Deloitte.

Shifting sands: risk and reform in uncertain times

2017 Asia Pacific
Tax Complexity Survey

Contents

Preface 1

Key findings and insights 2

Tax environment across the region 6

Tax strategy and planning 21

The impact of tax on business 24

Outlook 29

Appendix I: Respondent profile 37

Appendix II: Tax rates in Asia Pacific jurisdictions 40

- Income tax and Capital gains tax rates 41
- Withholding tax rates 42
- Other taxes 43
- Practice and procedures 50

Appendix III: Contacts 53

Preface

Welcome to the third Deloitte Asia Pacific Tax Complexity Survey.[1]

We find ourselves in a remarkable time, with recent political developments in the United States and Europe having the potential to dramatically alter the landscape of the global economy. Asia Pacific stands to both gain and lose from these changes. The unique characteristics of each country in the region means governments and companies have vastly different outlooks on their own economy and local tax environment. Almost everyone agrees that change is coming, but the unknown factor is what exactly will change and how?

Global trade policies are seeing fundamental shifts. More and more countries are adopting policies that focus on localization of work, reduced reliance on foreign trade partners and tougher immigration standards. This could lead to a reduction in current or future investment in the region. However, there is also a school of thought that this is unlikely since some companies may be less competitive if more of their activities are moved back onshore. On the other hand, with the United States' withdrawal from the Trans-Pacific Partnership, China will likely step in to drive the conversation around international trade and could negotiate deals on even more favourable terms. Increased regional trade is certainly a priority for Asia Pacific and this will impact the economies of many countries in the region.

In this general climate of uncertainty governments are trying to balance the tension between creating an environment that attracts investment whilst at the same time protecting their tax bases and raising needed tax revenues. This has created competition for tax revenue amongst many countries worldwide, reigniting a general trend to lower corporate income tax rates. Asia Pacific countries are doing their part to maintain or enhance their tax competitiveness on the global stage. Asia Pacific growth has moderated in many countries so tax policies are becoming increasingly important to attract businesses. However, pressure on tax administrations to generate higher tax revenue and the increasing sharing of information by tax authorities will likely result in more frequent and more aggressive tax audits.

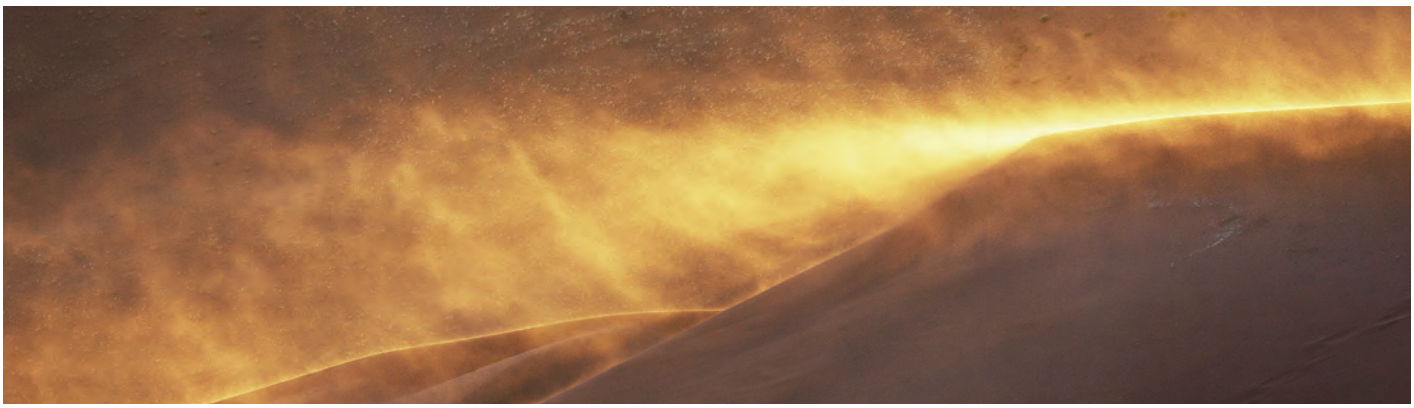
The Organization for Economic Cooperation and Development's (OECD) 15-step action plan under the Base Erosion and Profit Shifting (BEPS) project, that aims to curb tax avoidance/evasion worldwide, has prompted sweeping changes to the global tax landscape. Since the release of the final BEPS reports in October 2015, governments in many countries have been actively updating existing rules and developing new rules. Companies have been witnessing the responses of their governments to the BEPS project and they will need to assess the resulting impact based on their global footprint, operating models and strategic priorities and possibly reconsider how to structure their global operations.

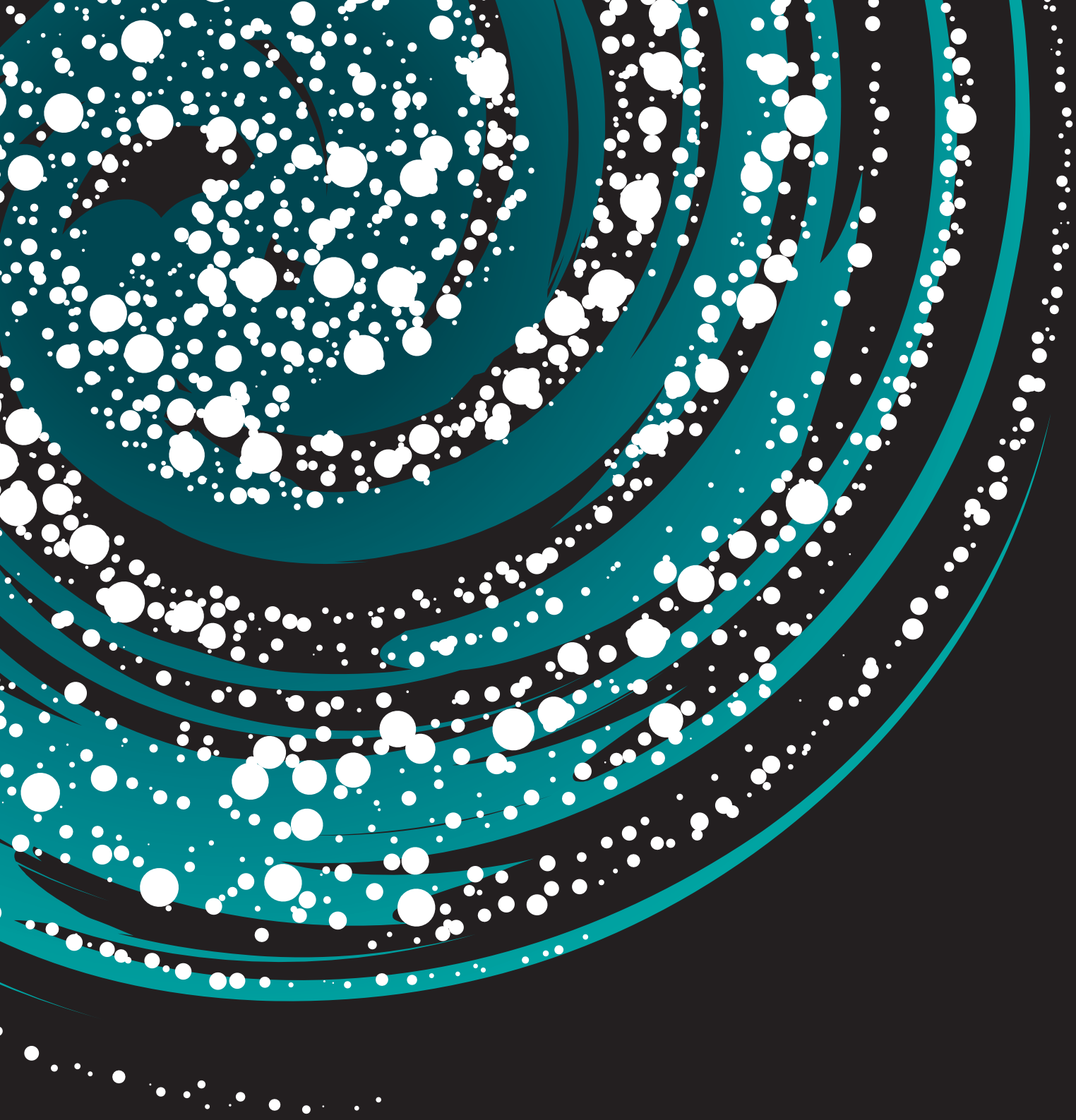
The 2017 survey was conducted against the backdrop of this shifting environment to gauge the views and identify the trends in the tax landscape in Asia Pacific.

In this year's Asia Pacific Tax Complexity Survey, we surveyed 331 executives across the region. A breakdown of the profile of these respondents is contained in Appendix I.

We would like to thank all respondents who took the time to participate in the 2017 Asia Pacific Tax Complexity Survey. As always, our tax practitioners in 20 jurisdictions across the Deloitte Asia Pacific network welcome your thoughts and feedback.

1. The first survey was published in 2011 and the second in 2014.





Key findings and insights

Responses to the 2017 survey reflect the escalating complexity in the tax environment in Asia Pacific jurisdictions in the three-year period since the last survey. In the shifting sands of tax policies, respondents are increasingly cautious about their companies' tax strategy with BEPS reforms being translated into domestic legislation in many jurisdictions. This caution is justifiable in light of lingering questions about the predictability and consistency of key tax regimes in Asia Pacific and the somewhat low confidence in the fairness of the systems.

Governments under pressure to secure their tax base

Faced with an uncertain global economic environment, countries in Asia Pacific are aggressively attempting to capture their share of tax revenue from cross-border activities. As Hong Kong's next leader Carrie Lam indicated at her first public speech after winning office, the city needed tax reform to become more competitive. "My new tax philosophy is not exactly 'the more, the merrier'. Sometimes collecting less is highly desirable," she said. One of the primary mechanisms used for countries to attract foreign investment is to lower their corporate income tax rates. Perhaps influencing decisions to enter into and exit from certain jurisdictions, survey respondents identified corporate income tax as the most important taxation area for their business. Governments are also looking to maximize tax revenue from companies operating in their jurisdictions. In the larger jurisdictions, such as Australia, China, India and Japan, most respondents agree that tax authorities' audits are rigorous; and many are witnessing a higher frequency of such audits. Tax disputes are likely to escalate further in the future, and audits are likely to intensify. Dispute resolution processes, however, can be lengthy in many jurisdictions.

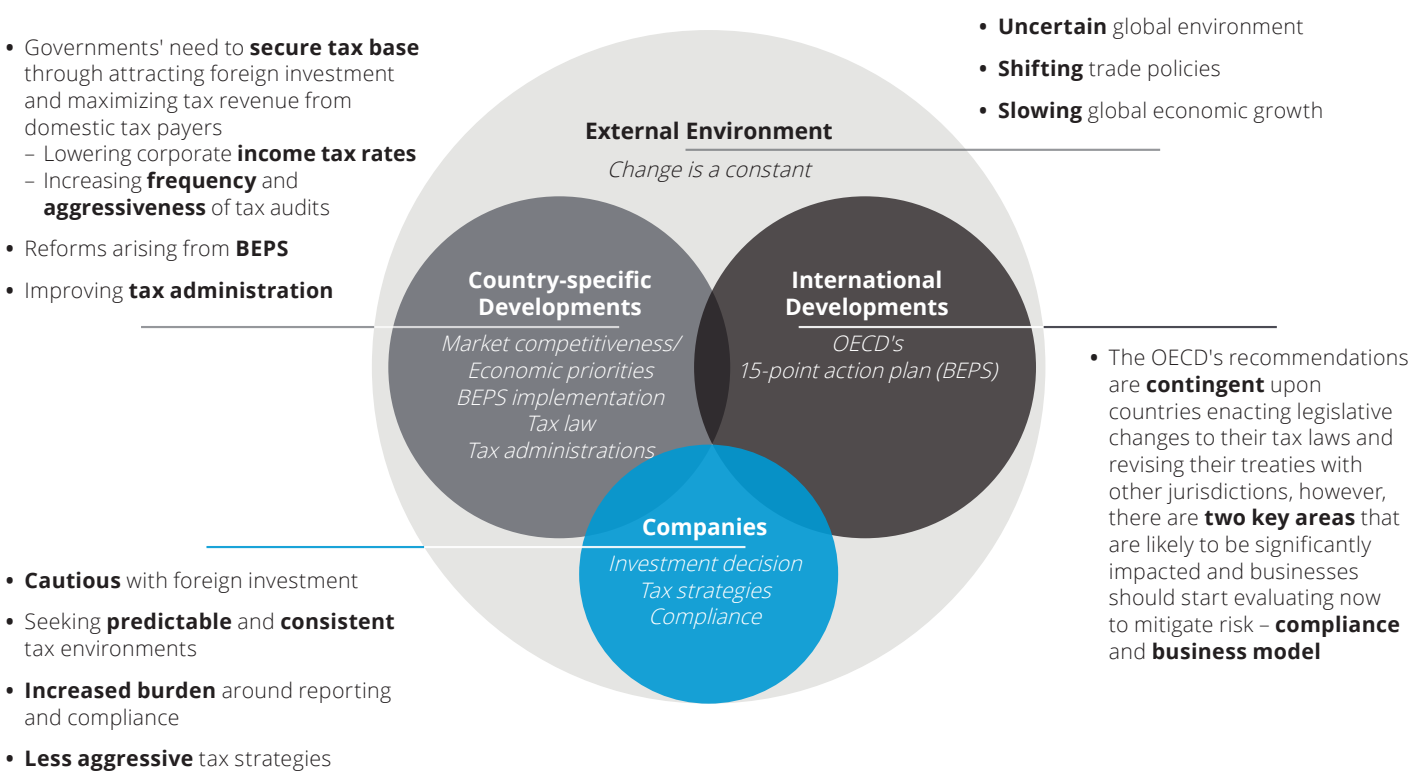
Predictability and consistency in tax regimes, while desired, remains elusive

Respondents' views of the most important factor in business decision-making have evolved since the inaugural survey conducted seven years ago. In 2010, low complexity and high predictability were the most important; three years later, an overwhelming majority of respondents agreed that high consistency in the tax environment was the most critical. In

Highlights

- Governments are under pressure to secure their tax base, tax reforms, and increased frequency of tax audits will remain in the spotlight.
- Predictability and consistency in tax regimes, while desired by companies, remain elusive. Yet, in uncertain times, taxpayers seek stability.
- BEPS is top of mind for both governments and companies. Changes to tax laws are expected in several countries in Asia Pacific as a result of BEPS.
- Tax strategy of companies are increasingly conservative in this uncertain economic environment.
- Operating across multiple Asia Pacific jurisdictions can be a balancing act for multinationals as tax environments can be vastly different.

Figure 1: Regional tax landscape – At a glance



2017, predictability, followed closely by consistency, are perceived as crucial. Low complexity has become the least important of the three factors, possibly because many have accepted that tax environments in Asia Pacific will be complex. As the external environment becomes more unpredictable, companies may be acting more cautiously and seeking predictability where they can. Companies can see that the largest developing economies—China, India and Indonesia—still have much progress to make before they can meet investors' expectations in this regard.

When asked what reforms are needed for each jurisdiction, respondents prioritized reforms that will improve the predictability and consistency of tax regimes. These reforms include improving the timeliness and quality of tax office audits, improving the training of tax officials and increasing public consultation on tax policy. In an effort to improve the consistency in the application of the tax law, several governments in the region are, in fact, introducing reforms to strengthen tax administration.

Given the complex, unpredictable and inconsistent tax environments that many respondents' companies are operating in, relationships with tax authorities are key to managing their tax affairs and mitigating risks. The majority of respondents in this year's survey plan to strengthen relationships with the authorities in the coming years.

BEPS is top priority for governments and companies

Respondents generally agree that the alignment of country policies to the BEPS action recommendations is top priority for tax reform across Asia Pacific. Governments concur, as tax reforms are expected in several jurisdictions to align domestic rules with the BEPS recommendations. Survey respondents also expressed much more concern with BEPS than three years ago. It is widely accepted that BEPS will drive significant change in the global tax landscape as governments introduce new policies in line with global standards. Multinationals are finding themselves preparing for this impending change—whether by changing their business models or adapting their resources so they are able to comply with enhanced reporting requirements. This can be taken as a postive sign for tax development in the region. It has long been recognized that many countries in Asia Pacific need to update and modernize their tax regimes and it is much better that countries do this consistently by following the BEPS approach rather than taking unilateral action.

Tax strategy is increasingly conservative

In light of the observations described above, it is foreseeable that respondents are less likely to pursue aggressive tax strategies than in the past. This caution was expressed by three-quarters of the 2017 respondents, who indicated they would not enter into a tax planning strategy if perceived by some to be aggressive. Only 40 percent of respondents in 2014 expressed the same sentiment. In the three years since our last survey, the social responsibility of companies as taxpayers has come under close public scrutiny. The tax practices of multinational enterprises have been embroiled in controversy in several larger jurisdictions, which has attracted intense media coverage around tax planning and raised the awareness of the public in this area. The enormous potential for detrimental reputational risk has prompted company executives and boards of directors to acknowledge the need to consider such risk when determining the company's tax strategy.

"Our experience with the Australian Taxation Office (ATO) during our audit is certainly amongst the most aggressive we have experienced, but the ATO is not alone, either in Asia Pacific or globally."

– Australia respondent

Operating across multiple Asia Pacific jurisdictions can be a balancing act

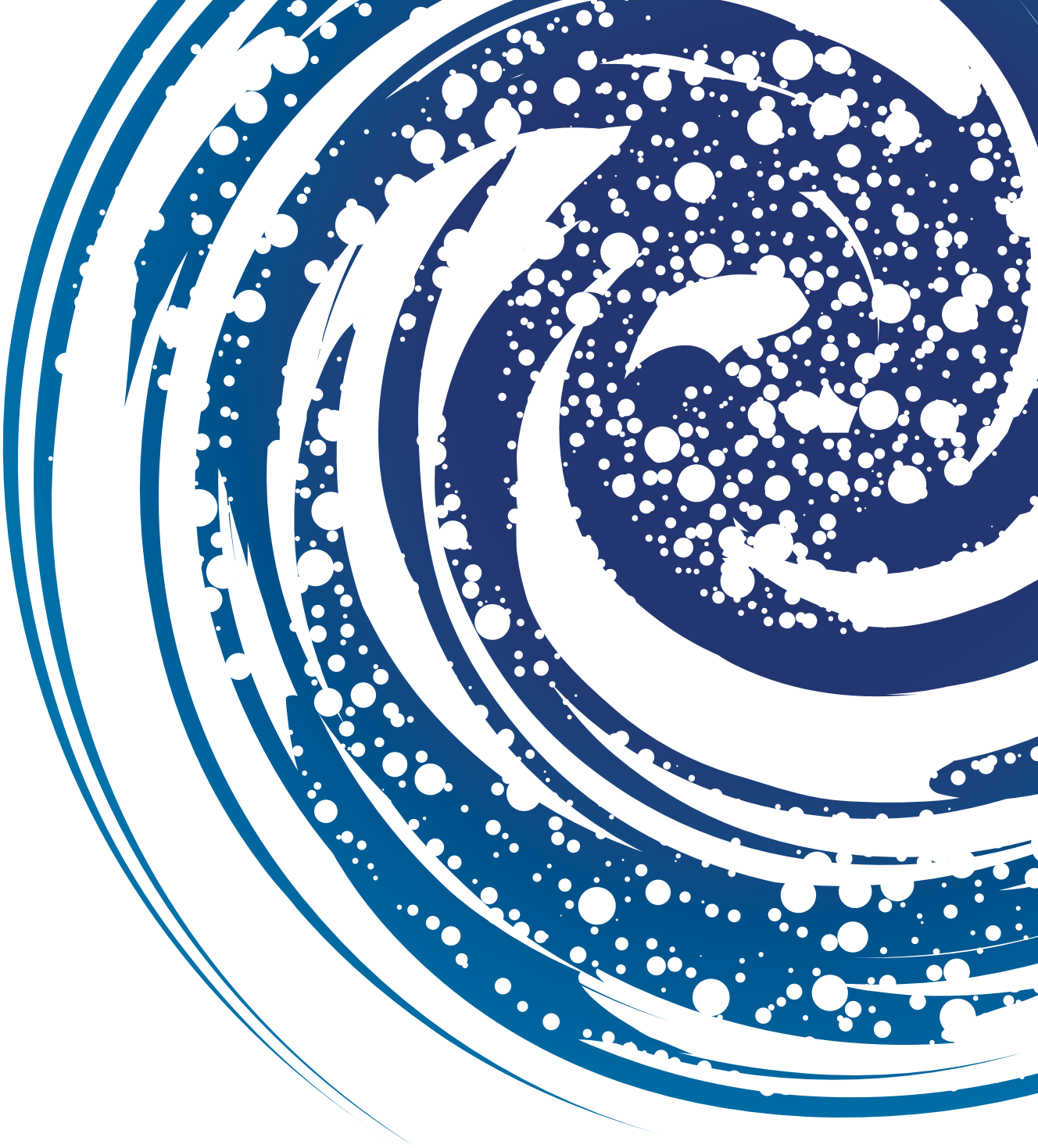
Asia Pacific countries are a mixture of stability and variability. Some jurisdictions, such as Hong Kong and Japan, offer a level of stability that investors seek. On the other hand, countries such as China and India promise significant potential, against the backdrop of a more challenging social, economic and tax environment. In this year's survey, the results paint a vastly different picture between these contrasting economies in Asia Pacific. There is a general satisfaction with the tax environments in the more developed jurisdictions, while significant opportunities exist for emerging economies to improve the predictability and consistency of their tax environments.

As a result, respondents will spend more time and resources on managing tax in China and India in the coming years.

The following pages outline the survey results and explore these observations in further detail. Read on to learn how the tax environment is perceived across Asia Pacific.

"BEPS would bring transparency in global operations, however it would have the potential of misinterpretation and creating complexity as different countries may have different tax laws."

– India respondent

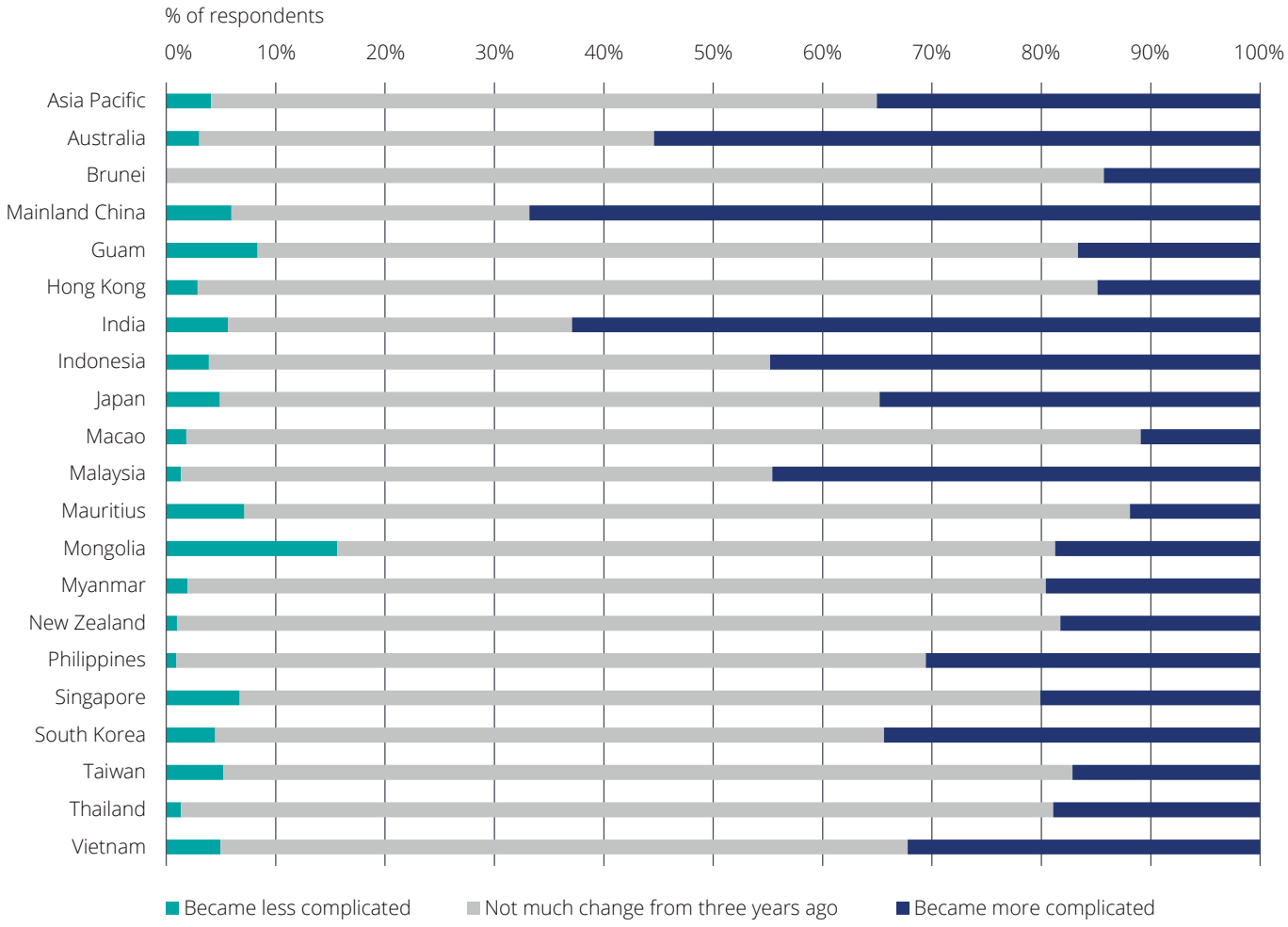


Tax environment across the region

The tax regimes in larger countries have increased in complexity

Complexity
For the purposes of this survey, "complexity" means the perceived level of difficulty in interpreting and understanding the tax law and rules in the relevant jurisdictions.

How has the complexity of the tax regime changed in the last three years?
Figure 2. Change in complexity of tax regimes



Across Asia Pacific, 35 percent of respondents indicated tax regimes have become more complex in the past three years. Larger countries, specifically, China and India were identified as becoming more complex. In these two jurisdictions, well over half of the respondents believe complexity in the tax regimes has increased. Based on the respondents' comments, there is a general expectation that the reporting obligations will increase due to the implementation of the BEPS recommendations. This is also the case in some smaller jurisdictions such as New Zealand, where complexity in the tax environment is expected to increase due to changes in corporate income tax and transfer pricing rules.

Given that Australia has been relatively more advanced in adopting the BEPS recommendations than its Asian counterparts, many respondents continue to view the country to be increasing in complexity. This is consistent with the results from 2014.

The complexity of Indonesia's tax regime appears to have stabilized, as compared with the results from 2014 when over half of the respondents believed the tax environment has become more complicated. wide-ranging tax reform is on the horizon in Indonesia however as new tax laws are scheduled to be introduced in 2018 that will cover general taxation and administration, personal and corporate income tax, and VAT. Implementation of the reform is likely to be accompanied by an increase in the complexity of Indonesia's tax environment.

In Korea, complexity has come mainly from frequent changes to the tax laws and practical difficulty in interpreting and applying the regulations. Following the introduction of BEPS into local regulations, the tax authority's attention will be more focused on taxation of cross-border transactions, leading to greater tax complexity for the time being.

Jurisdictions such as Hong Kong and Macao have more simple and stable tax regimes and are therefore ranked the lowest in terms of changing complexity.

"Instead of simplifying the tax laws and interpretation by tax authorities, the tax environment in India is becoming more complicated. The government needs to move quickly to lower tax rates and minimize exemptions to make the laws simple and less prone to multiple interpretations."

– India respondent

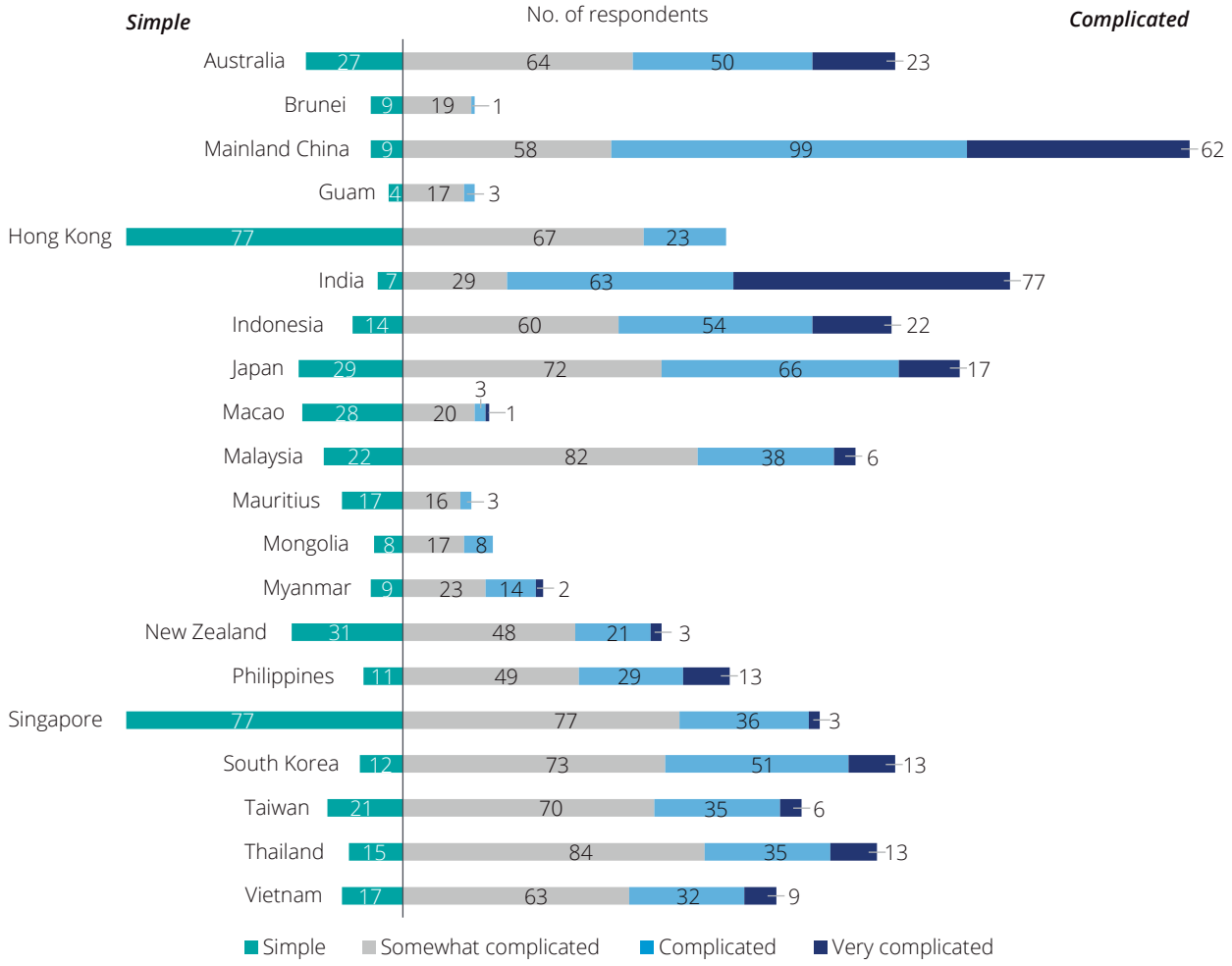
India and China have the most complex reporting requirements

Complexity

For the purposes of this survey, "complexity" means the perceived level of difficulty in interpreting and understanding the tax law and rules in the jurisdiction.

Please rate the complexity of the tax compliance and reporting obligations in the below chart.

Figure 3. Tax compliance and reporting requirements



More than 80 percent of respondents across the region view tax compliance and reporting obligations in the countries in which they operate as complicated. This is an interesting result as having a simplified tax system is still often hailed as a key attraction for foreign investment. In Deloitte's European Tax Survey conducted in autumn 2015, 43 percent of respondents indicated that tax simplification was key to making a jurisdiction competitive; this is something to consider if Asia Pacific jurisdictions are seeking to attract investment from Europe. As an example, Japan is cited as having a tax environment that may not be very attractive to investors due to its high tax rates and the administrative burden and complex requirements for legal registration.

Most agree that China and India have the most complicated requirements of all jurisdictions in Asia Pacific, followed by Japan, Australia, Indonesia and South Korea.

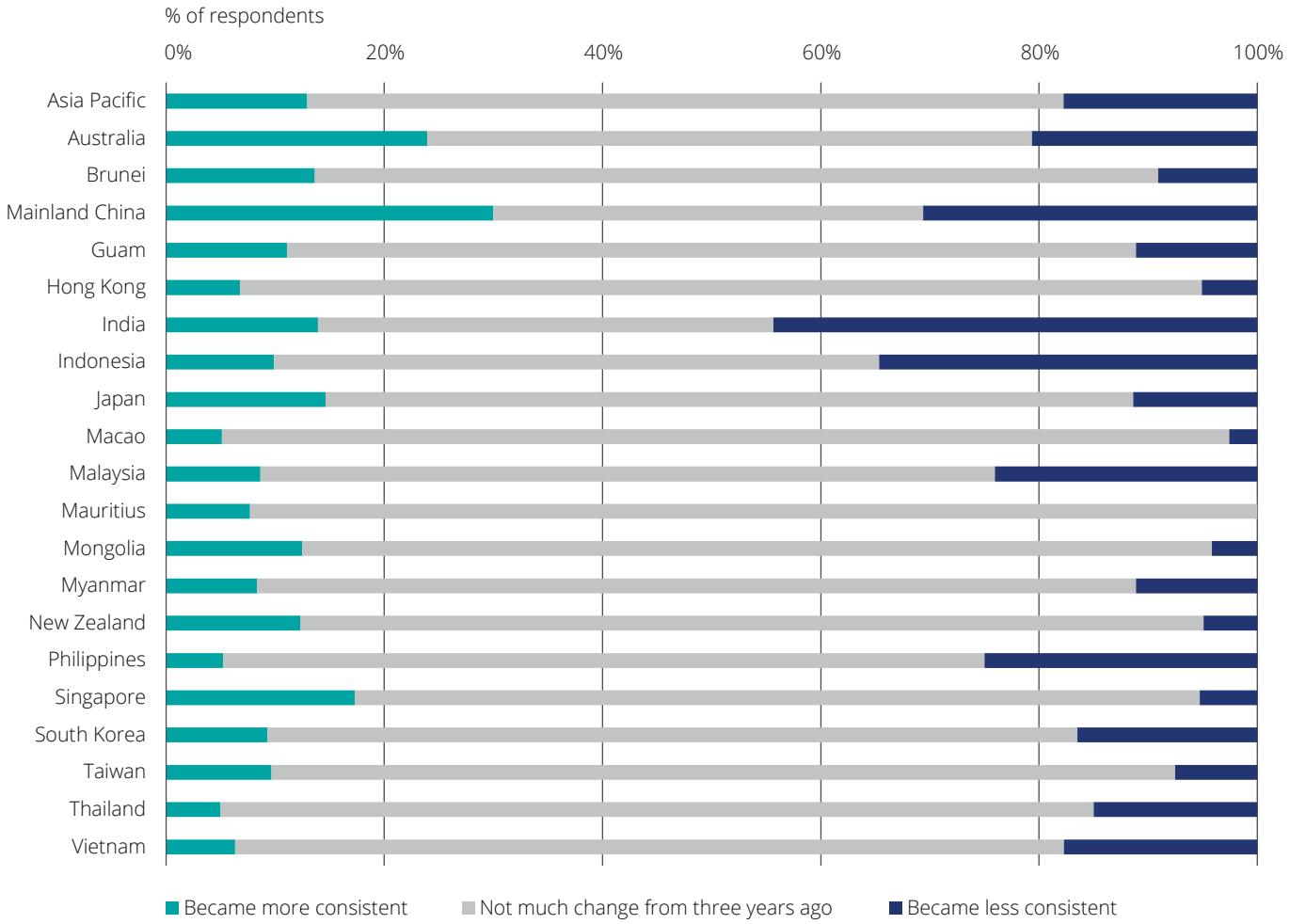
In contrast, Hong Kong and Singapore have the simplest requirements, which is not surprising given their relatively straightforward tax regimes.

Some tax jurisidictions have become less consistent but generally there is not much change from 2014

Consistency
"Consistency" refers to the perceived uniformity and transparency of enforcement of prevailing tax laws.

How has the consistency of the tax regime changed in the last three years?

Figure 4. Change in consistency of tax regimes



Regionally, almost 70 percent of respondents agree that the consistency of tax regimes have not changed much from three years ago. The remaining respondents are split as to whether the jurisdictions have become more consistent or less. This is likely driven by the polar demands of implementing new tax laws balanced by more experience with the existing tax laws.

For China and Australia, respondents appear to be divided as to the change in consistency of these tax regimes, similar to the results in the 2014 survey.

Interestingly, China and Australia also saw the largest proportion of respondents noting that tax regimes had become more consistent. In China, recent efforts to enhance training for tax officers may have contributed to the improvement in consistency in the application and enforcement of tax laws.

Conversely, India and Indonesia were viewed as having become less consistent in the past three years. Far more regard that India's tax regime has become less consistent compared with those who view it to have become more consistent. This speaks to the reform that many feel is needed in India around tax administration; for example, training for tax officers to improve their understanding of taxpayers and how the law should be applied would bring about greater consistency and quality in the country's tax environment. On one hand, the India government's introduction of the Goods and Services Tax (GST) in July 2017 will reduce complexity in the tax environment by eliminating multiple taxes, thereby improving the ease of trade and commerce. On the other hand, this significant tax reform would require businesses to conduct impact assessments and modify their systems to comply with the new GST for both their vendors and customers. In addition to the GST, India's introduction of General Anti Avoidance Rules (GAAR) from April 2017 and the adoption of the BEPS actions will increase complexity in the next two to three years in the areas of international tax, mergers and acquisitions and indirect tax.

Many jurisdictions, such as Hong Kong, Japan and Singapore, have not seen much change from three years ago in terms of consistency.

"One challenge in China is that tax administration is not coordinated centrally; treatment and interpretations are different, sometimes with competing agendas."

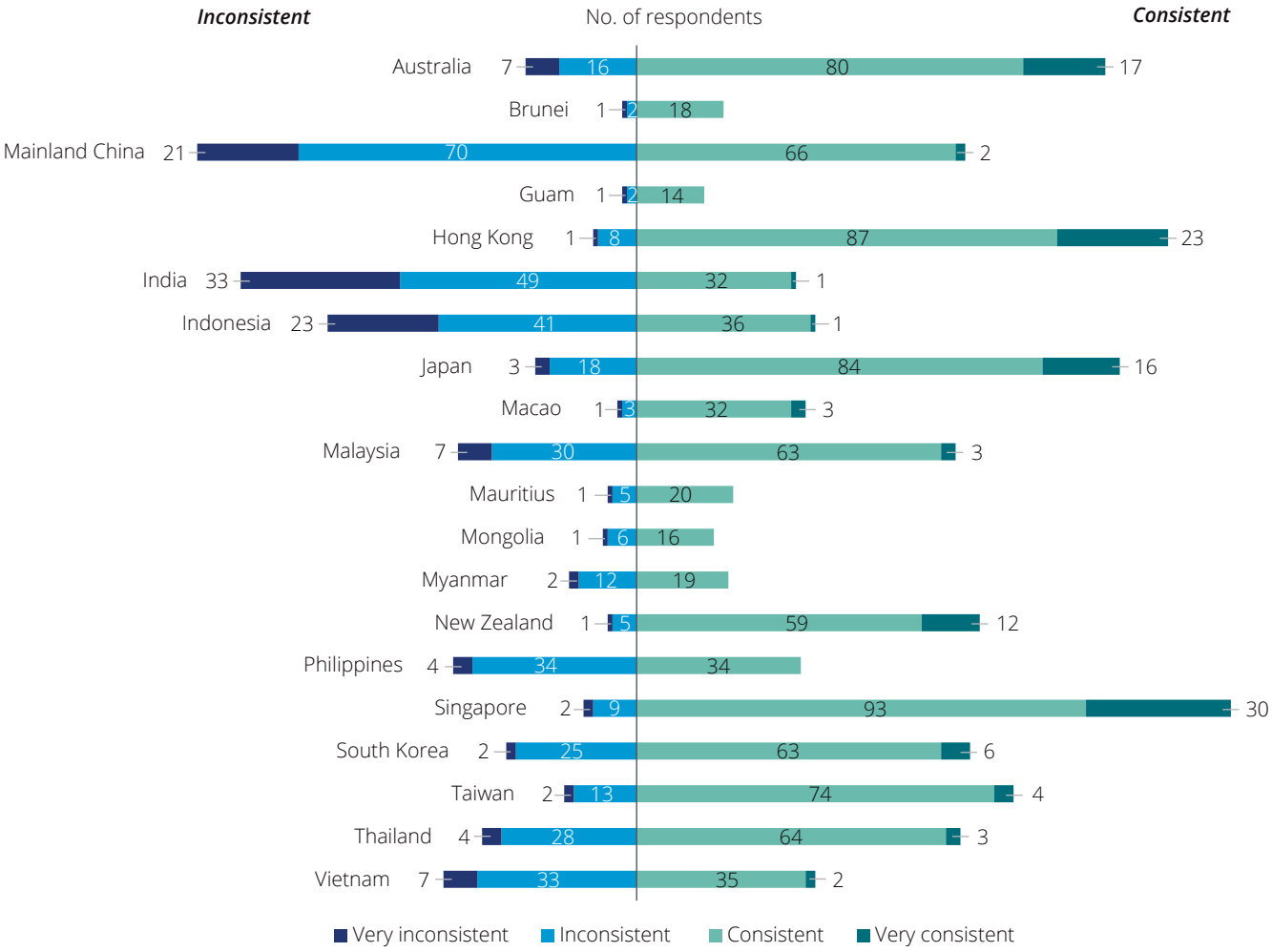
– China respondent

Developed markets have the most consistent tax regimes

Consistency
"Consistency" refers to the perceived uniformity and transparency of enforcement of prevailing tax laws.

Please rate the consistency of these regimes.

Figure 5. Consistency of tax regimes



The most consistent tax regimes are Singapore, Japan, Hong Kong and Australia. In these jurisdictions, far more respondents viewed the tax regimes to be consistent than those who rated them as inconsistent.

Taiwan, New Zealand, and South Korea are also cited as having consistent tax regimes.

Respondents are again split over their views of China; this echoes their opinion on the notable improvement in consistency of tax regimes in the past three years, as discussed previously. Tax laws in China are not always consistently applied throughout the country, hence, respondents may have varied experiences in this tax jurisdiction.

The majority of respondents concluded that the most inconsistent regimes in the region are in China, India and Indonesia.

These large economies were also identified as having the most complex tax systems in the region.

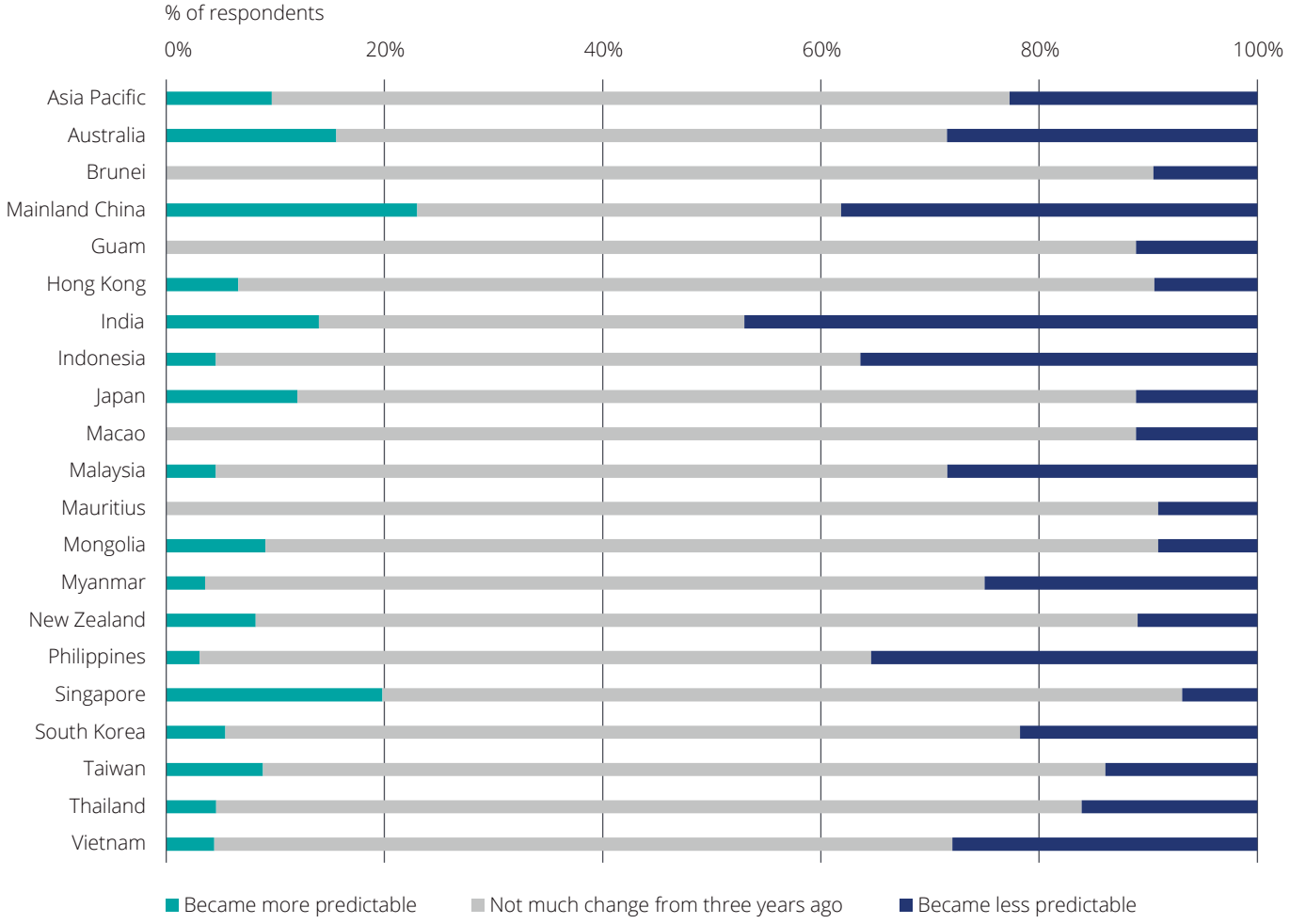
In several jurisdictions, respondents see an opportunity to improve the consistency in how the tax laws are applied through increased training for tax officers.

Tax regimes in India, China and Indonesia have become less predictable

Predictability
"Predictability" refers to the availability of information and resources that allow taxpayers to foresee the direction and potential changes in tax law.

How has the predictability of the tax regime changed in the last three years?

Figure 6. Change in predictability of tax regimes



A larger portion of respondents view that tax regimes in the region have become less predictable (23 percent) in the past three years than those who view them as more predictable (10 percent). The same opinions were also reported three years ago, when this result was driven by respondents' views on India and China becoming less predictable tax jurisdictions. This is to be expected in light of the BEPS initiatives. In fact, given the fast-tracking many of the Asia Pacific countries are undertaking with their BEPS programs to "catch-up", an argument can be made that the region has largely conformed with global expectations.

Meanwhile, most respondents noted that the predictability of the tax regimes in Hong Kong, Singapore, Japan, Thailand and South Korea have not changed much from three years ago. This lack of perceived change is also interesting as these jurisdictions have also not been as active around enacting unilateral BEPS responses.

The jurisdictions where the most respondents perceive the tax regimes as less predictable are India, China and several Southeast Asian countries (Indonesia, Malaysia, Philippines and Vietnam). These are all jurisdictions that continue to go through significant economic and political reforms, while responding to BEPS policies.

As in responses to earlier questions, views are split over the change in predictability in China's tax environment. Companies are having different experiences in China, which may speak to its overall consistency.

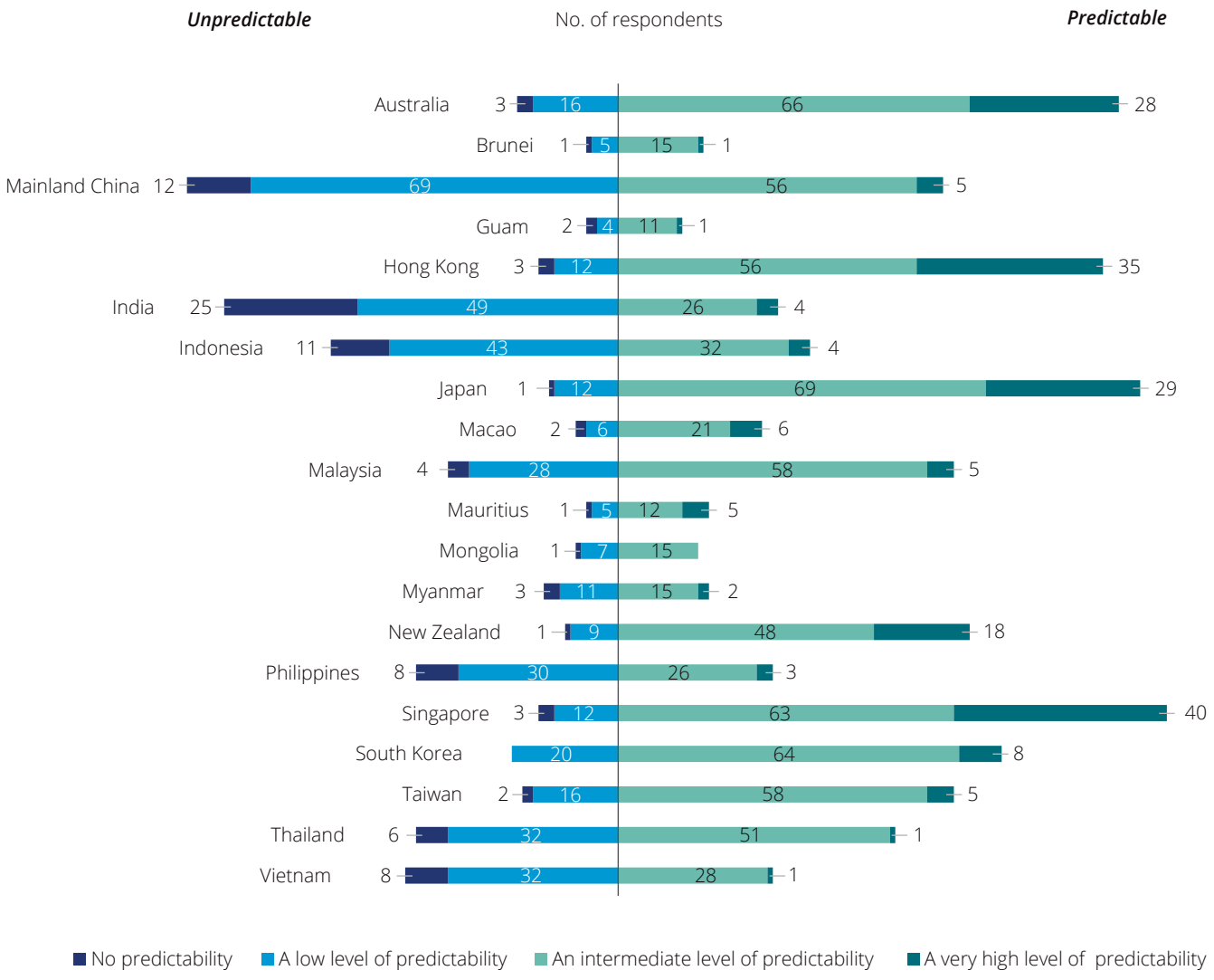
Many also view Singapore's tax regime as being more predictable. The government recently released a report by the Committee on the Future Economy, identifying how to position Singapore for the future. In line with this report, Singapore's 2017 budget contains targeted measures to support businesses investing in technology and innovation, and expanding into international markets.

Given the fast-tracking many of the Asia Pacific countries are undertaking with their BEPS programs to "catch-up", an argument can be made that the region has largely conformed with global expectations.

The most predictable tax environments in the region are in the most developed countries

Predictability
"Predictability" refers to the availability of information and resources that allow taxpayers to foresee the direction and potential changes in tax law.

Please rate the predictability of the tax environment.
Figure 7. Predictability of tax regimes



Developed economies in Asia Pacific, including Singapore, Japan, Australia and Hong Kong, are considered to have very predictable tax environments. Most respondents indicated that these jurisdictions have a very high level of predictability. In contrast, the jurisdictions with the lowest level of predictability are China, India and Indonesia.

The most unpredictable tax environment in the region is in India. The views on India are consistent with those from our 2014 survey, when a large proportion of respondents also noted that India's tax regime has little predictability. It appears that the Indian government still has much to do in terms of signalling the direction it will take in changing the tax laws.

In contrast, China appears to have improved its predictability over the last three years, with more respondents reporting better predictability in China than those who thought the same for both India and Indonesia. There is however a contrast in respondents' views on China; many respondents view the country's tax environment to be predictable, while others view it to be unpredictable.

While there is speculation that Indonesia's new tax laws, anticipated to be introduced in 2018, will incorporate Sharia finance law, there is uncertainty as to other changes. This level of uncertainty may be motivating respondents' views on the lack of predictability in Indonesia.

"The tax environment in China is getting more complex, but its tax rules are quite predictable as the State Administration of Taxation conducts formal and informal consultations, so taxpayers can anticipate any changes before they are implemented."

– Singapore respondent

Australia, New Zealand and Singapore are perceived to have the fairest systems and taxpayers enjoy good relationships with the authorities, while Indonesia is the most challenging

Figure 8. Frequency of tax audits[1], fairness in tax audits[2], confidence in appeal system[2], and relationships with authorities[2]

	Frequency of Tax Audits	Fairness in Tax Audits	Confidence in Appeal System	Relationship with Authorities
Australia	Neutral	High	High	Good
Brunei	Low	Neutral	Neutral	Neutral
Mainland China	High	Low	Low	Neutral
Guam	Low	Neutral	Neutral	Good
Hong Kong	Neutral	High	High	Neutral
India	High	Low	Neutral	Poor
Indonesia	High	Low	Low	Poor
Japan	High	High	Neutral	Good
Macao	Low	High	Neutral	Neutral
Malaysia	Neutral	Neutral	Neutral	Neutral
Mauritius	Low	Neutral	Neutral	Neutral
Mongolia	Neutral	Neutral	Neutral	Neutral
Myanmar	Low	Neutral	Low	Neutral
New Zealand	Neutral	High	High	Good
Philippines	Neutral	Low	Low	Poor
Singapore	Neutral	High	High	Good
South Korea	High	Neutral	Neutral	Neutral
Taiwan	Low	Neutral	Neutral	Neutral
Thailand	Neutral	Neutral	Low	Neutral
Vietnam	Neutral	Low	Low	Neutral

1. Ratings are based on the percentage of respondents indicating their companies were audited in those jurisdictions
2. Ratings are based on a weighted average score from responses

Regionally, respondents view Australia, New Zealand and Singapore to have the fairest tax regimes; respondents also have the highest confidence in these jurisdictions' appeal systems, while enjoying good relationships with the authorities.

"All final tax rulings are expected to take a very long time to settle as the process itself is long-drawn-out."

– India respondent

Indonesia appears to have the most challenging tax environment when it comes to tax audits and disputes. Many companies are being audited and the fairness of the tax audits are questioned. Respondents lack confidence in Indonesia's appeals system and their relationships with the authorities are poor. These views are consistent with those expressed around the complexity and consistency of the Indonesian tax regime. Audits are typically conducted for longer than a year, and the lengthy appeals process can exceed three years, hence, companies often experience a considerable period of uncertainty.

China is noted as having a high level of tax audit activity, and the fairness of these audits and respondents' confidence in the appeal system is rather low. Again, these views may be due to companies seeing different interpretations and application of the country's tax laws.

India also has a high frequency of tax audits, although their fairness is in question. There is a perception that the field officers' approach on tax audits are aggressive and not always aligned with the policy makers' positions. Respondents' relationships with the Indian tax authorities are tenuous. As in the case of China and Indonesia, there appears to be an opportunity for the government to improve the consistency in which tax laws are applied, as well as the general administration of the tax law.

Southeast Asian countries, with the exception of Singapore, generally see many tax audits, though a large number of respondents have lower confidence in the appeal system and view tax audits as unfair. Relationships with the authorities are also an area for improvement, especially in the case of Indonesia and the Philippines.

Japan is also subject to frequent tax audits however the respondents feel that the audits are fair likely due to good relationships with the National Tax Agency officials.

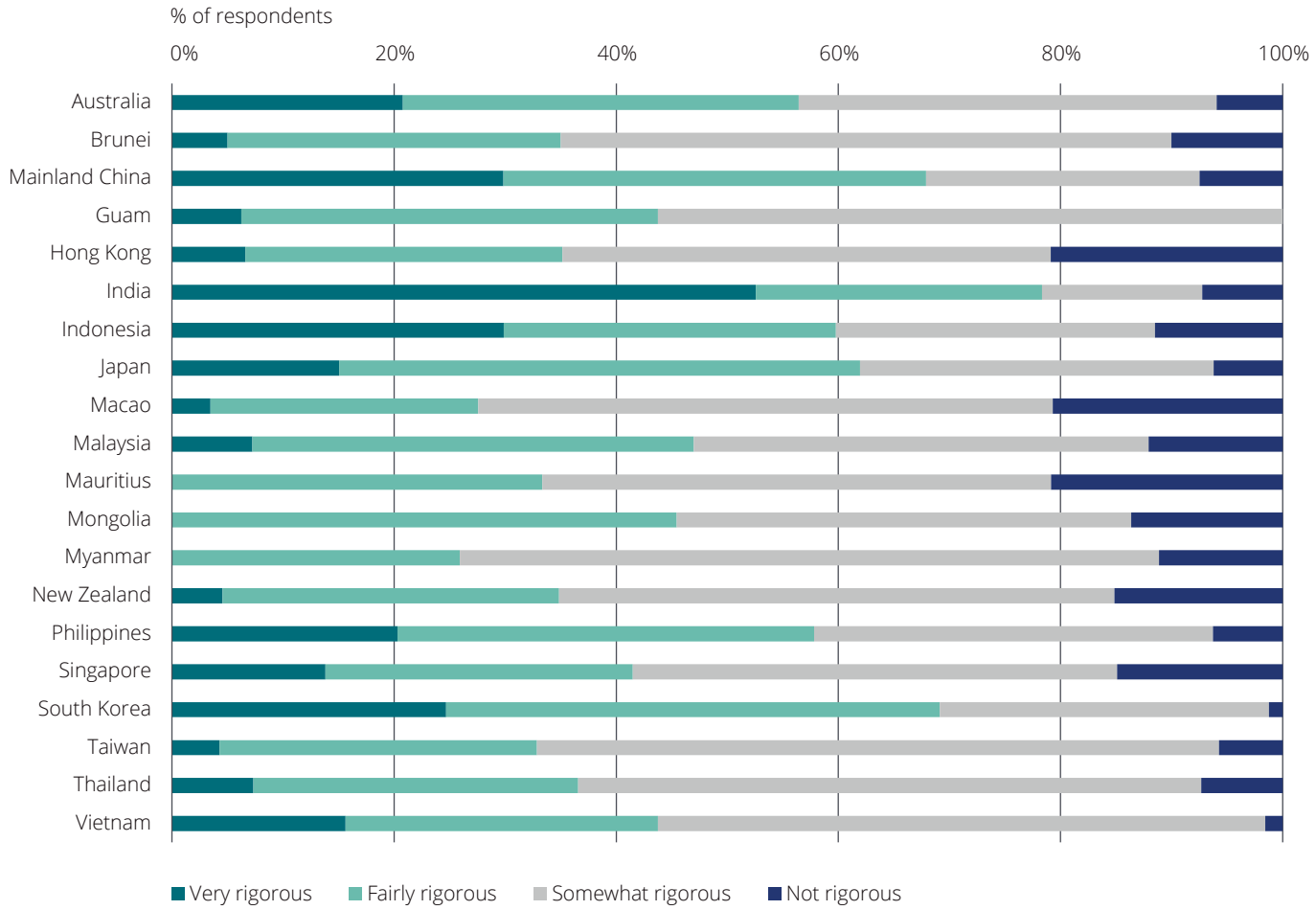
"The Australian Taxation Office is certainly messaging fairness to stakeholders locally and internationally, but a noticeable change has yet to filter down to taxpayers."

– Australia respondent

Most view tax audits in the region to be rigorous

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

Figure 9. Rigorousness of tax audits



"Tax audits continue to be a heavy burden for Japanese taxpayers, particularly because on-site audits are conducted over many days."

– Japan respondent

Generally, tax audits across Asia Pacific are viewed as rigorous.

Consistent with responses from three years ago, many view tax audits in Hong Kong, Macao and Taiwan as not overly rigorous, but almost all respondents view tax audits in South Korea, Vietnam, and Guam to be rigorous.

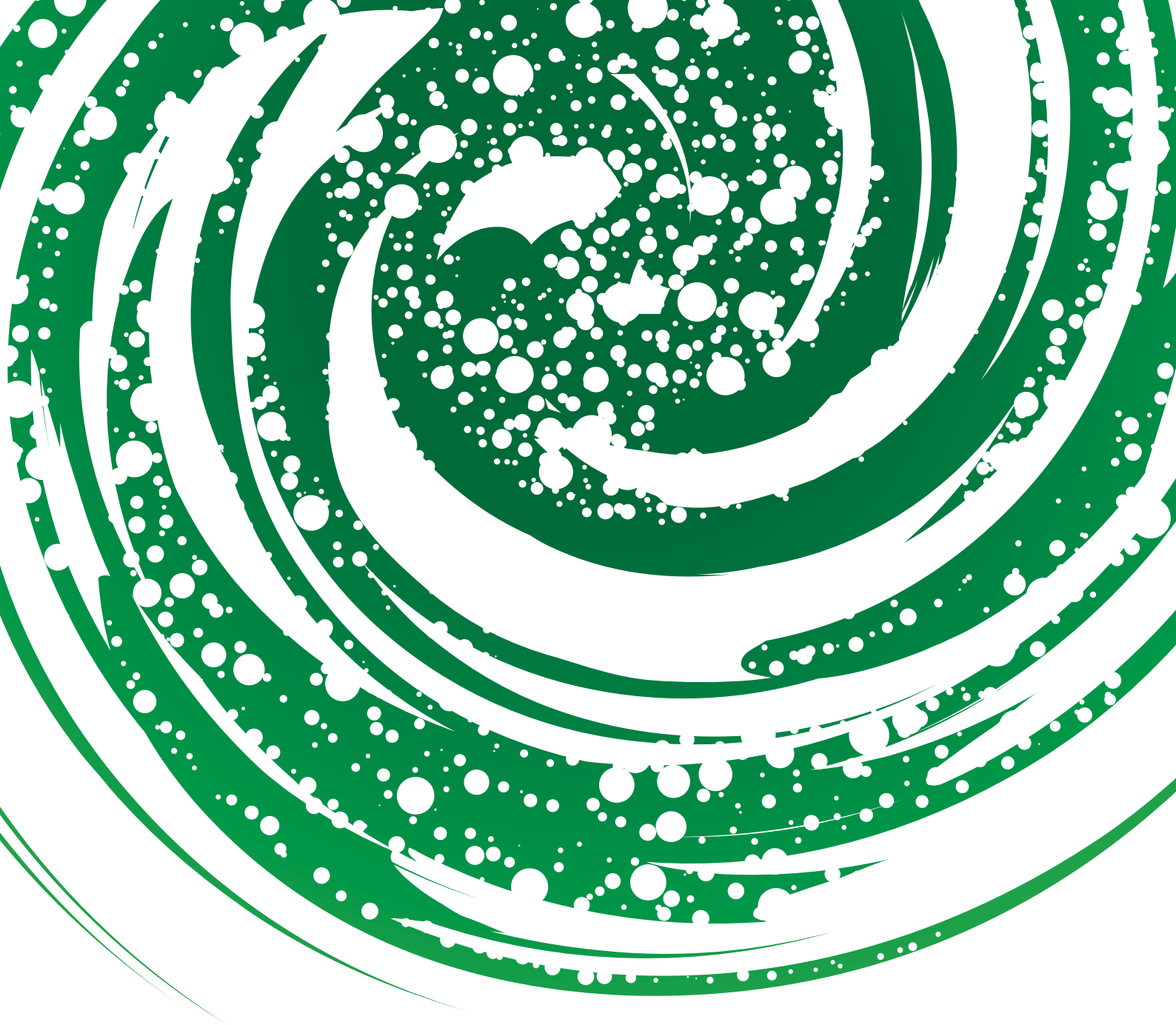
It is worth noting that India, South Korea and China are the jurisdictions where the highest proportion of respondents view tax audits to be fairly or very rigorous.

Across the region, it is expected that the frequency of tax audits and their level of rigor will increase in the more competitive climate as jurisdictions aggressively strive to maintain their share of global tax.

In Korea, large corporations are subject to regular audits given statutes of limitation. Small or medium-sized enterprises are selected as a target based on the degree of faithfulness of tax reporting evaluated by the tax authorities. It appears that target selection is conducted in a non-aggressive fashion, as per the relevant regulations. The winning rate of taxpayers tends to gradually decrease for Tribunal cases relating to domestic taxes, which means that the fairness of tax audits is improving.

"Tax audits in South Korea are very rigorous. Officials carry out tax audits based on a strict mandate to collect additional tax revenue."

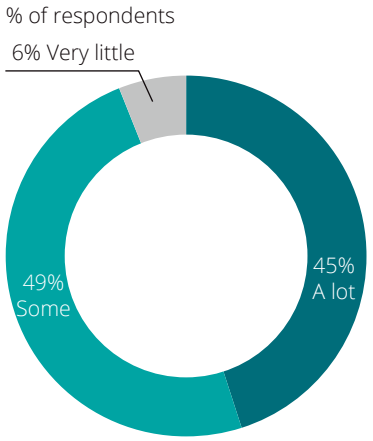
– South Korea respondent



Tax strategy and planning

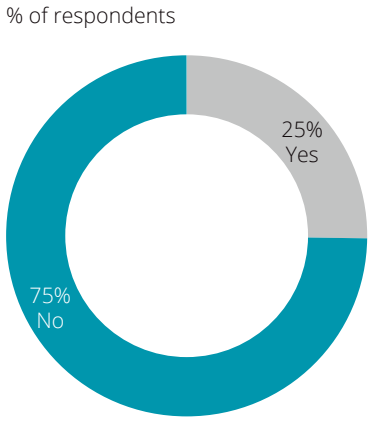
Companies are becoming increasingly conservative in tax planning and remain concerned about reputational risk

How much weight does your company give to reputational risk concerns when considering a tax strategy?
Figure 10. Reputational risk concerns



Over 90 percent of respondents indicated that reputational risk concerns are given at least some consideration in their company's tax strategy. With the ongoing public pressure and negative media coverage of some companies' aggressive tax strategies, it is expected that reputational risk will remain an agenda item as companies, especially large companies, become more conscious to avoid such risk.

Would your company enter into a legal tax planning strategy that might be perceived by some to be aggressive?
Figure 11: Aggressiveness of strategy



At the same time, 75 percent of respondents would not enter into a legal tax planning strategy if it is perceived by some to be aggressive, even if the strategy is legal or the tax law did not specifically consider it illegal. This is a sharp increase from three years ago, when only 40 percent responded the same. Evidently, companies have become much more cautious about tax planning strategies.

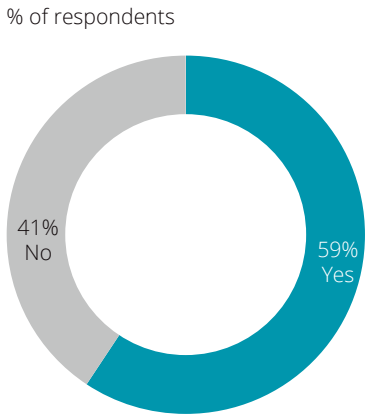
This dramatic shift to a more conservative approach may be due to the results of the BEPS action plans where companies are being asked for increased disclosure on their activities in all jurisdictions in which they operate. Companies may also have to restructure their operations to transition activities to different countries depending on the changes in various countries' tax environment in response to BEPS.

The dramatic shift to a more conservative approach may be due to the results of the BEPS action plans where companies are being asked for increased disclosure on their activities in all jurisdictions in which they operate.

Many executives and boards of directors are more engaged in tax affairs now than in the past

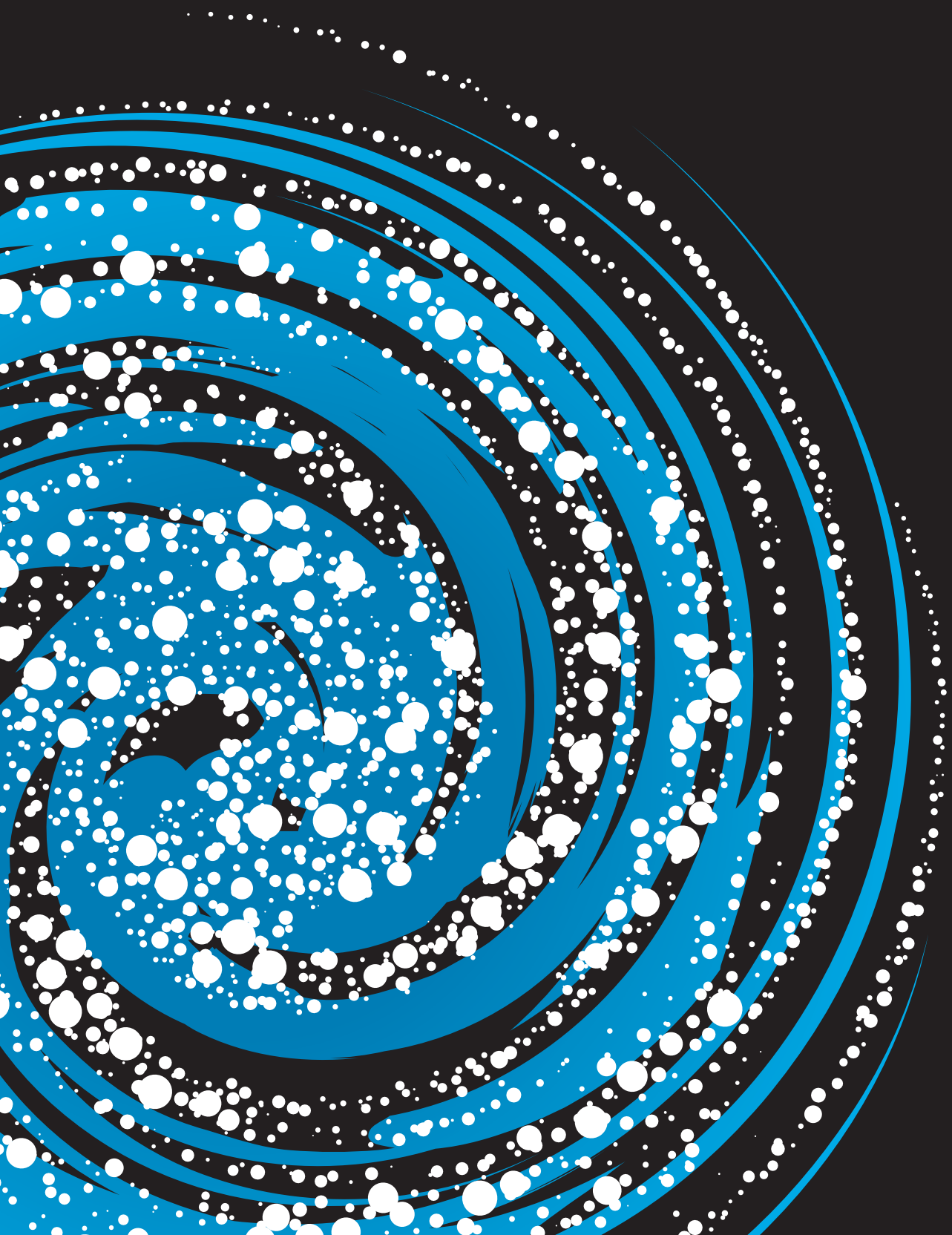
Is your C-suite or board of directors more engaged in tax affairs now than in the past?

Figure 12. Engagement of C-suite or board of directors



Given the rising expectation of tax social responsibility and public attention on the tax affairs of companies, it is not surprising that the majority of respondents indicated their C-suite or board of directors are more engaged in tax affairs now than in the past. However, we see a slight drop in engagement from 65 percent in 2014 to 59 percent in 2017. This may be due to executives temporarily moved onto other key business issues while BEPS action plans and country laws are being implemented in the past three years. Nevertheless, we expect tax social responsibility to become an increasing topic of conversation in the boardroom as new laws are introduced. This is of particular interest as there seems to be far more interest from the C-suite in Asia Pacific than in Europe. In Deloitte's 2015 European Tax Survey, the majority of respondents were not asked by internal stakeholders to justify their tax strategy.

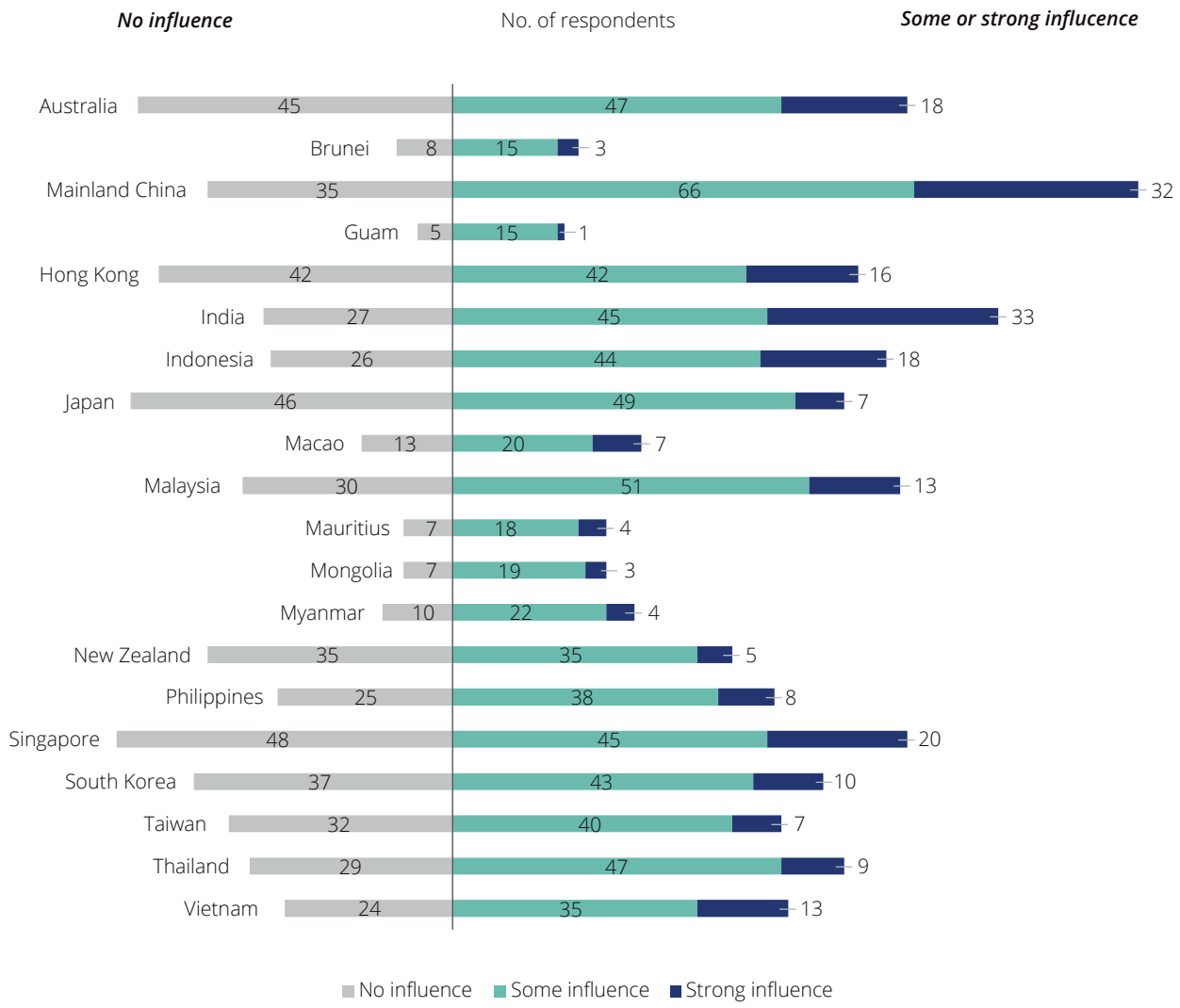
The impact of tax on business



Tax considerations are less important in countries with the most predictable and consistent tax regimes

How has the complexity, consistency or predictability of the following jurisdictions' tax regimes influenced your company's decision to enter into or exit from these jurisdictions?

Figure 13. Tax regimes affecting investment decisions



Across the region, 65 percent of respondents indicated that complexity, consistency or predictability in tax regimes had a strong, or at least some, influence in their companies' decisions to enter into or exit from these jurisdictions.

Tax regimes in developing and emerging economies (India, China, Indonesia, and Malaysia) have the strongest influence in these decisions.

84 percent of respondents consider tax policy to be a high priority or one of the top three considerations in investment decisions.

Unchanged from 2014, the tax regimes in China and India have the strongest influence on companies' investment decisions. In India, the current system for dispute resolution system is time-consuming and offers little certainty. Some view that the tax environment would be more attractive to investors if an efficient advance ruling scheme was in place for corporate tax, similar to the advance pricing agreement in place where there is an agreement between the taxpayer and the tax authority on the pricing of future intercompany transactions.

Tax policy is generally an important consideration in investment decisions, with 84 percent of respondents considering it a high priority or one of the top three criteria in investment decisions. In many jurisdictions, there are other non-tax considerations that are also important in driving these decisions. For instance, the challenge of moving money out of China and the language barriers in China, Japan and Korea are some inevitable considerations for foreign investors.

With the public paying increasing attention to companies' tax responsibility in the jurisdictions in which they operate, tax matters could require significant management time and resources. It is particularly important for jurisdictions like Hong Kong and Singapore since they don't have a natural consumer base or other factors to attract investment. Within Japan's administration, there are also a significant number of officials that understand that, a positive change to the local tax regime is needed to affect investment decisions within the region.

Tax policy is of particular importance for jurisdictions like Hong Kong and Singapore since they don't have a natural consumer base or other factors to attract investment.

Predictability is now the key factor

Predictability has been ranked as the most important factor in business decision-making, followed by consistency. Complexity appears to be the least important factor.

Since the inaugural survey in 2010, respondents' views of the most important factor in business decision-making have evolved. In 2010, the majority agreed low complexity and high predictability were the most important; in 2014, high consistency in the tax environment was overwhelmingly identified as the most critical factor. Now, predictability in the tax environment is the most important, albeit with consistency still a crucial consideration. Low complexity has become the least important of the three factors.

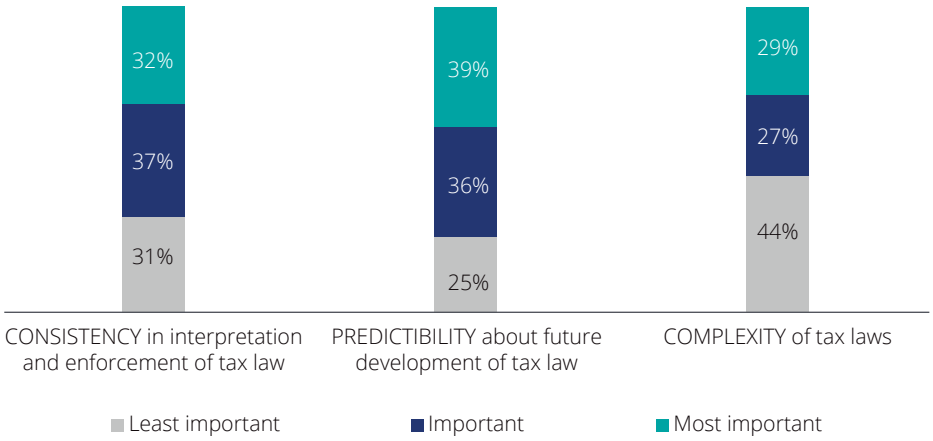
Predictability is a significant consideration, perhaps due to increased foreign investment flowing into the region's developing countries as compared to in the past. As such, companies will be seeking a measure of stability in these countries' tax environments as investments in these jurisdictions are evaluated.

Evolution from consistency and predictability is likely due to BEPS. Taxpayers are concerned about the upcoming changes and want to know what to expect.

Rank the following in the order of importance to your business decision-making.

Figure 14. Factors important in business decision-making

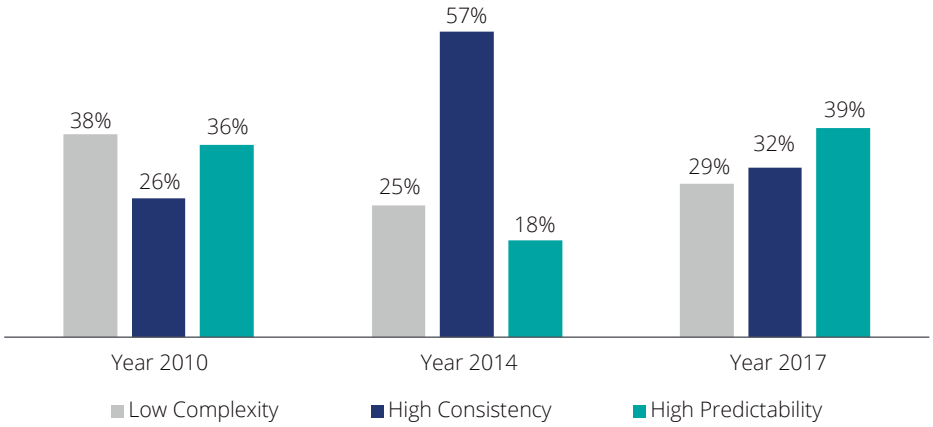
% of respondents



Since the inaugural survey in 2010, respondents' views of the factors important in business decision-making have evolved.

Figure 15: Comparison of change in factors important in business decision making (2010, 2014, 2017)

% of respondents

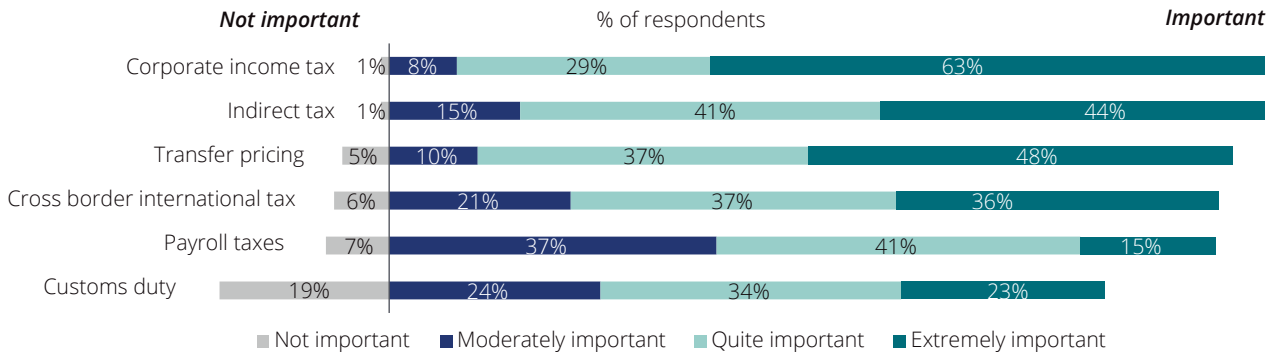


"In terms of the order of importance to business decision-making, my priority is first predictability, then consistency and complexity.

– China respondent

Corporate income tax and indirect tax are most important

How important are the following taxation areas to your company's business?
Figure 16: Important tax areas



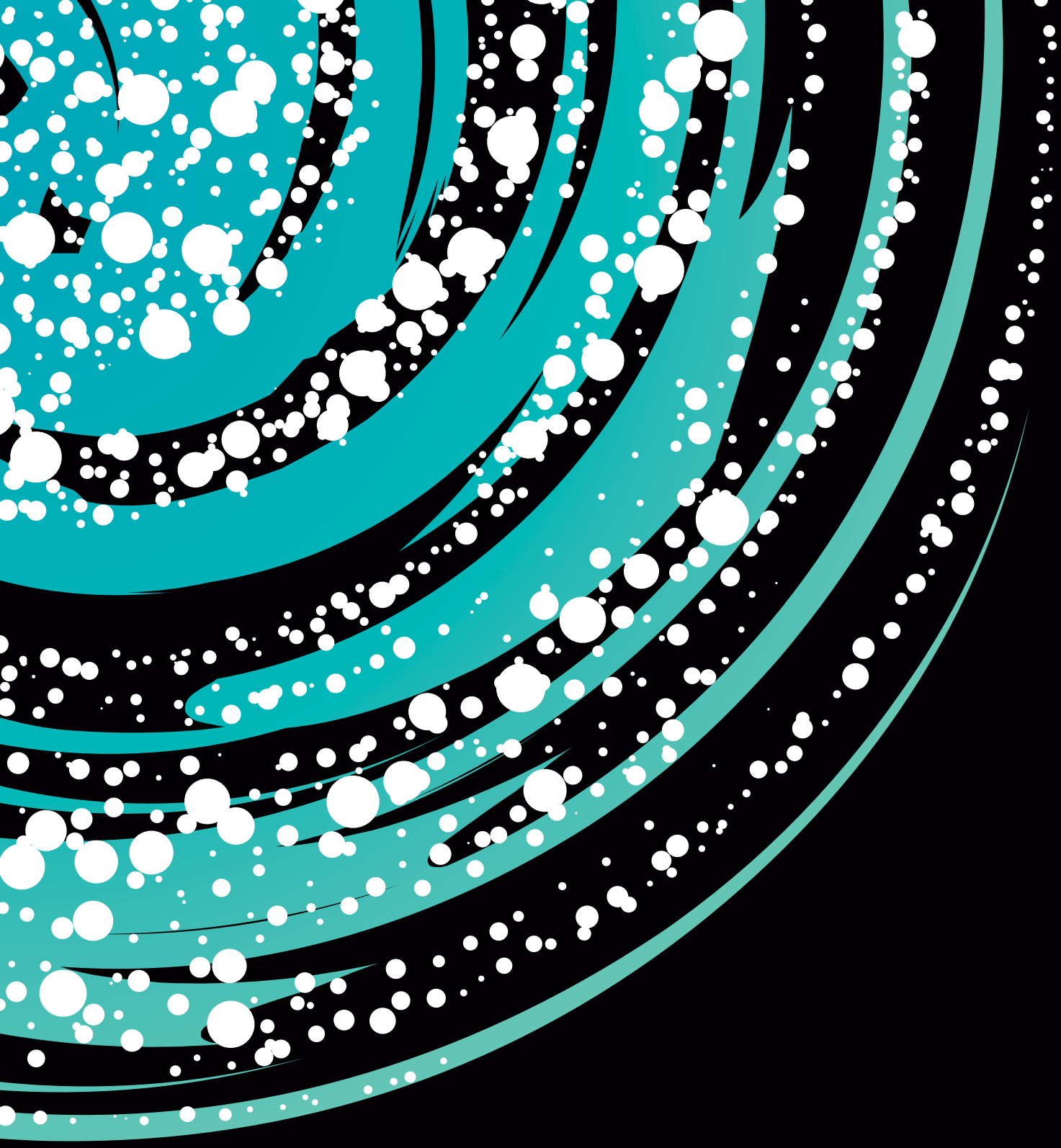
"We are expecting more tax challenges in local tax audits, transfer pricing issues, and cross border payments."

– Singapore respondent

Corporate income tax, indirect tax and transfer pricing are the most important to businesses, which is not surprising given that corporate income tax and indirect tax account for the most tax revenue collected in many jurisdictions, and these represent the largest tax expenditures for companies in many tax jurisdictions. Transfer pricing has increased in importance because of the new onerous country by country reporting requirements and the impact that will have on tax departments and businesses.

Many respondents, however, view customs duty as less important, possibly because customs duty is an element of the cost of goods rather than part of a company's tax liability. As such, companies may not "feel" the impact of customs duty to the same as extent as that of corporate tax liabilities. Additionally, customs duty affects operations, but this tax does not typically drive structuring decisions in the way that corporate taxes would.

These opinions are consistent with the results from three years ago.



Outlook

Companies will devote considerably more tax management resources to China and India

In which jurisdictions do you envision your company will spend more time and resources on tax management in the next three years?

Figure 17. Jurisdictions requiring more time and resources

% of respondents

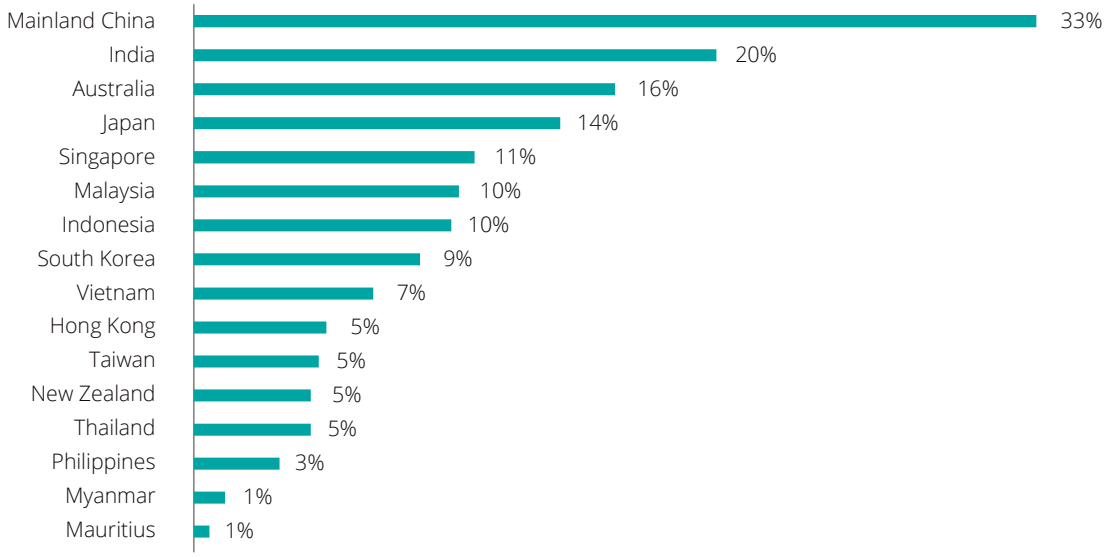


Figure 18. Jurisdictions requiring the most time and resources on tax management

	2010	2014	2017
1	China	China	China
2	India	India	India
3	Japan	Indonesia	Australia
4	Singapore	Australia	Japan
5	South Korea	Guam	Singapore

It is no surprise that the jurisdictions in which many companies will spend the most time and resources on tax management will be the largest economies in the region: China, India, Australia, Japan, and Singapore.

As was the case three years ago, China and India top the list. However, Indonesia has dropped below Australia, Japan and its Southeast Asian neighbors, Singapore and Malaysia. In 2014, perhaps it was a time when opportunities were emerging

There appears to be a renewed emphasis on the larger economies in Asia Pacific vis-à-vis the smaller jurisdictions that were a higher priority in 2014.

in smaller, frontier territories; Guam, Mongolia and Myanmar were higher priorities than Singapore or Japan.

This year, as in the inaugural survey in 2010, Japan and Singapore reappeared in the top five jurisdictions in which respondents expect to dedicate more time and resources. There appears to be a renewed emphasis on the larger economies in Asia Pacific vis-à-vis the smaller jurisdictions that were a higher priority in 2014. Singapore's higher ranking in 2017 may be because it is a jurisdiction with many headquarters generating significant inter-company flows and, hence, Singapore would require greater oversight by multinationals.

Australia remains in the top five jurisdictions where respondents expect to spend more tax management time and resources. Significant changes are expected in Australia's tax environment in the coming years. First, the diverted profits tax (DPT) that will become effective in mid-2017 will be an issue requiring consideration for many multinationals, since the DPT will likely result in further uncertainty as to appropriate income tax and transfer pricing outcomes. Second, the Australian government intends to sign the Multilateral Instrument to effect BEPS-related tax treaty changes. Given the significant level of new laws and the areas of focus, tax controversy relating to international tax and transfer pricing will likely increase in the next few years.

Surprisingly, Japan has moved up in priority compared with three years ago, jumping from the tenth spot in 2014 to the fourth spot in 2017. After 10 years of economic stagnation, Japan's economy is showing signs of recovery, so there may be a renewed interest in investment in the country. Increased inbound investment is also expected in the years leading up to 2020 when the Olympics will be held in Tokyo. Changes in the taxation of expatriate personnel seconded to Japan continues to evolve rapidly, and companies will continue to have to pay attention to the tax situation of their management personnel.

"Regionally, we will spend more time and resources on tax management in China and India. "

– Indonesia respondent

The most popular approach to managing tax affairs and risks will be to strengthen relationships with the authorities

As a company, how do you plan to manage your tax affairs and tax risks?
Figure 19. Approaches to managing tax

	Top responses
In current plans	Strengthen relationships with government authorities
Would like to do if budget is available	Increase outsourcing budget for tax consulting & compliance
Unlikely	Form coalition with industry peers to lobby or form tax working groups Implement tax ERP on analytics systems

Most respondents plan to manage their tax affairs and associated risks in the foreseeable future by strengthening relationships with government authorities.

The most unlikely way for respondents to manage tax affairs and tax risks will be to form a coalition with industry peers or to implement a tax enterprise resource planning (ERP) on analytics systems. Interestingly, three years ago, a large proportion of respondents planned to manage tax affairs by implementing a tax-risk management system. This year's result is somewhat surprising as there is a trend in companies searching for technology to support tax processes. Many companies are investigating how technology can enhance existing processes, specifically, how tax-specific data can be efficiently extracted from ERP systems. Systems can generate analytics, however, there is still uncertainty as to which data should be included and what types of analytic reports are needed.

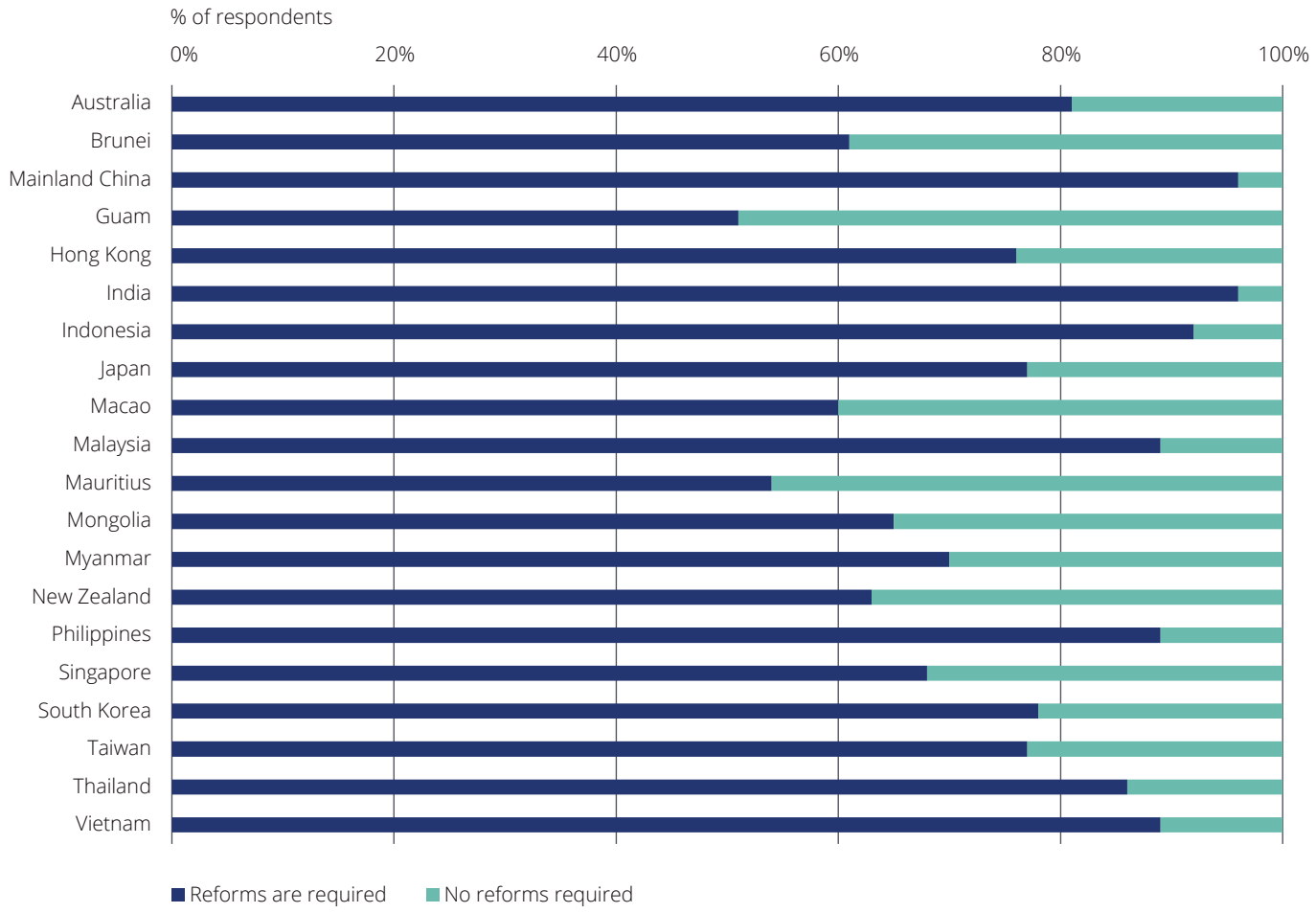
We expect technology to play a more prominent role in the coming years in supporting tax processes as the kinds of insights that can be gained from tax data become clearer.

Due to the unpredictable tax environments in many key jurisdictions in Asia Pacific, it is not surprising that most respondents plan to strengthen their relationships with the authorities in an effort to better manage tax affairs and mitigate risk.

Three years ago outsourcing tax consulting and compliance was the most popular way to manage tax if a budget was available. Outsourcing is now in second place, indicating that it still is on the wish list for tax practitioners in the region, provided budget is available.

Regionally, the adoption of BEPS recommendations is viewed as the most critical reform

In which of the following Asia Pacific tax jurisdictions would you like to see reform?
Figure 20. Jurisdictions which require tax reforms



While we know various reforms are underway, the overwhelming majority of respondents (more than 90 percent) indicate that reforms are needed in China, India and Indonesia. Over 80 percent of respondents agree that many Southeast Asia countries (Malaysia, the Philippines, Thailand and Vietnam) are in need of reform. Developing economies are not alone in this area; a large proportion of respondents also identified Australia as a jurisdiction requiring tax reform.

In which of the following Asia Pacific tax jurisdictions would you like to see reform in the specified areas?

Figure 21. Areas of tax reforms

	Reforms					
	Tax Officer Training	Timeliness & Quality of Tax Audits	Public Consultation in Tax Policy Making	Adoption of BEPS Recommendations	Transparency in Tax Statistics	Implementation of Binding Tax Rulings
Australia			✓	✓		
Brunei*		✓	✓	✓	✓	
Mainland China		✓			✓	
Guam				✓	✓	
Hong Kong				✓	✓	
India		✓		✓		
Indonesia	✓	✓				
Japan		✓	✓			
Macao			✓		✓	
Malaysia	✓			✓		
Mauritius*			✓	✓		✓
Mongolia*		✓	✓	✓	✓	
Myanmar	✓			✓		
New Zealand				✓	✓	
Philippines	✓			✓		
Singapore				✓	✓	
South Korea		✓	✓			
Taiwan	✓			✓		
Thailand	✓			✓		
Vietnam	✓	✓				

✓ Identified as top two priority areas for tax reform

* Due to the low number of respondents for the smaller jurisdictions, three or four reforms are identified as top priorities

In general, tax authorities would need to start planning for training and enforcement in light of new international development such as BEPS and domestic laws and regulations in order to administer and implement them effectively.

Across the region, the adoption of BEPS recommendations is the most commonly cited reform needed. This represents a change from the 2014 survey results when tax officer training was the top priority. This is likely due to the current focus on getting the rules right and then subsequently training the tax officers on the new rules. Timeliness, the quality of tax audits and transparency in tax statistics are also considered important by the respondents in many jurisdictions. It is likely that after the implementation of BEPS measures, tax officer training will again resurface as the top priority, especially in light of any new rules.

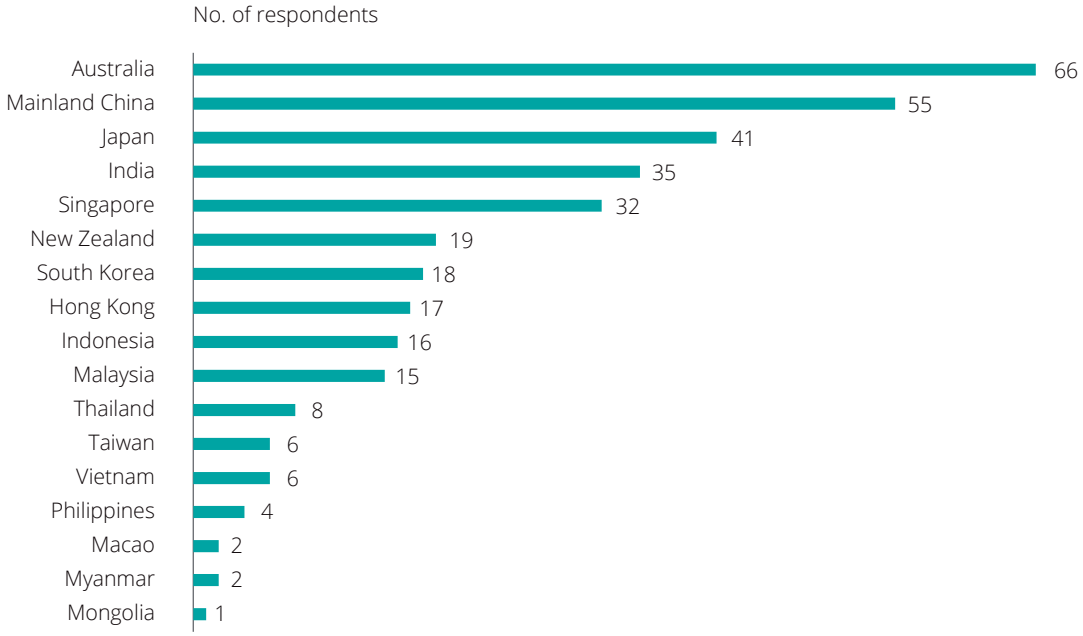
At the jurisdiction level, there are some differences in the respondents' views. Timeliness and quality of tax audits is an important reform for China, India and Indonesia. However, in China, transparency in tax statistics is a top priority, whereas in India, many felt the adoption of BEPS recommendations is critical. Across Southeast Asia (except in Singapore), tax officer training is viewed as priority.

In Japan, the companies are well on their way in completing the first year drafts of BEPS Action 13 work, and tax authorities are also set on documentation. After the planned new Anti-Tax Haven (CFC) Rules this year, the next large focus area for the authorities will be BEPS Actions 8-10, i.e., the proper attribution of income to risk and intangibles related activities.

Tax social responsibility considerations will have an increasing impact on how tax is managed, particularly in Australia and China

Which jurisdiction(s) do you think would likely engage in the tax social responsibility debate in the near future (over the next one to three years)?

Figure 22. Tax social responsibility



Note: Excludes jurisdictions for which there were no responses

When asked whether tax social responsibility considerations have led them to modify how tax is managed, 99 percent of respondents agreed they had. This is a stark increase from three years ago when only 32 percent indicated these considerations impacted tax management. This year's response is not surprising given the increased public attention and front page headlines highlighting perceived instances of when companies failed to pay their fair share of tax. This debate is expected to continue, especially in the larger jurisdictions in the region.

Australia, China, Japan and India are considered the most likely tax regimes to engage in the tax social responsibility debate in the near future.

The debate of tax social responsibility is expected to continue, especially in the large jurisdictions in the region.

There is significant concern about the BEPS initiative and the resulting impact on how multinationals are taxed

Figure 23. How concerned are you about the OECD BEPS initiative?

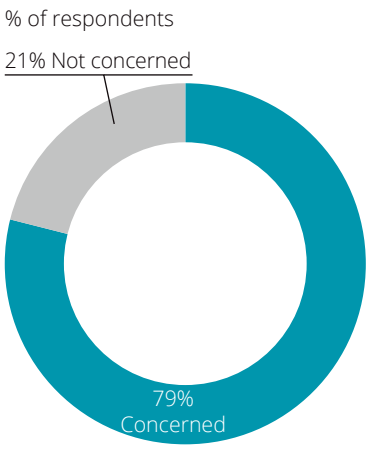
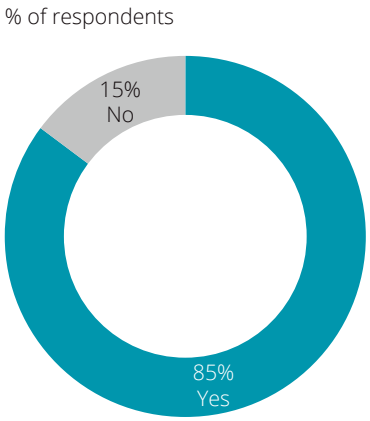


Figure 24: Do you think that the BEPS initiative will result in a significant change in how multinationals are taxed around the world?



"We welcome the standardization of administrative practices under BEPS, even though processes will become more complicated."

– Japan respondent

Since the final reports on the BEPS actions were released in October 2015, companies have been watching the responses of the governments in Asia Pacific countries to the OCED recommendations; companies are assessing the impact of potential changes to tax laws, and taking steps to ensure compliance where new rules have been implemented.

As the full extent of the BEPS recommendations are now more fully understood, almost 80 percent of respondents expressed concern about the implementation of BEPS-related measures. This is a significant increase from three years ago, when only 60 percent of respondents indicated they were concerned about this initiative; at that time, the draft reports under the BEPS project were still being released so there was not as much clarity about the implications of the project that now exists.

Some respondents' concerns may arise from an expectation of increased compliance and documentation burdens, particularly with respect to transfer pricing disclosure and country-by-country (CbC) reporting.

As expected, the majority of respondents believe BEPS will significantly alter how multinationals will be taxed around the world.

In Asia Pacific, nearly all major countries have their eye on BEPS and will be adapting their tax rules to ensure their jurisdictions are in compliance with the new standards. Most Asia Pacific countries expect to release new guidelines arising from BEPS in 2017 or 2018.

We expect Hong Kong and Singapore to be proactive in designing BEPS compliant regimes to attract foreign investment and uphold their reputations as investment hubs in Asia.

"We are expecting the Inland Revenue Authority of Singapore (IRAS) to closely monitor and follow many of the BEPS measures. It will certainly increase our tax compliance burden."

– Singapore respondent

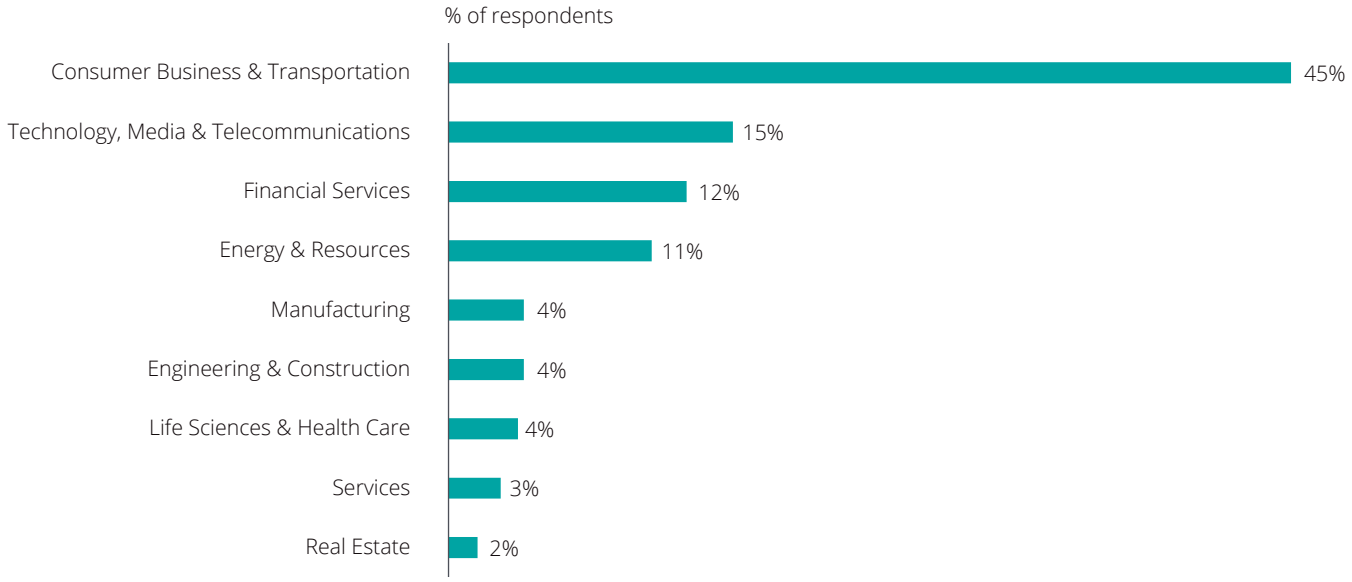
Appendix I: Respondent profile

In the 2017 Tax Complexity survey, there were 331 respondents across the Asia Pacific region. Surveys were distributed electronically and could be completed on an anonymous basis. The survey was conducted during the period December 2016 to January 2017.

Industries

In which industry is your company primarily engaged?

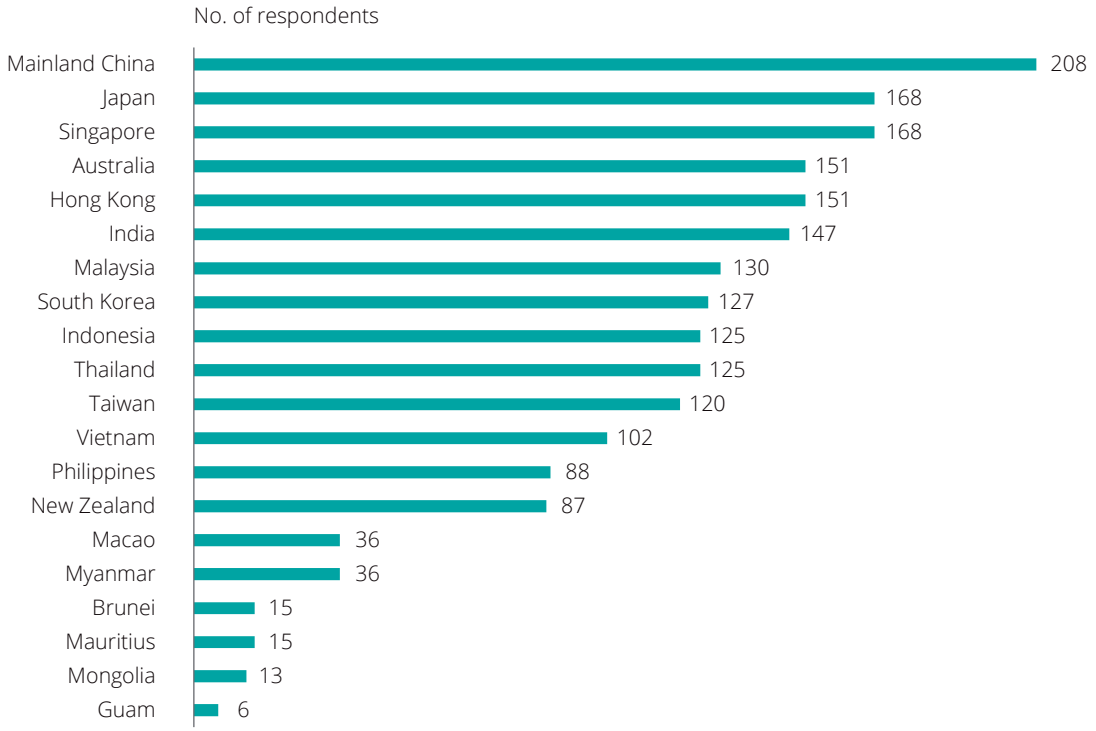
Figure 25. Respondents' industry



Jurisdictions

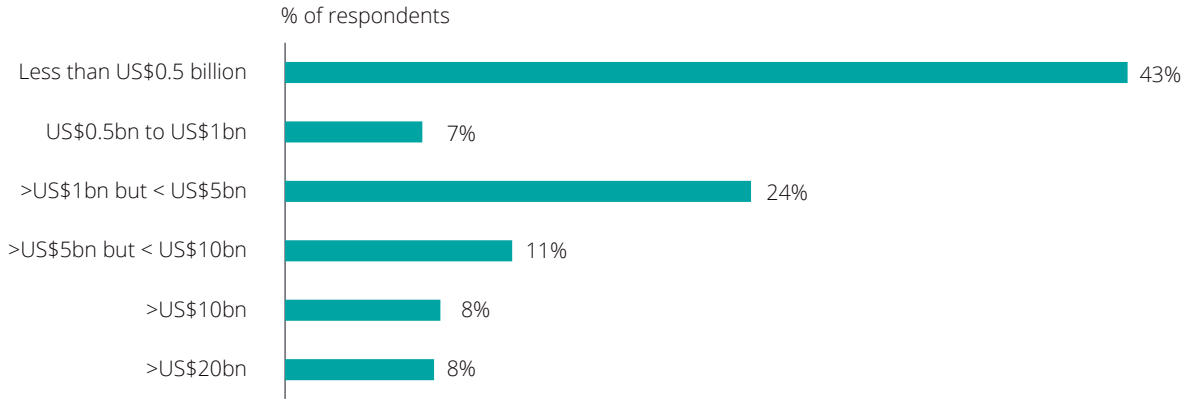
Please indicate the Asia Pacific jurisdictions in which your company has business operations.

Figure 26. Jurisdictions of business operations

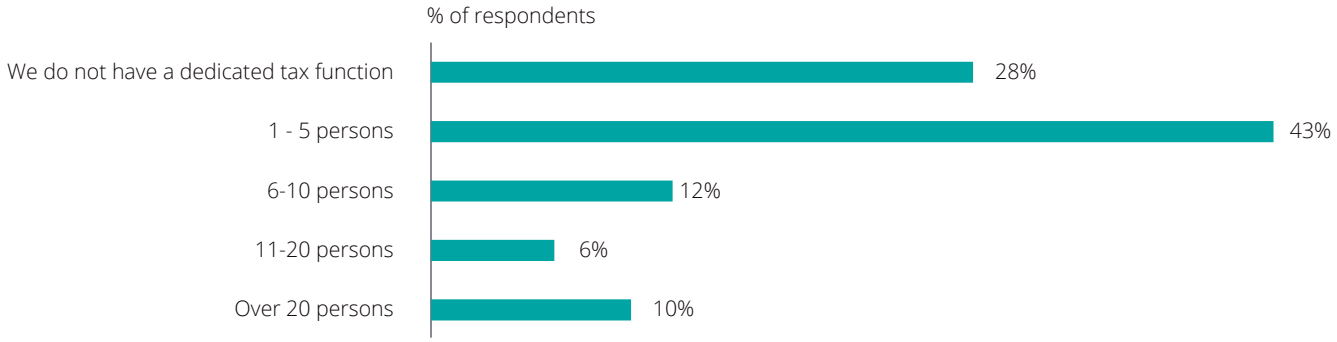


Company and tax department size

What is the size of your company in terms of gross revenue in Asia Pacific?
Figure 27. Gross revenue



What is the size of your company's tax department in Asia Pacific?
Figure 28: Tax department



Appendix II: Tax rates in Asia Pacific jurisdictions

Income tax and Capital gains tax rates*

***Highest statutory rate**

Updated March 2017

Jurisdiction	For Corporation		For Individual	
	Income tax	Capital gains tax	Income tax	Capital gains tax
Australia	30%	30% Note 1	45%	45% Note 2
Brunei	18.5% Note 3	No	0%	No
Mainland China	25%	Note 4	45%	Note 5
Guam	35%	35%	39.6%	20%
Hong Kong	16.5%	No	15%	No
India	30% Note 6	40% Note 7	30% Note 6	30% Note 7
Indonesia	25%	25% Note 8	30%	30% Note 9
Japan	23.4% Note 10	23.4% Note 10	45% Note 11	45% Note 11 & 12
Macao	12%	Note 13	12%	No
Malaysia	24%	Note 14	28%	Note 14
Mauritius	15%	No	15%	No
Mongolia	25%	25%	10%	10%
Myanmar	25%	10%	25%	10%
New Zealand	28%	Note 15	33%	Note 15
Philippines	30%	30%	32%	32%
Singapore	17%	Note 16	22%	Note 16
South Korea	24.2%	24.2% Note 17	44%	Varied Note 18
Taiwan	17%	17% Note 19	45%	45% Note 19
Thailand	20%	20%	35%	35%
Vietnam	20% Note 20	20%	35%	20%

Note:

1. Assessable income includes any capital gains after offsetting capital losses. Net capital gains derived by companies are taxed at the 30% corporate rate.
2. Net capital gains derived from the disposal of assets acquired after 19 September 1985 are included in assessable income. Capital gains tax discount applies.
3. Rate for oil and gas companies is 55%.
4. Gains and losses from the transfer of assets generally are combined with other operating income and taxed at the applicable enterprise income tax rate.
5. Net gains from the sale of property are subject to tax at a rate of 20%. Exemption applies.
6. Surcharge and cess applicable. 30% for domestic companies and 40% for foreign companies and branch of foreign companies.
7. 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). Surcharge and cess applicable.
8. Certain transactions are taxed under a special regime (e.g. income from disposals of land and/or buildings).
9. Certain transactions are taxed under a special regime (e.g. income from disposals of land and/or buildings, gains on shares listed, etc.)
10. Local inhabitant tax and local enterprise tax applicable.
11. 0.945% of restoration surtax applicable.
12. Rates vary for capital gains from real estate and securities, depending on the nature of gains and holding period.
13. Capital gain is treated as income of company and is subject to complementary tax (euqiv. profit tax).
14. Capital gains are not taxed in Malaysia, except for gains derived from disposal of real property or on the sale of shares in a real property company. The rate is up to 30%, depending on holding period.
15. New Zealand does not have a general capital gains tax. Certain capital gains are taxed under specific tax rules.
16. 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 applicable to the transaction giving rise to the gain.
17. 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.
18. Capital gains are taxed separately, with the rate depending on the type of asset, holding period, etc.
19. Certain transactions are taxed under a special regime (e.g. income from disposals of land and/or buildings, gains on the shares listed etc.).
20. Rate applicable to enterprises operating in oil and gas and natural gas resource sector is 32% - 55%, depending on project.

Withholding tax rates*

***Rates applied to payment to nonresidents and may be reduced under provision of applicable tax treaties.**
Updated March 2017

Jurisdiction	Dividends	Interest	Royalties	Notes
Australia	0% / 30%	10%	30%	
Brunei	0%	15%	10%	
Mainland China	10%	10%	10%	
Guam	30%	30%	30%	
Hong Kong	0%	0%	4.95% / 16.5%	
India	0%	5% / 20% / 30% / 40%	10%	Rates are exclusive of applicable surcharge and cess. Dividend paid by a domestic company are subject to dividend distribution tax (DDT) at 20.36%.
Indonesia	20%	20%	20%	
Japan	20%	15% / 20%	20%	Surtax of 2.1% also applies.
Macao	0%	0%	0%	
Malaysia	0%	0% / 15%	10%	
Mauritius	0%	0% / 15%	0% / 15%	
Mongolia	20%	20%	20%	
Myanmar	0%	15%	20%	
New Zealand	0% / 15% / 30%	15%	15%	
Philippines	15% / 30%	20%	30%	
Singapore	0%	0% / 15%	0% / 10%	
South Korea	20%	14% / 20%	20%	10% local surcharge also applies, resulting in an effective rate of 22% (and 15.4% for certain interest).
Taiwan	20%	15% / 20%	20%	
Thailand	10%	0% / 10% / 15%	15%	
Vietnam	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.

Other taxes (GST / VAT, Payroll tax, Social security, Real property tax)

Updated March 2017

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax
Australia	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 individual.	Stamp duty under land transfers. Most states/territories also levy land tax at rates up to 3.75%. Land tax surcharge may also apply.
Brunei	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.
Mainland China	VAT - 17%, 13%, 11% and 6% for general taxpayers depending on the type of transactions; 3% levy rate for small-scale taxpayers while no VAT input is allowed to be credited.	No	Both employer and employees 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; or 12% on property rental income (only levied in cities, county towns, state designated townships and industrial and mining areas).
Guam	VAT - 4%	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.
Hong Kong	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.	5% of the ratable value which is the estimated annual rental value of a property.
India	Rates vary between states.	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.

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax
Indonesia	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 no more than 3% of the estimated sales value of the property.
Japan	VAT - 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 16.248% and 15.446%, respectively.	The municipal fixed assets levy is assessed at an annual rate of 1.4%. Real estate acquisitions tax and Real estate registration tax also apply.
Macao	No	No	The employer and resident employee must pay into the social security contribution fund (FSS). The employer contributes MOP 60 per month for each Macao resident employee, and the employee pays MOP 30 per month.	10% on actual rental income for leased property. 6% on official ratable value for self-used property.
Malaysia	GST - 6%	Tax on employment income is withheld by the employer under a PAYE (pay-as-you-earn) scheme and remitted to the tax authorities.	Both the employer and employee are required to make contributions to the Social Security Organisation (SOCSO), and contribute to the Employees Provident Fund (EPF) at a rate of 12%/13% and 11% of the employee's remuneration, respectively.	Individual states in Malaysia levy "quit" rent and assessments at varying rates.
Mauritius	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
Mongolia	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 11% to 13% of an employee's gross income. Social security is corporate tax deductible. Employee's contribution is 10%, with a monthly cap of MNT 192,000.	0.6% to 1% of the value of the property.

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax
Myanmar	GST - Goods 5% to 100%; 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
New Zealand	GST - 15%	No	An employer may be required to contribute a percentage of an employee's gross salary or wages to the KiwiSaver superannuation scheme, for employees that have opted into the scheme.	Local authorities charge rates on land based on the official valuation of the land. The rates vary considerably from one locality to another.
Philippines	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%.
Singapore	GST - 7%	No	Employer's statutory contribution rate to the Central Provident Fund (CPF) is up to 17%, employee's statutory contribute rate is up to 20%.	Property taxes are progressive up to 20%. 20% represents the highest marginal rate and applies to non-owner occupied residential properties. Lower rates are applicable to owner occupied residential properties.
South Korea	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.	0.24% to 0.6% depending on the type of property. Real estate, such as land or residential buildings is subject to the comprehensive real estate tax in addition to the local property tax.

Jurisdiction	GST / VAT	Payroll tax	Social security	Real property tax
Taiwan	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.	Land Value Tax and Land Value Incremental Tax - 1% to 5.5%, or special rates for Land value tax (LVT). 20% to 40%, or special privileged rates for Land value incremental tax (LVIT). Real Property Tax - Under the tax regime that applies to the sale of real estate (including land and houses) acquired after 1 January 2016, resident companies are subject to corporate income tax (17%) on capital gains from the sale of real estate. Nonresidents (including companies and individuals) will be subject to a 45% income tax on capital gains from the sale of real estate that has been held for less than one year, or 35% if the property has been held for more than one year. The incremental net value of the real estate sold still will be subject to LVIT, but the incremental net value of the land can be deducted from the taxable capital gains when calculating the tax.
Thailand	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.	12.5% with certain exemptions.
Vietnam	VAT - 10%	No	Employer contribution: Social insurance (SI) 18%, 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.

Other taxes (Unemployment tax, inheritance tax & Gift tax, Stamp duty, Alternative minimum tax)

Updated March 2017

Jurisdiction	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes
Australia	No	No	Up to 5.75%, rates vary depending on the state/territory and class of business property transferred. Extra stamp duty is imposed in some states.	No	No
Brunei	No	No	Fixed or ad valorem rates on various business documents.	No	No
Mainland China	No	No	0.005% to 0.1%, depending on the type of dutiable contracts or documents.	No	No
Guam	No	No	No	20 to 28%	Use Tax – 4% assessed upon importation of tangible property not for resale.
Hong Kong	No	No	0.2% to 20%, depending on the type of documents and transactions.	No	No
India	No	No	Stamp duties are levied under the Indian Stamp Act and the stamp acts of the various states (with rates varying significantly between states).	18.5% plus any applicable surcharge and cess on the adjusted book profits of corporations whose tax liability is less than 18.5% of their book profits. Exemptions apply.	Service tax – 15%.
Indonesia	No	No	Certain documents are subject to stamp duty at a nominal amount of IDR 3,000 or IDR 6,000.	No	No
Japan	1.1%	10% to 55%	JPY 200 to JPY 600,000 on the execution of taxable documents.	No	No

Jurisdiction	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes
Macao	No	No	0.2% to 5%, depending on the type of transaction.	No	Gaming Tax - A special tax for licensed gaming operator that runs casino in Macao. Tourism Tax - Applies to a company running tourism businesses and is charged to customers, such as hotels, restaurants, bar or fitness clubs, etc.
Malaysia	No	No	1% to 3% of the value of property transfers. 0.3% on share transaction documents.	A Labuan company carrying on a Labuan business activity may elect to pay a fixed amount of MYR 20,000, or to be taxed at 3% of the audited accounting profit.	No
Mauritius	No	No	No	No	No
Mongolia	No	No	Stamp duty refers to government service fee and is imposed at various rates.	No	Customs duty and excise tax.
Myanmar	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 (5%-60%).
New Zealand	No	No	No	No	No

Jurisdiction	Unemployment tax	Inheritance tax & Gift tax	Stamp duty	Alternative minimum tax	Other significant taxes
Philippines	No	5% to 20% 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
Singapore	No	No	0.2% on shares, 3% on properties.	No	Vehicular taxes.
South Korea	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%	No
Taiwan	No	Estate and gift tax is levied on the worldwide assets of Taiwanese-domiciled individuals.	Rates vary depending on the type of transaction/ document.	A profit-seeking enterprise with a fixed place of business or business agent in Taiwan is subject to a separate alternative minimum tax (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. The AMT rate is 12%. A resident individual with AMT taxable income exceeding NTD 6.7 million may be subject to a 20% AMT.	No
Thailand	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
Vietnam	See social security	Inheritances and gifts above VND 10 million are subject to income tax at 10%.	A stamp duty of 0.5% to 2% is levied on certain types of assets, including real property.	No	Special Sales Tax (SST) from 10% to 70%.

Practice & procedures

Updated March 2017

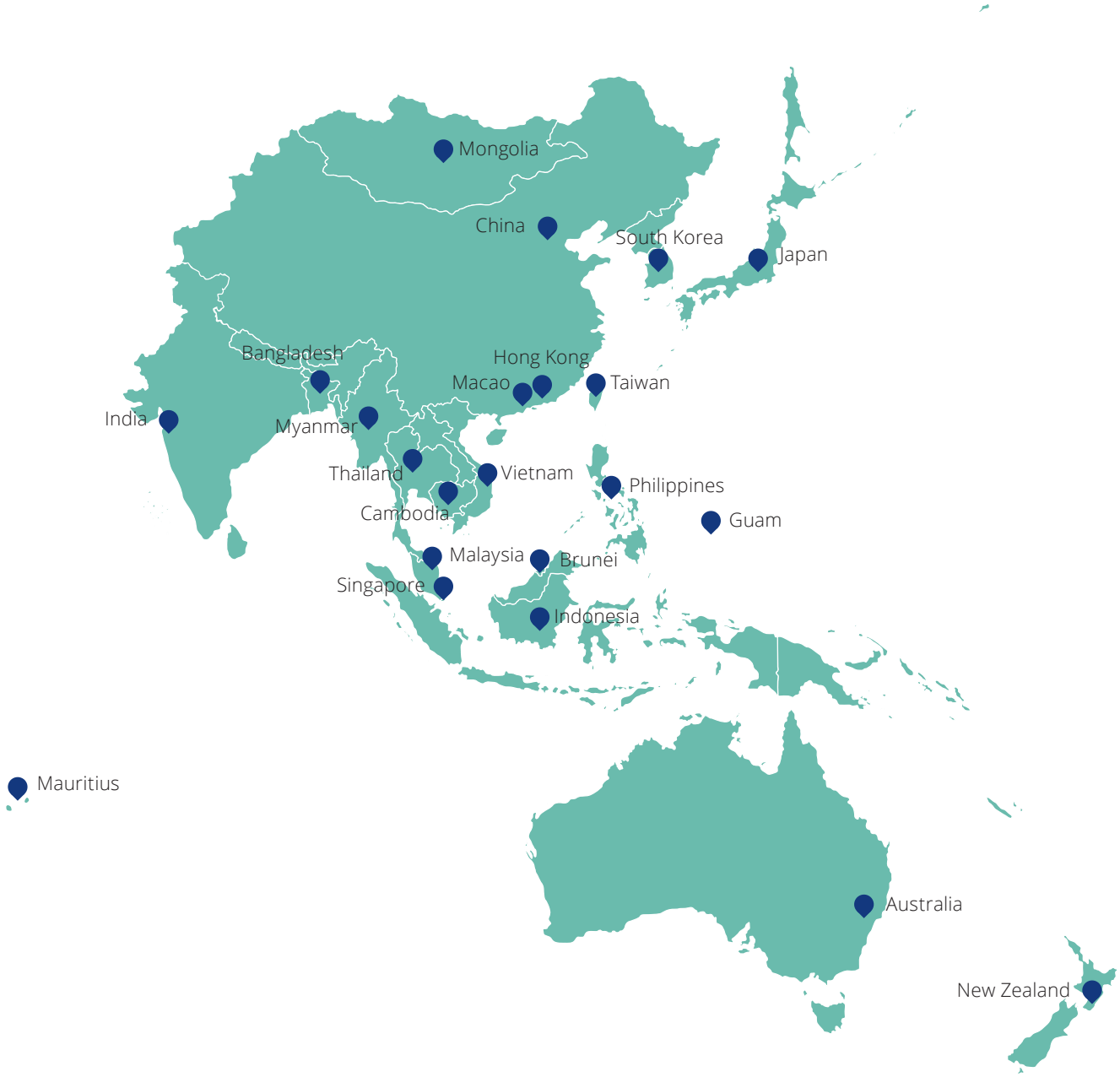
Jurisdiction	Advance tax ruling	Availability of a tax court	Statute of limitation	Competent authority process
	May the taxpayer enter into an advance tax ruling or agreement with the tax authority?	**May the taxpayer appeal to the tax court in case of disagreement with the tax authority's decision?**		**Is there a competent authority process to resolve disputes between countries?**
Australia	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.	Four years	Y
Brunei	N	Y	Six years	Y
Mainland China	N - There is generally no advance ruling procedure, but the tax authorities can issue rulings in special cases. 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 transfer pricing is ten years. No statute of limitation for tax evasion, refusal to pay tax, or defrauding of tax payment.	Y
Guam	N	Y	Three years in general, may be extended to six years when the taxpayer omits gross income in an amount exceeding 25% of the gross income actually reported on the income tax return.	N
Hong Kong	Y	Y	Six years in general, may be extended to ten years in the case of fraud wilful evasion.	Y
India	Y	Y	Varied	Y
Indonesia	Y – However, it is difficult to obtain one. The Indonesian tax office does not have to respond to the tax payer's ruling request.	Y – Tax payer can also file another appeal to Indonesian supreme court if the case was lost in tax court.	Within five years after the incurrence of a tax liability.	Y

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?**
Japan	Y	Y	Five years in general, six years for transfer pricing.	Y
Macao	N	Y	Five years	Y
Malaysia	Y	Y	Within five years from the end of the year of assessment within which the assessment is made.	Y
Mauritius	Y	Y	Four years	Y
Mongolia	N	N - Only in a general court.	Five years	Y
Myanmar	N	N	Three years	Y
New Zealand	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
Philippines	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
Singapore	Y	Y	Four years	Y
South Korea	Y	Y	Five years in general, can be extended in the cases of evasion, false or fraudulent return.	Y

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?**
Taiwan	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.	Y
Thailand	Y - A taxpayer may request a nonbinding private letter ruling, and Advance pricing agreements - Advance Pricing Agreements (APAs) are available under the transfer pricing regime.	Y	Ten 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.
Vietnam	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	Ten years in general. Five years for penalty for wrongful 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.

Appendix III: Contacts

Our tax experts can help you to navigate the complexity in Asia Pacific



For more information about this survey or to enquire about our tax services, please contact our Deloitte professionals in the region

Asia Pacific
Alan Tsoi
atsoi@deloitte.com

Chris Roberge
chrisroberge@deloitte.com

Australia
Brett Todd
btodd@deloitte.com.au

Bangladesh
Patel Himanshu
himanshupatel@deloitte.com

Brunei
Pengiran Haji Moksin
pmoksin@deloitte.com

Cambodia
Kimsroy Chhiv
kchhiv@deloitte.com

China
Vivian Jiang
vivjiang@deloitte.com.cn

Guam
Jennie Chiu
jenchiu@deloitte.com

India
Vipul Jhaveri
vjhaveri@deloitte.com

Indonesia
Melisa Himawan
mehimawan@deloitte.com

Japan
Shinya Matsumiya
shinya.matsumiya@tohmatsu.co.jp

Hong Kong
Sarah Chin
sachin@deloitte.com.hk

Macao
Raymond Tang
raytang@deloitte.com.hk

Malaysia
Wing Peng Yee
wpyee@deloitte.com

Mauritius
Twaleb Butonkee
tbutonkee@deloitte.com

Mongolia
Onchinsuren Dendevsambuu
odendevsambuu@deloitte.com

Myanmar
Aye Cho
aycho@deloitte.com

New Zealand
Peter Felstead
pfelstead@deloitte.co.nz

Philippines
Fredieric Landicho
flandicho@deloitte.com

Singapore
Hwee Chua Low
hwlow@deloitte.com

South Korea
Jung Hee Lee
junlee@deloitte.com

Taiwan
Austin Chen
austinchen@deloitte.com.tw

Thailand
Anthony Loh
aloh@deloitte.com

Vietnam
Thomas McClelland
tmcclelland@deloitte.com

Asia Pacific International Core of Excellence (AP ICE)
Lili Zheng
lzheng@deloitte.com

Leonard Khaw
lkhaw@deloitte.com

Business Tax
Neeru Ahuja
neahuja@deloitte.com

Business Process Solutions
Michael Fiore
mfiore@deloitte.com

Deloitte Legal
Alan Tsoi
atsoi@deloitte.com

Global Employer Services
Joseph Logudic
jlogudic@deloitte.com.hk

Indirect Tax
Sarah Chin
sachin@deloitte.com.hk

International Tax
Steve Towers
stowers@deloitte.com

Mergers & Acquisitions (M&A)
Danny Po
dannpo@deloitte.com.hk

Transfer Pricing
Fiona Craig
ficraig@deloitte.com.au

Tax Management Consulting
Piyus Vallabh
piyvallabh@deloitte.com

About this publication
This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial investment, legal, tax or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualifier professional advisor.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte Global
Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Copyright © 2017 APCA Limited. All rights reserved.
CQ-034EN-17