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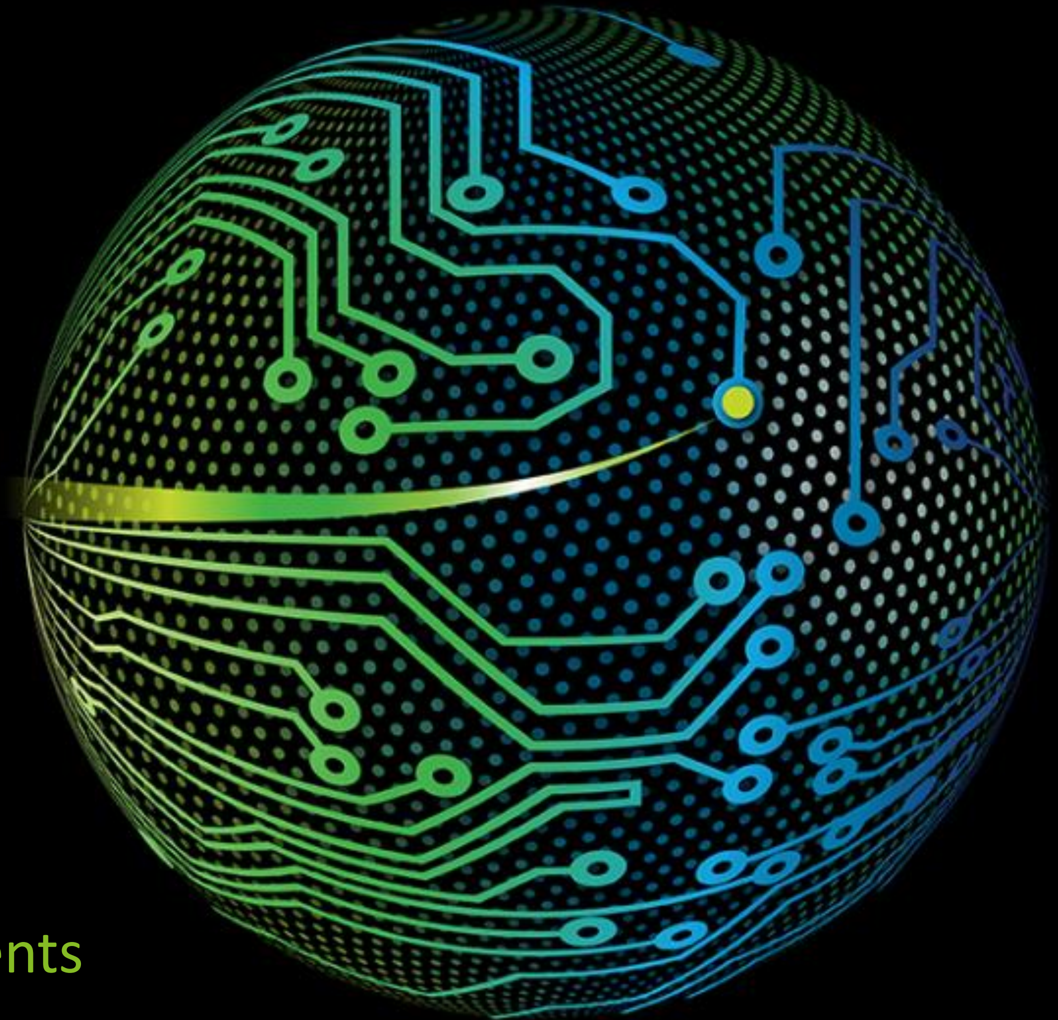

Key tax policy developments and tax audit update

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18 March 2024

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Major themes driving tax developments across Asia Pacific

01

Balancing fiscal position

- Authorities tasked with addressing fiscal position
- Increase in tax audit frequency
- Enhanced disclosure and transparency

02

Supporting the economy

- Simplification of tax administrative processes
- Exemptions and encouraging specific activity
- New approaches to encourage investments

APAC—Key Tax Policy Developments

Balancing fiscal position

India

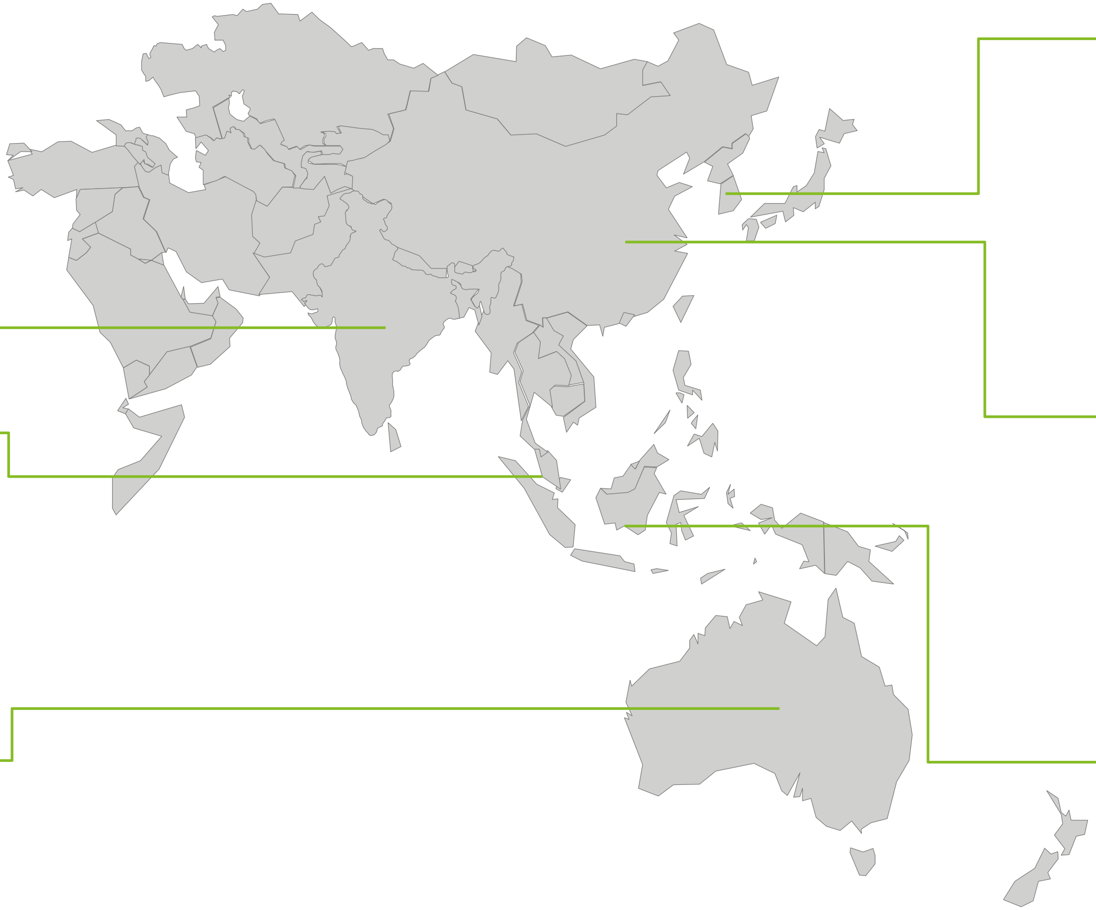
- Increased frequency of tax audits
- IFSC GIFT City

Malaysia

- Capital Gains Tax (CGT) introduction
- Foreign Source Income Exemption

Australia

- Interest limitation rules
- AU Public CbCR



Republic of Korea

- Korean Tax Law reform
- Tax audit activity trends

China

- Dynamic risk rating classification—high-risk industries
- Tax audit trends

Indonesia

- Loan loss provision regulation
- Insurance tax issues (IFRS17/Sharia)

APAC—Key Tax Policy Developments

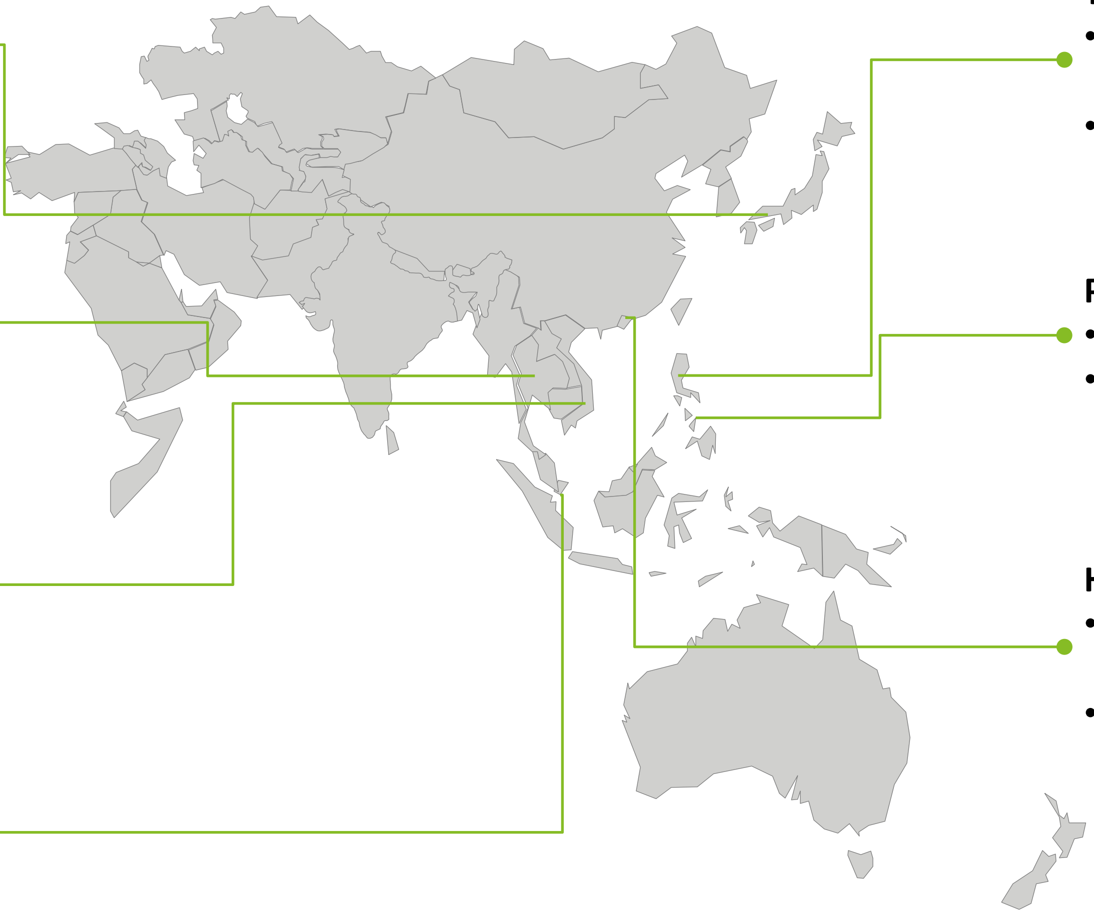
Supporting the economy

Japan
- JCT qualified invoice system
- Addressing deflation and supporting participation of women in workforce

Thailand
- Alignment to OECD standards
- Tax audit trends

Vietnam
- Tax Inspection Law (streamlining)
- Lending rules on investors

Singapore
- Taxation on gain from disposal of foreign assets—Section 10L
- Fund Tax Incentive updates

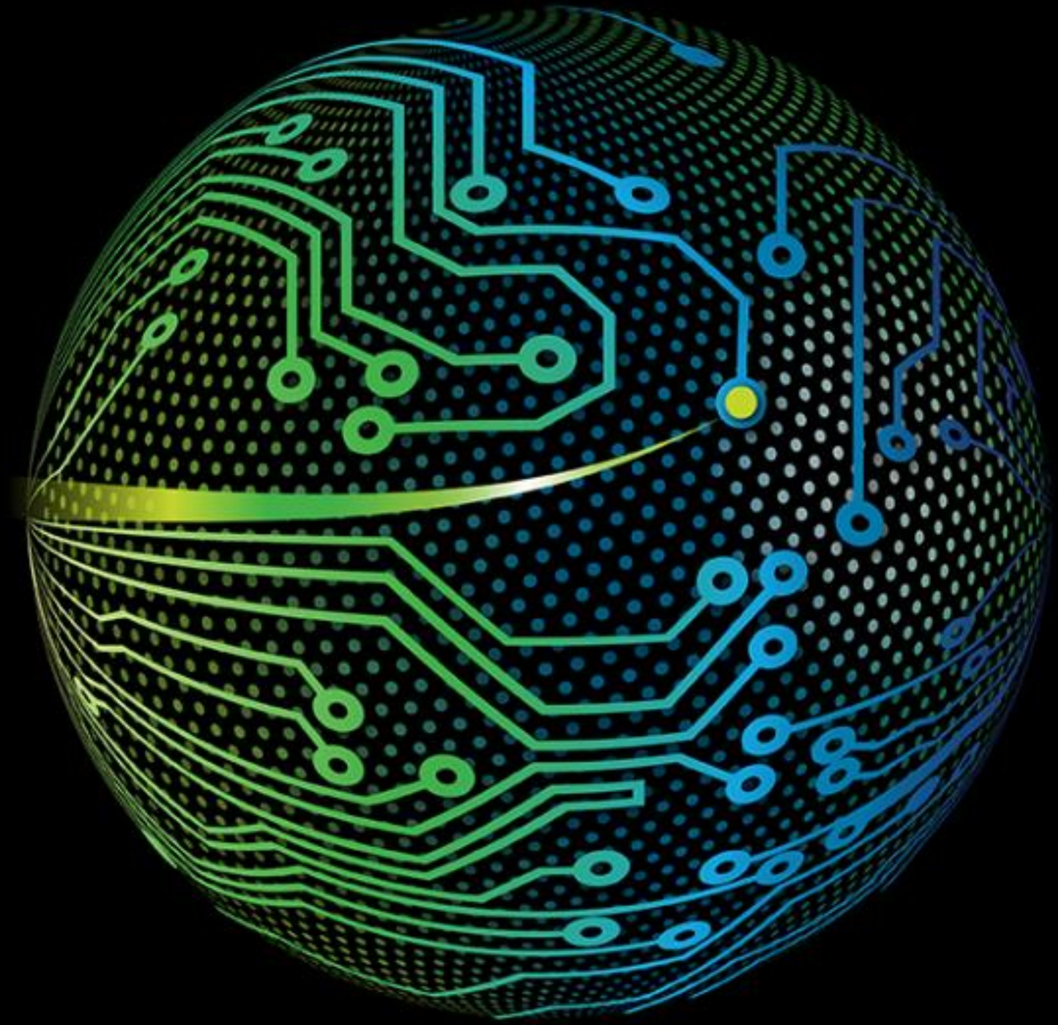


Taiwan
- Anticipation of Business Tax rate drop (FS only)
- Tax audit trends

Philippines
- Ease of Paying Tax Act (EOPT)
- Treatment of cross-border services

Hong Kong
- Refined Foreign Sourced Income Exemption (FSIE)
- Family Office exemption

Indonesia



Key Tax Developments

Indonesia

VAT Law Registration

- The new 11% VAT Rate is effective from April 2022 and 12% starting from fiscal year 2025
- Transfer of foreclosed assets (AYDA) is subjected to VAT 1.1%, if the Bank has re-owned the foreclosed assets
- Potential impacts on the financial industry
- Taxpayer remains to issue the tax invoice. Significant administrative burden for the Bank is only applicable for non-Interest income which subject to or applicable for all the income should apply the Tax Invoice. Currently, Banks in Indonesia are awaiting the implementation regulation pertaining to the obligation to issue VAT Invoice. In the absence of implementing regulation, banks have not yet started issuing VAT invoices.
- AYDA cases before FY22 are still being corrected by the Tax Office. The new regulation has more clarity for the financial industry, the tax office provide confirmation that AYDA is subject 1.1% (10% x 11%) during the sales transaction if the Bank has re-owned the AYDA.

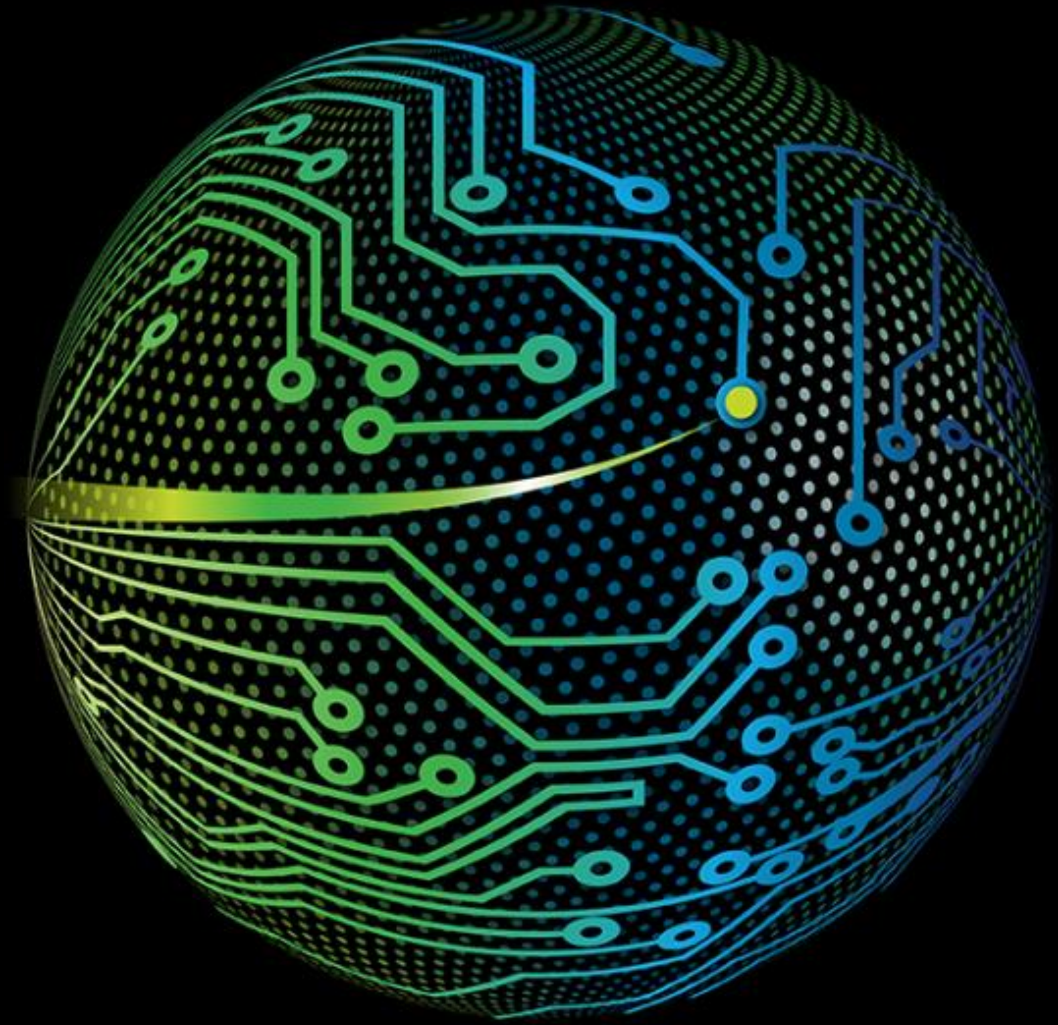
Tax Audit and Dispute Trends

- The Indonesian tax office appears to be more aggressive by asking all taxpayer, for the fiscal year which expiring by issuing the Tax clarification or even tax audit notification.
- One of the strategy performed by Indonesia tax office to obtain potential state revenue or it can be the entrance for Tax Audit process if no response from taxpayer or the response is insufficient.
- Numerous tax treaty implementation cases since the Indonesian tax office requires a valid certificate of residence and DGT-form to show the beneficial owner and pass the business purpose test.

Transfer Pricing Dispute Resolution

- The current tax audit trend is similar during the past year which is quite aggressive and transfer pricing is becoming one of the hot topic for the past years.
- Currently Indonesia Government is offering 2 (two) type of TP dispute resolutions, other than normal tax audit and dispute procedure:
  - Mutual Agreement Procedure (MAP)
  - Advance Pricing Agreement (APA)

China



Key Tax Developments

China

General Outlook

Overall, tax authorities provided a relatively lenient/supportive tax environment with a view to support taxpayers‘ recovery. Establish a new regulatory mechanism based on "credit + risk“ and implement dynamic credit rating classification and risk supervision of the taxpayers.

More widely using taxpayers’ self-assessment approach. Using tax big data to identify risk issues, focusing on high-risk industries. Contiguously provide incentives to encourage R&D activities and ESG related business.

Tax audit trends

The industries have been focused last year include pharmaceutical industry and E-commerce industry with many cases of tax incompliance by using false information to enjoy tax incentives or inflated expenses to reduce taxable income. Concerns on personal income tax on income other than wages and salaries, particularly on income derived on transfer of shares of listed and private companies.

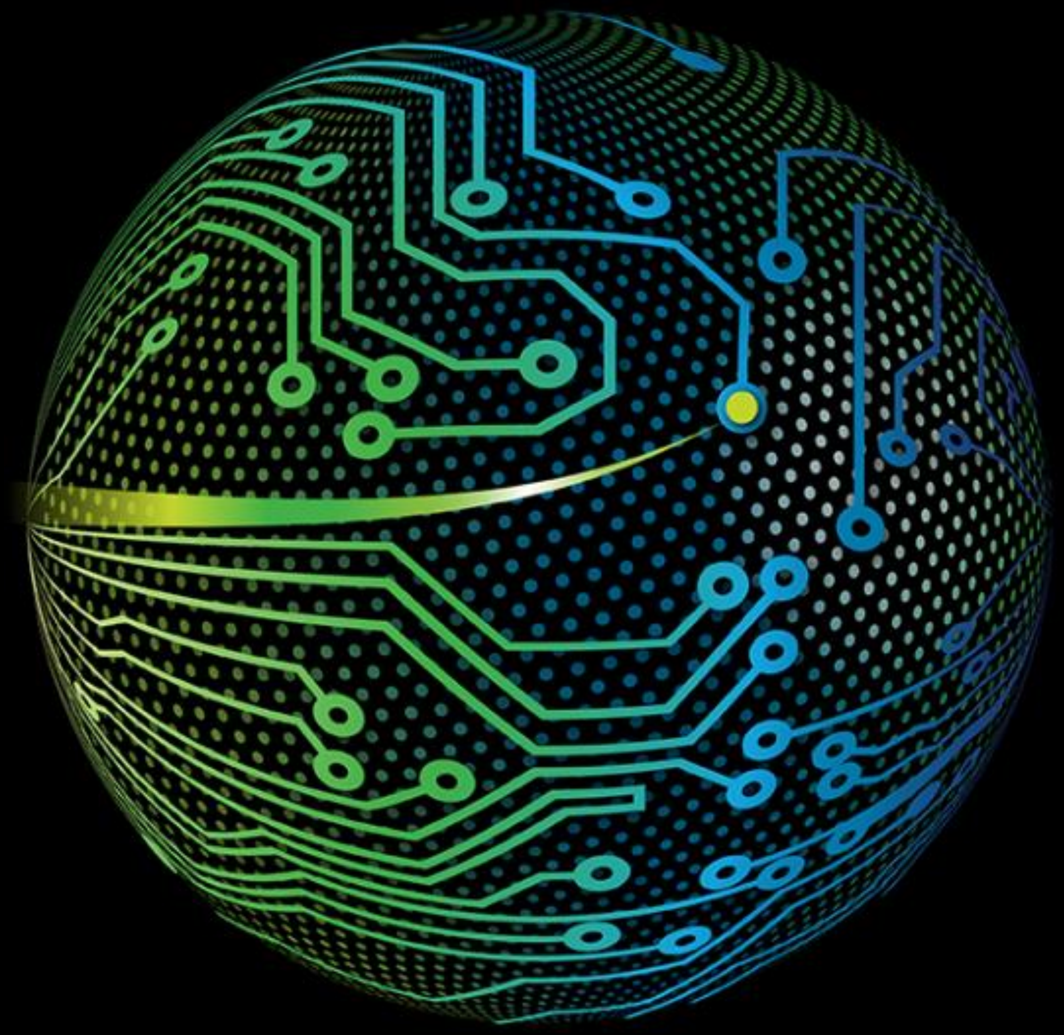
For financial industries:

- Onshore PE funds: A national wide investigation on the tax compliance of VCPE funds was conducted, focusing on the issues related to withholding personal income tax of individual partners of the fund established in the form of partnership.
- Regular tax audits. No specific national wide developments/tax investigations specifically addressing to foreign invested financial institutions.
- The issues related to inbound financial institutions include:
  - Overhead charge/royalty charged by overseas related companies.
  - Treaty benefit application with attention to the BO of interest and dividend payments.
  - Attention has begun to be paid to the permanent establishment issue of offshore fund for investment and the TP issue of whether domestic entities achieved reasonable returns for provision of supporting services.

Common issues on domestic and foreign invested financials banks & insurers & investment banks:

- Timing of revenue recognition for EIT purpose: service fee and commission fee
- Tax exemption on interests of government bonds: how to determine the tax exempted amount
- VAT exemption on intra-FIs lending/borrowing - whether the Counterparties are qualified “Financial institutions”, e.g. reverse repo at Exchange.
- Input VAT transferred-out on tax-exempt income.

Korea



Key Tax Developments

Korea

Pillar 2

Pillar 2—IRR effective January 1, 2024, and UTPR effective January 1, 2025.

No QMDTT at this point and nothing proposed yet.

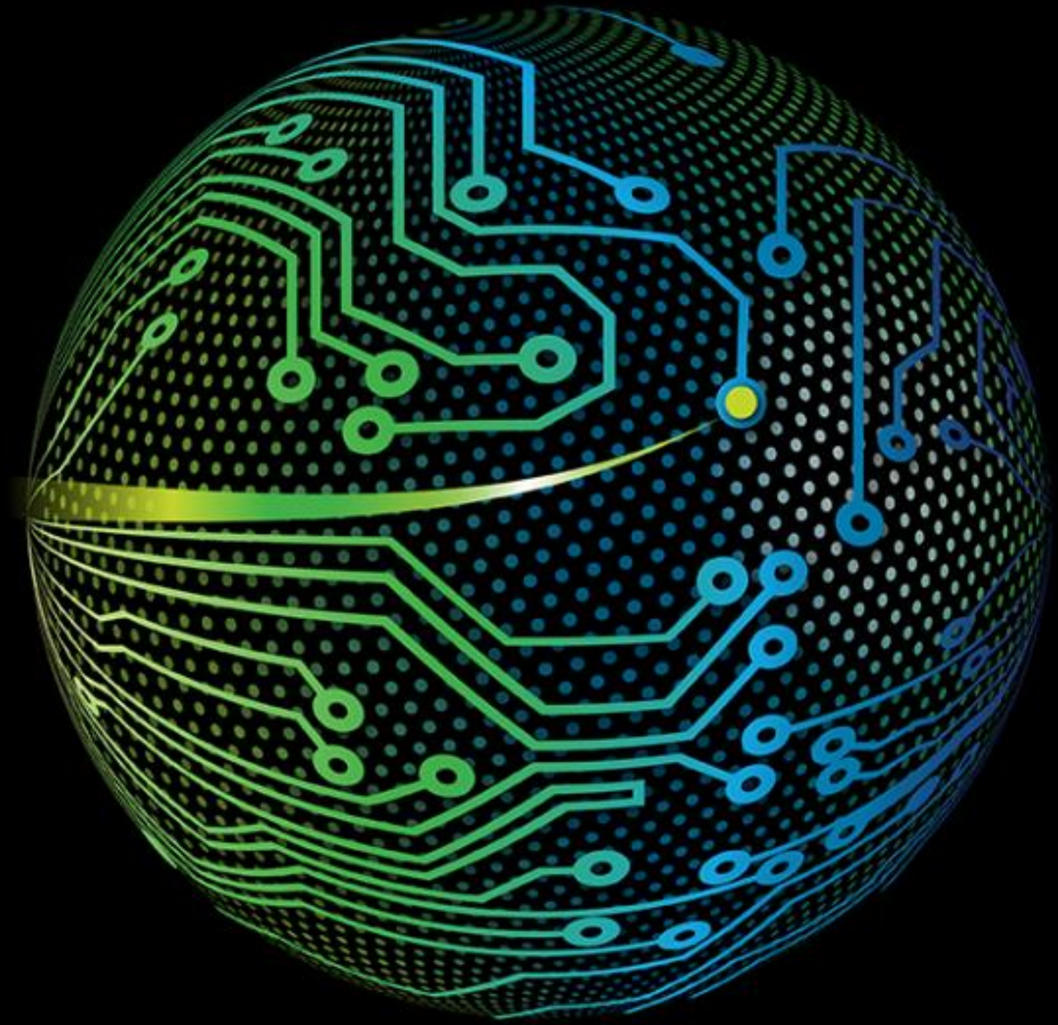
Korea Tax Reform

- Overall reduction in corporate tax rates of 1% per tax bracket (highest rate now 26.4% assuming local tax is adjusted also)Elimination of Accumulated/Undistributed Earnings Tax (with exception of Korean conglomerates with cross shareholding)
- Revised Dividend Received Deduction (DRD) as follows:

Ownership percentage of subsidiary	DRD rate after revision
50% or more	100%
20% to 50%	80%
Less than 20%	50%

- Lower ownership threshold for filing consolidated tax returns from 100% to 90% ownership requirement
- Increase of the limit for use of carried forward net operating losses ("NOL") from 60% to 80% of current year taxable income
- Tax on Income Attributed to Overseas Pass-Through Entity Election whereby Korean entity can elect to treat passthrough income as income in year overseas passthrough entity earns the income rather than the year the Korean entity receives the actual income distribution
- Korean PEF distributions to Overseas investors will follow character of underlying income rather than automatically be treated as a dividend

Australia



Key Tax Developments
Australia

Proposed changes to interest limitation rules

New interest limitation rules proposed to be effective for **income years starting on or after 1 July 2023**, however legislation is **still in draft** and scheduled for Senate debate the week of 18 March 2024.

- Definition of "debt deductions" broader than "interest"
- Tightening of types of "financial investors" (i.e. banks, traders, dealers and financing companies) which can continue to apply "asset based" test
- Insolvency remote special purpose entities (e.g. securitisation vehicles) continue to be exempt
- Changes to transfer pricing rules to require consideration of arm's length amount of debt
- New "debt creation" rules, effective from 1 July 2024, deny deductions for: (i) certain asset acquisitions from related parties; or (ii) payments or distributions to related parties.
- For "general class investors", three tests are available:

Fixed Ratio Test	30% of Tax EBITDA (applies by default)
Third Party Debt Test	Allows all debt deductions which are attributable to third party debt but strict conditions must be satisfied—beware credit support and security over "ineligible assets"
Group Ratio Test	Group ratio earnings limit = Group ratio (Global group's net third party interest expense to group's EBITDA) x entity's Tax EBITDA Based on global group's audited consolidated financial statements. Adjustments required for interest payments / receipts between group members and associate entities outside the group.

Key Tax Developments

Australia (cont.)

Legislative update

Public CbC reporting

- Applies to years commencing on or after 1 July 2024
- Jurisdictional reporting for Australia and 41 “specified countries” (incl Singapore, Hong Kong, Switzerland, Bermuda)
- Choice of aggregated reporting for other jurisdictions
- Reporting based on group’s “consolidated financial statements”
- Requires publication of **group’s approach to tax** and **reconciliation of statutory vs effective tax rate** for Australia and 41 specified countries
- Report due to the ATO in “approved form” 12 months after year-end and published on Australian government website

IFRS 17

IFRS 17

- Proposed amendments to Division 321 (general insurance) to reduce differences arising from IFRS 17
- Applies to periods commencing on or after 1 Jan 2023, however legislation is still in draft
- Industry feedback provided through consultation
- No announcement on Division 320 (life insurance)

Key Tax Developments

Australia (cont.)

Case law update

PepsiCo, Inc v Commissioner of Taxation [2023] FCA 1490

- First Diverted Profits Tax (DPT) case and IP case
- Win for the ATO—(single judge) Federal Court found payments for concentrate contained “embedded royalties” subject to withholding tax, and that DPT would have applied in the alternative
- Case has been appealed to the Full Federal Court
- Six other cases in the pipeline

Singtel v Comr of Taxation [2024] FCAFC 29

- Transfer pricing case on intercompany financing
- Win for ATO—Full Federal Court found loan amendments not in accordance with “arm’s length conditions”; affirms principle of “implicit support”

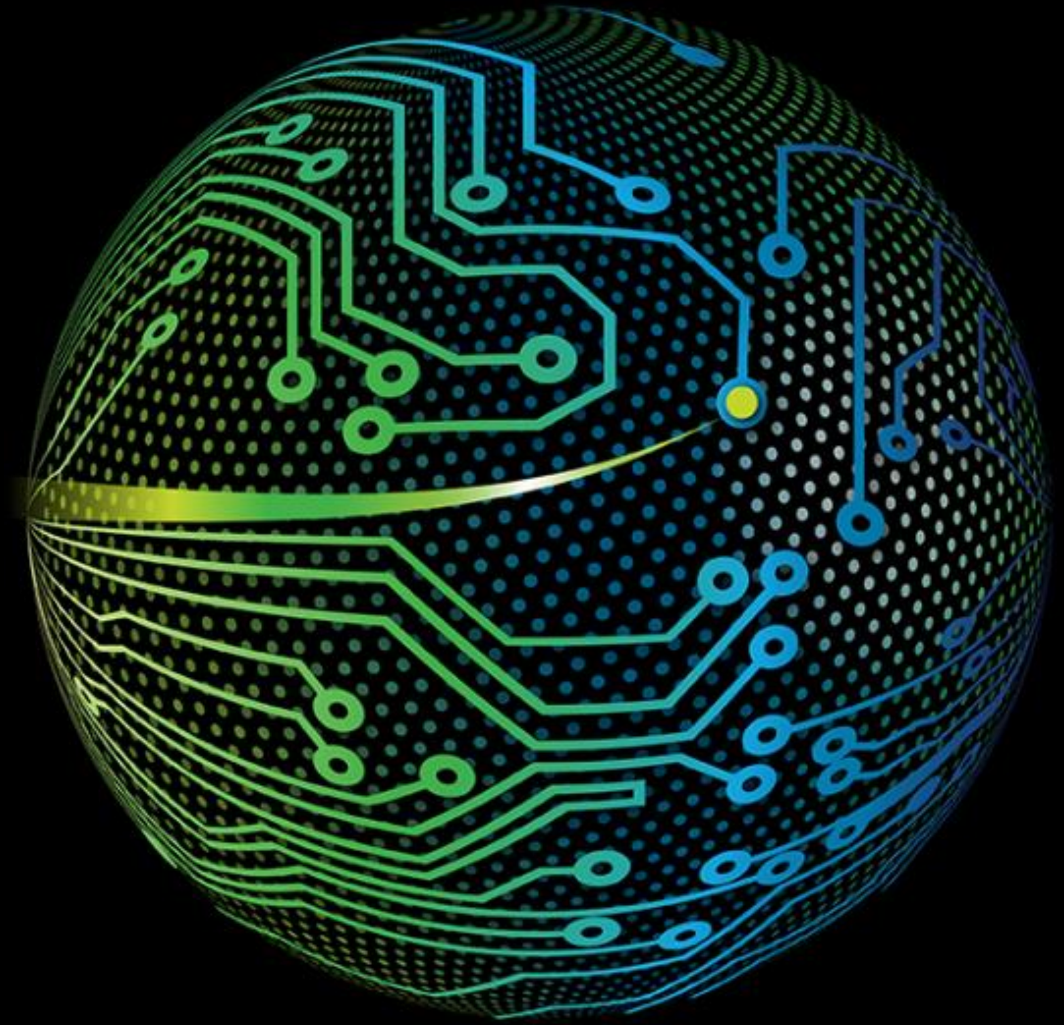
Minerva Financial Group v Comr of Taxation [2024] FCAFC 28

- Part IVA (anti-avoidance) case on stapled structures, with pre-April 2008 securitisations in the “corporate” structure and post-April 2008 securitisations in the “trust” structure
- Win for taxpayer—Full Federal Court considered commercial factors (being IPO-ready) the dominant purpose rather than tax savings

Hannover Life Re vs Comr of Taxation [2024] FCAFC 23

- Win for taxpayer—Full Federal Court upheld revenue-based apportionment of overheads acquisitions to input taxed supplies vs GST-free supplies (arising from 75% QS reinsurance)

Malaysia



Key Tax Developments

Malaysia

Capital gains tax (CGT)

- <u>New CGT on gains or profits from disposal of capital asset under Section 4(aa):</u>

Disposal of capital asset situated in Malaysia will be subjected to 10% of chargeable income (for capital asset acquired before 1 Jan 2024) or 2% of gross disposal price (for capital assets acquired from 1 Jan 2024). For disposal of all types of capital assets situated outside Malaysia: at prevailing income tax rate (company: 24%).

- <u>CGT and FSI exemptions on unit trusts:</u>

The MOF II announced that exemption would be given to unit trusts on CGT and FSI. The exemption on CGT is effective from 1 Jan 2024 until 31 Dec 2028 while the exemption on FSI takes effect from 1 Jan 2024 until 31 Dec 2026 (**pending gazette orders**).

Foreign Sourced Income Exemption

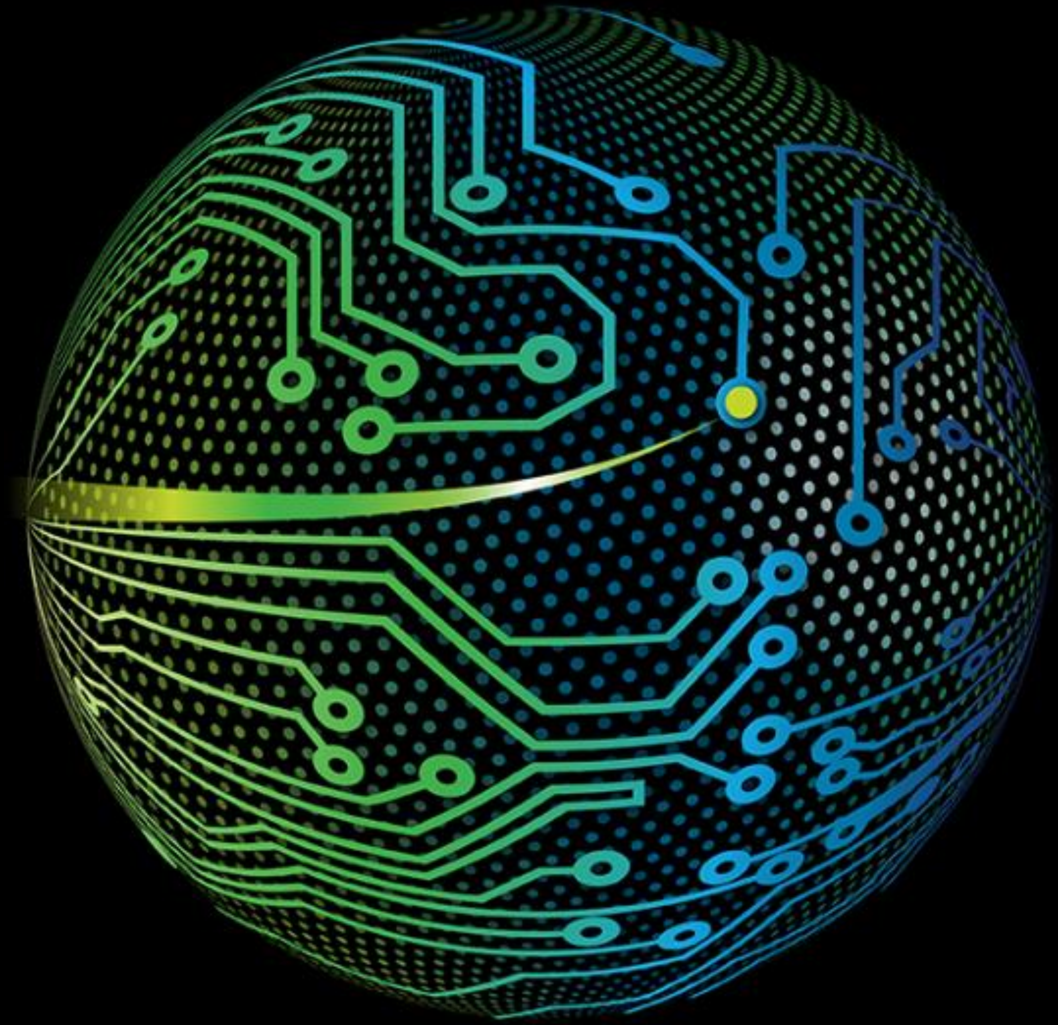
Exemption on dividend received by company from 1 Jan 2022 to 31 Dec 2026, subject to fulfilling the prescribed conditions.

Potential concession on option of fulfilling either 1 condition i.e. subject to tax and headline tax rate of at least 15% OR Economic Substance requirements (effective YA 2023)

Tax audit trends

2024 expected to be busy year, focus on high-value assets and holders of offshore accounts. Including Online activities and “Shadow economy" activities. Audits expected if a taxpayer has not been audited in the last 3 years

India



Key Tax Developments

India

Tax Audit and Dispute Trends

- Overall tax reportings have increased. For example: TDS, TCS, SFTs reportings by Banks and other FIs, Remittance based reporting, Mandatory quoting of PANs
- The IRA through Digitalisation have access to all Taxpayer Information. For example: Annual Information Statement, Annual Tax Statement, Pre-filled Income-Tax Returns, etc
- Number of tax cases being audited has increased so has the level of information being sought in relation to tax claims
- Increase in enquiry notices sent to banks regarding client transactions - 133(6) notices
- Rule 14 to "verify" all information filed is *"Correct, Complete and Truly Stated"*
- In-person hearings are replaced with E-Proceedings for International Tax Matters. Further Faceless Assessment and Faceless Appeals scheme has been introduced
- GAAR proceedings involved in select cases
- IRA are increasingly invoking Exchange of Information Article of DTAAs / TIEA

Current industry trends

Banking	Investment Management	Insurance
• Interest on-shore FCU Loans to Indian Corporates—Whether taxable on a gross basis u/s 115A? • Taxability of Interest on Sub-Debt from HO and Deductibility of Direct HO Charges • TP Adjustments on Attribution of Marketing Fees on Derivative Contracts • NRI Marketing Expenses—Deductibility? • TDS on RHQ Payments – FTS / Make Available / Payment to Self? • Representative Offices—Whether PE in India?	• Increased Focus on Tax Treaty Claims—Mauritius, Singapore • Treaty benefits granted where strong substance in home country, meet beneficial ownership test, commercial substance test • Queries around Head and Brain, Financial Control, Operational Control, Bank Account Operations • Blackstone Capital Partners (Singapore) VI FDI Three Pte. Ltd (2023 and 2024)	• GST Audits of Agent's Commission • Deductibility of Agent's Commission for Insurance Companies **General – Dividends / Royalty / FTS:** • Nestle SA Ruling—Accessing MFN Clause (458 ITR 756) (SC) 2023

Key Tax Developments

India (cont.)

Incentives in IFSC Gift City

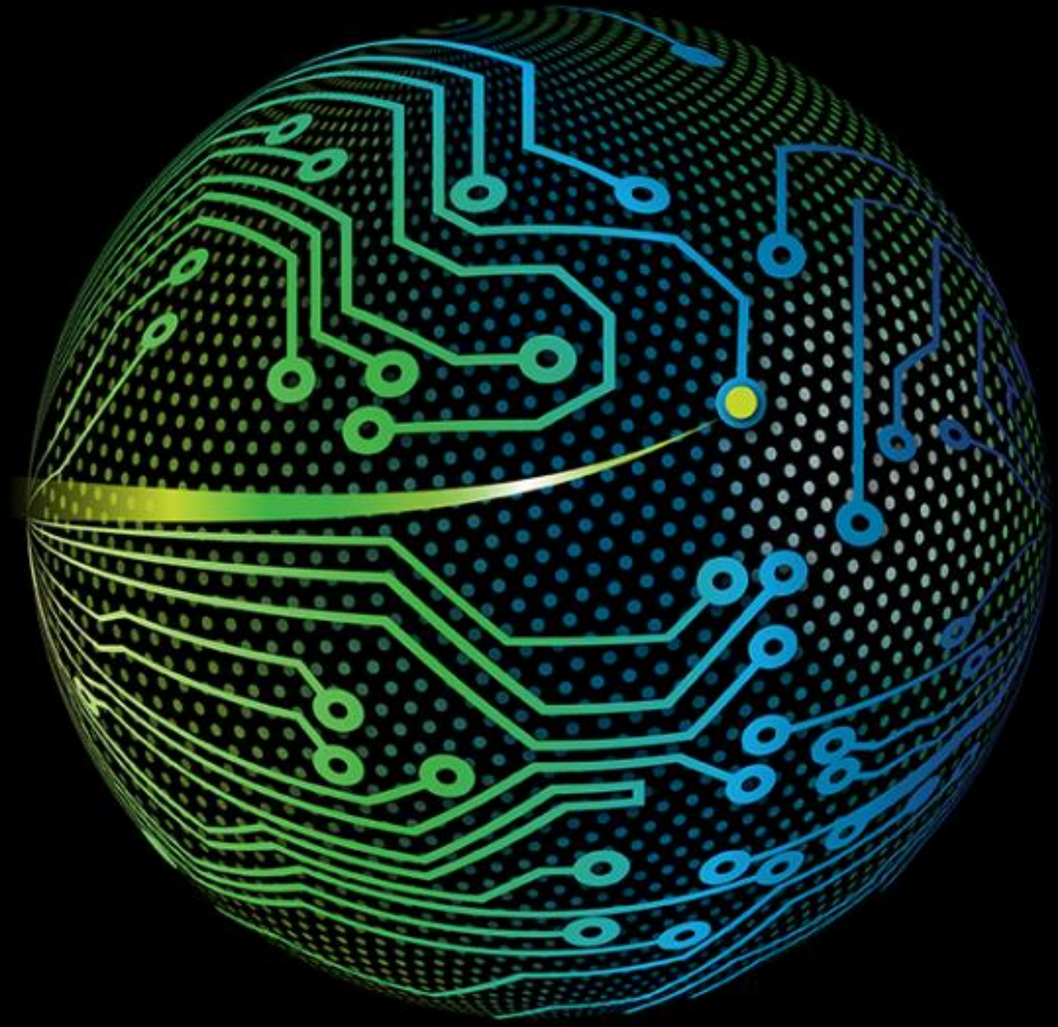
Examples of incentives in IFSC

- 100% income-tax exemption for 10 consecutive years out of first 15 years
- No TDS to be done on certain payments made to units in IFSC
- MAT / AMT @ 9% of book profits. No MAT under the new tax regime for corporates.
- No GST on services received by IFSC unit/ provided to IFSC units or offshore clients
- CSR provisions not applicable for 5 years from commencement
- Allows foreign currency transactions without capital control restrictions

What services can an entity provide in IFSC

Banking	Insurance	Capital Markets	Investment Management	Emerging Sectors	Ancillary Services
• ECBs and FCU Loans • Treasury: FX, Hedges, NDFs, IRS • Acquisition Financing • International Financing Products • Corporate Banking / CASA • Bank Guarantees • Clearing & FX, Nostro-Vostro	• Direct Insurance • Reinsurance • Insurance Broker • IFSC Insurance intermediaries	• Derivatives trading, Equities • Currency & Commodities • Trading & Investments • Debt Listing • Fund Accounting • Trustee services • Depository & Custodian services	• AIFs Cat 1, 2, and 3—Private Equity, Hedge Funds, Mutual Funds • Portfolio Management Services (PMS) • Investment Advisors (IA) • Wealth Management • Family Offices	• Aircraft Leasing & Finance • Fintech Hub • International Bullion Exchange • Finance company	• GICs • Accounting & Auditing Services • Legal & Taxation Services • Trusteeship services • Management Consultancy Services • Compliance & Secretarial Services

Hong Kong



Key Tax Developments

Hong Kong

Refined FSIE legislation

Hong Kong's FSIE legislation has been broadened to include a wider range of assets, such as financial derivatives etc. A trading exclusion has also been included. The FSIE is now more comprehensive. However, it has little impact for well-informed taxpayers with substance.

CGT Safe Harbour

An onshore capital gains safe harbor has been introduced which broadly applies where a taxpayer has held 15% of the shares of a company for at least 2 years. The capital gains arise from an offshore disposal in order to benefit from the exemption.

Pillar 2 consultation

A public Pillar 2 consultation is currently in process that will close on 20 March. The consultation has proposed a hybrid style approach to legislative drafting, which is anticipated to follow the OECD rules, but with certain departures for areas of uncertainty. Among the changes proposed by the consultation is a broad definition of tax residence.

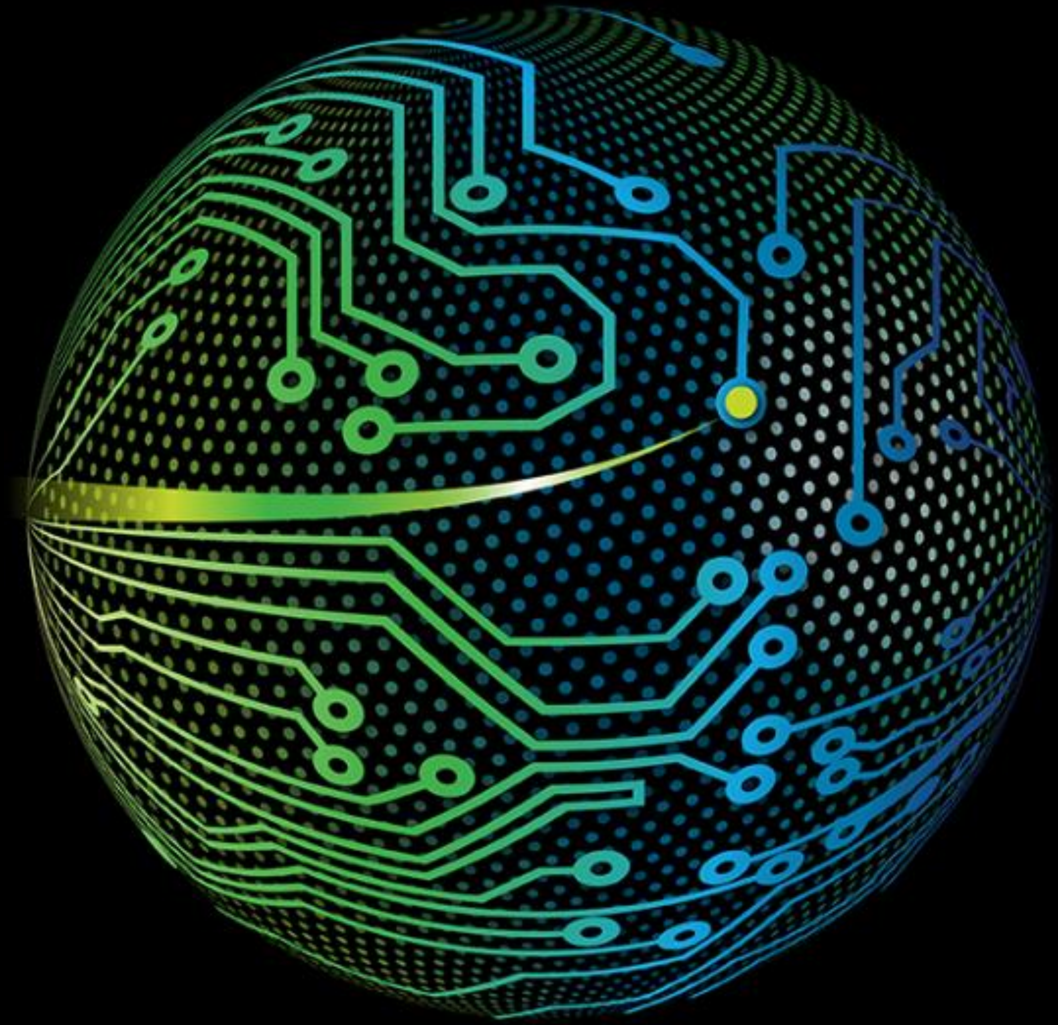
Tax audit trends

The Hong Kong tax authorities have been increasingly assertive in making challenges and assessments to taxpayers.

Family Offices

A broad family office exemption has been included in the IRO. The conditions of the exemption are relatively easy to meet. However, the exemption does have similar issues to the unified fund exemption, in that it is framed as applying to "transactions in securities" in practical terms this means that it does not cover onshore interest income, this could limit the application of the regime particularly where a family office is heavily invested in fixed income.

Philippines



Key Tax Developments

Philippines

Ease of Paying Taxes (EOPT) Act

- Reclassification of taxpayers would result in delisting of some of existing large taxpayers which do not meet gross sales criteria as large taxpayer to medium taxpayer.
- Output VAT shall be recognised at the time of issuance of invoice. The shift to accrual method will require VAT taxpayers engaged in sale of service to replace their VAT Official Receipts with Invoices.
- Those maintaining manual and loose-leaf books of accounts shall maintain their records in hard copies while those adopting computerized accounting system shall maintain their records in electronic copies for a period of five years.

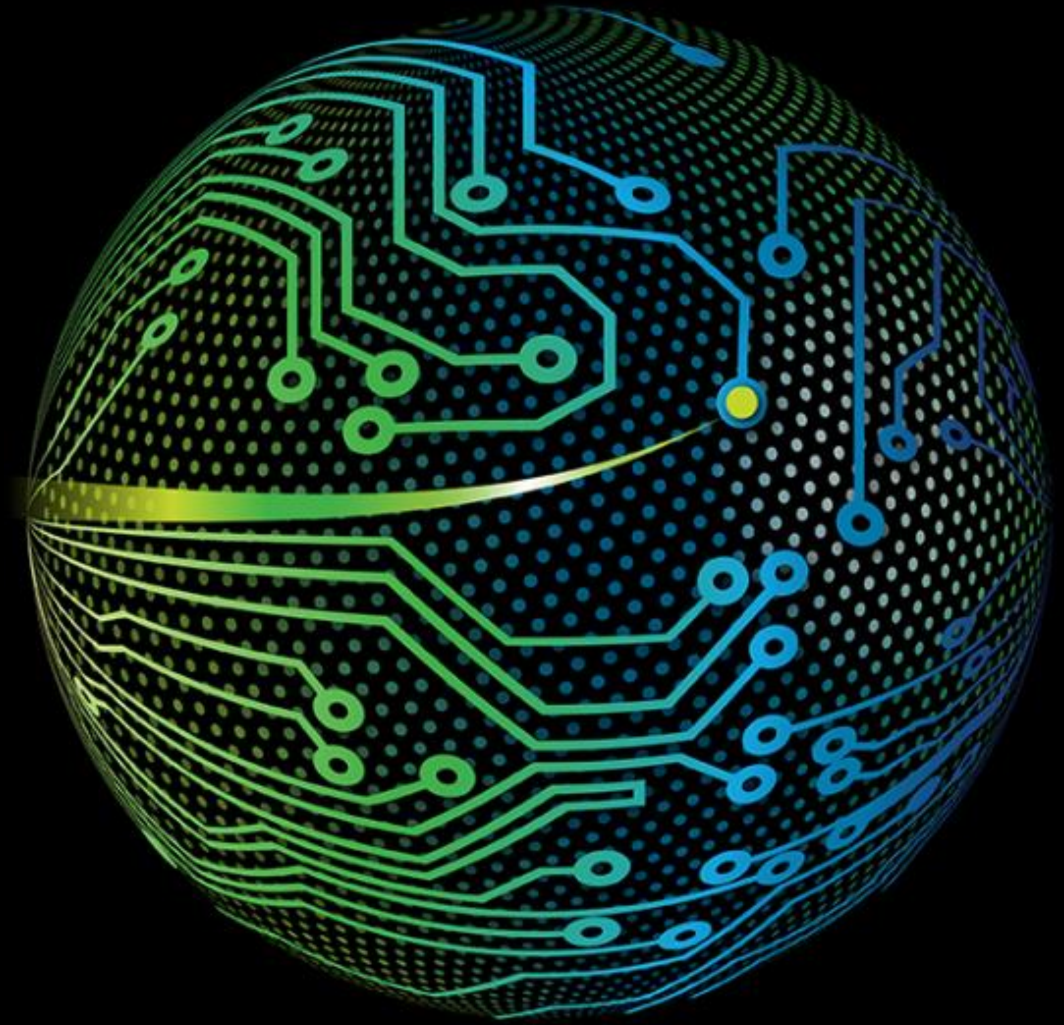
Clarification on treatment of cross-border services

- Non-resident foreign corporations shall be subject to 25% final withholding tax and 12% VAT in the Philippines even if services are entirely rendered outside the Philippines as long as the results or output are used locally.
- Reimbursable or allocable expenses charged to their local affiliates shall also be subject to tax in the Philippines.

VAT on Digital Services

- Under the Senate version, non resident digital service providers with annual gross sales/receipts exceeding Php 3 million (approximately USD54,000) shall be required to register for VAT and issue digital commercial invoice.
- If buyer is non-VAT registered, the nonresident digital service provider shall remit the VAT. However, in case buyer is VAT registered, reverse charge mechanism shall apply, that is, buyer shall withhold and remit the VAT.

Taiwan



Key Tax Developments

Taiwan

Pillar Two Development

Series of measures have been formulated in response to global trends to enhance Taiwan's competitive edge in international tax environment.

- First measure Enforcement of the Controlled Foreign Company (CFC) Rules applicable from 2023
- Short term measure Increase in the tax rate of Alternative Minimum Tax (AMT) from 12% to 15%
- Medium/Long term measures Introduction of the Qualified Domestic Minimum Top-up Tax (QDMTT)

Offshore Trust's CFC Implications

- In the calculation of 50% equity interest threshold, the settlor, trustee and beneficiary under the same trust are in principle related to each other and expands scope to include spouses and relatives within the second degree of kinship.
- Observation: Taxpayer under a trust structure will be determined between the settlor and beneficiary. This may be difficult to enforce the reporting and proceed with the tax audit and investigation via trustee.

Discussion of Business Tax (BT) Rate Drop

- Recently, there has been anticipation from the public to reduce the current BT rate from 5% to 2%, aiming to enhance the competitiveness of the financial industry and ensure tax fairness.
- In response to this, officers from the Taiwan Financial Supervisory Commission and MOF are open to further assessment and discussions.

Tax Audit Trends

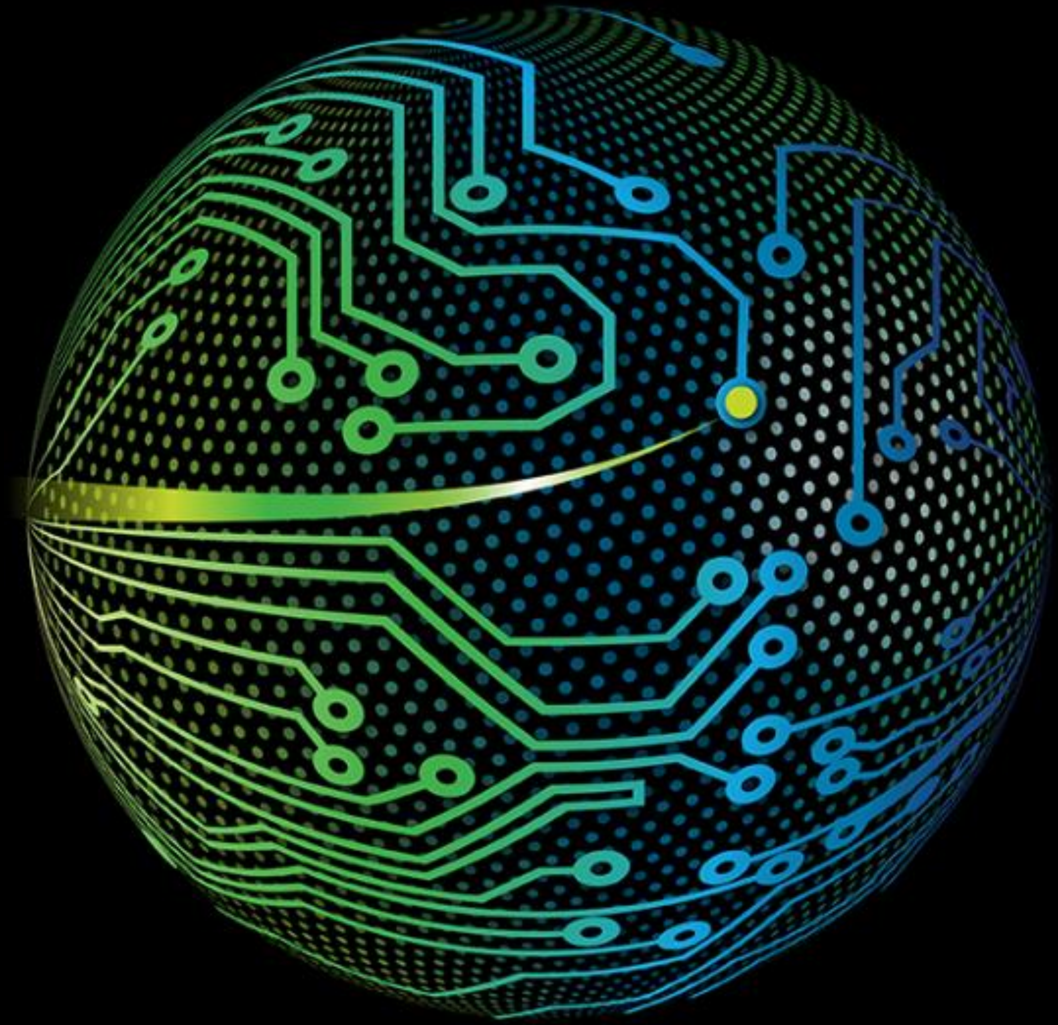
Key focus areas of tax audits

- Intercompany loans
- Intangible assets transactions
- Low cost-plus rate on services
- The basis of cost plus

Transfer pricing downwards adjustment

- Downward adjustment will not trigger income tax issue. However, difference between actual downward adjustment amount and Taiwan's tax authority's final assessment is deemed as the Taiwan sourced income and subject to a 20% withholding tax (WHT).
- Under ruling issued by MOF, no clear guideline on downwards adjustment is given for both income tax and VAT or business tax (BT). This will be subject to reverse charge scheme and accounting treatment may also impact the BT treatment.

Singapore



Key Tax Developments

Singapore

Taxation on gain from disposal of foreign assets—Section 10L

Prior to the implementation of Section 10L(1) tax treatment, gains from sale or disposal of assets that are capital in nature were not subject to tax, irrespective of whether they are foreign-sourced or Singapore-sourced.

Following the introduction of Section 10L, Singapore will treat gains arising from the sale or disposal of foreign assets (referred to as "foreign-sourced disposal gains") as income chargeable to tax under section 10(1)(g) for the year of assessment relating to the basis period in which the gains are received in Singapore[1], if

- The gains would not otherwise be chargeable to tax under Section 10(1) of the ITA; or
- The gains would otherwise be exempt from tax under the ITA.

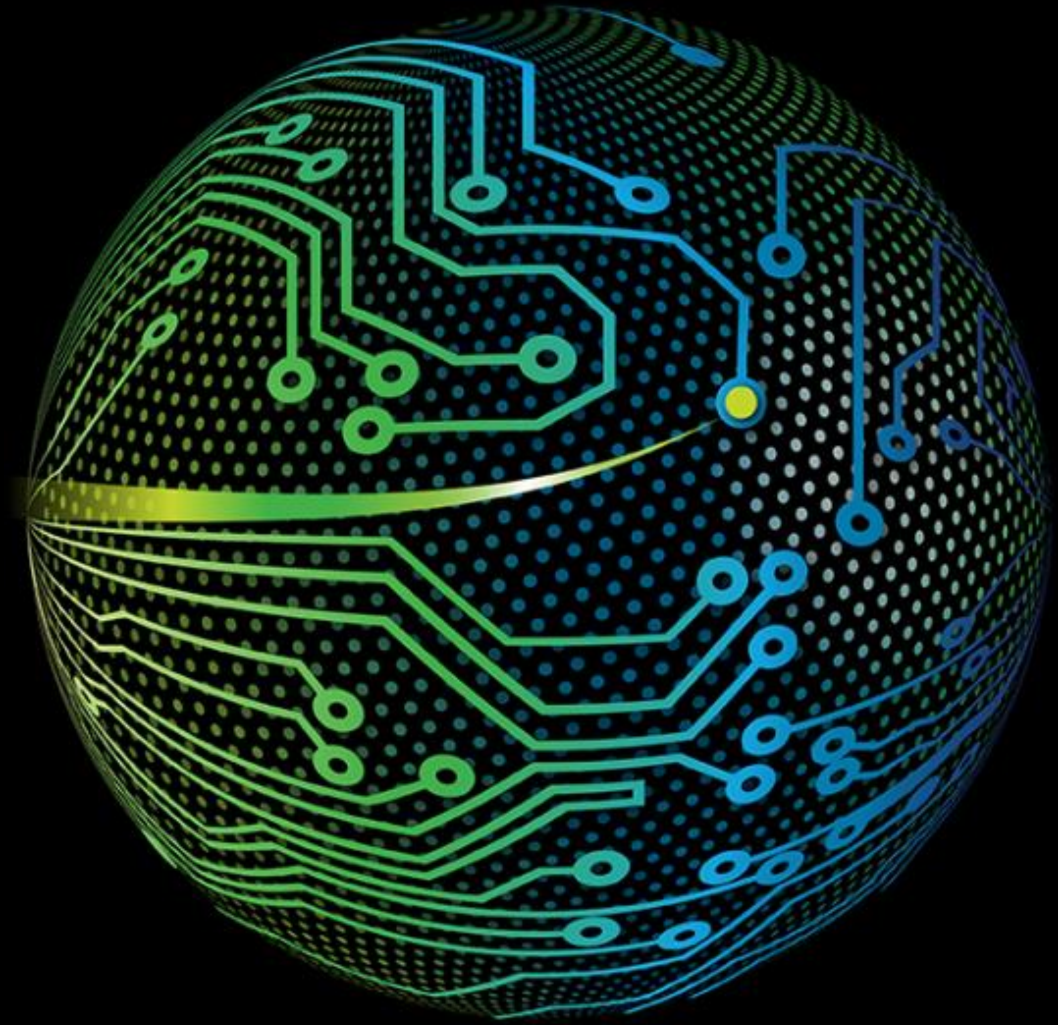
Pursuant to Section 10L, foreign sourced disposal gains will be chargeable to tax if:

- the seller entity or disposing entity is a member of a "relevant group";
- the disposed asset consists of any movable or immovable property situated outside Singapore at the time of such sale or disposal; and
- none of the exclusionary clauses under Section 10L applies. Broadly, the three categories of exclusions are disposal of foreign assets:
  - carried out as part of or incidental to the business activities of a prescribed financial institution;
  - carried out or as part of or incidental to the business activities or operations of an entity which are incentivised under the Aircraft Leasing Scheme, the Development and Expansion Incentive, the Finance and Treasure Centre Incentive, the Financial Sector Incentive, the Global Trader Programme, the Insurance Business Development Incentive, the Maritime Section Incentive and the Pioneer Certificate Incentive;
  - carried out by an entity that is able to meet the economic substance requirement in Singapore (i.e., an "excluded entity") in the basis period in which the sale of disposal occurred.

Changes to Fund Tax Exemptions

- The Section 13O scheme will be enhanced to encompass Limited Partnership registered in Singapore.
- The Economic Criteria for Qualifying Funds under S13D, S13O and S13U scheme will be revised.
- While the economic criteria revisions are yet to be unveiled, an upward revision will be in line with similar changes that have already been introduced for family-owned fund vehicles. We are expecting higher levels of economic substance to be required in Singapore.

Vietnam



Key Tax Developments

Vietnam

New Inspection Law 11/2022/QH15

- The provincial Tax Departments must send their draft inspection plans to the GDT while the GDT must send it to the Ministry of Inspectorate no later than November 1st and November 10th respectively every year.
- Inspections conducted by the GDT or a Department under the Ministry shall not exceed **45 days**; in complicated cases, a one-time extension of no more than **30 days** is allowed (previously 25 days).

Lending rules on investors

Onshore loans: It is **no longer permissible** to obtain onshore loans to fund the deposit of monies or to **fund equity investments** other than listed stock investments.

Offshore loans: Costs which are funded by reimbursement loans must have incurred within 12 months. The regulation limits the borrowed principal amount. A non-credit-institution borrower may borrow offshore short-term loans to **fund the discharge of short-term payables**.

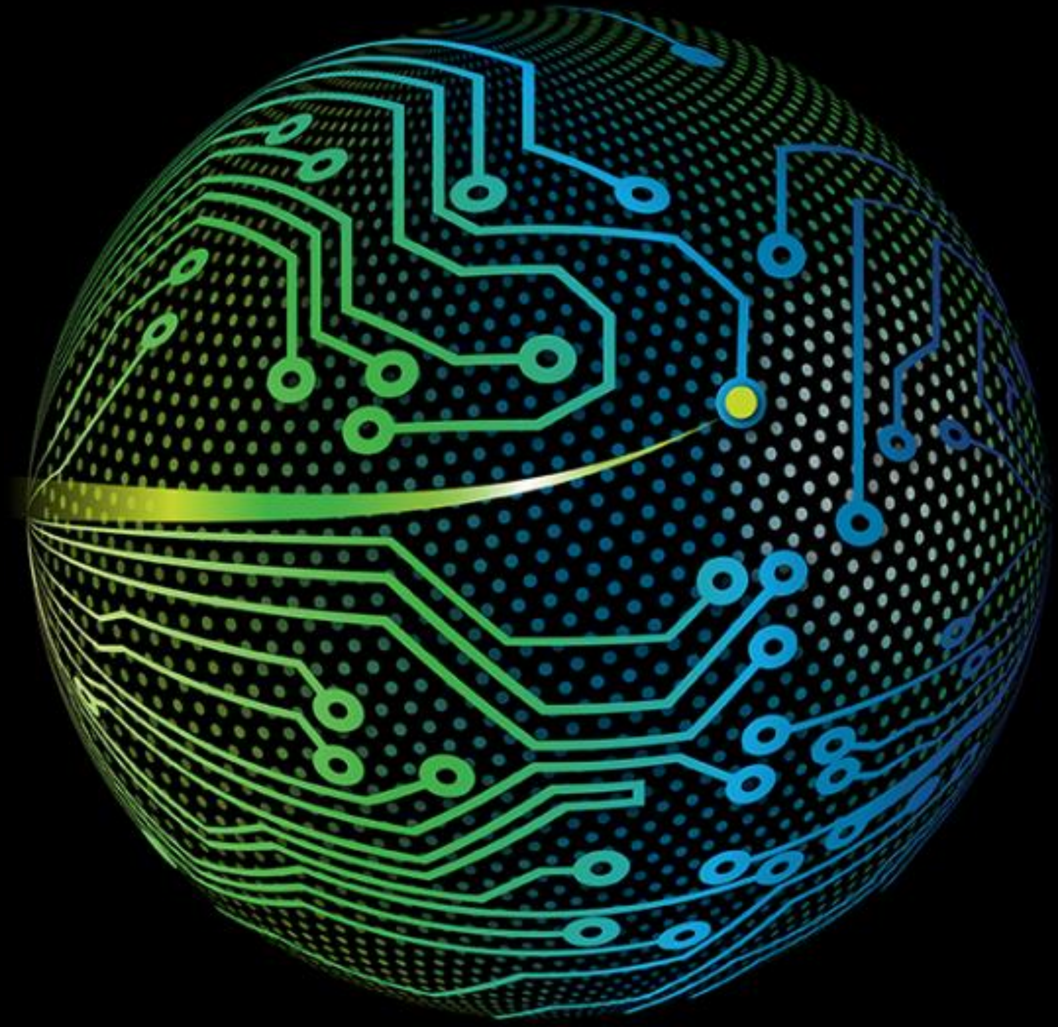
Land-use fee

- Provincial People Committee will announce the land price table for the respective province from 1 January 2026 and propose amendment/update annually

Fund Tax Incentive Schemes

- State Budget collection target for 2024 is **USD60,017m**, representing a **4.89% growth.**
- Greater attention to high-risk industries; large-scale companies; related party transactions; tax refund, tax incentives.
- More aggressive inspection activities at the insurance companies by the Insurance Supervisory Authority ("ISA") under the Vietnam Ministry of Finance could be expected.
- **Bancassurance payments** could also be challenged.

Thailand



Key Tax Developments

Thailand

Common Reporting Standard (CRS) Updates

- **2022:** Thailand joined MCAA CRS and TRD organised 1st workshop for FIs
- **2023:** Thailand Published Emergency Decree on Exchange of Information and Ministerial Regulation on Exchange of Information. Thailand also Set out reporting timeline and procedures and individual high-valued accounts have been collected. TRD had begun exchanging information with other reportable jurisdiction and only with those who CRS law had become effective
- **2024:** TRD will organise 4th workshop for FIs, publish Q&A document, and collect data on pre-existing account and new account of low value, high value and entities. Plan to utilise CRS data for compliance check, tax collection and fine for false reporting or failure to maintain the required information are not likely to be collected 1st stage of submission.

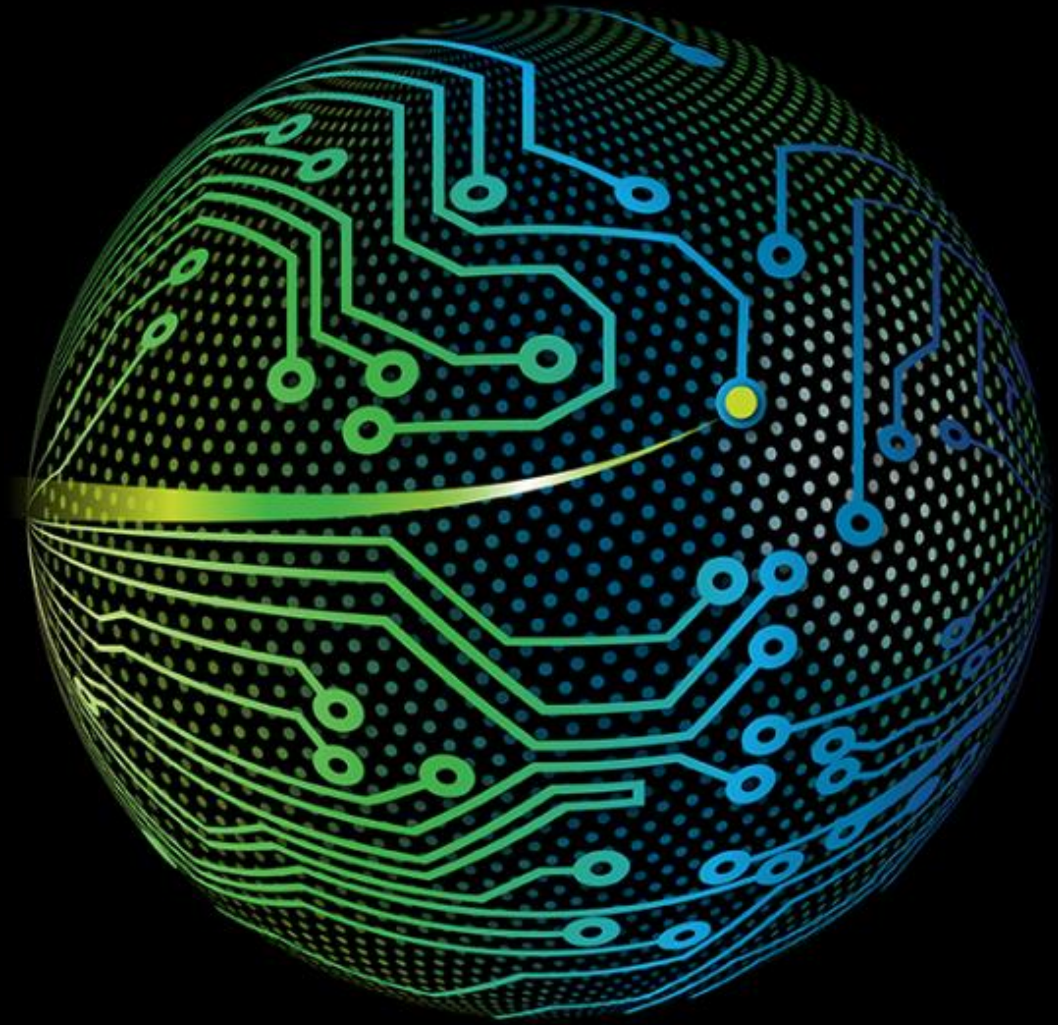
Increasing alignment to OECD

- Draft legislation on Pillar 2, with a public hearing scheduled to take place from 1 – 15 March 2024. While implementation timeline is not indicated, initial plan expected to be 2025.
- Thailand joined the Multilateral Competent Authority Agreement on the Automatic Exchange of Financial Account Information (MCAA CRS), enacted on 30 March 2023 and effective since 1 April 2023. First exchange of CRS information from 15 September 2023, and second exchange expected 30 June 2024.

Tax audit trends

- Any tax refund requested is subject to a mandatory tax audit before the tax is refunded to taxpayers. The TRD also uses risk-based approach ("RBA") to screen taxpayers for a tax audit.
- Most tax and TP audits are settled as voluntary submissions to avoid full-blown tax audits, which may result in tax liabilities, tax penalty and surcharge. There are secondary adjustments which result in withholding tax and value-added tax liabilities.
- The TRD is familiar with the application of tax treaties; however, their interpretation of a treaty needs to be carefully analysed prior to proceeding with certain complicated transactions.

Japan



Key Tax Developments

Japan

JCT Qualified Invoice System

Overview of Qualified Invoice System

- Seller is obliged to issue "Qualified Invoices (or Qualified Simplified Invoices)" that meet certain requirements.
- Purchaser is required to retain Qualified Invoices in order to claim input tax deduction.

Change in deductibility of input JCT

- Input JCT deduction is only allowed when the buyer receives and retains “Qualified Invoices” from the seller.
- The seller can issue Qualified Invoices only when it is a JCT taxpayer **AND** is registered as a “Qualified Invoice issuing business operator" with the tax office.

The JCT amount and JCT rate are required to be specified on invoices

- Requirements for “Qualified Invoices” include tax rate and tax amount by tax rate (items subject to standard tax rate of 10%, reduced tax rate of 8% or exempt.
- Both the seller and the buyer will apply the same tax rate as per the rate stated in the invoice.

Addressing deflation and supporting participation of women in workforce

- The salary tax credit is intended to encourage companies to increase their employees’ salaries and is calculated as a percentage of the increase of a company’s current year salaries over the prior year amount, with the amount of the credit being capped at 20% of the company’s corporate tax liability.
- Over recent years, the qualifying conditions for the salary tax credit have been amended, with each revision reflecting the current administration’s economic policies and goals. The 2024 tax reform revises the qualifying conditions for the tax credit to reflect its current policy of:
  — accelerating wage growth;
  — providing support for parenting, and;
  — encouraging the participation of women in the workforce.

Key Tax Developments

Japan (cont.)

Introduction of registration number system

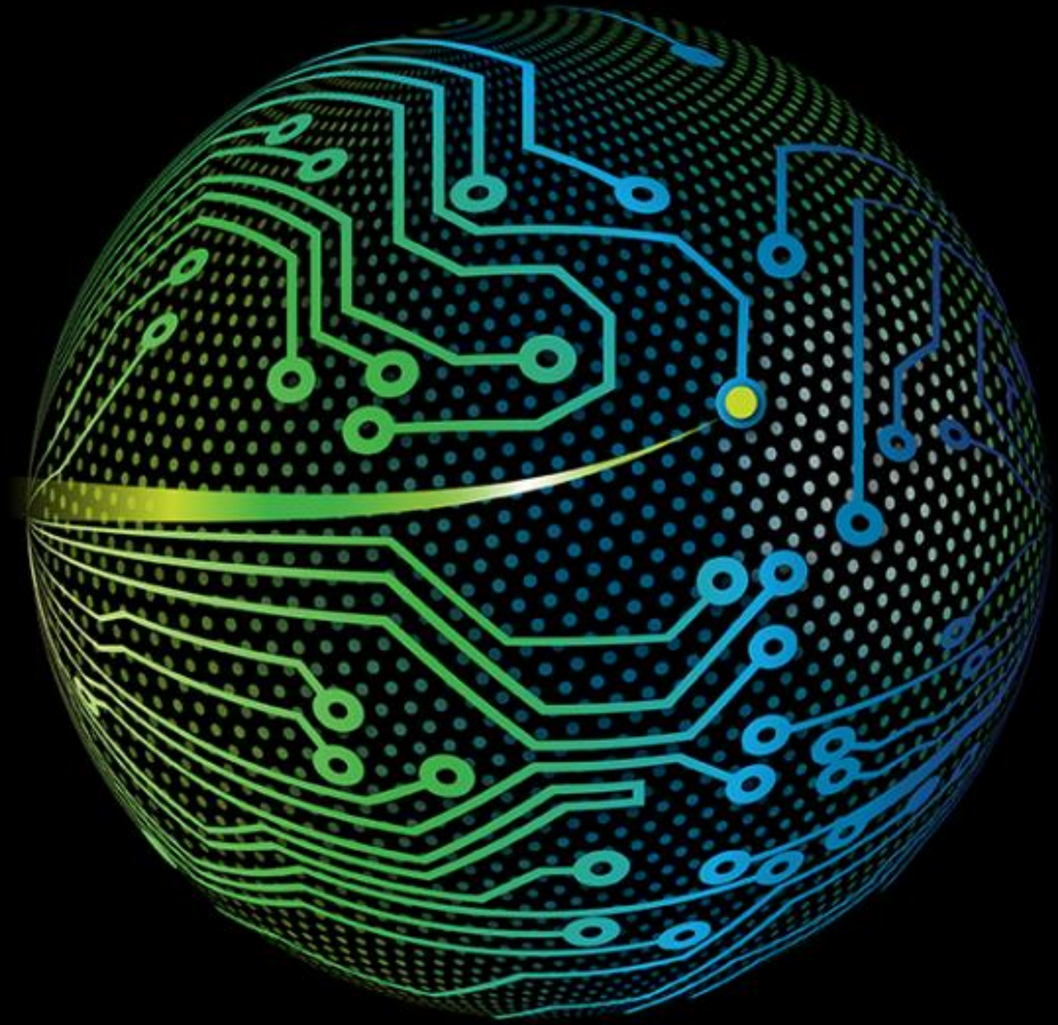
	Retention Method for Invoices with Classified Entries	JCT Qualified Invoice System
Tax rate	• Standard rate of 10% • Reduced tax rate of 8%	• No changes
How Tax Amounts are Calculated	[output tax amount] Principle: Calculate from total sales by tax rate Special Provisions: Calculate from invoice amounts	[output tax amount] • No change (However, calculation of the tax amount of "Qualified Invoices".)
	[input tax amount] Principle: Calculate from total purchases by tax rate Special Provisions: Calculate from invoice amounts	[input tax amount] **Principle: Calculate from Qualified Invoices** Special Provisions: Calculate from total purchases by tax rate *The Special Provisions are not applicable to the input JCT calculation if the calculation of output JCT from Qualified Invoices is selected.
Obligation to Issue (Qualified) Invoices, etc. (Seller)	• No obligation to issue invoices	• Qualified Invoices **must be issued and retained** (there are some exceptions)
	• Can also be issued by exempt businesses	• Introduction of Qualified Invoice issuer registration number system; **Not available** for exempt businesses
Input JCT deduction Requirements (Purchaser)	• Retention of books and invoices is required.	• **Changes in the obligatory content of entries** in books, invoices, etc. that require retention
	• Input JCT deduction on purchases from exempt businesses is possible	• **No input JCT deduction on purchases** from exempt businesses • (Note)Special Provisions for Tax Credit for Purchases from Tax-Exempt Business Operators

(Note) **[Transitional Measures Concerning Special Provisions for Tax Credit for Purchases from Tax-Exempt Business Operators]**

Transitional measures will be applied for a certain period after October 1, 2023. with respect to taxable purchases made from tax-exempt businesses, a certain percentage of input JCT shall remain granted if the requirements of the old system are met.

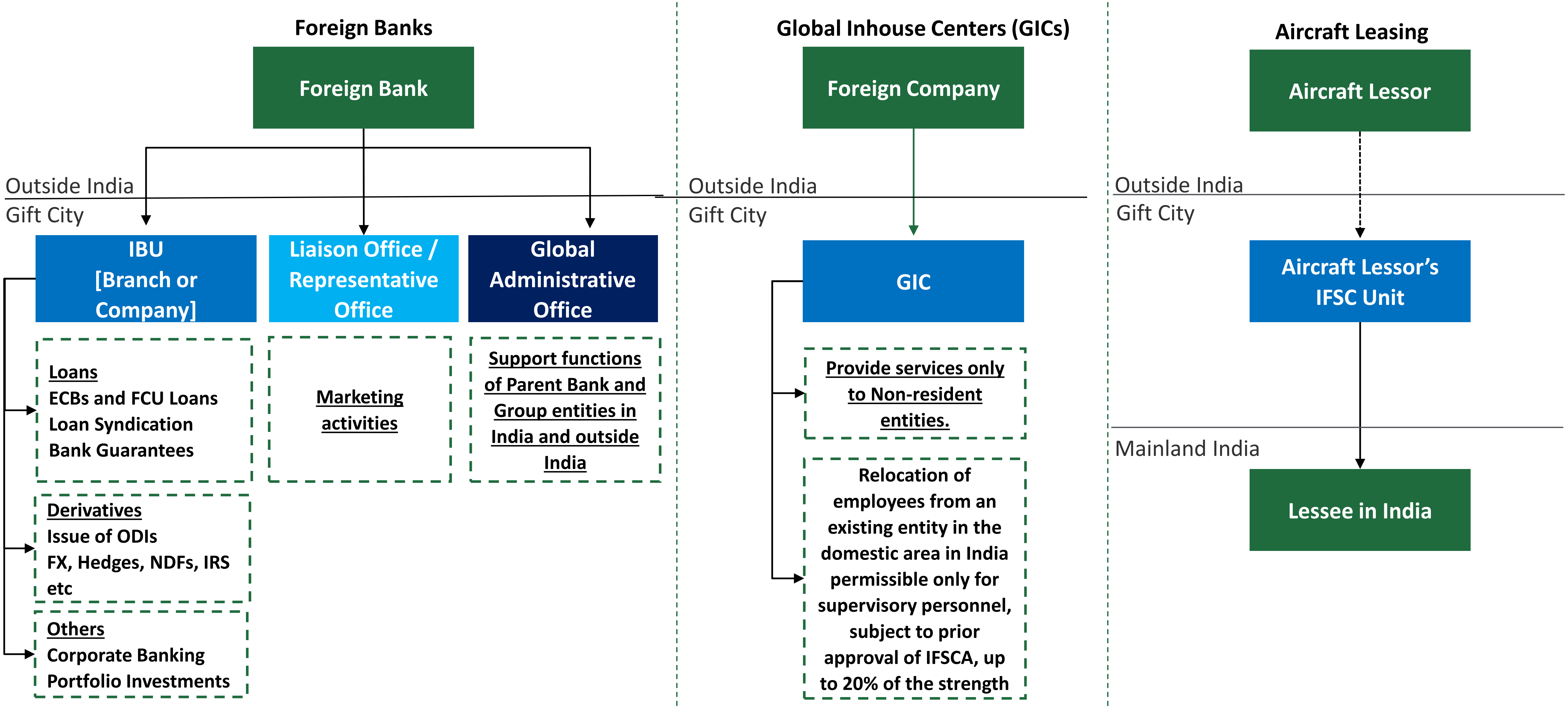
Input JCT credit ratio	100%	100%	80%	80%	80%	50%	50%	50%	0%

Appendices



Country update—India

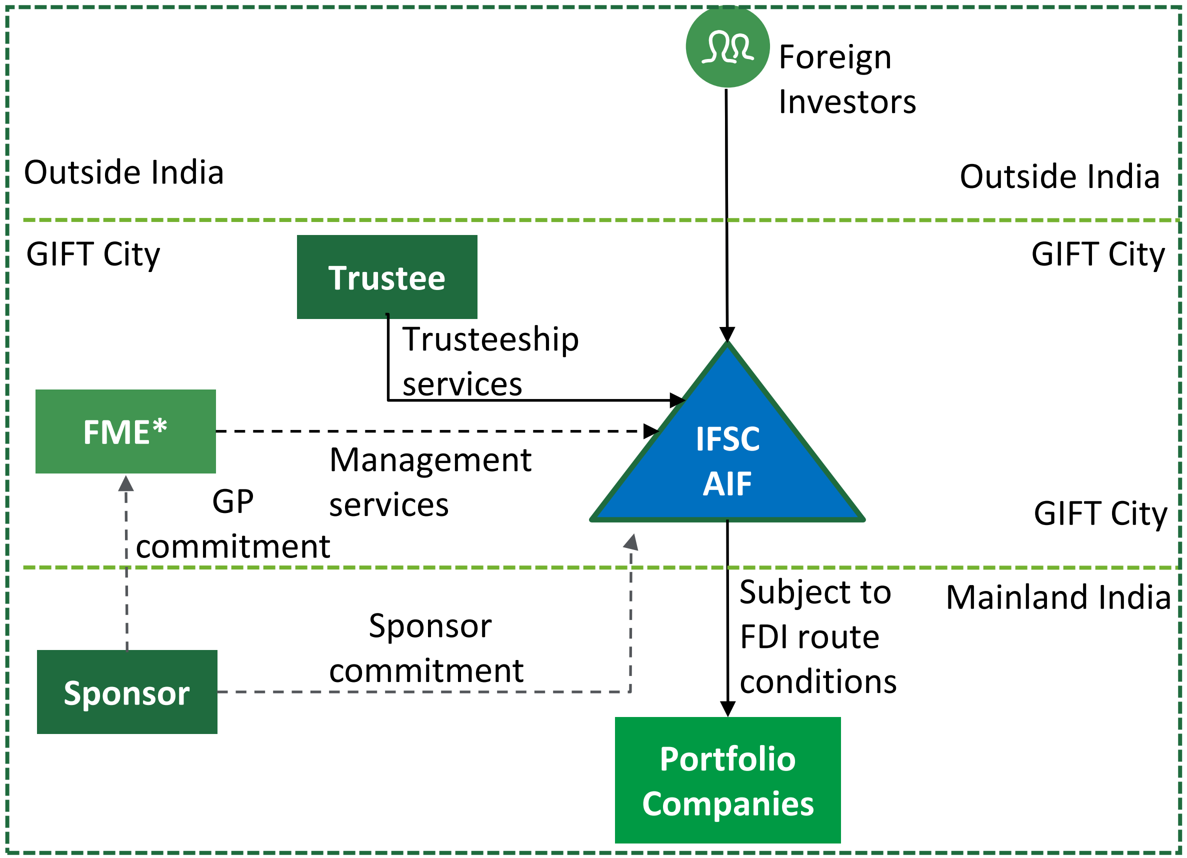
Typical IFSC-GIFT City Business Structures



Country update—India

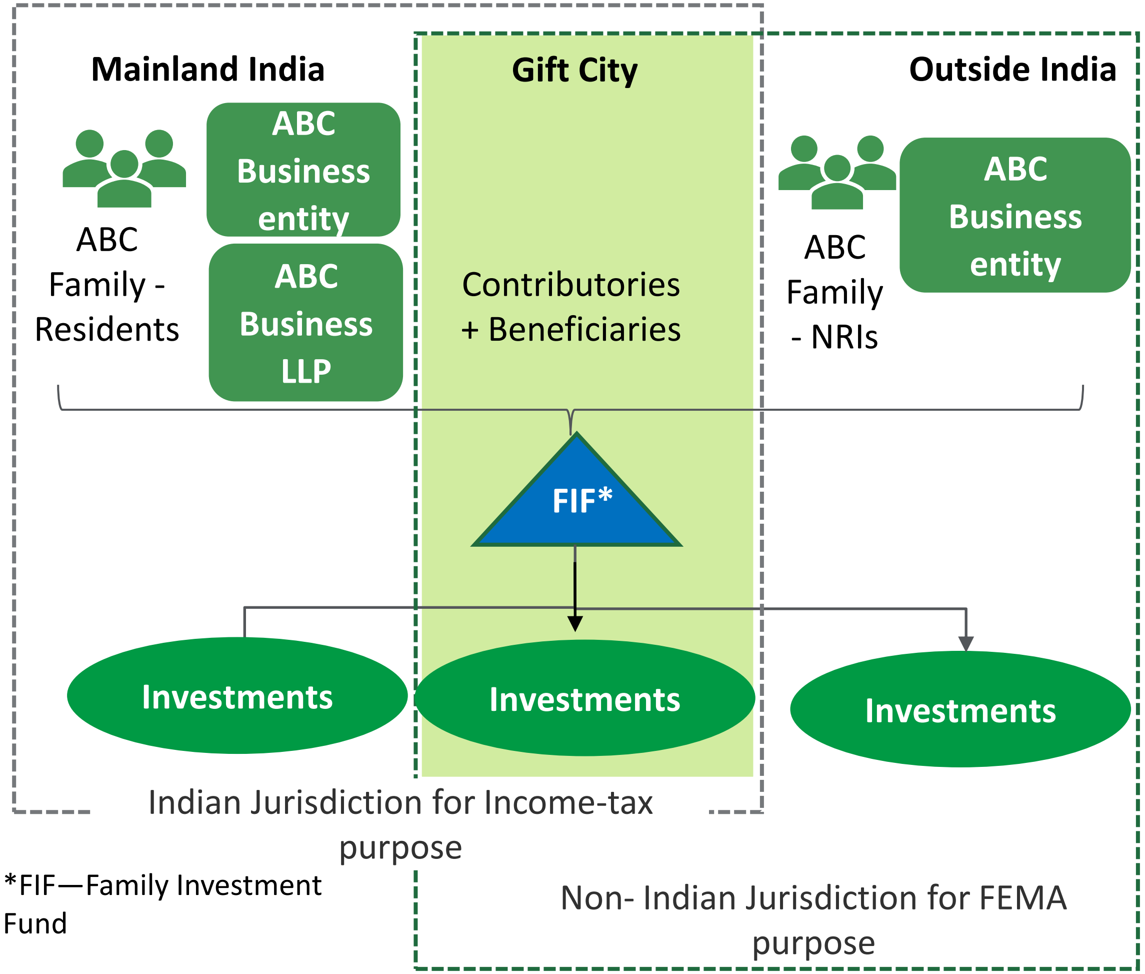
Typical IFSC-GIFT City Business Structures (cont.)

Alternative Investment Funds



*FME—Fund Management Entity [Authorised/Registered(Non-retail or Retail)]

Family Offices



*FIF—Family Investment Fund

Country update—India

Typical IFSC-GIFT City Business Structures (cont.)