

Regional Indirect Tax update



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APAC Indirect Tax updates



APAC Indirect Tax Updates



E-invoicing/ E-reporting

- Reflecting on Malaysia's implementation
- Singapore GST InvoiceNow
- Philippines e-invoicing
- Potential roll outs in Australia, Thailand



Cash Optimisation

- Singapore GST Special Method
- Australia—Reverse Charge and RITCs



Reform/refinement of indirect tax regimes

- Malaysia service tax expansion
- China VAT Law
- Singapore FITR



Audit and other regulatory trends

- Indonesia focus
- Philippines—recalibration of audit
- Singapore—ACAP

Singapore Insights



Singapore GST Updates

Input Tax Recovery

Adjustments to the Fixed Input Tax Recovery (FITR) rate

GST Special Method

- Adoption by Banks
- Availability to non-bank financial institutions (e.g. insurers, payment providers, and other partially exempt service providers)

Streamlining of the Assisted Compliance Assurance Programme (ACAP) Framework

Reduced disclosure requirements for the first Post ACAP Review (PAR) and effective removal of any subsequent PARs in most cases
Mandatory digital applications replacing manual submissions

Singapore e-invoicing timeline

GST InvoiceNow has been mandated for newly incorporated GST voluntary registrants since 1 Nov 2025 and will be extended to all other new voluntary GST registrants from 1 Apr 2026.

On the 26 Feb 2026, the Inland Revenue Authority of Singapore (IRAS) officially announced plans to progressively extend the GST InvoiceNow requirement, which are applicable to both new compulsory GST registrants and existing GST-registered businesses, with full implementation expected by Apr 2031.

This initiative represents Singapore's move toward transaction-level GST reporting, aiming to strengthen compliance and modernise tax administration in alignment with global e-invoicing trends.

Updates	Targeted Taxpayers	Implementation Date
On 15 Apr 2024	Soft launch for early adopters ¹	1 May 2025
	Companies that register for GST voluntarily within 6 months of incorporation date ²	1 Nov 2025
	All new voluntary GST registrants regardless of incorporation date or business structure	1 Apr 2026
As of 26 Feb 2026	All new compulsory GST registrants	1 Apr 2028
	Existing GST registrants with total annual supplies of S\$200,000 and below	
	Existing GST-registered businesses with total annual supplies between S\$200,000 and S\$1,000,000	1 Apr 2029
	Existing GST-registered businesses with total annual supplies between S\$1,000,000 and S\$4,000,000	1 Apr 2030
	Existing GST-registered businesses with total annual supplies above S\$4,000,000	1 Apr 2031

Note: Total annual supplies refer to the total value of standard-rated, zero-rated and exempt supplies made across all prescribed accounting periods ending in calendar year 2025

¹GST-registered businesses as well as any other businesses applying for GST registration on/after 1 May 2025 that wish to transmit invoice data to IRAS using InvoiceNow-Ready Solutions

²Compulsory to adopt the GST InvoiceNow requirement if

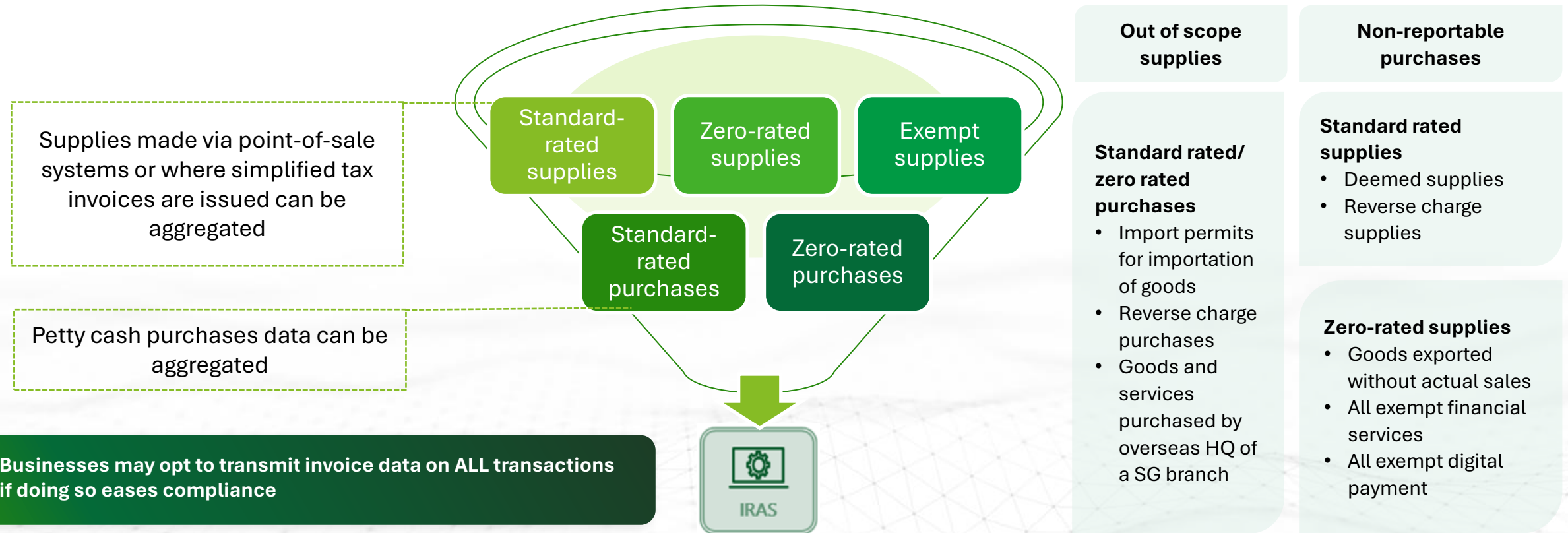
- i) Business is a company;
- ii) Applying for voluntary GST registration on or after 1 Nov 2025; AND
- iii) Date of incorporation of the business is within 6 months from the application date of voluntary GST registration

Exclusion

- Non-resident entities (including overseas vendors that are registered under Overseas Vendor Registration regime)
- Businesses registered under the Reverse Charge regime

Singapore e-invoicing Transaction in scope

Under the GST InvoiceNow Requirement, GST-registered businesses are required to transmit to IRAS invoice data that is reported in the GST return, other than specific excluded transactions (Excluded Transactions).



Businesses may opt to transmit invoice data on ALL transactions if doing so eases compliance

**Based on the e-Tax guide (first edition)*

Singapore e-invoicing Flow

InvoiceNow solution are finance and accounting software that allow the transmission of invoices between businesses via the InvoiceNow network. The solution can be purchased off-the-shelf or be customised specifically for businesses in the form of proprietary enterprise resource planning (ERP) systems. InvoiceNow solution will be connected to IRAS via AccessPoints (AP) using the Application Programming Interface (API) technology.

On the Peppol network, an invoice document is firstly created by supplier (known as Corner 1 or C1), and sent to their Access Point (known as Corner 2 or C2). C2 will send the invoice document to the buyer's Access Point (known as Corner 3 or C3), who will then forward the same to the buyer (known as Corner 4 or C4).

As part of the GST InvoiceNow requirement, invoice data will subsequently be channelled to IRAS system (known as Corner 5 or C5) via C2 and C3.

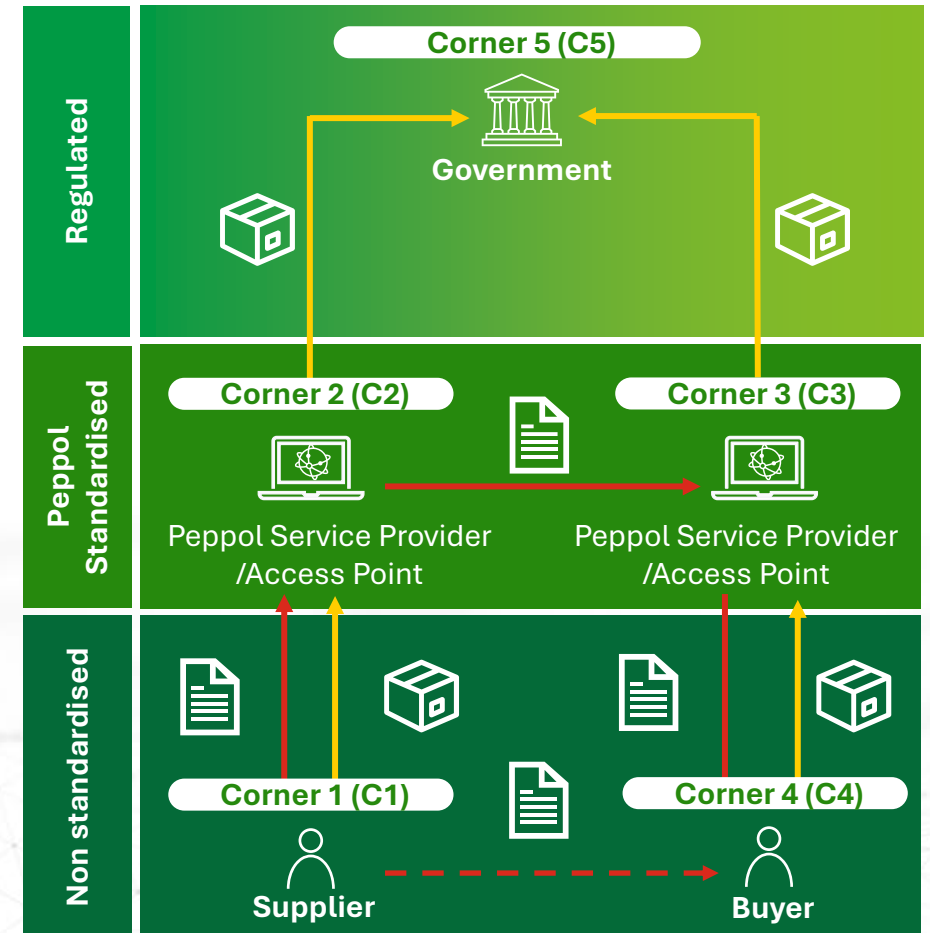
Areas of improvements that were identified by IRAS during the pilot phase of the implementation of the InvoiceNow:

- Poor data quality due to absence of validation checks in the submission process
- No single standard in the GST category tax codes used
- Duplicate submission of invoice data to correct invoice data originally submitted
- Incomplete transmission of invoice data due to limitations in system design of certain InvoiceNow-Ready Solutions

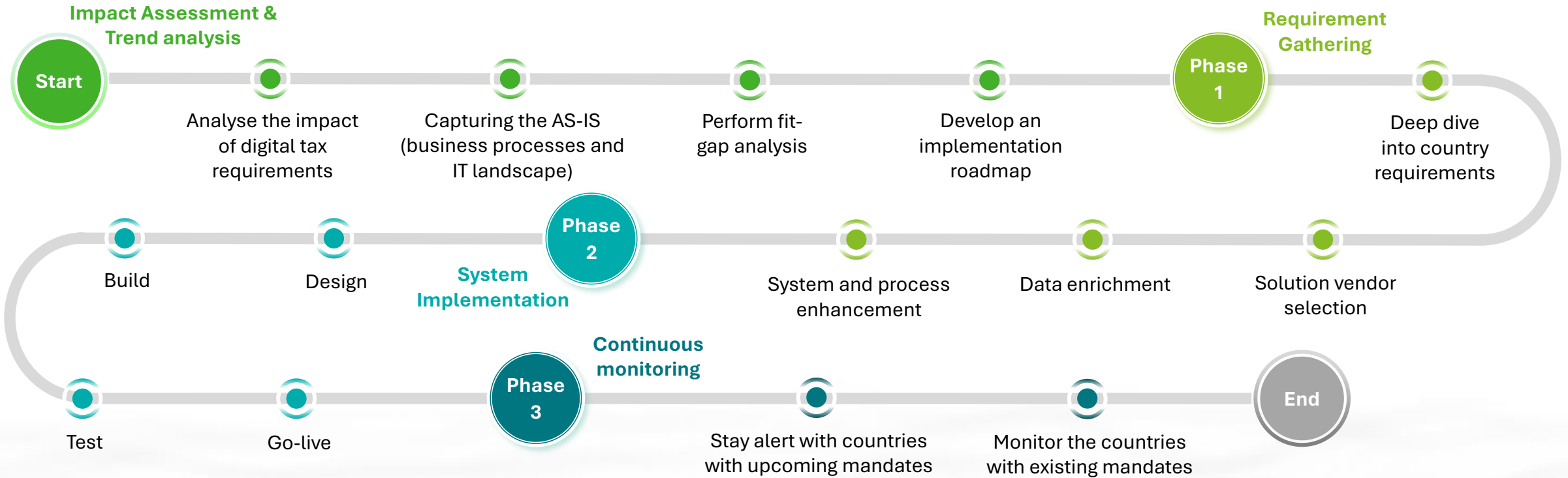
Possible added functionality

- Detect wrongful GST charges from non-GST registered suppliers;
- Reconciliation between invoice data submitted to IRAS and figures reported in the GST return;
- Prepopulated GST return (for simpler business model).

Invoice Invoice data



The Journey



Key Decision for successful implementation



Identifying key stakeholders



Decision on e-invoicing strategy



Technology

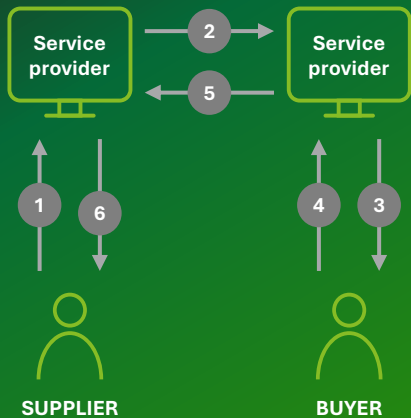
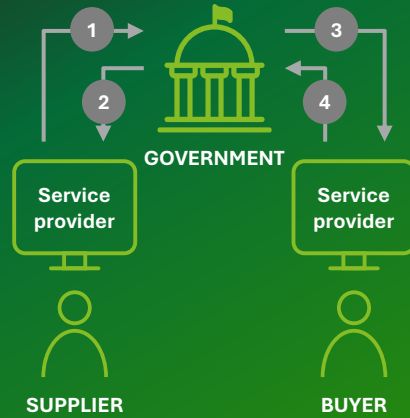
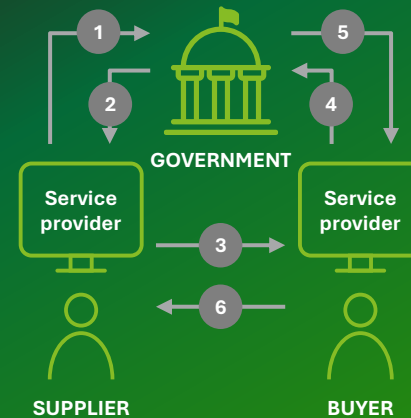
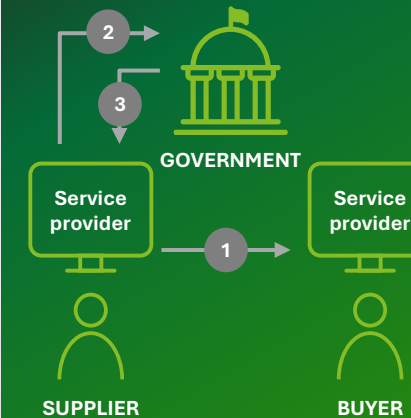
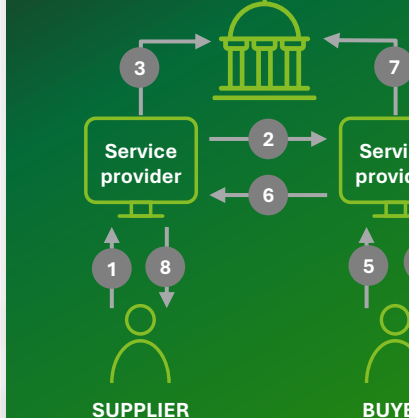














Planning

Global variations of e-invoicing

What is tax electronic invoice (e-invoice)?

- Structured invoice issued submitted on a per transaction basis
- Format and transmission mode varies country-by-country (e.g. XML)

<h3>Interoperability</h3>  <p>SUPPLIER BUYER</p>	<h3>Centralised invoicing</h3>  <p>SUPPLIER BUYER</p>	<h3>Clearance (Variations)</h3>  <p>SUPPLIER BUYER</p>	<h3>Real-time reporting</h3>  <p>SUPPLIER BUYER</p>	<h3>5 Corners model</h3>  <p>SUPPLIER BUYER</p>
<p>Fully digital exchange of any transaction documents via interoperability</p> <p> Peppol  Australia</p>	<p>Transactions exchanged by a predefined infrastructure</p> <p> France*  India  Italy</p>	<p>Approval of transactions pre-issuance and validation post-receipt</p> <p> Mexico  KSA  Malaysia*</p>	<p>Reporting of transactional data in near-time post issuance</p> <p> Hungary  Spain  The Philippines</p>	<p>5 Corners model, an extension to the interoperability model</p> <p> Singapore*</p>

Malaysia Insights



Malaysia—Service Tax on Financial Services Overview

Taxable services since 1 Sep 2018

Insurance or takaful services

Provision of credit card/charge card

Notes:

- Already subject to service tax since 2018
- RM25 annual fee for credit card/charge card
- 6% up to 29 Feb 2024; 8% from 1 Mar 2024 onwards—insurance or takaful services

Taxable services effective 1 Jul 2025 (expanded scope)

Re-Insurance and Re-takaful services

Provision of financial services charged for fees, commissions or similar payments, by:

Regulated financial service providers (Central Bank of Malaysia, Securities Commission of Malaysia, Labuan Financial Services Authority)

Non-regulated Financial Service Providers

Notes:

- Scope expansion effective on 1 Jul 2025
- Subject to 8% service tax
- Registration threshold of RM1mil per annum

Malaysia—Service Tax on Financial Services

Scope of Services

Taxable financial services include:

Regulated financial services:

Banking services

Credit facility

Investment banking services

Payment system

Insurance and takaful

Investment advice

Re-insurance and re-takaful

Fund management

Non-regulated financial services:

Factoring

Trade financing

Financial leasing

Credit facility

Impacted industry players include:

Banks

Merchant acquirers

Insurance companies

Reinsurers

Asset managers

Fund managers

Factoring/leasing/trade financing companies

Fintech companies

Malaysia—Service Tax on Financial Services Exclusion and Exemptions

Exclusion

Financial services excluded from service tax:

Basic banking services

Services relating to matters outside Malaysia, excluding outward remittance charges to customers in Malaysia

Interest or profit charged under conventional or Islamic financial services

Spread—returns through the difference between selling and purchase price

Payments that are punitive in nature

Exemptions

Business-to-Business (B2B) exemptions

Labuan Financial Service Providers

Federal and state government—exempted from charging and paying service tax

Non-reviewable contract—exempted from payment of service tax for period of 1 Jul 2025 until 30 Jun 2026

Fees charged in accordance with syariah principles

China Insights



Overview of the new China VAT Law

The Chinese government issued the very first China Value-Added Tax (VAT) Law on Dec 25, 2024, with the effect on Jan 1, 2026. To facilitate the launch of the new law, the State Council issued the Implementation Regulations on Dec 30, 2025, while the Ministry of Finance and the State Taxation Administration released a series of supporting regulations in late January and early Feb 2026, clarifying detailed guidelines on tax scope, preferential policies, taxable sales calculation, input tax credit, prepayment, and tax filing, etc.

Stable framework

- **The new law basically imports the existing VAT framework to provide a stable environment to business.**
- Core elements **remain unchanged**, including taxable scope, tax rates, general and simplified tax calculation methods, the input tax deduction mechanism, and the tax administration framework.

Integration of regulations

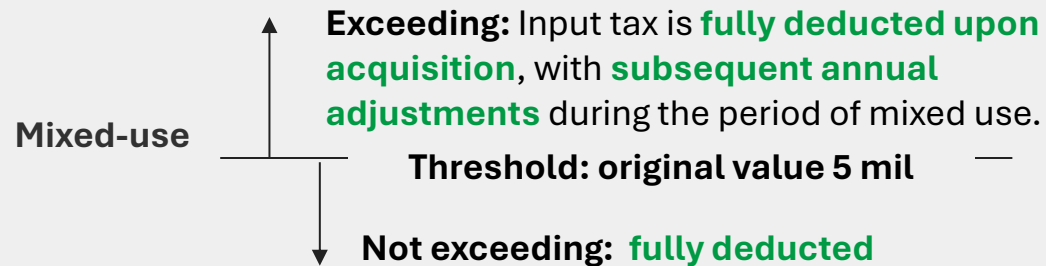
- **The new VAT law and supporting regulations have consolidated and integrated the existing VAT regulations**, including the definition of taxable scope, the continuation of tax incentives, and export tax incentives for goods and services, etc.

Refinement

- **The new VAT regulations refine and improve the existing VAT provisions** on certain matters, such as the "place of consumption" principle, mixed sales, deemed sales, input VAT recovery and time limits on certain tax incentives.

Increased VAT compliance burden and/or tax cost

Input VAT of long-term assets



- The introduction of new requirements for input VAT deduction on mixed-use long-term assets has further raised the threshold for business tax compliance.
- **Businesses are required to sort out the usage of long-term assets, establish ledgers for their purposes, and regularly review, update and maintain such ledgers.**

Input VAT annual reconciliation

- Where a general taxpayer is **unable to clearly allocate the portion of non-deductible input tax**, the **non-deductible input tax** in the current period shall be calculated based on the proportion of sales revenue or income. **An annual adjustment shall be conducted during the tax filing period of Jan in the following year.**

- **While taxpayers would continue to use the existing monthly or quarterly method for their periodic VAT filings, they would also be required to perform an annual adjustment in January of the following year based on full-year data.**
- This proposed process is expected to increase the tax compliance costs for businesses.

Key highlights for Financial Service Industry

Output VAT	Potential VAT cost impact	Input VAT	Potential VAT cost impact
<ul style="list-style-type: none"> • The tax scope of financial services and VAT rates are basically unchanged, i.e. 6% for financial services, 3% for asset management products, and 5% for specific transactions (e.g. financial leasing of immovable property). 	—	<ul style="list-style-type: none"> • Net-based taxation for financial products transfers remains unchanged. 	—
<ul style="list-style-type: none"> • The gratuitous transfer of financial products has been explicitly added as a deemed taxable transaction. 	↑	<ul style="list-style-type: none"> • The input VAT on interest expenses remains non-deductible, but on a temporary basis, and the new rules require MOF and STA to assess policy impacts, leaving room for future relaxation. 	—
<ul style="list-style-type: none"> • The place of supply rule has been changed: <ul style="list-style-type: none"> — For financial instruments: supplied in China if being issued in China or seller is in China; — For services/intangible assets: supplied in China if consumed in China or seller is in China. 	↑	<ul style="list-style-type: none"> • Input VAT attributable to non-taxable income is non-deductible. Since the scope of non-taxable transactions may be broad, the introduction of the new rule effectively narrow the scope of creditable input VAT. 	↑
<ul style="list-style-type: none"> • Most preferential policies for financial institutions have been continued, with some now subject to validity periods up to Dec 31, 2027 or certain adjustment 	—	<ul style="list-style-type: none"> • The new rules governing the purchased long-term assets with the original value over RMB 5mil and mixed-used for the five categories of input VAT non-deductible items (e.g., simplified taxation, VAT-exempt items, non-taxable items) will lead to an increased VAT cost and higher compliance burden. 	↑
		<ul style="list-style-type: none"> • A mandatory input VAT annual reconciliation is required, leading to higher tax compliance burden. 	↑
Administration		Potential VAT cost impact	
<ul style="list-style-type: none"> • Introduction of the withholding obligations for payments to individuals, leading to higher tax compliance burden and potential tax cost 		↑	
<ul style="list-style-type: none"> • Introduction of general anti-avoidance rule (GAAR), requiring enterprises to maintain genuine commercial substance in arrangements 		↑	
<ul style="list-style-type: none"> • Clarification of the timing of tax liability for the supply of services, the uncollected loan interest of financial institutions, etc. 		—	

Withholding obligations

VAT Withholding on C2B Transactions

Article 35 of Implementing Regulations of the VAT Law

Where a private individual engages in a taxable transaction, **the domestic entity paying the consideration shall be the withholding agent.** The specific operational measures for withholding and remitting shall be formulated by the competent departments of finance and taxation under the State Council.

In practice, enterprises procuring taxable services from a large number of individuals may face a material impact.

Banking

Engaging external individual experts to provide consulting, training, risk control assessment and other services, and paying the service fee.

Insurance

Engaging numerous individual insurance agents on insurance sales, customer services and other agency services and paying commission fee.

Securities

Engaging individual agents on brokerage services such as client solicitation and account services and paying commission fee.

Announcement No. 4 [2026] of the STA

Where **insurance and securities companies** file VAT returns on behalf of individual agents and brokers, the tax filing shall be conducted on a monthly basis, and the threshold to start to pay VAT is RMB 100,000 per person per month.

Golden Tax Phase IV

VAT alert and investigation

- Golden Tax Phase IV has substantially improved tax authorities' ability to identify tax risks, leading to strengthened tax investigation and enforcement.
- Financial taxpayers are facing a sharp increase in the number and precision of tax alerts and a comprehensive rise in compliance costs.

Industry-wide tax audit

Focus of VAT audit

- VAT preferential treatment, such as calculation of bid-ask spreads, VAT-exempt income scope, and tax treatment of loan-related surcharges and penalty interest
- Asset management companies: input VAT segregation and creditability in relation to the asset management products
- The authenticity of VAT invoices

Tax Advance Ruling

Opportunities to be explored

- Advance tax ruling is available to seek clarity and certainty on the VAT treatment of new business models or new transactions

Indonesia Insights



General Update

- The tax audit process within 5 (five) months.
- The tax audit period may be extended for up to 4 (four) months for **taxpayers within a group or those indicated to be involved in transfer pricing or other engineered financial transactions.**
- Apart from tax refund requests, tax audits are generally initiated through an SP2DK and escalated when issues remain unresolved.

Indirect Tax Industry Issue per FS Sector

Banking

- VAT—Imposition of Administrative sanction of 1% of the Tax Base for not issuing the VAT-exempt tax invoice
- VAT—Foreclosed Assets (AYDA) for the open tax year prior FY23

Investment Management

- VAT—Management Fee calculation using maximum fee stated in the published documents

Securities

- VAT—Levy Income

Other matters

- **Types of Audits Process**
 - **Comprehensive Audit:** Full Tax Audit covering all tax aspect
 - **Focused/Specific Audit:** Targeted at specific items, often for VAT or specific tax years.
- **Increased Enforcement & Digitalisation:** The Indonesian Tax Authority uses Coretax and CRM to strengthen audit selection and monitor taxpayer compliance.
- **Some Key Focus Areas:** industry issues, related party transactions and cross-border transactions are top priorities for 2026.
- **Audit Resolution process:**
 - The Tax Officer will issue preliminary findings for the taxpayer's response. **(new procedure starting 2025)**
 - Subsequently, the tax officer will issue a Notification of Audit Findings (SPHP), which must be responded to within five working days. **(previously 7 working days + 3 working days – additional)**
 - The Taxpayer will be invited to attend the final discussion.
- **Voluntary Disclosure:** Taxpayers can use voluntary disclosure to amend some errors before a SPHP is issued, potentially reducing penalties.

The imposition of a **1% penalty calculated from the VAT base** on banks due to failure to issue tax invoice for transactions that are exempt from VAT

Before Harmonisation of Taxation Law (2022)

- **VAT is not imposed** on the provision of financial services (e.g., saving, financing).
- There is **no obligation to issue a tax invoice** for financial service transactions.
- Input VAT cannot be credited as it relates to activities that are not subject to VAT. Generally, the **Input VAT becomes a cost** (non-creditable input VAT) for financial institutions.

After Harmonisation of Taxation Law

- Conceptually, the financial services transaction constitutes a supply of taxable services, however the **VAT is exempted**.
- The VAT-registered taxpayer is still **required to issue a tax invoice indicating that the VAT is exempted**.
- Input VAT remains non-creditable.
- The administrative VAT obligations become greater compared to the period prior to the enactment of the HPP Law.

Recent Development

- **The requirement to issue VAT invoices increases the administrative burden for banks**, as invoices must be issued for financial service transactions even though the VAT is exempted.
- **There is no detailed implementing regulation on the procedures for issuing tax invoices for financial service providers**, including banks, despite their large customer base and high transaction volumes.
- **During tax audits, the tax authority has begun imposing a 1% penalty on the transaction value** on the grounds that banks failed to issue tax invoices for VAT-exempt transactions.

Potential Areas of Scrutiny by the ITA for Companies in the Securities Industry from a Business Tax Perspective—**Value Added Tax (VAT) on Levy Income**

The imposition of VAT on Levy Income (before 2023)

- Levy income recorded under “Commission Income” by securities companies arises from brokerage transactions but **actually represents customers’ levy expenses**. Since the levy is recorded under commission income, the ITA imposed VAT on it.
- Levy is invoiced by the Indonesian Stock Exchange (IDX) to investors through securities companies (**pass-through mechanism**). Levy represents IDX’s income, so VAT should be collected by IDX, not the securities companies.
- Securities companies earn **only commission income**, and no VAT was claimed on levy-related Input VAT.
- There is no specific tax regulation on levy, therefore, securities companies applied the PAPE Principle (Pass-Through or Receivable-Payable).
- The Tax Court **granted the securities companies’ appeal**, noting that imposing VAT on levy would result in double taxation and contradict tax regulations. The Supreme Court upheld a similar view after the ITA filed a Judicial Review.

Recent Development regarding VAT on Levy (2023 onwards)

- Levy VAT issued by IDX under securities companies’ name **to be treated as Input VAT**.
- Securities companies **must collect VAT on both Commission and Levy**.

Potential Areas of Scrutiny by the ITA for Companies in the Investment Management (IM) Industries from a Business Tax Perspective—**Maximalise the Management Fee rate**

The imposition of Maximum Rate for Management Fee

- The management fee will be charged by the IM Company at the **agreed rate** to the Fund (CIC Fund) in Indonesia for the management services provided by the IM to the Fund.
- In several audit cases, the audit team conducts a detailed review of management fee income and requests data related to the applicable fee rates. Documents that can demonstrate this include the prospectus and the fund fact sheet (publicly available). However, in the prospectus or fund factsheet, the fees are presented as the maximum or highest rate and do not reflect the actual fee rate for business reasons.
- In several audit processes, the audit team makes adjustments to the amount of management fee that should have been earned by the IM Company by applying the maximum rate stated in the publicly available documents. This results in a significant difference in the recognition of management fee on the IM Company's side.

Recent Development regarding Management Fee Cases

- The imposition of the maximum management fee rate is essentially due to the audit team's limited understanding of the management fee income concept in the IM Company and due to the limited availability of documentation that can demonstrate the agreed management fee percentage.
- In current practice, the audit team is able to accept the position when the IM Company provides detailed daily management fee calculations, the corresponding monthly invoice, and a reconciliation of the management fee amounts in the financial statements between the IM Company (as income) and the Fund (as expense).

Philippines Insights



Capital Markets Efficiency Promotion Act

RA 12214



CMEPA | Summary of Changes

Effective 1 Jul 2025

Particulars	Prior to CMEPA (Tax Code)	Under CMEPA (RA 12214)
Listed shares	0.6% on PSE sales	Reduced to 0.1% for listed shares
Interest	Interest from long-term bank deposits at: <ul style="list-style-type: none"> • 20% if pre-terminated and held for < 3 years • 12% if pre-terminated and held for 3 to < 4 years • 5% if pre-terminated and held for 4 to < 5 years • 0% if not pre-terminated (≥ 5 years) 	Flat 20% on interest income
Unlisted shares	15% on unlisted shares ; Foreign gains taxed as income	15% flat CGT on net gains
DST	1% on shares/debt ; Applies to mutual funds	0.75% on issuances ; UITFs/mutual funds exempt
Royalties	Varied rates ; 10% on literary/musical works	Flat 20% ; Except 10% for literary/musical works

Recalibrating Tax Audit & Assessment

RMO No. 1-2026



Revised policies, controls and procedural guidelines

RMO No. 1-2026 | Effective 27 Jan 2026



Application of Single-Instance Audit Framework

- One eLA for a given taxable year, including VAT, unless fraudulent
- Exceptions for certain cases (e.g., ONETT and Tax Clearance)
- Further investigation for cases involving fraud



Consolidation of pending eLAs

- Automatic consolidation beginning 4 Mar 2026
- Request for Non-Consolidation of VAT Audit Cases
- Issuance of single Replacement eLA and cancellation of all other ELAs



Issuance of new eLA

- System-Assisted Audit Selection and Generation of Audit Lists
- Objective and system-defined risk-based criteria in Audit Selection
- Anonymised Selection and Assignment Process



Transfer of Task Force Audits and Assessment

- Submission of Case Inventory Report by Head of Task Force
- Run After Fake Transactions (RAFT) Task Force
- Creation of Other Task Forces

Revised policies, controls and procedural guidelines

RMO No. 1-2026 | Effective 27 Jan 2026



Transition of VAT Audit Sections (VATAS) and Large Taxpayers VAT Audit Units (LTVAU)

- Wind up of VATAS and LTVAU operations until 15 May 2026
- Transfer all ongoing audits to regular offices by 30 Apr 2026
- Non-initiation of new audit actions



Audit and Assessment Proper

- Mandatory Use of Standardised Audit Checklist
- Proper Documentation of Audit Events and Examination of Voluminous Records
- Observance of Due Process and Audit Safeguards



Sanctions

- Strict compliance with process requirements and audit guidelines
- Administrative, civil, and criminal sanctions for any violating ROs
- Open line for reports of alleged violations of audit rules and procedures

Vietnam Insights

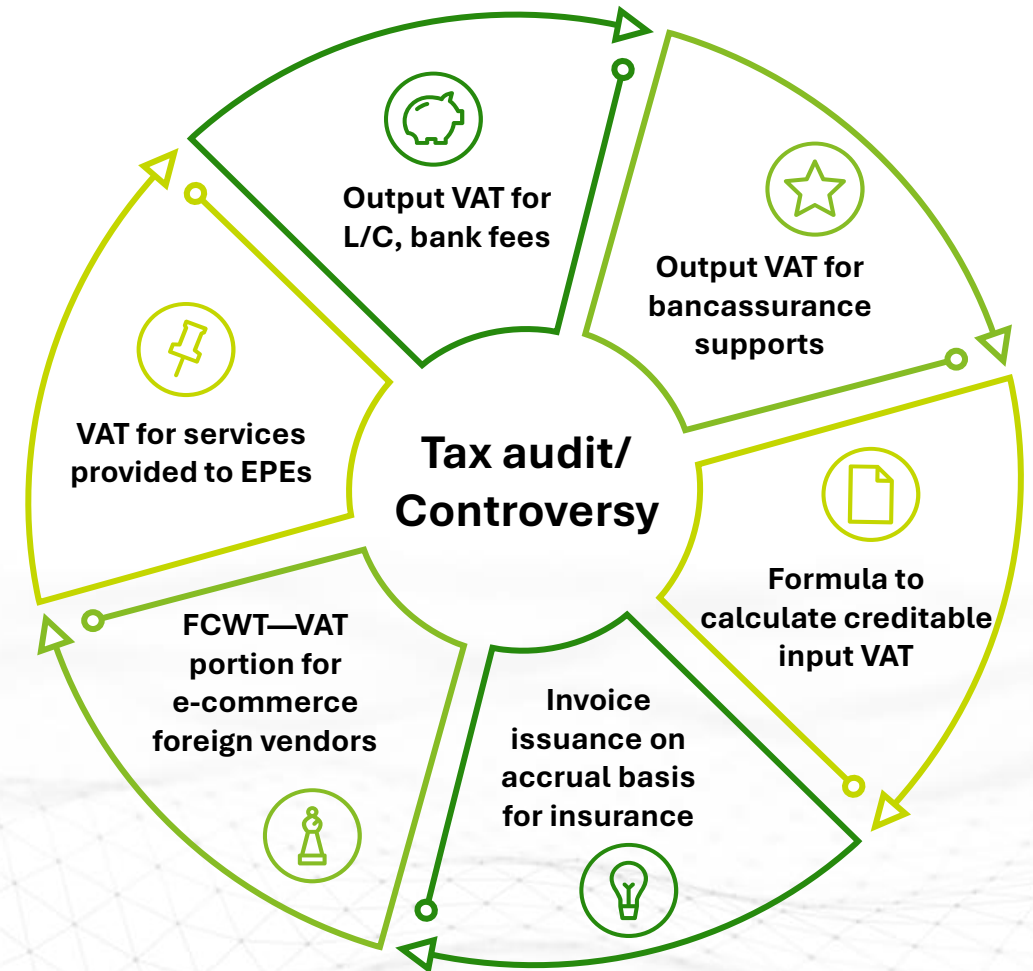


Indirect tax developments for Financial Services

- 01 Re-classification of incomes excluded from VAT taxable income
- 02 Removal of VAT Exemption for sale of collateral, except for VAMC
- 03 Continued VAT exemption for securities custody and services
- 04 Specify VAT exemption for sale of both receivables and payables
- 05 Increase from 5% to 10% VAT portion for services paid to foreign e-commerce vendors or providing services through digital platforms

Key regulatory developments

New VAT law and guiding Decree, Circulars impacting on Financial Services



Taiwan Insights



Gross Business Receipt Tax

Issue

Non-Core business to adopt VAT mechanism to utilise input VAT

Description

- Applicable gross business receipt tax (GBRT) to financial industry, including entities engaged in banking, insurance, investment trust, securities, futures, commercial paper and pawnshops, is imposed at 1%, 2% and 5% (depending on the type of sales) on the gross sales amount, with its related input business tax is not creditable and will be real costs of the financial industry.
- **For banking, insurance and investment trust industry, revenue derived from its non-core business activities (e.g., credit card, accounting receivable factoring, financial advisory services, rental and sale of real property, etc.) could be applied to be subject to VAT instead of GBRT so that the related input VAT is creditable against its output VAT.**
- Where input VAT is creditable, the direct attribution deduction method may be adopted and cannot be changed for three years. Under certain cases (sales revenue is over NT\$1 bil, or input VAT is over NT\$20 mil), the adoption of direct attrition deduction method should be certified by a CPA.

Australia Insights



Australian GST update

Areas of ATO interest

Cryptocurrency

The ATO is undertaking targeted compliance activities on industry participants, particularly those global crypto-asset intermediaries (such as digital currency exchanges) in the Medium & Emerging market. There is a focus on the correct application of GST to services provided by intermediary brokers, agents, and principals. The ATO's specific concern relates to an intermediary's ability to identify the location of its customers and consequently determine the GST treatment of the underlying service.

Governance— Assurance Reviews

The continuing Combined Assurance Review (CAR) program requires businesses to consider, and provide to the ATO, information in respect of its tax technical positions, tax governance, tax controls, and its data. These reviews are resource intensive, but preparation can greatly assist.

With the ATO focus on the financial services sector, and its procurement of additional resources, there is greater scrutiny for businesses in the financial service sector and the ATO is continuing to review taxpayers in this sector.

Governance— Independent Data Testing

As part of justified trust expectations, the ATO requires taxpayers to undertake extensive GST data testing/analysis.

The ATO has specific tests for financial services and insurance businesses which address specific risks across the industry.

Testing required as part of a CAR can be done by the ATO or an independent advisor, while ongoing testing can be insourced or outsourced to an advisor.

Reverse Charge

The ATO continues to focus on how FSI businesses identify and value services from overseas. Specifically, with a focus on any services acquired from overseas branches that are treated as not subject to reverse charge on the basis that they are the transfer of the services of an employee. As such services could be excluded from reverse charge, the ATO is reviewing the substance where this exemption is applied. However, there is an opportunity for GST savings in this area.

Australian GST update

Areas of ATO interest

Reduced Input Tax Credits

The ATO continues to focus on the entitlement to claim Reduced Input Tax Credits (RITC), including:

- Arrangements involving the aggregation of third-party costs, especially if the third-party costs would not be subject to a RITC in isolation; and
- Application of the “unabsorbed contribution” provisions, which prevent the recovery of RITCs on global recharges for the pass-through of externally sourced costs.

M&A—Related Party Transactions

There is a continued focus on identifying transactions that arise in M&A deals and restructures, for which services are provided for no, or inadequate, consideration to an associate of a taxpayer, who themselves would not be entitled to recover the GST in full (e.g., a regional hub does not recharge costs to Australian entities undertaking transactions).

The ATO is reviewing these scenarios to consider whether an output GST liability may arise for the Australian taxpayer.



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