

# New FS Product Launches: AP Tax Perspectives



# Speakers



**Aaron Lee**

Financial Services Tax Partner  
Deloitte Singapore



**Kevin Ng**

Tax Director  
Deloitte Singapore



**Dionisius Damijanto**

Tax Partner  
Deloitte Indonesia



**Manu Sriskantharajah**

Tax Partner  
Deloitte Australia



**An Vo**

Tax Partner  
Deloitte Vietnam



**Russell Gaitonde**

Tax Partner  
Deloitte India

# Launching Products

## Case Study 1—Cross-Border Syndicated Loan

**Scenario**—ABC Bank (Singapore) acts as a lead arranger and bookrunner for a syndicated loan financing a wind farm project in Vietnam—participants include **DEF Bank (Australia)**, **GHI Bank (Vietnam)**, **JKL Bank (Indonesia)** and **MNO Bank (India)**. Loan denominated in **USD**, while project costs and revenue are in **VND**, subject to Vietnam foreign exchange controls and investment regulations.

### Key considerations

- Characterisation of payments
- Interest deductibility
- Withholding tax (**WHT**) exposure
- Tax treaty relief



#### Singapore

- Foreign-sourced interest income
- Foreign tax credit (FTC) availability
- SG-VN DTA—beneficial ownership requirement
- Tax treatment of arranger/agency fees



#### Vietnam

- Withholding tax on cross-border interest and fees
- Interest vs service charges
- CIT/VAT implications for service components
- Registration of foreign loans with State Bank of Vietnam



#### Australia

- Structuring via Vietnam branch vs Head Office
- TOFA regime—taxation of financial arrangements
- Foreign income tax offsets for VN WHT



#### Indonesia

- Recognition of interest income
- Foreign tax credit for Vietnam WHT
- Potential WHT on arranger/service fees

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## Case Study 1—Cross-Border Syndicated Loan

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### Key considerations

- Characterisation of payments
- Interest deductibility
- WHT exposure
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#### India

- Structuring via Head office (HO) vs IFSC Gift City vs Overseas Branch
- IND-VN DTA—beneficial ownership requirement
- Foreign tax credit (FTC) available subject to evidence of foreign tax payment and restricted to India tax liability

# Launching Products

## Case Study 2—Securitisation

**Scenario**—ABC Bank (SG/AU/ID/VN/IN) securitises a **portfolio of revolving credit card receivables** through a **securitisation SPV**, which issues bonds to domestic and international investors. The receivables and the bonds are **denominated in different currencies**, creating potential FX considerations. ABC Bank also acts as **trustee and manager of the securitisation SPV**.

### Key considerations

- Characterisation of securitisation transaction
- Tax treatment of ongoing payment flows
- Exemptions, incentives and regulatory interplay
- Indonesia securitisation vehicle structure (See appendix for details)



#### Singapore

- Orphan SPV structure
- SPV tax treatment/exemptions
- GST remission vs GST registration
- QDS bond issuance/interest WHT exemption



#### Vietnam

- Limited securitisation framework
- VAT on receivables transfer
- Licensing for receivables sale



#### Australia

- Receivables transfer tax neutrality
- Trust securitisation vehicles
- Thin capitalisation
- S.128F WHT exemption for bonds



#### Indonesia

- CIC/Reksa Dana securitisation structures
- Investor-level tax treatment
- Limited tax impact at securitisation stage

# Launching Products

## Case Study 2—Securitisation

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### Key considerations

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#### India

- Trust securitisation vehicles
- Tax implication for Originator on transfer of portfolio, esp. if gain/loss
- Securitisation Trust (ST) treated as tax exempt
- Investor-level taxation
- ST to do WHT on income paid to investors

# Islamic Banking (Treatment in Indonesia)

Conventional Banking Products	Islamic Banking Equivalent
<b>Loans</b> <ul style="list-style-type: none"> <li>Interest income: 22% CIT , VAT exempt</li> <li>Loan loss provisions: Deductible (staging/bulking method)</li> <li>Issue on the issuance of the VAT exempted services</li> </ul>	<b>Murabahah (Cost-plus Financing)</b> <ul style="list-style-type: none"> <li>Mark-up: 22% CIT (interest-equivalent treatment), VAT exempt</li> <li>Sharia Accounting Standard No. 413 (2026/2027): potential impact on provisioning methodology</li> <li>Transfer of legal title of underlying asset: 11% VAT</li> <li>Pure financing agreement: Generally VAT exempt</li> <li>Issue on the issuance of the VAT exempted services</li> </ul>
<b>Bonds</b> <ul style="list-style-type: none"> <li>Interest: 10% WHT (local/offshore investors)</li> </ul>	<b>Islamic bonds/Sukuk</b> <ul style="list-style-type: none"> <li>Ujrah/return: 10% WHT</li> <li>Underlying asset transfer: 11% WHT</li> </ul>
<b>Lease-and-Purchase</b> <ul style="list-style-type: none"> <li>Interest: 22% CIT, VAT exempt</li> <li>Provision deduction: Staging/bulking method</li> <li>Issue on the issuance of the VAT exempted services</li> </ul>	<b>Ijara Wa Igtina/Ijarah Muntahia Bitamlik (IMBT)</b> <ul style="list-style-type: none"> <li>Principal portion: Not taxable</li> <li>Non-principal portion: 22% CIT</li> <li>Ujrah (interest): VAT exempt</li> <li>Depreciation of IMBT asset: Non-tax deductible Timing difference between Urjah principal vs asset depreciation require tax adjustment</li> <li>Refer to Murabahah treatment for provisioning/VAT issues</li> </ul>
<b>Fund Management</b> <ul style="list-style-type: none"> <li>Management Fee: 22% CIT , 11% VAT</li> </ul>	<b>Wakalah</b> <ul style="list-style-type: none"> <li>Ujrah (fee): 22% CIT, 11% VAT</li> </ul>

Notes: Sharia Financing/Banking tax treatment is treated equally as Conventional Financing/Banking Tax treatment (mutatis mutandis) (tax treatment follow the substance of the product in conventional business) in order to create level playing fields between Shari'ah and Conventional transaction.

# General Updates and Trends



## Singapore

- **Finance and Treasury Centre (FTC) Incentive** extended until 31 Dec 2031 and WHT exemption is expanded to "interest-like" borrowing costs
- **Qualifying Debt Securities (QDS) Scheme** is confirmed to be a permanent feature, and the 200% tax deduction for upfront costs related to the issuance of retail bonds is confirmed to lapse after 31 Dec 2026
- New **15% Concessionary Tax Rate tier** introduced for FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services



## Australia

- ATO is investigating s.128F **public offer interest WHT exemption** and due to provide guidance
- ATO has provided controversial guidance on availability of **third party debt test**—Government has commissioned undergoing independent review of the rules



## Indonesia

- Financial services are classified as **VAT-exempt**, however there is no specific implementing regulation that provides guidance on how banks should issue VAT-exempt tax invoices. The tax authority has started imposing 1% sanctions of the interest income
- **Foreclosed Asset and Provision for ECL calculation** are no longer an issue to the Banking industry



## Vietnam

- Re-classification of **income excluded from VAT** creates uncertainty for VAT on **deposit income**
- **VAT exemption removed** for sale of collateral (except transactions by VAMC)
- **FCWT**—VAT portion on services supplied by **offshore e-commerce vendors/digital platforms** increased from 5% to 10%
- **Green bond incentives**—Interest income from **green bonds** and **first transfer** of green bonds bought directly from the issuer are **CIT-exempt**

# General Updates and Trends



India

- **IFSC GIFT City**—Tax holiday extended from 10 years to 20 years. Concessional tax rate of 15% to apply post tax holiday period.
- **Protocol amending India-France DTAA**—Withdrawal of CGT exemption on sale of Indian shares (holding less than 10%), revision in Dividend tax rates, MFN clause deleted, etc.
- **Landmark SC ruling in case of Tiger Global** on India-Mauritius DTAA eligibility on indirect transfer. The principles enunciated have far reaching consequences and apply equally on direct transfer cases (equity and debt) and taxability of passive income.
- **Landmark SC ruling in case of Hyatt International** on Permanent Establishment (PE). Significant control over operational and business functions of an Indian enterprise could trigger India PE.
- **Landmark SC ruling in case of American Express** on HO expense deductibility. Restricts tax deductibility of HO expenses (both common and exclusive) to a cap of 5% of Adjusted Total Income.

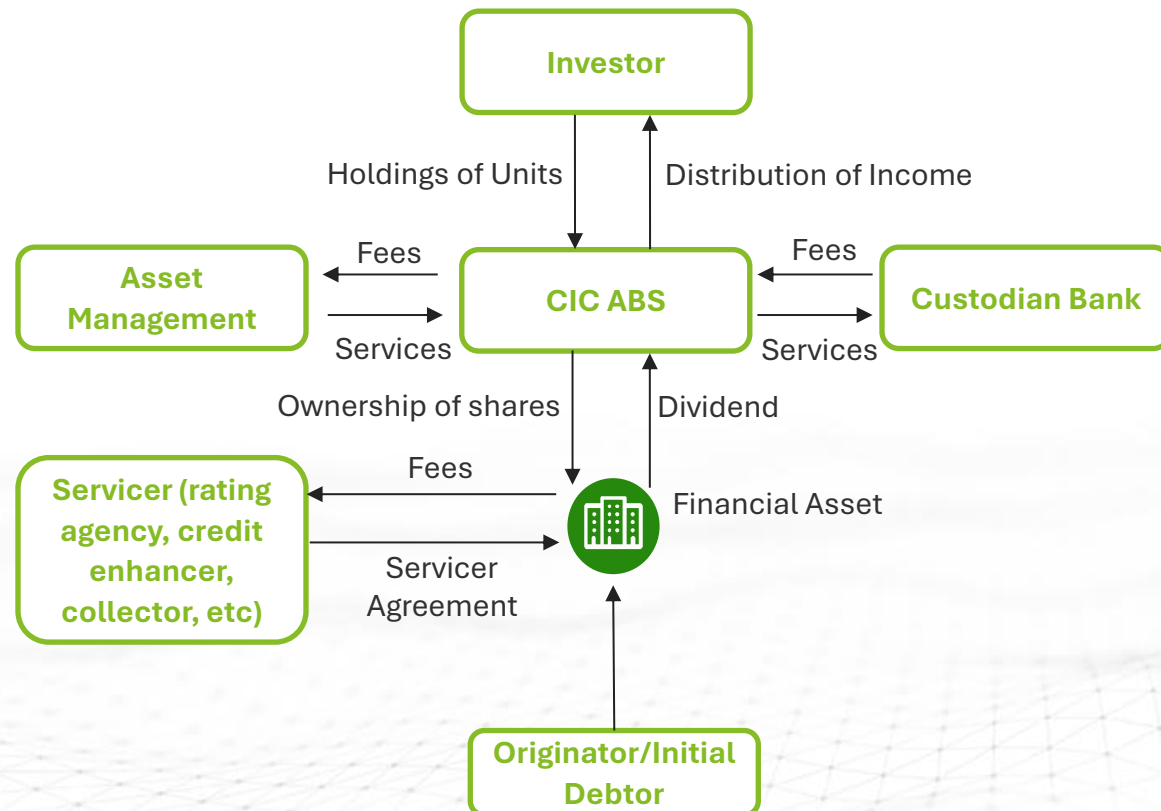
# Appendices



# Appendix A: Launching Products

## CIC Asset-Backed Securities (KIK EBA)

KIK-EBA (Collective Investment Contract—Asset-Backed Securities) is a securitisation structure in Indonesia where financial assets (such as mortgage receivables) are converted into securities that can be offered to investors through a collective investment vehicle.



### A. Securitisation Phase

- Transfer of loan: Exempt from WHT and VAT

### B. Operational Phase

- Interest income from loan: as ordinary income
  - Corporate income tax (**CIT**): 22% (20%)
  - WHT Art. 23: 15% by certain appointed taxpayers
- Services fee: 2% Article 23 WHT
- VAT: 11% on Services Fee Payment. No VAT on interest income

### C. Distribution Phase

- Fixed cash flow: The holder shall be treated like bond holders and subjected to 15% final income tax or foreign/or reduced through DGT Form
- Unfixed cash flow: The holder shall be treated as the unit holders and the income received is exempted from income tax

### D. Redemption/Exit Phase

- (Open-ended): Exempted
- (Close-ended): 0.1% final tax

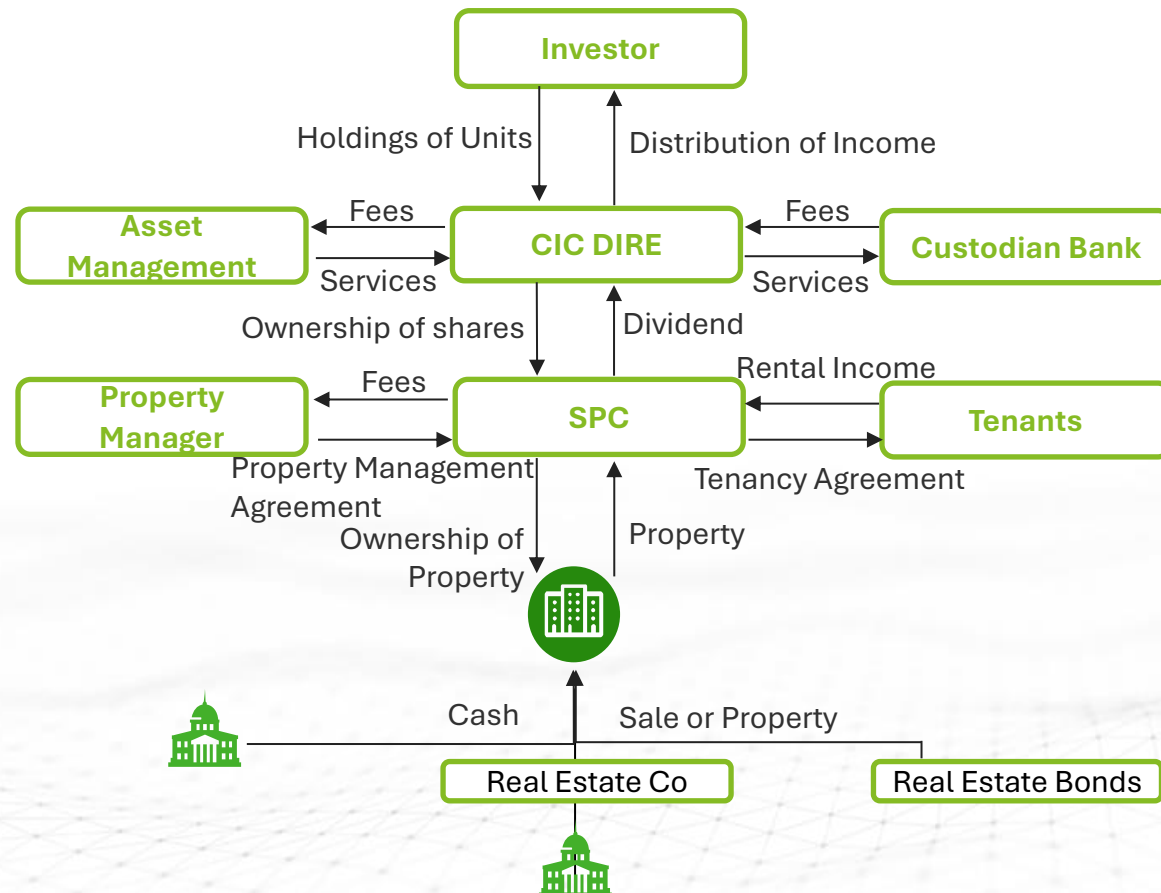
### E. Liquidation Phase

- Bonds: 10% discount of coupon bearing bond (domestic/PE >12 month) or 20% (foreign/or reduced through DGT Form)
- Exempted from 11% VAT

# Appendix A: Launching Products

## CIC Real Estate Investment Fund (KIK DIRE)

KIK-DIRE (Collective Investment Contract—Real Estate Investment Fund) is Indonesia’s REIT structure, regulated by Indonesia Finance Authority (OJK). It allows income-generating real estate assets to be pooled and funded through capital market instruments.



### A. Securitisation Phase

- Land and Building: 0.5% Final Income Tax on the acquisition or transfer value (originator/seller side)
- BPHTB: 5% of Land and/or Building Acquisition Duty (in case there is transfer of Land and Building)
- 11% VAT from the transfer value (in case there is transfer of Land and Building from VAT Entrepreneur—refund in 1 month)
- Shares: 0.1% Final Income Tax on listed shares or 22% (20%)/30% capital gain on unlisted shares

### B. Operational Phase

- Rental: 10% Final Tax
- Services fee: 2% Article 23 WHT
- VAT: 11% on Services Fee Payment (VAT Effective rate)
- Interest from bonds: 10% >2020

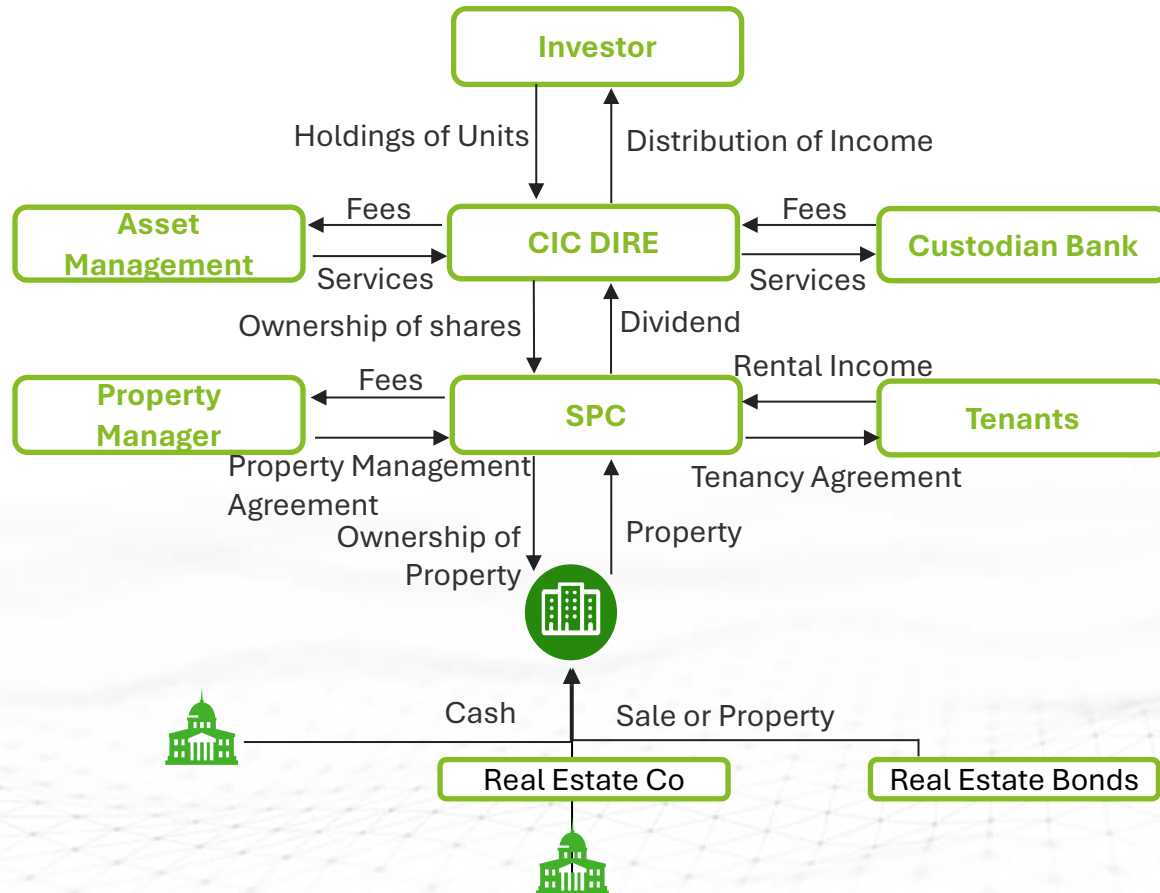
### C. Distribution Phase

- Dividend from SPC to CIC: Exempted
- Pursuant to Article 4 (3) paragraph 1 of Income Tax Law, income distributed by the CIC REIT to the unitholders (Indonesian and non-Indonesian tax resident) are not a tax object (exempted)

# Appendix A: Launching Products

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### D. Redemption/Exit Phase

- Open-ended: Exempted
- Close-ended: 0.1% final income tax or 22% (20%)/30% capital gain

### E. Liquidation Phase

- Land and Building: 2.5% Final Income Tax on the acquisition or transfer value
- BPHTB: 5% of Land and/or Building Acquisition Duty (in case there is transfer of Land and Building)
- 11% VAT from the transfer value (in case there is transfer of Land and Building from VAT Entrepreneur)
- Shares 0.1% Final Income Tax on listed shares or 22% (20%)/30% capital gain on unlisted shares
- Bonds: 10% discount of coupon bearing bond (domestic/PE) or 20% (foreign/or reduced through DGT Form)

# Appendix B: Singapore—Conditions of the ASPV (Securitisation) Scheme

**Under the ASPV (Securitisation) Scheme, a SPV is eligible to apply for the ASPV status if it meets all the following conditions:-**

- a) The SPV must be a Singapore-incorporated company set up to conduct asset securitisation activities on or after 27 Feb 2004. An existing SPV may also apply but the concession will only be considered for new securitisation transactions commencing on or after 27 Feb 2004.
- b) The SPV must not have a profit-making motive, and all transactions must be carried out at arm's length.
- c) The SPV will not carry out any other activity, trading or otherwise, including any isolated transactions in the nature of trade, other than activities ancillary to the asset securitisation purposes for which the SPV was established.
- d) The SPV will not carry out asset securitisation with tax avoidance as its main purposes or one of its main purposes. This is regardless of whether the tax advantage is obtained as a result for the benefit of the SPV or any other person
- e) The issued and paid-up capital must be of the following amounts, unless otherwise approved by the Minister or an authorised body.

	Before 20 Dec 2018	From 20 Dec 2018
<b>SPV (excluding Special Purpose Reinsurance Vehicle)</b>		Not more than S\$10,000
<b>Special Purpose Reinsurance Vehicle</b>	Not more than S\$10,000	At least S\$20,000

- f) All of the issued shares of the SPV must be held in trust for the benefit of one or more organisations or institutions that are established for charitable, benevolent or philanthropic purposes and the trust is administered by a trust company in Singapore.
- g) Any cross-currency or interest rate swaps carried out by the SPV is to be transacted with a swap counterparty in Singapore.
- h) The SPV must be resident in Singapore for income tax purposes.
- i) The size of the QDS issued by the SPV must not be less than S\$20mil unless otherwise approved by the Minister or an authorised body.
- j) 30% or more of the issuance of debt securities is not beneficially held or funded, directly or indirectly, at any time during the life of the issue by the originator or by related parties of the originator(s), unless otherwise approved by the Minister or an authorised body.

# Appendix C: Singapore— Conditions of the QDS Scheme

**Under section 13(16), “qualifying debt securities” means, among other things, bonds, notes, commercial papers, certificates of deposits and AT1 instruments within the meaning of section 10I(2) and Islamic debt securities, which are arranged in accordance with regulations made for this purpose:**

- a) by any of the following persons and issued during the period from 15 Feb 2023 to 31 Dec 2028 (both dates inclusive):
  - i. a bank or merchant bank licensed under the Banking Act 1970;
  - ii. a finance company licensed under the Finance Companies Act 1967;
  - iii. a person who holds a capital markets services licence under the Securities and Futures Act 2001 to carry on a business in any of the following regulated activities: (A) advising on corporate finance; or (B) dealing in capital markets products;but excludes securities, which during its primary launch (i) are issued to less than 4 persons, and (ii) 50% or more of the issue of debt securities or Islamic debt securities is beneficially held or funded, directly or indirectly, by related parties of the issuer of those debt securities or Islamic debt securities;
- b) all offering documents include a statement to the effect that where interest, discount, early redemption fee, and early redemption premium are derived from any qualifying debt securities issued during the period from 27 Feb 1999 to 31 Dec 2028 by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption shall not apply if such person acquires such securities using funds from Singapore operations;
- c) where the issuer of the qualifying debt securities is a person who is a resident of or a permanent establishment in Singapore and where such securities are issued to any person who is not a resident of Singapore (referred to in this sub-paragraph as the non-resident person) in connection with or for the purpose of enabling that non-resident person to issue securities (referred to in this sub-paragraph as the relevant securities), directly or indirectly, to investors, the exemption from tax shall apply only if—
  - I. the relevant securities are qualifying debt securities;
  - II. the relevant securities contain restrictions against the acquisition of such relevant securities by any investor who is a resident of or a permanent establishment in Singapore; and
  - III. the relevant securities are not acquired by any investor using funds from its Singapore operations; and
- d) a return on the debt securities has been furnished to the MAS within such period as the MAS may specify and such other particulars in connection with those securities as the MAS may require



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