 1, we have restricted our sample to respondents whose businesses meet both of the criteria articulated in the Pillar 1 blueprint: (i) have consolidated global revenue of over EUR750 million and (ii) are in the business of automated digital services and/or consumer-facing businesses.

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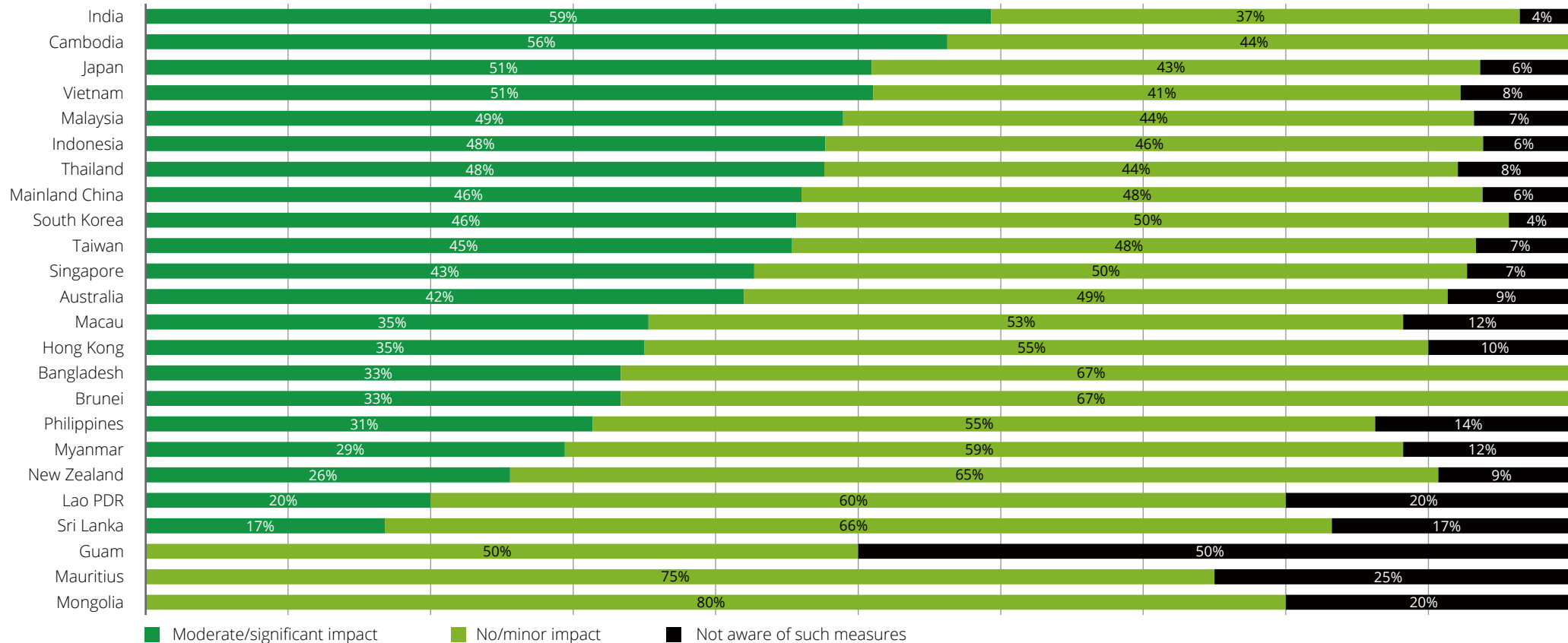
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**5.4 To the extent that any of following jurisdictions have taken or are planning to take measures to deal with the tax challenges arising from the digitization of economy (e.g. implementation of digital services tax, extension of the VAT/GST scope to include digital goods or services, amendment of domestic law to broaden the interpretation of permanent establishment), have the measures impacted your company's business in these jurisdictions?**

**Figure 17**



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## Impact of the tax measures arising from the digitization of economy



In four jurisdictions, the majority view is that the government's tax measures in respect of digitalization have made, or will make, a moderate to significant impact on businesses: **Cambodia, India, Japan, and Vietnam.**



In 12 jurisdictions, over 40% of the respondents for each jurisdiction believe that the impact is moderate to significant. If we use an over 30% response level for "moderate to significant impact", the total number of impacted jurisdictions goes up to 17, representing 70% of the jurisdictions covered by the survey. All these figures indicate that **"digital tax" is clearly an important factor that businesses operating in the Asia Pacific region need to consider.**



**Japan** has a trade deficit in digital service related industries, and therefore those who provide digital services to Japanese consumers could face relatively high Japanese corporate tax and VAT in the future.



In **India**, the provisions of the equalisation levy introduced on the online sale of goods and online provision of services by e-commerce operators are quite broad and have brought many taxpayers under the said levy – many of which were not paying any taxes in India before.

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# Impact of COVID-19

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The COVID-19 pandemic has significantly impacted all jurisdictions, with tragic loss of lives and severe economic consequences. Governments have supported their economies with a wide range of measures, including specific tax measures to support businesses and help to reduce some of the disruptive economic impacts. Measures have included help for corporations and individuals, postponement of tax filings and payments, tax deferrals or reductions, and more.



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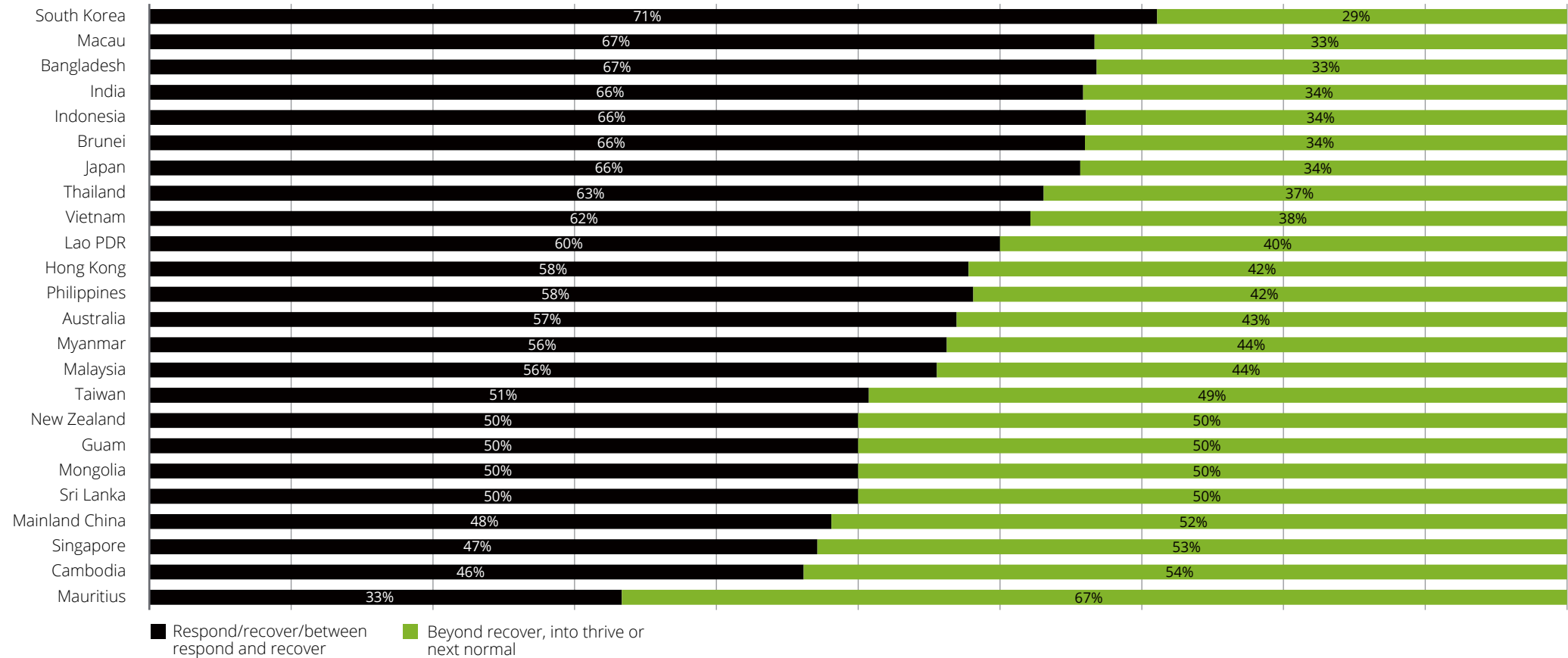
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### 6.1 In terms of your company's efforts to deal with implications of COVID-19, which stage is your business at?

Figure 18



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## Businesses' COVID-19 recovering stage



In 16 jurisdictions, representing 67% of the total jurisdictions surveyed, the majority of the relevant responses indicate that their businesses **have not gone past the “recover” stage** (i.e., they are at the stage of “respond” or “recover” or “between respond and recover”), indicating that these businesses are still dealing with the direct impact of the pandemic.



In four jurisdictions, a majority of the relevant responses indicate that their businesses **have gone past the “recover” stage** and moved towards “thrive” or “next normal”: **Cambodia, Mainland China, Mauritius and Singapore**. These jurisdictions are all jurisdictions that have better managed the health challenges of COVID-19.



In the rest of the four jurisdictions, there is an even split of businesses: 50% have not gone past the “recover” stage and 50% have: **Guam, Mongolia, New Zealand and Sri Lanka**.

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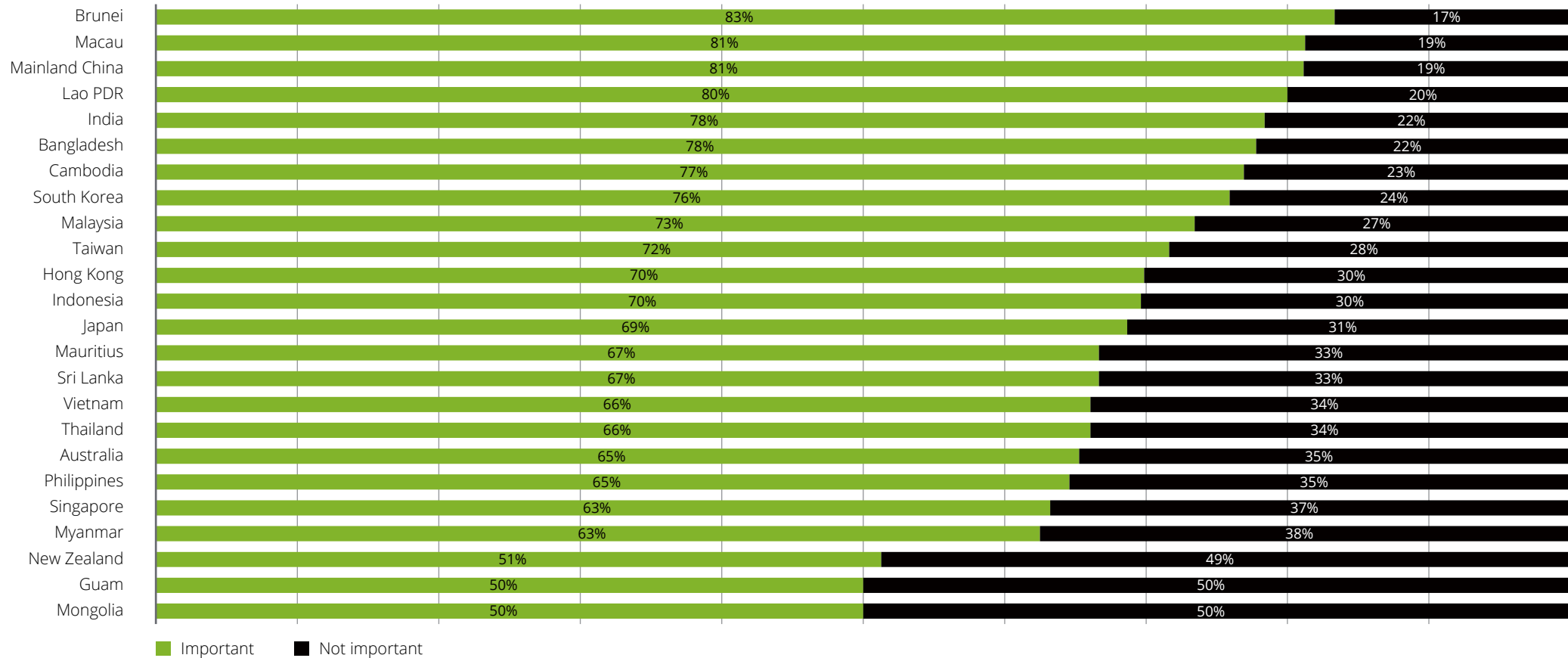
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## 6.2 How important are the COVID-19 tax incentives and tax relief measures implemented in the following jurisdictions in helping your business to survive and recover from the pandemic?

Figure 19



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## Government's tax incentives and tax relief measures



Tax incentives and tax relief measures have been part of the support packages that governments have provided throughout the past year. While the whole of government support beyond tax incentives has clearly been very important, we focus on the tax related measures only in this report. A wide range of different actions have been taken.

- In **Australia**, the key COVID-19 related tax incentives were accelerated and immediate write-offs of capital expenditure and a temporary loss carry back measure. In addition, the most significant single policy response in Australia was the wage subsidy regime (JobKeeper), which whilst not a tax measure, was administered by the tax authority and largely based on tax law concepts.
- In **New Zealand**, the key items that are believed to have made a difference to businesses and individuals are the introduction of a temporary loss carry back rule and interest concessions for taxpayers unable to pay tax.
- In **Hong Kong**, the main tax relief measures include waiver of surcharge for payment of tax by instalments and extension of tax filing and payment due dates.
- In **South Korea**, the major tax initiatives benefiting corporations and individuals included a temporary uplift of limitation for deductions of corporate entertainment expenses, reduction of income taxes for small and medium-sized enterprises within qualified disaster areas, expanded tax incentives for domestic companies relocating overseas facilities to Korea, and tax credits for real estate leasing business owners offering rental fee discount.



**In all of the jurisdictions, 50% or more of the relevant responses indicate that tax incentives provided by government are important to business survival and recovery; in 12 jurisdictions, this view represents at least 70% of the relevant responses.** These figures clearly demonstrate the importance of such government support.

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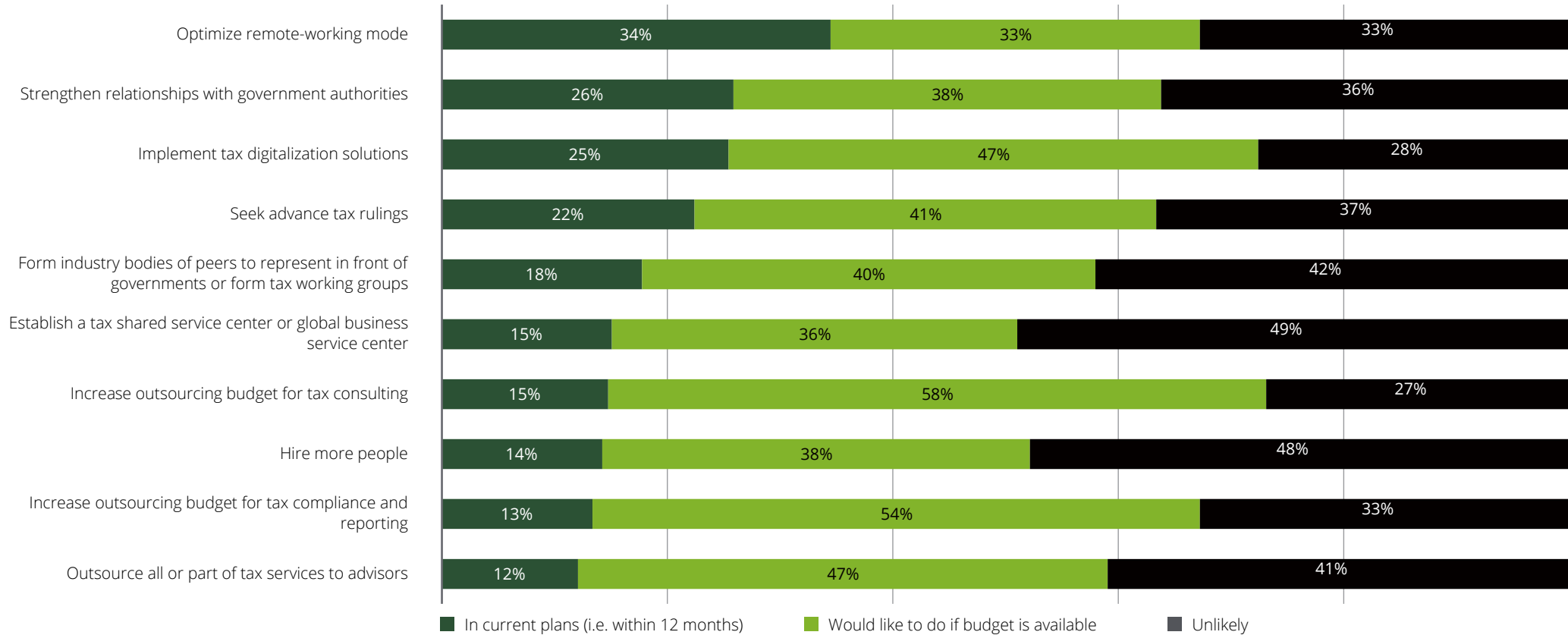
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### 6.3 As a company, how do you plan to manage your tax affairs and manage tax risks?

Figure 20



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## Managing tax affairs and risks



COVID-19 has forced businesses around the region to evaluate their business models and the way that they conduct business day to day. Given this, it is not surprising that **optimizing remote-working modes** as a current plan has been picked by the most respondents (34%), compared to other choices.



**Strengthening relationships with government authorities** continues to be a priority for many respondents, with 26% of respondents having this in their current plans.



**Tax digitalization**, the third pick, based on the number of respondents, is in the current plans of 25% of respondents, growing to over 70% if budgetary constraints do not exist. Given the emphasis on the utilization of digital tools by authorities, especially in relation to interface with taxpayers and processes, this is good to see and inevitable.

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# Appendices

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# Appendix 1: Respondent profile

In the 2021 Asia Pacific Tax Complexity survey, there were 407 respondents across the Asia Pacific region. Surveys were distributed electronically and completed on an anonymous basis. The survey was conducted during the period of December 2020 to January 2021.

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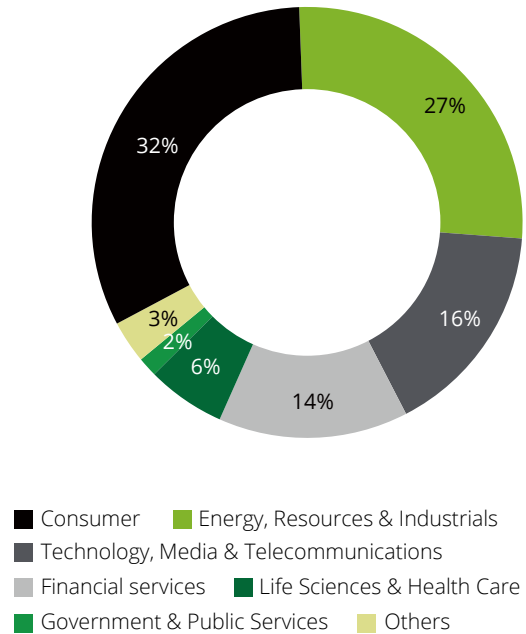
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### Industries

In which industry is your company primarily engaged?

Figure 21

407 respondents

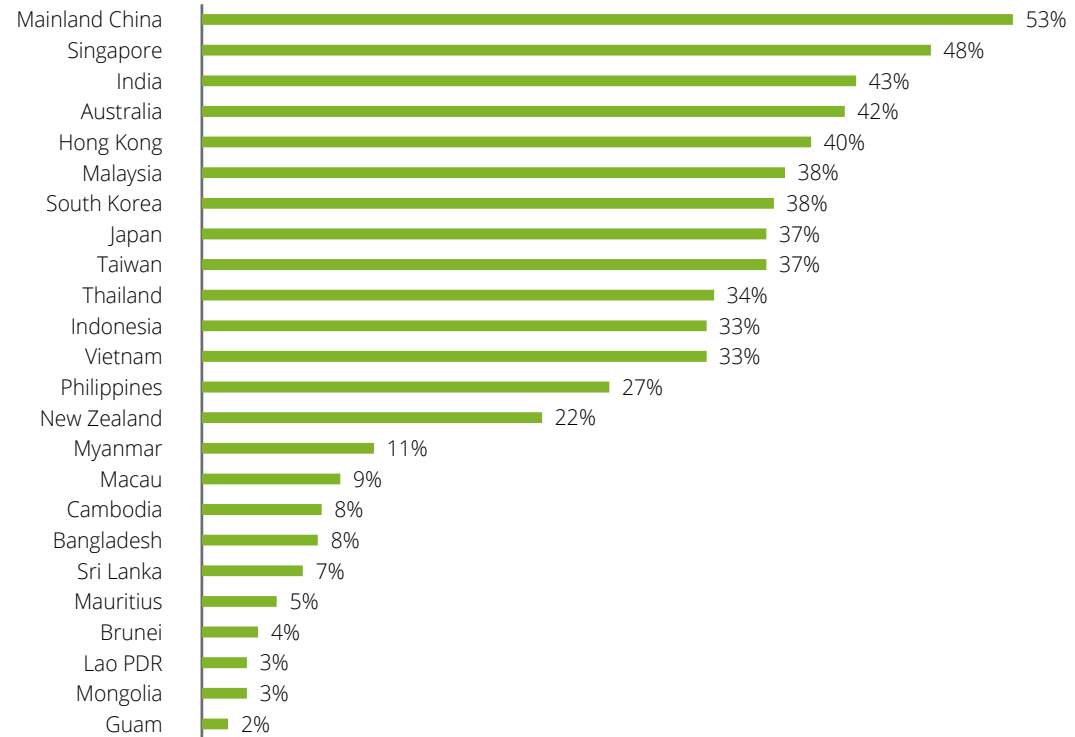


### Jurisdictions

Please indicate the Asia Pacific jurisdictions in which your company has business operations.<sup>2</sup>

Figure 22

407 respondents



<sup>2</sup>This is a multiple choice question. The percentage indicated in the chart is worked out by the numbers received for each jurisdiction divided by total respondents (i.e., 407 for the 2021 survey).

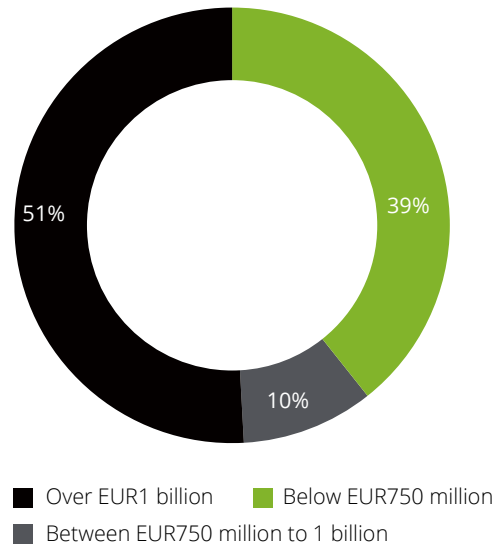
**Company and tax department size**

**What is the global consolidated revenue of your company per the most recent financial year?**

**Figure 23**

**407 respondents**

Global consolidated revenue



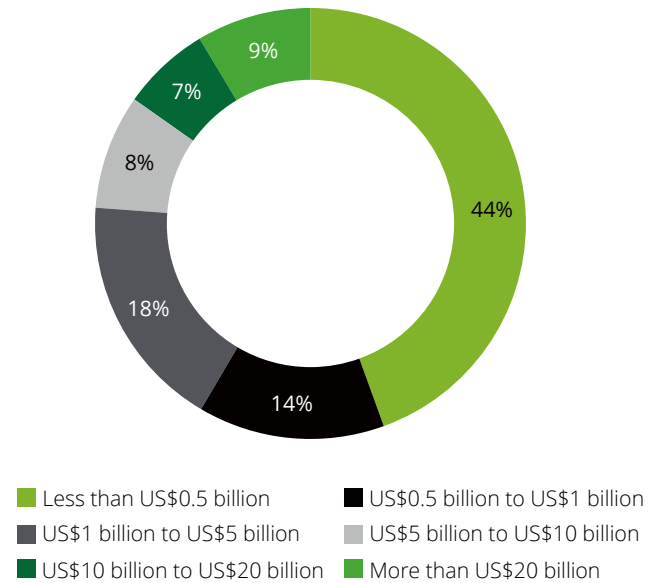
Note: Euro is used in this figure to be consistent with the currency used in the Pillar 1 blueprint to determine whether a group would be subject to the rules in Pillar 1. Converting Euro into USD at 1.19, the USD equivalent amounts are below US\$893 million, between US\$893 million to US\$1.19 billion, and over US\$1.19 billion.

**What is the size of your company in terms of gross revenue in Asia Pacific?**

**Figure 24**

**407 respondents**

AP Gross revenue

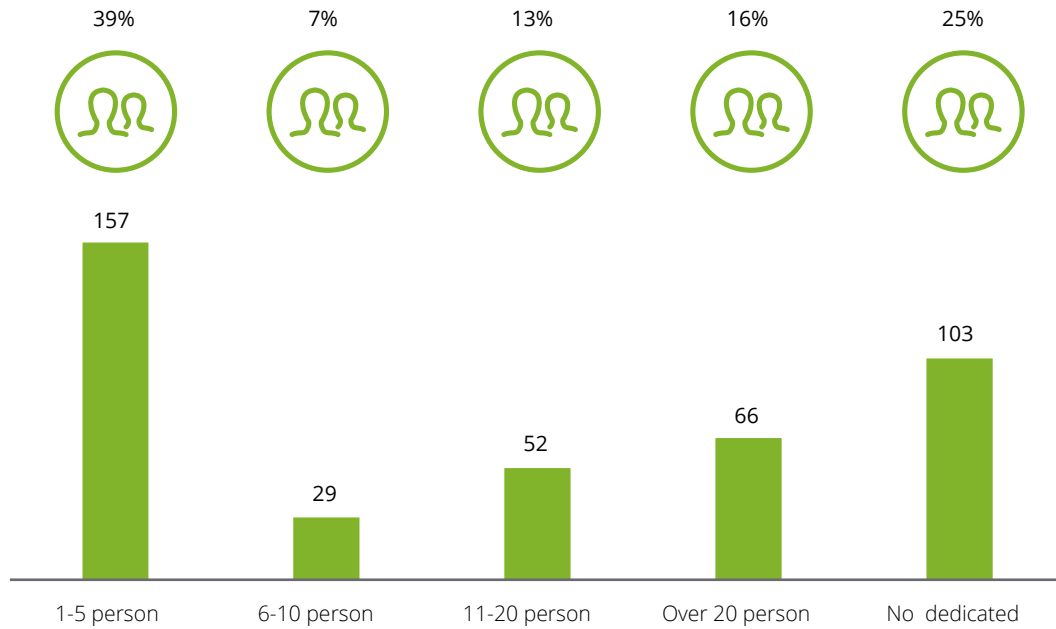


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### What is the size of your company's tax department in Asia Pacific?

Figure 25

407 respondents



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# Appendix 2: Tax rates in Asia Pacific jurisdictions

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**Income Tax and Capital Gain Tax Rates\***

\*Highest statutory rate

Jurisdiction	For Corporation		For Individual	
	Income Tax	Capital Gain Tax	Income Tax	Capital Gain Tax
Australia	30%	30%, Note 1	45%	45%, Note 2
Bangladesh	32.5%, Note 3	15%	25%, Note 4	15%, Note 5
Brunei	18.5%	No	0.0%	No
Cambodia	20%	20%	0% to 20%	20%
Mainland China	25%	Note 6	45%	Note 7
Guam	21%	21%	37%	20%
Hong Kong	16.5%	No	15.0%	No
India	15% / 22% / 25% / 30% / 40%, Note 8	0% / 10% / 15% / 20% / 30% / 40%, Note 8 & 9	Slab Rate under Old Scheme - 5% / 20% / 30%, Note 8	0% / 10% / 15% / 20% / 30% / Applicable Slab Rate, Note 8 & 9
			Slab Rate under New Scheme - 5% / 10% / 15% / 20% / 25% / 30%, Note 8	
Indonesia	25%	25%, Note 10	30%	30%, Note 11
Japan	23.2%, Note 12	23.2%, Note 12	45.0%, Note 13	45.0%, Note 13 & 14
Lao PDR	20%	2%, Note 15	25%	2%, Note 15
Macau	12%	Note 16	12%	No

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**Income Tax and Capital Gain Tax Rates\***

\*Highest statutory rate

Jurisdiction	For Corporation		For Individual	
	Income Tax	Capital Gain Tax	Income Tax	Capital Gain Tax
Malaysia	24%	30%	28%	30%
Mauritius	15%	No	15%	No
Mongolia	10% on taxable profits up to MNT 6 billion and 25% on taxable profits in excess of MNT 6 billion.	10% on taxable profits up to MNT 6 billion and 25% on taxable profits in excess of MNT 6 billion, Note 17.	10% / 20%, Note 18	10%, Note 19
Myanmar	25%	10% for capital gains other than oil & gas sectors	0% to 25%	10% for capital gains other than oil & gas sectors
New Zealand	28%	Note 20	39%, Note 21	Note 20
Philippines	30%	30%	35%	35%
Singapore	17%	Note 22	22%	Note 22
South Korea	27.3%	22%, Note 23	49.5%	Varied, Note 24
Sri Lanka	24%, Note 25	10%, Note 26	Note 27	10%, Note 26
Taiwan	20%	20%, Note 28	40%	40%, Note 29
Thailand	20%	20%	35%	35%
Vietnam	20%, Note 30	20%	35%	20%, Note 31

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1. Australia: Assessable income includes any capital gains after offsetting capital losses. Net capital gains derived by companies are taxed at the 30% corporate rate.
2. Australia: Net capital gains derived from the disposal of assets acquired after 19 September 1985 are included in assessable income. 50% capital gains tax discount applies, resulting in maximum effective rate of 22.5%.
3. Bangladesh: This rate is for unlisted companies and foreign companies. Publicly traded companies are taxed at the rate of 25% on net income basis.
4. Bangladesh: Resident individual taxpayers are taxed at a progressive slab rate 5-25% whereas non-resident individual taxpayers are taxed at a flat rate of 30%.
5. Bangladesh: If the asset is transferred before expiry of 5 years from the date of acquisition, the CG will be taxed at the usual rate applicable to the assessee's total income including the CG. If the asset is transferred at any time after 5 years from the date of acquisition, the CG will be taxed at the usual rate applicable to the assessee's total income including the CG or at the rate of 15% on the amount of CG, whichever is lower.
6. Mainland China: Gains and losses from the transfer of assets generally are combined with other operating income and taxed at the applicable enterprise income tax rate.
7. Mainland China: Net gains from the sale of property are subject to tax at a rate of 20%. Exemption applies.
8. India: Surcharge and cess applicable. Rate of surcharge varies according to the level of income, entity type, domestic or foreign company, business of entity, etc. Tax rates mentioned are under regular income-tax provisions, and not rates for Minimum Alternate Tax (MAT). Further, presumptive basis of taxation is also available for specified businesses (e.g. shipping, aircraft, oil and gas, civil construction, turnkey power projects, etc.).
9. India: Tax rates depends upon the nature of gains (short-term or long-term) and underlying assets (shares, listed or unlisted securities, movable or immovable assets). 0% rate applies on certain long-term capital gains up to INR 100,000.
10. Indonesia: Certain transactions are taxed under a special regime (e.g. income from disposals of land and/or buildings).
11. Indonesia: Certain transactions are taxed under a special regime (e.g. income from disposals of land and/or buildings, gains on shares listed, etc.).
12. Japan: Local inhabitant tax and local enterprise tax applicable.
13. Japan: 0.945% of restoration surtax applicable.
14. Japan: Rates vary for capital gains from real estate and securities, depending on the nature of gains and holding period.
15. Lao PDR: Capital gains don't specifically identify in Lao PDR but it is refer to income from sale of shares for individual and coporate (Income gain form selling of individual assets will subject to income tax at the rate 2%).
16. Macau: Capital gain is treated as income of company and is subject to complementart tax (euqiv. profit tax).
17. Mongolia: With respect to capital gains tax, it only includes gains realised from the disposal of shares and securities. It does not apply to sale of real estate. There is no capital gains tax for non-residents.
18. Mongolia: 10% applies to resident taxpayers and 20% applies to non-residents.
19. Mongolia: With respect to capital gains tax, it only includes gains realised from the disposal of shares and securities. It does not apply to sale of real estate. There is no capital gains tax for non-residents.
20. New Zealand: New Zealand does not have a general capital gains tax. Certain capital gains are taxed under specific tax rules.
21. New Zealand: Applies from 1 April 2021. 33% rate applies until 31 March 2021.
22. Singapore: Singapore does not tax gains of a capital nature; whether a gain is regarded as capital or revenue in nature requires a consideration, in totality, of all facts and circumstances applicable to the transaction giving rise to the gain, and can result in disagreements between the taxpayer and the Singapore tax authorities. However, there is upfront certainty that gains from the disposal of ordinary shares by a company during the period 1 June 2012 to 31 December 2027 (both dates inclusive) will be treated as capital in nature and thus not taxable in Singapore if both of the following conditions are satisfied: i) the divesting company holds a minimum ordinary shareholding of 20% in the company whose shares are being disposed of; and ii) the divesting company maintains the minimum 20% shareholding in the investee company for a minimum period of 24 months immediately prior to the disposal.
23. South Korea: Capital gains or losses are usually reflected in normal taxable income tax. Capital gains derived by nonresident from transfer of shares are taxed at the lesser of 11% of the sales proceeds received or 22% of the gains realized.
24. South Korea: Capital gains are taxed separately, with the rate depending on the type of asset, holding period, etc.
25. Sri Lanka: Standard rate 24%. Concessionary rate 14% and certain industries 18% and 40%.
26. Sri Lanka: 10% rate is for investment assets.
27. Sri Lanka: Taxed at progressive rates - 6%, 12% and 18%.
28. Taiwan: Capital gains generally are combined with corporate taxable income and taxed at 20%. In case of the disposal of real properties, resident corporation's capital gain tax rate is 20% (whereas, nonresident corporation will be subject to 35% or 45% capital gain tax depending on the holding period).
29. Taiwan: Capital gains generally are combined with individual taxable income and taxed at applicable statutory tax rates (up to 40%). In case of the disposal of real properties, individual's capital gain tax rates vary depending on the holding period and are up to 45%.
30. Vietnam: Rate applicable to enterprises operating in oil and gas and natural gas resource sector is 32% - 55%, depending on project.
31. Vietnam: Rate varies depending on residency status and legal form of target company.

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**Withholding Tax Rates\***

\*Rates applied to payment to nonresidents and may be reduced under provision of applicable tax treaties.

<b>Jurisdiction</b>	<b>Dividends</b>	<b>Interest</b>	<b>Royalties</b>	<b>Notes</b>
<b>Australia</b>	0% / 30%	10%	30%	The 0% WHT rate for dividends applies to fully franked dividends, i.e. dividends that are paid out of company profits which have fully borne the Australian company rate of tax.
<b>Bangladesh</b>	20% / 30%	20%	20%	Application of beneficial rates under the tax treaty is not automatic and requires a prior "lower" WHT to be obtained from the National Board of Revenue. Unless such a certificate is obtained, WHT as per the domestic tax laws shall apply.
<b>Brunei</b>	0%	2.5%	10%	
<b>Cambodia</b>	14%	14%	14%	A corporate reduced tax exemption may apply under a tax treaty.
<b>Mainland China</b>	10%	10%	10%	
<b>Guam</b>	30%	30%	30%	
<b>Hong Kong</b>	0%	0%	4.95% / 16.5%	
<b>India</b>	20%	4% / 5% / 20% / 30% / 40%	10% / 30% / 40%	Rates mentioned are those applicable on payment to non-residents. Rates are exclusive of applicable surcharge and cess. For the purpose of withholding tax, rates prescribed under the Income-tax Act, 1961 have to be increased by surcharge and cess at the prescribed rate.
<b>Indonesia</b>	20%	20%	20%	
<b>Japan</b>	15% / 20%	15% / 20%	20%	Surtax of 2.1% also applies.
<b>Lao PDR</b>	10%	10%	5%	The royalties at rate 5% for individual and the rate 3% is for corporate. For the interest 10% for non-bank in Lao PDR, the 3% for oversea. However, interest earned on deposits, government bonds, and debentures is exempt. The withholding tax rate on interest paid to a nonresident may be reduced under a tax treaty.
<b>Macau</b>	0%	0%	0%	
<b>Malaysia</b>	0%	0% / 15%	10%	Withholding tax is also applicable on provision of services - 10%.

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**Withholding Tax Rates\***

\*Rates applied to payment to nonresidents and may be reduced under provision of applicable tax treaties.

<b>Jurisdiction</b>	<b>Dividends</b>	<b>Interest</b>	<b>Royalties</b>	<b>Notes</b>
<b>Mauritius</b>	0%	0% / 15%	0% / 15%	
<b>Mongolia</b>	20%	20%	20%	With respect to loans obtained by Mongolian commercial banks, the WHT rate is 5%.
<b>Myanmar</b>	0%	0% / 15%	10% / 5%	
<b>New Zealand</b>	0% / 15% / 30%	0% / 15%	15%	Certain payments of interest can be subject to a 2% Approved Issuer Levy rather than NRWT.
<b>Philippines</b>	15% / 30%	20%	30%	
<b>Singapore</b>	0%	0% / 15%	0% / 10%	No withholding tax is applicable on dividend payments. Other than DTAs, interest and royalties may also be subject to a reduced withholding tax rate or exempt from withholding tax pursuant to certain relief provisions of the Income Tax Act and the Economic Expansion Incentives (Relief from Income Tax) Act, subject to the relevant conditions being satisfied.
<b>South Korea</b>	20%	14% / 20%	20%	
<b>Sri Lanka</b>	Exempt	Exempt	14%	The exemptions on dividend and interest have been granted under the Government proposals which are being administratively applied by the Department of Inland Revenue. These amendments have been made on the instructions of the Ministry of Finance issued on 31 January 2020 and 5 March 2020. Formal amendment to the Inland Revenue Act is expected to follow in due course.
<b>Taiwan</b>	21%	15% / 20%	20%	
<b>Thailand</b>	0% / 10%	0% / 10% / 15%	15%	
<b>Vietnam</b>	0%	5%	10%	A withholding tax of 5% (corporate tax) and 5% (VAT) generally applies to technical service fees paid to a nonresident. A corporate tax exemption may apply under a tax treaty.

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>Australia</b>	GST - 10%	Levied on employers by the states and territories, with the amount based on salaries, wages and benefits paid to employees.	Employers are required to contribute to a complying superannuation fund or retirement savings account on behalf of their employees, at a rate of 9.5% of the employee's "ordinary time earnings", up to a maximum earnings base. A 2% medicare levy on the taxable income of Australian residents is payable by individuals.	Stamp duty of up to 5.95% is imposed by the states and territories for real property transfers. Most states/territories also levy land tax at rates up to 2.75%. A land tax surcharge may also apply.	No	No	Up to 5.95%, rates vary depending on the state/territory and class of business property transferred. Extra stamp duty may be imposed in some states.	No	No
<b>Bangladesh</b>	VAT - 15%	The employer is responsible for withholding tax on salaries paid to the employees.	Social security contribution is not mandatory.	Holding tax is levied on the property's annual assessment i.e. rental value and depends on the area where the property is located. The rate shall vary from division to division.	No	There is no inheritance or estate tax.  Gift tax is levied on taxable gifts exceeding BDT 20,000, as specified under the Gift Tax Act 1990 subject to certain exceptions.  From an income tax perspective: any amount over BDT 500,000 received by an individual as a gift, otherwise than by a crossed cheque or by bank transfer, is taxed as income from other sources for that year. Gifts exceeding BDT 500,000 from spouses or parents by bank transfer is not taxable.	Financial instruments, transfer of property, transfer of shares, other specified transactions in Bangladesh attract stamp duties that are levied under the Stamp Act, 1899.	Every company is liable to pay minimum tax at 0.60% on the gross receipts irrespective of profit or loss in an income year. Regular tax or minimum tax, whichever is higher shall be payable in an Income Year.  There is certain provisions wherein the taxes withheld is considered as minimum tax in the hands of the payee and is not eligible for refund or adjustment with a tax demand.	No

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>Brunei</b>	No	No	Both employer and local employees are required to contribute 5% of the wages (of local employees only) to the Employee Trust Fund and 3.5% to the Supplementary Contribution Pension.	No taxes are levied on property, but a 12% building tax is levied on buildings located in Bandar Seri Begawan.	No	No	Fixed or ad valorem rates on various business documents.	No	No
<b>Cambodia</b>	VAT -10%	0% to 20%. An employer must withhold income tax from employee wages and remit the tax to the government.	0.8% and 2.6% of average monthly salary for occupational risk and health care respectively capped at USD 10.2 per month.	- 0.1% per annum based on the property value issued by the government.  - 4% title transfer tax on the property value issued by the government.	No	No	0.1% on contract value with government.	1% minimum tax on turnover for non-compliance.	Unused land tax at 2% per annum of market value of the land.
<b>Mainland China</b>	VAT - 6%, 9% or 13%, depending on the nature of taxable transactions (supply of certain goods, services and etc.).	No	Both employer and employee are required to make contributions to the PRC Social Security Schemes, which includes basic pension insurance, basic medical insurance, work-related injury insurance, unemployment insurance and maternity insurance schemes.	1.2% of the original property value with 10% to 30% reduction allowance; or 12% on property rental income (Only levied in cities, county towns, state designated townships and industrial and mining areas).	No	No	CNY 5 for each certificate of certain specified licenses, or at 0.005% to 0.1%, depending on the type of dutiable contracts or documents.	No	Consumption tax - it applies to alcoholic beverages, luxury cosmetics, diesel fuel, fireworks, jewelry, motorcycles, motor vehicles, petrol, luxury watches, tobacco, golf equipment, yachts, etc. Tax is calculated based on the value of the goods, and/or the quantity of the goods.  Environment protection tax - it is collected on taxable pollutants (atmospheric pollutants, water pollutants, solid waste and noise), which is based on the "pollution emission equivalent amount".
<b>Guam</b>	VAT - 5%	No	Employers contribute 7.65% of employee wages to Social Security and Medicare.	0.25% of assessed value for land and 1% of the assessed value of buildings. Assessed value is 35% of appraised value.	No	No	No	No	Use Tax - 4% assessed upon importation of tangible property not for resale.
<b>Hong Kong</b>	No	No	An employer is required to deduct 5% of an employee's monthly income (capped at HKD 1,500) as his/her contribution to the Mandatory Provident Fund (MPF) scheme, and pay an additional 5% as the employer's contribution.	15% of the net assessable value of property.	No	No	0.2% to 20%, depending on the type of documents and transactions.	No	No

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>India</b>	Rates vary between various goods / services. General rate is 18%.	The employer is responsible for withholding tax on salary income.	All employees contribute 12% of eligible wages per month to the provident fund, with a matching 12% contribution by the employer.	Each state levies property tax, with rates varying from state to state.	No	No (In India tax on certain gifts falls under the purview of the Income Tax Act, 1961).	Stamp duties are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).	15% plus any applicable surcharge and cess on the adjusted book profits of corporations whose tax liability is less than 15% of their book profits. Exemptions apply.  9% in certain cases i.e., if the taxpayer is a unit located in an International Financial Services Centre and derives its income solely in foreign exchange.  Alternate Minimum Tax of 18.5% (plus applicable surcharge and cess) applies in case of non-corporations in certain cases.	Equalization Levy on non-residents:  • For advertising and related services - 6%;  • E-commerce supply or services - 2%  Securities Transaction Tax  Commodities Transaction Tax
<b>Indonesia</b>	VAT - 10%	An employer is required to withhold, remit and report income tax on the employment income of its employees.	Both the employer and employee are required to make social security contributions, up to 11.74% by employer and 4% by employed resident individual.	Land and building tax is payable annually on land, buildings and permanent structures. The rate typically is 2.5% of the estimated sales value of the property.	No	No	Certain documents are subject to stamp duty at IDR 10,000.	No	No
<b>Japan</b>	VAT - 10%  Food and drink, and Subscription newspaper - 8%	The employer must withhold income tax and social security contributions at source.	Social security tax comprises several components. The highest combined portion for employer and employee is approximately 16.242% and 15.28%, respectively.	The municipal fixed assets levy is assessed at an annual rate of 1.4%. City planning tax of 0.3% is also applicable depending on the location. Real estate acquisitions tax and Real estate registration tax also apply.	1.2% (highest combined rate born by employee and employer)	10% to 55%	JPY 200 to JPY 600,000 on the execution of taxable documents.	No	No
<b>Lao PDR</b>	VAT - 10%	The employer has obligation to withhold the income tax and social security to contribute on behalf of the employee.	The employee's monthly salary including other benefits for the purposes of social security contribution is capped at LAK 4,500,000. The contribution is the obligation of both employer and employee, which required to contribute 6% and 5.5% respectively.	Tax on land is levied at varying rates. The tax applies to both individuals and corporations.	No	No	Stamp duty collection No started from LAK 2,000 to LAK 20,000 depending on each type of document.	No	No

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>Macau</b>	No	An employer must withhold Professional tax (euqiv. Payroll Tax or Salary Tax) from employee salary/wage and remit the tax to the government.	The employer and resident employee must pay into the social security contribution fund (FSS). The employer contributes MOP 60 per month for each Macau resident employee, and the employee pays MOP 30 per month.	8% on actual rental income for leased property.  6% on official ratable value for self-used property.	No	No	0.2% to 20%, depending on the type of documents and transactions.	No	Gaming Tax - A special tax for licensed gaming operator that runs casino in Macau. Tourism Tax - Applies to a company running tourism businesses and is charged to customers, such as hotels, restaurants, bar or fitness clubs, etc.
<b>Malaysia</b>	Service Tax - 6%	Tax on employment income is withheld by the employer under a PAYE scheme and remitted to the tax authorities.	Both the employer and employee are required to make contributions to the EPF at a rate of 12% and 11%, respectively, as well as to the SOCSO.	Individual states in Malaysia levy "quit" rent and assessments at varying rates.	No	No	1% to 4% of the value of property transfers. 0.3% on share transaction documents.	A Labuan company carrying on a Labuan business activity be taxed at 3% of the audited accounting profit.	No
<b>Mauritius</b>	VAT - 15%	No	The employer is required to make social security contributions at a combined rate of 10% of an employee's monthly basic salary. Employee's contributions is at a combined rate of 4% of his/her monthly basic salary.	No	No	No	No	No	No
<b>Mongolia</b>	VAT - 10%	An employer must withhold income tax from employee wages and remit the tax to the government.	Employer is required to contribute to a range of insurances at a combined rates of 13.5% of an employee's gross income. Social security is corporate tax deductible. Employee's contribution is 12.5%, with a monthly cap of MNT 525,000.	0.6% to 1.0% of the value of the property.	No	No	Stamp duty refers to government service fee and is imposed at various rates.	No	Customs duty and excise tax.
<b>Myanmar</b>	GST - Goods 5% to 8%; Services 5%	The employer must withhold taxes on employment income.	The employer must contribute 3% of an employee's basic salary and wages (capped at MKK 9,000) to social security. An employee must contribute 2% of his/her basic salary and wages (capped at MKK 6,000) to social security.	No	No	No, but registration fees are payable for inheritances under an arrangement of settlement and for gifts, depending on the value of the property.	Rates vary depending on the type of documents and instruments.	No	Special goods tax <ul style="list-style-type: none"> <li>• 5% to 80%,</li> <li>• For cigarettes and alcohols: different tax rates are used based on the value of the commodity.</li> </ul>

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>New Zealand</b>	GST - 15%	There is no payroll tax but the employer is responsible for withholding PAYE tax on employment income.	Employers are required to contribute a percentage of an employee's gross salary or wages to KiwiSaver superannuation schemes (less employer superannuation contribution tax) for employees that have opted into KiwiSaver.	Local authorities charge rates on land based on the official valuation of the land. The rates vary considerably from one locality to another.	No	No	No	No	No
<b>Philippines</b>	VAT - 12%	A corporate employer is required to withhold tax on the remuneration paid to its employees.	Monthly contribution to the social security system by employer and employee based on employee's salary bracket. Monthly cap applies.	Within Metro Manila - 2%. Provinces - 1%.	No	6% on the net estate of both residents and nonresidents.	Rates vary depending on the type of transaction/document.	A minimum corporate income tax (MCIT) equal to 2% of gross income is imposed on both domestic and resident foreign corporations beginning in the fourth taxable year of operations.	No
<b>Singapore</b>	GST - 7%	No	Employer's statutory contribution rate to the Central Provident Fund (CPF) is up to 17%, while employee's statutory contribution rate is up to 20%.	Property tax rate vary depending on the type of property. Progressive rates of up to 16% and 20% are applicable for owner occupied residential properties and non-owner occupied residential properties respectively, while a flat rate of 10% is applicable for non-residential properties.	No	No	Stamp duty rates vary depending on the type of dutiable instrument. Stamp duty is generally levied on the higher of purchase price or the market value of the shares or properties. Broadly, Buyer's Stamp Duty (BSD) of 0.2% is applicable on the transfer of shares, and up to 4% on transfer of real properties. Stamp duty relief may be applicable under certain circumstances, subject to the relevant conditions being satisfied. Additional Buyer's Stamp Duty (ABSD), Sellers Stamp Duty or Additional Conveyance Duties may also be applicable on transfer of residential related property.	No	Vehicular taxes
<b>South Korea</b>	VAT - 10%	Employer must withhold taxes on salary paid to its employees.	Employer must make social security contributions to the relevant social security authorities. Rates vary depending upon number of employees and industry.  Individuals are required to pay national pension, medical insurance and unemployment insurance premiums.	0.1% to 6% depending on the type of property, type of tax payer (individual or corporate), number of houses, period of ownership and etc.	See social security	10% to 50%	Stamp tax is levied on agreements relating to the creation, transfer or alteration of rights, but the tax is not significant.	7.7% to 18.7% (including 10% of the surcharge local income tax)	No

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>Sri Lanka</b>	VAT - 8%	After the implementation of the recent tax changes, Pay As You Earn (PAYE), tax deduction on employment income has been abolished with effect from 1 January 2020 and the mechanism of Advance Personal Income Tax (APIT) has been introduced with effect from 1 April 2020 to deduct the APIT monthly. The employer has to obtain the consent of the resident employees who are citizens of Sri Lanka. For non-resident employees and resident employees who are not citizens of Sri Lanka, APIT deduction is compulsory regardless of their consent.	"Employee Provident Fund (EPF) contributions are required to be made by both the employer and employee as below. Employer - 12% of the monthly salary Employee - 8% of the monthly salary  Employee Trust Fund (ETF) contribution amounting to 3% of monthly salary is required to be made by the employer on behalf of the employee."	No	No	No	Rates vary depending on the type of instrument.	Not applicable	No
<b>Taiwan</b>	VAT - 5%	No	No social security tax, but factories, mines and all companies with over 50 employees must establish funds for employee welfares. There are two social security programs in Taiwan: Labor Insurance and National Health Insurance. Premiums for both programs are determined by the government and borne by the employer, the employee and the government.	1% to 5.5%, or special rates for Land value tax (LVT). 20% to 40%, or special privileged rates for Land value incremental tax.	No	Estate and gift tax is levied on the worldwide assets of Taiwanese-domiciled individuals.	Rates vary depending on the type of transaction/document.	<b>For corporation:</b> A profit-seeking enterprise with a fixed place of business or business agent in Taiwan may be subject to 12% AMT calculation if it earns certain income that is tax exempt or enjoys certain tax incentives under the Income Tax Act or other laws, and the enterprise's basic income exceeds NTD 0.5 million.  <b>For individual:</b> Resident individuals with AMT taxable income over NTD 6.7 million may be subject to 20% AMT. From 2021, capital gains from trading of shares in unlisted companies are included in the items of AMT taxable income.	1) Securities transaction tax and Futures transaction tax - The tax rate is 0.3% of securities transaction price and varies depending on the types of futures transaction. 2) Special commodity and service tax - Also know as the "luxury tax", it is imposed on the sale, manufacture and import of high-end commodities, including yachts and luxury furniture etc. Tax rate is from 10% or 15% of the total price.

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## Other tax

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes (please specify)
<b>Thailand</b>	VAT - 7%	Tax on employment income is withheld by the employer and remitted to the tax authorities, generally on a monthly basis.	The employer and the employee are required to contribute 5% of an employee's monthly compensation, up to a specified monthly cap.	0.15% to 1.2% depending on the use of real property.	No	Inheritance tax at the rate of 5% or 10% applies on the excess of Baht 100 million after deducting the testator's debts.	Rates vary depending on the type of instrument.	No	No
<b>Vietnam</b>	VAT - 10%	No	Employer contribution: Social insurance (SI) 17.5%, health insurance (HI), 3%, and unemployment insurance (UI) 1% of the employee's salary.  Employee contribution: Social insurance (SI) 8%, health insurance (HI), 1.5%, and unemployment insurance (UI) 1% of the employee's salary.	The municipal authorities levy tax (e.g. land rental tax, land use fees, etc.) on the use of real property.	See social security	Inheritances and gifts above VND 10 million are subject to personal income tax at 10%.	A stamp duty of 0.5% to 10% is levied on certain types of assets, including real property.	No	Special Sales Tax (SST) from 5% to 150%.

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## Practice &amp; Procedures

Jurisdiction	Advance tax ruling	Availability of a tax court		Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority? (Y/N)	May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision? (Y/N)	Statute of limitation	Is there a competent authority process to resolve disputes between countries? (Y/N)
<b>Australia</b>	Y	Y - The law specifically gives taxpayer the right to go to the Administrative Appeals Tribunal (AAT) or the Federal Court of Australia for a review of some of ATO's actions or decisions.	Generally, four years	Y
<b>Bangladesh</b>	N  There is no advance tax rulings.  Alternative dispute resolution process is available to resolve any dispute pending with income tax authorities, the Taxes Appellate Tribunal or Courts with prior permission of the relevant tax authority.	Y	Where tax return is not filed: unlimited  Where tax return is filed: six years	N
<b>Brunei</b>	N	Y - The taxpayer may apply to the Board of Review a petition for review of tax authority's decision whereby the decision of the Board shall be final. However, in any case in which the amount of tax payable as determined by the Board exceeds BND 3,000, the appellant or the authority may appeal to the High Court from the decision of the Board on any question of law or of mixed law and fact.		

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## Practice &amp; Procedures

Jurisdiction	Advance tax ruling	Availability of a tax court		Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority?  (Y/N)	May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision?  (Y/N)	Statute of limitation	Is there a competent authority process to resolve disputes between countries?  (Y/N)
<b>Cambodia</b>	N	N - No tax court yet. The highest appeal is at the tax arbitration committee.	10 years	N
<b>Mainland China</b>	Y - Advance ruling procedures are not widely adopted in China, although they have been piloted with respect to certain large enterprises in some locations. Taxpayers normally consult their local in-charge tax officials when issues arise. Advance pricing agreements may be concluded.	N - Only in a general court.	Three years and can be extended to five years if the amount of tax underpaid is over CNY 100,000. Statute of limitation for special adjustments is ten years. No statute of limitation for tax evasion, refusal to pay tax, or defrauding of tax payment.	Y
<b>Guam</b>	N	Y	Three years in general, may be extended to six years for substantial omission.	N
<b>Hong Kong</b>	Y	Y	Six years in general, may be extended to 10 years in the case of fraud wilful evasion.	Y
<b>India</b>	Y	Y	Varies	Y
<b>Indonesia</b>	N - Technically, a taxpayer could ask for further guidance from the tax authority for unclear tax issues through submitting a private ruling. However, it is not entirely guaranteed that a tax inspection team in a subsequent tax audit would not likely challenge the tax filing which is made by the taxpayer based on the guidance from the tax authority in a responding private ruling.	Y	Within five years after the incurrence of a tax liability.	N – No formal/official procedure is available, but taxpayers can request for an advance pricing agreement and mutual agreement procedure under the applicable tax treaty.

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## Practice &amp; Procedures

Jurisdiction	Advance tax ruling	Availability of a tax court	Statute of limitation	Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority?	May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision?		Is there a competent authority process to resolve disputes between countries?
	(Y/N)	(Y/N)		(Y/N)
<b>Japan</b>	Y	Y	Five years in general, can be extended to seven years in case of tax evasion. Seven years for transfer pricing.	Y
<b>Lao PDR</b>	Y	N	N	Y
<b>Macau</b>	N	Y	Five years	Y
<b>Malaysia</b>	Y	Y	Five years / Seven years for transfer pricing audit.	Y
<b>Mauritius</b>	Y	Y	Three years	
<b>Mongolia</b>	Y	N - Only in a general court.	Four years	Y
<b>Myanmar</b>	Y	Y	Six years in general, may be extended to 12 years in the case of fraud wilful evasion.	Y
<b>New Zealand</b>	Y	Y	Four years and can be extended if the taxpayer has been fraudulent / misleading or omitting income. Likewise taxpayers can agree to waive the time bar for additional time to allow Inland Revenue to resolve disputes.	Y
<b>Philippines</b>	Y	Y	Three years from the last day prescribed by law for the filing of the tax return in general. In case of a false or a fraudulent return with intent to evade tax or in case of failure to file a return, the tax may be assessed or a proceeding in court for the collection of such tax may be filed without assessment at any time within ten years after the discovery of the falsity, fraud or omission.	Y

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## Practice &amp; Procedures

Jurisdiction	Advance tax ruling	Availability of a tax court	Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority?	May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision?	Is there a competent authority process to resolve disputes between countries?
	(Y/N)	(Y/N)	(Y/N)
<b>Singapore</b>	Y	Y	Y
		The statutory time limit for IRAS to raise an assessment or additional assessment is four years following the end of the end of the relevant Year of Assessment ("YA"). For example, for YA 2020 (i.e. financial year ending in 2019), the statutory time limit to raise an assessment/ additional assessment is by 31 December 2024. However, this statutory time limit will not apply to cases where fraud and/or willful default are involved.	
<b>South Korea</b>	Y	Y	Y
		Five years in general, can be extended in the cases of evasion, false or fraudulent return.	
<b>Sri Lanka</b>	Y - Available for Transfer Pricing.	Y	N - No formal procedure available.
		<b>For self assessment returns:</b> Within 30 months from the date the self assessment return was filed. <b>For any other assessment:</b> Within 30 months from the date on which the assistant commissioner served the notice of assessment on the tax payer. <b>In case of fraud, or gross or wilful neglect,</b> statute of limitation does not apply.	
<b>Taiwan</b>	Y- Taxpayers generally can apply to the tax authority for a ruling to confirm its tax position or clarify a tax issue. Advance pricing agreements (APAs) may be negotiated with the tax authority.	Y	Y
		Five years and can be extended to seven years when a taxpayer fails to file a tax return within the statutory deadline or evades tax by fraud.	

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## Practice &amp; Procedures

Jurisdiction	Advance tax ruling	Availability of a tax court		Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority? (Y/N)	May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision? (Y/N)	Statute of limitation	Is there a competent authority process to resolve disputes between countries? (Y/N)
<b>Thailand</b>	Y - A taxpayer may request a nonbinding private letter ruling, and Advance pricing agreements (APAs) are available under the transfer pricing regime.	Y	10 years	N - No formal/official procedure is available, but taxpayers can request for an advance pricing agreement and mutual agreement procedure under the applicable tax treaty.
<b>Vietnam</b>	N - Technically, a taxpayer could ask for further guidance from the tax authority for unclear tax issues through submitting a private ruling. However, it is not entirely guaranteed that a tax inspection team in a subsequent tax audit would not likely challenge the tax filing which is made by the taxpayer based on the guidance from the tax authority in a responding private ruling.	Y	10 years for tax collection.  Five years for administrative penalty resulted from under-declaration.	Y - Technically, General Department of Taxation which is authorized by Ministry of Finance would take responsibility of resolving disputes between Vietnam and other foreign countries through MAPs under the tax treaties.

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# Deloitte Asia Pacific Tax contacts

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