

PRISM

Tax Newsletter

1st Quarter 2017

Cyprus: Double Taxation Avoidance Agreement (DTAA) between Cyprus and the Republic of Latvia ratified and Amendment of Article 13 of the Cyprus-Russia Double Taxation Agreement

Hong Kong: Hong Kong Budget 2016-17

Korea: Tax Reduction and Exemption Control Act Amendment Promulgated by Ministry of Strategy and Finance

Singapore: Singapore Budget 2017 - Brief Highlights

In this issue:

Cyprus

Double Taxation Avoidance Agreement (DTAA) between Cyprus and the Republic of Latvia ratified

The Cyprus Ministry of External Affairs and Ministry of Finance have announced that the internal procedures required for the ratification of the DTAA with Latvia are completed and the DTAA are considered effective as of 1 January 2017.

塞浦路斯外交部和财政部宣布批准塞浦路斯和拉脱维亚避免双重征税协定所需的内部程序已完成。该避免双重征税协定于2017年1月起生效。

Amendment of Article 13 of the Cyprus-Russia Double Taxation Agreement

The Ministry of Finance announced on 29.12.2016 that, an agreement has been reached between Russian and Cypriot authorities to suspend the application of the Protocol amending section 13 of the Agreement between the Republic of Cyprus and the Russian Federation for the avoidance of double taxation with respect to taxes on income and on Capital.

财政部于2016年12月29日宣布，俄罗斯和塞浦路斯相关当局已经达成协议：暂停适用塞浦路斯和俄罗斯避免双重征税协定第13条关于收入和资本纳税规定。

[Click to read more](#)

Hong Kong

2017/18 Hong Kong Budget Highlights

In his 2017-18 Hong Kong Budget, the Financial Secretary proposed a number of tax measures. Included in the proposals is a one-off reduction of profits tax, salaries tax and tax under personal assessment for the year of assessment 2016/17 by 75%, subject to a ceiling of HK\$20,000 per case. This measure will be effected by amending the Inland Revenue Ordinance..

在2017-18年度香港财政预算案中，财政司司长建议多项税务措施。建议中包括一次性宽减2016/17课税年度百分之七十五的利得税、薪俸税及个人入息课税，每宗个案以港币20,000元为上限，这项宽减建议须经修订《税务条例》才可实施。

[Click to read more](#)

Korea

Tax Reduction and Exemption Control Act Amendment promulgated by Ministry of Strategy and Finance

In order to expand tax support for employment and investment, the Ministry of Strategy and Finance announced through 2017 economy policy that they are planning to revise Tax Reduction and Exemption Control Act. The amendments include increasing tax deduction rate for creation of employment, increasing tax deduction related to employment tax and more deduction for people who get married.

企划财政部为了扩大通过《2017年的经济政策方向》发表的雇佣和投资税制支援，预告了《税务特例限制法修正案》。改正的内容是有助于创造就业岗位的投资税额扣除率上升，和雇佣有关的税额扣除额上升，提供给当年结婚的人扣除税额的机会。

[Click to read more](#)

Malaysia

Withholding Tax in Malaysia

Withholding tax is an amount withheld by the resident carrying on business in Malaysia on income earned by a non-resident and paid to the Inland Revenue Board of Malaysia. The Malaysian Income Tax Act, 1967 ("ITA 1967") provides that where a resident is liable to make payment as listed (other than income of non-resident public entertainers) to a non-resident, he shall deduct withholding tax at the prescribed rate from such payment and pay that tax to the Director General of Inland Revenue within one month after such payment has been paid or credited to the non-resident.

预扣税是指由税务居民向非税务居民支付在马来西亚赚取的费用时，必须向马来西亚内陆税收局缴付预扣的税务。根据1967年马来西亚所得税法令（“ITA 1967”），若涉及所列出的费用（除了表演艺人的收费），税务居民就必须在支付非税务居民后的一个月内，缴付相关预扣税于内陆税收局。

[Click to read more](#)

Singapore

Singapore Budget 2017: Brief Highlights

Singapore has built up a strong social security system that serves Singaporeans well over the years. In Budget 2017, the Singapore government is focusing its efforts on continuing to empower the community and forge partnerships. This is a movement towards the future, where we nurture a culture of caring for one another, of many helping hands, to meet a significant increase in societal needs.

新加坡已经建立了一个强大的多年来为新加坡人提供服务的社会保障制度。在2017年预算中，新加坡政府正在致力于继续赋予社区权力和建立合作关系。这是一个向培养彼此关怀和互相帮助来满足日益增长的社会需求的文化的未来趋势。

[Click to read more](#)

Cyprus



Double Taxation Avoidance Agreement (DTAA) between Cyprus and the Republic of Latvia ratified

The Cyprus Ministry of External Affairs and Ministry of Finance have announced that the internal procedures required for the ratification of the DTAA with Latvia are completed and the DTAA are considered effective as of 1 January 2017.

The DTAA is based on the OECD (Organization for Economic Co-operation and Development) Model Convention and is expected to further improve the business cooperation between Cyprus and the Republic of Latvia. The ratification was well received by the local and foreign business communities and international investors and further enhances Cyprus' position as an international business center, since some of their provisions are deemed to be significantly favorable. The DTAA main provisions are analyzed below:

Permanent Establishment

Based on the new treaty the definition of permanent establishment also includes a building site or construction or installation project or any supervisory activities in connection with such site or project constitutes a permanent establishment only if it lasts more than 6 months (definition in compliance with OECD model).

Dividends

In cases where the beneficial owner of the dividend is a company (other than partnership), the withholding tax rate is set at 0%. In all other cases the withholding tax rate is 10%.

Interest

The withholding tax rate on interest in cases where the beneficial owner of the interest is a company (other than partnership) is set at 0%. In all other cases the withholding tax rate is 10%.

Royalties

The withholding tax rate on royalties in cases where the beneficial owner of the royalties is a company (other than partnership) is set at 0%. In all other cases the withholding tax rate is 5%.

Capital Gains

Gains from the disposal of immovable property are taxed in the country where the immovable property is situated. Capital gains arising from the disposal of shares deriving more than 50% of their value directly

or indirectly from immovable property in the other Contracting State may be taxed in that other State. Other capital gains from the alienation of any other property are taxable only in the place of residence of the alienator.

Amendment of Article 13 of the Cyprus-Russia Double Taxation agreement

The Ministry of Finance announced on 29.12.2016 that, an agreement has been reached between Russian and Cypriot authorities to suspend the application of the Protocol amending section 13 of the Agreement between the Republic of Cyprus and the Russian Federation for the avoidance of double taxation with respect to taxes on income and on Capital.

According to the provision of Article 13 gains derived by a resident of a Contracting State from the alienation of shares or similar rights deriving more than 50% of their value from immovable property situated in the other Contracting State may be taxed in that other State.

As per the announcement a new protocol is to be signed to implement the revised provisions of Article 13 until similar provisions are introduced in other bilateral agreements between Russian Federation and other European countries.

Important notes for tax planning

1. Cyprus unilaterally does not withhold taxes on outbound dividends and interest payments.
2. The continuously expanded network of DTAA's Cyprus has signed off and ratified and the application of the EU Directives (Parent-Subsidiary and Interest – Royalties) increase international investors' options for channeling investments in the most tax efficient way. 🇨🇵

Hong Kong



2017/18 Hong Kong Budget Highlights

On 22 February 2017, the Financial Secretary delivered the 2017/18 Hong Kong Budget. The Budget is generally in line with the principles of financial prudence and sustainability in a volatile economic environment. The estimated budget surplus for 2016/17 is HK\$92.8 billion. The forecast surplus for 2017/18 is HK\$16.3 billion with the fiscal reserves hitting a new high at HK\$952 billion by the end of March 2018, representing 37% of GDP.

In order to ensure the competitiveness of Hong Kong's

simple and stable tax regime, the Budget did not propose any major changes to our tax regime and tax rates. Rather, the Budget proposed to form a tax policy unit to consider broadening our tax base as well as designing tax incentive policies for developing new industries.

Set out below are the salient highlights of the Budget (Note: tax measures require legislative amendments before implementation):

One-time measures


- Reduce profits tax, salaries tax and tax under personal assessment for the year of assessment 2016/17 by 75%, subject to a ceiling of HK\$20,000 per case. This measure will cost the Government HK\$18.3 billion, benefitting about 1.97 million taxpayers
- Waive license fees for 1,800 travel agents for a year; waive license fees for 2,000 hotels and guesthouses for one year; and waive the license fees for 27,000 restaurants, hawkers and operators with restricted food permits for one year
- Waive rates for four quarters of 2017-18, subject to a ceiling of HK\$1,000 per quarter for each rateable property
- Provide one month extra allowance to recipients of Comprehensive Social Security Allowance, Old Age Allowance, Old Age Living Allowance and Disability Allowance (similar arrangements will apply to Low-Income Working Family Allowance and Work Incentive Transport Subsidy)
- Continue to fully waive the first registration tax of electric commercial vehicles, motor cycles and motor tricycles up until 31 March 2018, with a cap of HK\$97,500 for electric private cars from 1 April 2017

Recurring tax measures

- Increase the width of marginal bands for salaries tax rates from HK\$40,000 to HK\$45,000 commencing from the year of assessment 2017/18
- Increase the dependent brother or dependent sister allowance from HK\$33,000 to HK\$37,500 effective from 2017/18
- Increase the disabled dependent allowance from HK\$66,000 to HK\$75,000 effective from 2017/18
- Extend the entitlement period for home loan interest deduction from 15 to 20 years of assessment commencing from 2017/18, while maintaining the current deduction ceiling of \$100,000 a year

- Raise the deduction ceiling for self-education expenses from HK\$80,000 to HK\$100,000 effective from 2017/18

Other highlights

- Expand commercial and trading network through trade and investment agreements
- Participate in the Asian Infrastructure Investment Bank
- Introduce tax concession to promote aircraft leasing and financing
- Extend profits tax exemption to attract more funds to domicile in Hong Kong
- Explore enhanced tax deductions for innovation and technology expenditure
- Examine to provide tax deduction for the purchase of regulated health insurance products 

Korea



Tax Reduction and Exemption Control Act Amendment promulgated by Ministry of Strategy and Finance

The Ministry of Strategy and Finance announced on October 10 that it would revise the "Tax Reduction and Exemption Control Act." to expand support for employment and investment. The revision of the tax Reduction law will be submitted to national assembly after vice-minister council and cabinet council in the beginning of February.

1. If calculating additional deductions for deduction of employment investment tax amount until July 31, 2017, Deductions rate will increase 1% for major company and 2% for small and medium sized company
2. If numbers of full time youth employee is increased than previous year, deductions amount per employee will increase KRW 5,000,000 to KRW 7,000,000 for small and medium sized company and KRW 2,000,000 to KRW 3,000,000 for major company
3. The amount of tax deduction for small and medium sized firms, which convert non-regular workers to regular full-time workers, deductions amount per employee will increase KRW 2,000,000 to KRW 3,000,000.
4. Employees who has their marriage until Dec 31, 2019 with total income below KRW 70,000,000

and composite income below KRW 55,000,000. For comprehensive income earner, a deduction of KRW 500,000 (working couple KRW 1,000,000) is given in the following year.

5. Under the current law, for a company incorporated out of capital area, the income taxes or corporate taxes is reduced 50% for 5 years. This law will be revised in Tax Reduction and Exemption Control Act amendment. The income taxes or corporate taxes is reduced 75% on start-up year that starting to generate income and over the next two years. And, there will be reduction of 50% income taxes or corporate taxes next two years. However, this only applies to small company incorporated by person aged 15 to 29. 🇲🇾

Malaysia



Withholding Tax in Malaysia

Withholding tax is an amount withheld by the resident carrying on business in Malaysia on income earned by a non-resident and paid to the Inland Revenue Board of Malaysia.

The Malaysian Income Tax Act, 1967 ("ITA 1967") provides that where a resident is liable to make payment as listed below (other than income of non-resident public entertainers) to a non-resident, he shall deduct withholding tax at the prescribed rate from such payment and pay that tax to the Director General of Inland Revenue within one month after such payment has been paid or credited to the non-resident.

- Contract payments

Contract payments made to non-resident contractors in respect of services under a contract are subject to withholding tax of:

- a. 10% on the service portion of the contract payments on account of tax payable by the non-resident;
- b. 3% on the service portion of the contract payments on account of tax payable by employees of the non-resident.

- Interest

Interest paid to a non-resident is subject to withholding tax at 15%.

- Royalty

The gross amount of royalty paid to a non-resident is subject to withholding tax at 10%.

- Special classes of income under Section 4A ITA 1967

Special classes of income include:

- a. Section 4A(i)

Payments for services rendered by the non-resident or his employee in connection with the use of property or rights belonging to or the installation or operation of any plant, machinery or apparatus purchased from the non-resident;

- b. Section 4A(ii)

Payments for technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme; or

- c. Section 4A(iii)

Rents or other payments for the use of any moveable property.

The gross amount of "Special classes of income" paid for the above services rendered by a non-resident is subject to withholding tax at 10%.

- Non-resident public entertainers

Remuneration or other income in respect of services performed or rendered in Malaysia by a non-resident public entertainer is subject to withholding tax at 15% on the gross payment. The sponsor of the non-resident public entertainer is required to pay withholding tax at 15% before an entry permit for the non-resident public entertainer can be obtained from the Immigration Department.

- Income under Section 4(f) ITA 1967

Generally, a payment made to a non-resident falls under Section 4(f) of the ITA 1967 if the payment received by a non-resident person is in the nature of a miscellaneous income. Such income is often casual in nature. Casual income means an occasional income, an isolated transaction and there is an absence of repetition of transactions to indicate the commercial nature of the transaction.

The gross amount of income under Section 4(f) ITA 1967 paid to a non-resident is subject to withholding tax at 10%.


Following the gazette of Finance Act 2017 on 16 January 2017, some significant changes were made to the withholding tax in Malaysia.

- Royalty

The definition of royalty has been widened to include the reception and transmission of visual images, sounds and use of radiofrequency spectrum through communication mediums such as satellites, cable, fibre optic or similar technologies; and software.

- Special classes of income under Section 4A ITA 1967

Income derived by a non-resident under Section 4A(i) and (ii) shall be deemed derived from Malaysia and hence subject to withholding tax irrespective of whether the services were performed in Malaysia or outside Malaysia.

Since 21 September 2002, withholding tax for income under Section 4A(i) and (ii) is applicable provided that such income are attributable to services performed in Malaysia. The Finance Act 2017 reverts to the previous position prior to 21 September 2002 where a non-resident was subject to Malaysian withholding tax in respect of income falling under Section 4A(i) and (ii) for both offshore and onshore services. 

20% of tax payable and capped at \$10,000 to help companies cope with the economic uncertainty and continue restructuring.

- c) Introducing an Intellectual Property (IP) Regime that encourages the exploitation of IP arising from Research and Development (R&D) activities of the tax payer by introducing the IP Development Incentive (IDI). The IDI will take effect on or after 01 July 2017.
- d) Introducing a safe harbour rule for payments under Cost Sharing Agreements for R&D Projects
- e) Extending the Withholding tax exemption on payments for international telecommunications submarine cable capacity under an Indefeasible Rights of Use agreement from 27 February 2018 until 31 December 2023 to be in line with the Government's thrust to grow the digital economy and continue to be a key hub for data flow.
- f) Enhancing the Global Trader Programme (GTP) to facilitate and encourage more trading activities in Singapore and to simplify the GTP. The GTP will be enhanced for qualifying income derived on or after 21 February 2017 by approved global trading companies from qualifying transactions.
- g) Extending and refining the Aircraft Leasing Scheme will be extended till 31 December 2022. The concessionary tax rate on income derived from leasing of aircraft or aircraft engines and qualifying ancillary activities will be streamlined from 5% and 10% to a single rate of 8%.

Singapore



Singapore Budget 2017: Brief Highlights


Individuals

- a) All individual tax residents will receive a personal income tax rebate of 20% of tax payable for income earned in basis year 2016. The rebate will be capped at \$500 per taxpayer.
- b) Withdrawing the Goods and Services Tax (GST) Tourist Refund Scheme (TRS) for tourists departing by international cruise whose purchase are made on or after 01 July 2017. Tourists departing by international cruise from the cruise terminals will have until 31 August 2017 to claim refunds on purchases made before 01 July 2017. The electronic TRS facilities at the cruise terminals will be removed after 31 August 2017.

Businesses

- a) The Corporate tax rate remains unchanged at 17% (excluding any tax exemption).
- b) The Corporate Income Tax Rebate cap for 2016 will be raised from \$20,000 to \$25,000 with the rebate rate unchanged at 50% of tax payable. It will be extended to year 2017 but a reduced rate of

Financial Sector

- a) Extending the Withholding tax exemption on payments made to non-resident non-individuals for structured products offered by Financial Institutions till 31 March 2021 but subject to conditions. This is to continue promoting Singapore as a financial hub.
- b) Refining the Finance and Treasury Centre (FTC) Scheme by streamlining qualifying counterparties for certain transactions of approved FTCs. The change will apply to new or renewal incentive awards approved on or after 21 February 2017. It will help to ease the compliance burden of approved FTCs.
- c) Extending the Tax Incentive Schemes for Projects and Infrastructure Finance till 31 December 2022, apart from the remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects / assets to qualifying entities listed, or to be listed, on the Singapore Exchange (SGX) will be allowed to lapse after 31 March 2017. 

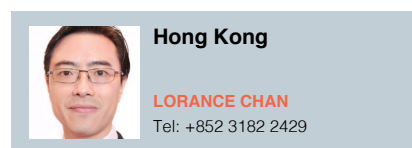
International Tax Panel



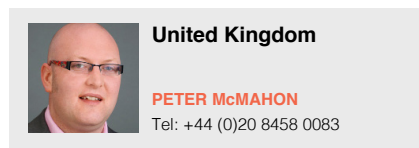
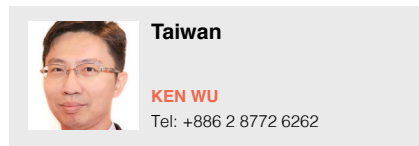
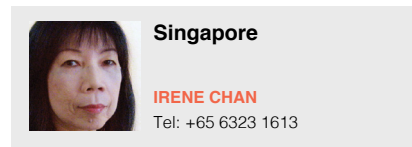
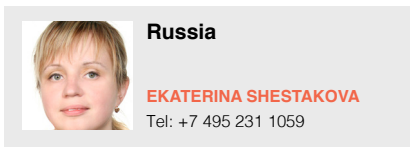
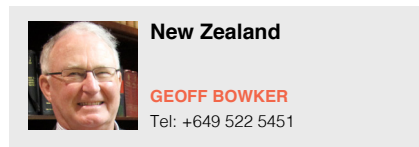
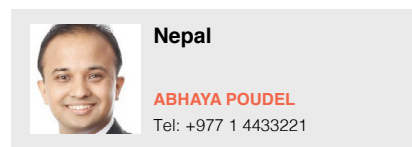
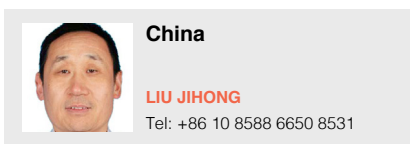
ITP Chairman



ITP Vice-Chairman



ITP Vice-Chairman



Disclaimer

© 2017 Reanda International Network Limited. All rights reserved.

Reanda International Network Limited is a Hong Kong limited company wholly owned by Reanda International Accounting Network Management Limited, a PRC limited company (together with affiliates herein collectively referred to as "Reanda International"). Network firms of the Reanda International network, including both member firms and correspondent firms, are affiliated with Reanda International, each of which is a separate legal entity and does not act as the agent of Reanda International or any other member firms. Reanda International and each member firm are liable only for their own acts or omissions and are not responsible for the activities or services of any other. Reanda International provides no client services. All rights reserved.

This publication is written with care and contains general information for the broad guidance of its intended readers only. It is NOT intended to offer specific and universal advices or services in accounting, business, legal and tax fields. No one should use the information in this publication as a basis to act or make decision that may affect their finances or business. Advice from qualified professional advisor on a particular situation should be obtained before making any decisions or taking or not taking any actions. Please contact the respective Reanda International network firm for professional advices addressing to your particular situation. Neither Reanda International nor its network firms and their affiliates shall accept any responsibility, obligation or liability for any loss brought about directly or indirectly by actions taken or decisions made based on the information contained in this publication.