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APAC News

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Inside this issue:

Moving on with Spring & 40th Anniversary

*As we embrace spring, we embrace new initiatives and updates of tax measures in government budgets for 2023/24. We report in this edition of our APAC newsletter budgets of **India, Malaysia and Singapore**, as well as proposals to modify tax rate in superannuation in **Australia**, new tax concession for single family offices in **Hong Kong**, taxation of cross-border reorganisation in **Japan**, and an article celebrating the accounting profession reaching the 100 years milestone in the **Philippines.***

*Around the corner, **Russell Bedford International** has also reached its 40th year milestone. When our network of firms started in 1983, we have a modest footprint, setting out with a presence in a handful countries. We are now proud to have grown to become recognised as a Top 20 global accounting network, with 1000 partners, over 9000 staff and some 350 offices in 110 countries.*

Speaking about the milestone, Russell Bedford's CEO, Stephen Hamlet, commented: "I am confident that with our ambitious mindset and with the support of our global colleagues, along with recent new recruits, the Russell Bedford network will continue to see the consistent growth to which it has become accustomed."

AUSTRALIA

AUSTRALIAN GOVERNMENT'S PROPOSAL TO INCREASE TAX RATES FOR SUPER BALANCES ABOVE $3 MILLION

SAWARD DAWSON

The Government has recently announced a proposed higher rate of tax on the earnings of individual super balances above $3m. This is proposed to commence from 1 July 2025. Australia has a compulsory superannuation system that requires employers to pay 10.5% of an employee's salary into a superannuation fund chosen by the employee. This rate will rise to 12% from 1 July 2025. Member contributions can also be made up to annual indexed caps.

These contributions and associated investment earnings are preserved for retirement and taxed at only 15% and not at the individual's marginal tax rate.

At retirement the individual may transfer up to $1.7m into a retirement phase pension and the earnings on this amount do not incur any tax and any withdrawals made by the individual after age 60 are tax-free in their hands.

What do we know about the proposal so far?

"The Government has recently announced a proposed higher rate of tax on the earnings of individual super balances above $3m."

The Government has announced that tax concessions provided to individuals who have a total super balance over $3m will be reduced.

- Only individuals with total super balances (TSB) over $3m will be affected (TSB includes pension accounts)
- An additional 15% tax will be payable by individuals on earnings for the proportion of the super balance that is above $3m
- The calculation method for earnings is based on the move in market value of investments. Losses in a particular year will be carried forward and offset future gains.
- The change will commence from 1 July 2025 (it is not retrospective).
- Amounts over $3m do not need to be withdrawn from super
- The $3m will not be indexed (thus long-term superannuation investment planning is required)
- There will be no change to how the super fund is taxed
- The Australian Taxation Office will administer the process using the information that is already reported to them by super funds

TAX CONCESSION ON FAMILY OFFICE

HONG KONG

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The Inland Revenue (Amendment) (Tax Concessions for Family-owned Investment Holding Vehicles) Bill 2022 was gazetted in December 2022 and, upon passing, is expected to be effective for the assessment year commencing 1 April 2023.

The concession shall allow 0% tax rate to an eligible family-owned investment holding vehicle (FIHV) managed by an eligible single-family office (ESFO) in respect of assessable profits from qualifying transactions and incidental transactions (subject to 5% threshold).

In details, the specific criteria are:

For FIHV

- Structure: the FIHV is a Hong Kong or foreign entity that is not a business undertaking for general commercial or industrial purposes. Entity includes a corporation, a partnership and trust;
- Ownership: the FIHV must, at all times during the basis period of the assessment year, be beneficially owned at least 95% in aggregate by one or more than one member of a single family;
- Central management and control (CMC): the FIHV must, at all times during the basis period, exercise CMC in Hong Kong;
- Management of FIHV: the FIHV must be managed by a ESFO and the net asset value of Specified Assets in aggregated managed by the ESFO for the FIHV (or multiple FIHV) must meet the minimum threshold of HK$240 million; and
- Substantial activities: the FIHV (on its own or by ESFO on its behalf) must carry out its core income generating activities in Hong Kong and meet the requirements of qualified full-time employees (at least two persons with necessary qualification) and operating expenditure (at least HK$2 million for the relevant investment activities). Outsourcing of investment activities is permitted provided that it is not for circumventing the substantial activities requirement.

"The concession shall allow 0% tax rate to an eligible family-owned investment holding vehicle (FIHV) managed by an eligible single-family office (ESFO)…"

For ESFO

- Must be a private company exercising CMC in Hong Kong;
- Must meet the beneficial ownership requirement similar to FIHV;
- Must provide services to specified persons of the family (including FIHV) and the service fees of these services are chargeable to Hong Kong profits tax;
- Must meet the safe harbour rule that at least 75% of the ESFO's assessable profits arise from the relevant services.

Qualifying transactions

Qualifying transactions refer to transactions in Specified Assets defined under Schedule 16C of the tax law as applicable to the unified tax exemption regime for funds. Such assets include:

- Securities;
- Shares, stocks, debentures, loan stocks, funds, bonds or notes of, or issued by, a private company;
- Futures contracts;
- Foreign exchange contracts under which the parties to the contracts agree to exchange different currencies on a particular date;
- Deposits other than those made by way of a money-lending business;
- Deposits made with a bank;
- Certificates of deposit;
- Exchange-traded commodities;
- Foreign currencies; and
- OTC derivative products.

The qualifying transactions must be carried out in Hong Kong by or through a ESFO of the relevant family or arranged in Hong Kong by the ESFO.

Incidental Transactions

Incidental transactions refer to transactions incidental to the carrying out of qualifying transactions. The tax concession shall apply subject to a 5% threshold determined as follows:

A/B x100%, where

A = FIHV's trading receipts from incidental transactions in the basis period;

B = Total of FIHV's trading receipts from qualifying transactions and incidental transactions in the basis period

Where the threshold is exceeded, the tax concession shall not apply on the whole of the profits from incidental transactions.

"The qualifying transactions must be carried out in Hong Kong by or through a ESFO of the relevant family or arranged in Hong Kong by the ESFO."

Family Specific Purpose Entity (FSPE)

FIHV is allowed to establish FSPEs for holding and administrating the FIHV's assets. Each FSPE will also be eligible for the tax concession to the extent corresponds to the beneficial interest of the FIHV in the particular FSPE.

Anti-avoidance measures for investment in private companies

Private companies may hold any type of assets in Hong Kong. To reduce the risk of tax evasion by FIHVs and FSPEs through their investment in private companies, no concession is available under any of the following circumstances:

a) Immovable property test: No concession if an FIHV or an FSPE invests in a private company that holds, directly or indirectly, more than 10% of its assets in immovable property (excluding infrastructure) in Hong Kong,

b) Holding period test: No concession if the investment, though meeting the immovable property test, has been held by the FIHV or FSPE for not more than two years unless the investment satisfies the test in (c) below;

c) Control test and short-term asset test: No concession if the investment falls within (b), i.e., not immovable property but held for less than two years, unless:

   - the FIHV or FSPE does not have control over the private company; or
   - the FIHV or FSPE has control over the private company, but the company

holds less than 50% of the value of its assets in short-term assets. Short-term assets are assets (excluding specified assets and immovable property in Hong Kong) held by the private company for less than three years before the date of disposal.

HONG KONG

(Continued)

Anti-avoidance Provisions

To prevent tax abuse if the Commissioner is satisfied that:

- the main purpose, or one of the main purposes of the FIHV or FSPE in entering into an arrangement; or
- the main purpose, or one of the main purposes of a person making a transfer of any asset or business to the FIHV or FSPE,

is to obtain a tax benefit, whether for the FIHV or FSPE or another person or entity, the profits tax concession will not apply to the FIHV or FSPE concerned.

However, for a transfer of asset or business to an FIHV or FSPE, the profits tax concession may still apply if the transfer is carried out on an arm's length basis and the transferor is chargeable to tax in respect of the assessable profits arising from the transfer.

Irrevocable Election & Losses Sustained

An FIHV shall elect for the concession treatment in writing. Once elected, it is irrevocable and applies to future years. Losses of the FIHV or FSPE arising from qualifying and incidental transactions are not available for set off against the assessable profits of the FIHV or FSPE for that or subsequent assessment years.

INDIA UPDATES FOR 2023

INDIA

Sharp & Tannan

Chartered Accountants

I. Highlights of the Finance Bill, 2023

Every year, on 1 February, the Finance Minister of India presents budget proposals for the upcoming fiscal i.e., 1 April – 31 March. We have discussed the relevant highlights of the Union Budget 2023 ('the Budget') applicable from the fiscal year 2023-24.

The current budget views 'capital investment' as a key growth driver by increasing the outlay by 33% to INR 10 lakh crore* (3.3% of GDP). The budget also focuses on the vital pillars of the economy i.e. agriculture, healthcare and education. Emphasis has been given to ease of doing business and wide use of technology. Some important steps in this direction are the announcement of 5G rollout, and the government's focus on the implementation of artificial intelligence.

(INR 1 lakh = 1,00,000 and INR 1 crore = 1,00,00,000 i.e. INR 1 lakh crore = Rs. 1 trillion)

"The current budget views 'capital investment' as a key growth driver by increasing the outlay by 33% to INR 10 lakh crore."

Key highlights of the budget proposals

The budget identifies 7 priorities:

1) **Inclusive development**: It focuses on the development of agriculture and allied sectors, health, education, skilling, and pharma innovation.

2) **Reaching the last mile**: An approach to serving the lesser privileged community of the country, especially the tribal community, the population in the north-eastern states, and states affected by natural calamities.

3) **Infrastructure and investment**: Considering the huge potential of infrastructure and investment towards economic growth and employment, the government has prioritised this sector in the current budget.

4) **Unleashing the potential**: Focuses on providing a transparent and accountable administration which works for the betterment and welfare of the common citizen.

5) **Green growth**: Environmentally conscious lifestyle is key to achieving net-zero carbon emission, which India targets to accomplish by 2070. This priority focuses on the net zero objectives.

6) **Youth power**: Youth empowerment through the formulation of national education policy, large-scale job creation and providing business opportunities to the new generation are the major focus areas.

7) **Financial sector**: The budget aims to strengthen the reforms made in the financial sector by adopting further innovation in technology, leading to better financial inclusion in terms of better and faster service delivery, ease of access to credit, and participation in the financial markets.

The above-stated priorities will be implemented as follows:

1. Agriculture and co-operation

a. Building digital public infrastructure for agriculture to enable inclusive, farmer-centric solutions through relevant information services for:
   - crop planning and health
   - improved access to farm inputs, credit and insurance
   - help for crop estimation, market intelligence, and support for the growth of the agri-tech industry and start-ups.

b. Setting up an agriculture accelerator fund to encourage innovative agri-start-ups in rural areas.

c. Promoting the agriculture and allied sector by implementing the following:
   I. boost to cotton crop cultivation;
   II. investment in horticulture crops;
   III. promotion of Indian millets;
   IV. introduction of a 'co-operative' based economic model for small farmers;
   V. setting up massive, decentralised storage capacity for farm produce; and
   VI. setting up many multipurpose cooperative societies, primary fishery societies, and dairy cooperative societies in uncovered rural areas in the next 5 years.

2. Health, education, and skilling

a. Sickle cell anaemia elimination mission will be launched to eliminate sickle cell anaemia by the year 2047.
b. The promotion of research in pharmaceuticals will be taken up through centres of excellence. Industry participation will be encouraged to invest in research and development (R&D) in specific priority areas.
c. Collaborative medical research (i.e., faculty from public and private medical colleges and private sector R&D teams) will be encouraged via select ICMR labs.
d. Revamped teachers' training and continuous professional development will be taken up through the designated institutes.
e. A national digital library will be set up for children and adolescents and physical libraries will be set up at the regional level.

3. Urban infrastructure and transport

"…by adopting further innovation in technology, leading to better financial inclusion in terms of better and faster service delivery, ease of access to credit, and participation in the financial markets."

a. Allocation of the highest ever outlay of INR 2.4 lakh crore (US$ 29,013.54 mn) for the railways.
b. 100 critical transport infrastructure projects identified for end-to-end connectivity for ports, coal, steel, and fertilizer sectors with an investment of INR 75,000 crore (US$ 9,066 mn), including INR 15,000 crore (US$ 1,813 mn) from private sources.
c. 50 airports, heliports, water aerodromes and advanced landing grounds will be revived for improving regional air connectivity.
d. Urban Infrastructure Development Fund (UIDF) will be established to create urban infrastructure in tier 2 and tier 3 cities and INR 10,000 crore (US$ 1,210 mn) per year shall be made available for this purpose.

4. Technology and data management

a. 3 centres of excellence are to be set up for artificial intelligence (AI) at leading educational institutions in the country. Leading industry players to partner in conducting interdisciplinary research, develop cutting-edge applications, and scalable problem solutions in the areas of agriculture, health, and sustainable cities.
b. 100 labs for developing applications using 5G services to be set up in leading engineering institutes. Apps like smart classrooms, precision farming, intelligent transport systems, and healthcare applications will be developed.
c. Lab Grown Diamonds (LGD): Lab-grown diamond production is an alternative man-made method which substitutes the process of mining the natural diamonds (as natural diamond deposits deplete over time.) India, being a global leader in diamond cutting and polishing, the budget encourages indigenous production of LDG seeds and the required machinery. For this, a research and development grant will be provided to one of the Indian Institute of Technology (IITs) for 5 years to encourage the indigenous production of LGD seeds and machines.
d. For efficient administration of justice, phase-3 of the E-courts project will be launched with an outlay of INR 7,000 crores (US$ 846 mn).

5. Green growth

The budget adopts unique measures to spur a movement of an environmentally conscious lifestyle. For achieving this, various programmes like the 'Green Credit Programme', 'Green Hydrogen Mission', investments in renewable energy, energy transition and net zero objectives through heavy government outlays are planned.

The Budget provides INR 35,000 crores (US$ 4,231 mn) for priority capital investments towards energy transition and net zero objectives and energy security by the Ministry of Petroleum and Natural Gas.

INDIA

(Continued)

6. Youth power

Realising the huge potential in the youth, the government plans to heavily invest in providing on-job training, and industry participation in developing programmes to align the courses with the needs of the industry, e.g. coding, AI, robotics, mechatronics, IOT, drones, etc. This also includes setting up of 30 'Skill India International Centres.'

7. Financial sector

a. A national financial regulatory authority will be set up to serve as the central repository of financial and ancillary information. It will facilitate efficient flow of credit, promote financial inclusion, and foster financial stability. The Reserve Bank of India (RBI), the country's central bank will be consulted in designing the legislative framework.
b. The government is keen to seek public consultations going forward, in the regulation-making processes in the financial sector.
c. For countries looking for digital continuity solutions, the Indian government will facilitate the setting up of their 'Data Embassies' in GIFT IFSC.
d. To improve bank governance and enhance investors' protection, certain amendments to the Banking Regulation Act, the Banking Companies Act and the Reserve Bank of India Act are proposed.
e. Considering the increasing use of digital payments in terms of 'number of transactions' and 'value,' the digital public infrastructure support will continue for 2023-24 too.

8. Direct taxes

1. Tax rates

Tax rates **for individuals, Hindu undivided family (HUF), associations of persons (AOP), body of individuals (BOI), and artificial juridical persons (AJP) for assessment year (AY) 2024-25 (i.e., financial year from 1 April 2023 to 31 March 2024)**

- The new tax regime is the default regime (unless the taxpayer opts for the old (existing) regime.
- The new tax regime applies to individuals, Hindu undivided family (HUF), association of persons (AOI), body of individuals (BOI), and artificial juridical persons (AJP).
- Table A indicates the tax rates applicable under the new regime.
- Table B indicates the tax rates applicable under the old regime.

"The new tax regime is the default regime (unless the taxpayer opts for the old (existing) regime."

Table A

Tax rates under the new regime (without claiming certain deductions/exemptions)

Total income (amount in INR)	Tax rate
Up to 3 lakhs	Nil
3 lakhs to 6 lakhs	5%
Above 6 lakhs and up to 9 lakhs	10%
Above 9 lakhs and up to 12 lakhs	15%
Above 12 lakhs and up to 15 lakhs	20%
Above 15 lakhs	30%

Table B

Tax rates under the old regime

Total income (Amount in INR)	Individuals, HUF, AOI, BOI and AJP	Resident individuals- age more than 60 years but less than 80 years (Sr. Citizen)	Resident individuals- age more than 80 years (Super Sr. Citizen)
Up to 2.50 lakhs	Nil	Up to 3 lakhs: Nil	Up to 5 lakhs: Nil
Above 2.5 lakhs and up to 5 lakhs	5%	Above 3 lakhs and up to 5 lakhs: 5%	
Above 5 lakhs and up to 10 lakhs	20%	20%	20%
Above 10 lakhs	30%	30%	30%

Surcharge and Health and Education Cess applicable to Tables A and B

Surcharge is applicable as follows:

10% on total income exceeding INR 50 lakhs and upto INR 1 crore

15% on total income exceeding INR 1 crore and upto 2 crores

25% on total income exceeding INR 2 crore and upto INR 5 crore

37% where the total income exceeds INR 5 crores. However, for the new regime, the maximum applicable surcharge is 25%.

Health and Education Cess at the rate of 4% (on tax + surcharge) will apply.

2. Tax rates for partnership firms and limited liability partnerships for AY 2023-24 and AY 2024-25

Total income	Tax rate
Upto 100 lakhs	30% + 4% health and education cess
Above 100 lakhs	30% + 12% surcharge and 4% health and education cess

3. Tax rates for corporates for AY 2023-24 and AY 2024-25

Company	Tax rates	MAT rates
Domestic companies opting for concessional corporate tax regime under section 115BAA	25.1680% (i.e. IT 22% + SC 10% + 4% EC)	NIL
New domestic companies (start-ups) with manufacturing activity, opting for concessional corporate tax regime	17.16 % (i.e. IT 15% + SC 10% + 4% EC)	NIL
Domestic companies NOT opting for concessional tax regime, having total turnover/gross receipts up to I,400 crore on total taxable income	25% (Note)	15% (Note)

Domestic companies NOT opting for concessional tax regime, having total turnover/gross receipts exceeding I,400 crore on total taxable income	30% (Note)	15% (Note)

Note:

7% surcharge on tax, if taxable income is above INR 100 L up to INR 1,000 L and 12% surcharge on tax when taxable income exceeds INR 1,000 lakhs. 4% health and education cess apply to all tax payments.

Option under section 115BAA: Companies opting for a lower tax rate are not eligible to claim tax exemptions like accelerated additional depreciation, deductions under section 80 (donations), R&D expenses etc.)

2. Other proposals

"Gifts received (on or after 1 April 2024) by not ordinarily resident exceeding INR 50,000 will be deemed to accrue or arise in India and hence will be taxed in their hands."

- Gifts received (on or after 1 April 2024) by not ordinarily resident exceeding INR 50,000 will be deemed to accrue or arise in India and hence will be taxed in their hands.
- Payments made to micro, small and medium enterprises (MSME) will be allowed as deduction only on payment basis. It can be allowed on accrual basis only if the payment is within the time mandated under section 15 of the MSMED Act.
- Maximum deduction that can be claimed under sections 54 and 54F for capital gains on investment in a new residential house has been limited to INR 10 crore.
- Cost of acquisition and cost of improvement for capital assets being any intangible assets or a right for which no cost of acquisition is incurred shall be considered as Nil.
- Consideration received from a non-resident in excess of the fair value of shares issued is also covered under the ambit of section 56(2)(viib) and such excess consideration shall be chargeable to income-tax under the head 'Income from other sources'.
- Benefit of carry forward and setting off of losses on change of shareholding of start-ups is increased from 7 years of incorporation to 10 years.
- Tax collection at source (TCS) on foreign remittances for overseas tour packages or any other foreign remittances increased to 20% without any threshold limit.
- Benefit of section 72AA extended to allow carry forward of accumulated losses and unabsorbed depreciation allowance in the case of amalgamation of one or more banking companies with any other banking institution or a company subsequent to a strategic disinvestment, if such amalgamation takes place within 5 years of strategic disinvestment.

9. Indirect taxes: Customs

– Validity period of 2 years for customs exemptions shall not apply to exemptions granted to multilateral/bilateral trade agreements, schemes related to FTPs, etc.

– Time limit of 9 months from the date of application is specified for disposal of the application filed before the Settlement Commission.

INDIA

(Continued)

II. Issuance of Sovereign Green Bonds

- Climate change is a global challenge and countries across the globe are trying to cope with ways to mitigate it. The issue of Sovereign Green Bonds (SGrB) is one such action for mobilising resources for green infrastructure. SGrBs are financial instruments used to fund projects that have positive environmental/climate effects. The issuance of SGrB help in tapping the requisite finance from potential investors for deployment in public sector projects aimed at reducing the carbon intensity of the economy.
- Recently the Government of India (GOI) announced the sale of two SGrBs for a notified amount of INR 8,000 crore (US$ 967 mn). According to the green bond's framework, the investors of the bonds are adequately protected, i.e. the payment of principal and interest is not conditional on the performance of the eligible projects, neither the investors bear the risk of non-performance of the projects.
- GOI will use the proceeds raised from SGrB to finance and/or refinance expenditure (in parts or whole) for eligible green projects defined in the framework.
- India is rated as 'Good' by CICERO (Centre for International Climate Research –an internationally recognised climate research institute) and it has approved the GOI's alignment of the sovereign green bonds with the ICMA green bonds principles, 2021.

"In January 2023, the National Financial Reporting Authority ('NFRA') published the draft requirements and the contents of the proposed annual transparency report ('ATR'), inviting comments from the stakeholders."

III. Transparency reporting of audit firms in India

- Annual transparency reporting is an international practice of communicating by an auditor/audit firm to report on its governance practices and internal processes designed to promote audit quality, protect its reputation, and reduce risks including the risk of failure.
- In January 2023, the National Financial Reporting Authority ('NFRA') published the draft requirements and the contents of the proposed annual transparency report ('ATR'), inviting comments from the stakeholders.
- ATR will be implemented in a gradual manner across the audit profession engaged in the audit of PIEs* falling within the purview of the NFRA. Initially, NFRA has prescribed that the statutory auditors/audit firms performing audits of the top 1,000 listed companies by market capitalisation shall prepare and publish an annual transparency report ('ATR') from the financial year ('FY') ending 31 March 2023 and onwards.
- The statutory auditors need to file the ATR with NFRA and publish the same on their website within 3 months from the end of each FY. ATR captures information on the legal structure, ownership and management of the statutory auditor/audit firm, its alliance with any Indian or foreign network, the revenue of the statutory auditor and its network firms, and details about collaborations, licensing, and knowledge-sharing arrangements in India or internationally.

* *According to NFRA Rules, 2018, PIEs are listed companies, unlisted companies with turnover of INR 1,000 crore/paid-up capital of INR 500 crores and above, entities regulated by other regulations, e.g. banking, insurance, electricity companies, and foreign subsidiaries/associates of Indian companies (whose income/net worth exceeds 20% of the consolidated income/net worth of the company.)*

JAPAN

CROSS-BORDER REORGANIZATIONS AND TAXATION OF JAPANESE SHAREHOLDERS

信成国際税理士法人
SHINSEI INTERNATIONAL TAX CO.

"Recent sharp fluctuations in foreign exchange rates and unstable international conditions have become obstacles to the overseas business activities of Japanese companies…"

Recent sharp fluctuations in foreign exchange rates and unstable international conditions have become obstacles to the overseas business activities of Japanese companies, and restructurings involving Japanese shareholders are expected in the future.

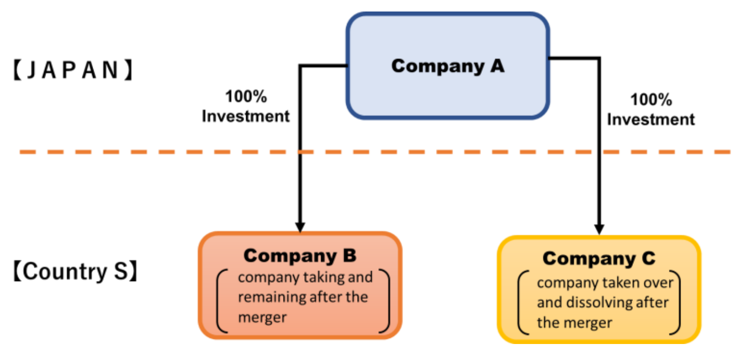
In this article, we will examine the taxation of Japanese shareholders in the event of a merger between cross-border foreign subsidiaries.

1. A Restructuring Case (Merger between Overseas Subsidiaries)

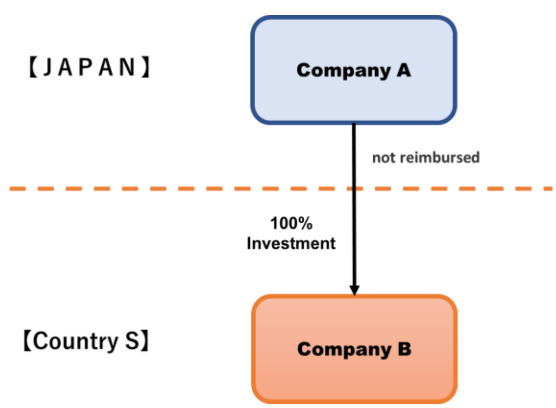
[Merger Situation]

1) Companies B and C merge in Country S and are wholly owned by Company A.
2) Company B survives and becomes the company resulting from the merger, while Company C becomes the merged entity and ceases to exist.
3) The assets and liabilities of Company C, the dissolved company, are assumed by Company B, the surviving company.
4) Company B does not deliver consideration for the merger to Company A, the shareholder of Company C, at the time of the merger.
5) Company A continues to hold the shares of Company B after the merger.

[Relationship between Company A and Companies B & C in Country S before the merger]



[Relationship between Company A & Company B in Country S at the Time of the Merger]



2. **Regarding Mergers Governed by Foreign Laws and Regulations**

Even when foreign laws and regulations apply to a legal act, if it has legal effects equivalent to those of a merger under Japan's Companies Act, it is considered a merger under Japan's Corporation Tax Act.

3. **The Merger and Taxation of Shareholders in this Case**

(1) This case falls under the category of a merger under the Companies Act of Japan, based on the following 1) and 2).

1) Upon the merger of Companies B & C (mentioned above), the assets and liabilities of Company C, the company which will cease to exist, are assumed by Company B, the surviving subsidiary company.

(Under the Companies Act, the remaining company in an absorption-type merger (consolidation takeover) takes on the rights and obligations of the absorbed company.
(See Article 750, Paragraph 1 of the Companies Act.)

2) After the merger, Company C's registration is canceled, and the company ceases to exist.
(Under the Companies Act, a company absorbed in an absorption-type merger shall be liquidated. (*See Article 471 (4) of the Companies Act.*))

(2) The merger constitutes a non-contributory qualified merger under the Corporation Tax Act, as described in 1) ~ 2) below, and Company A, as the shareholder, will not be subject to taxation.

1) Company A was a 100% shareholder of Companies B and C prior to the merger, and there are relationships of full control between Company A and Companies B & C.

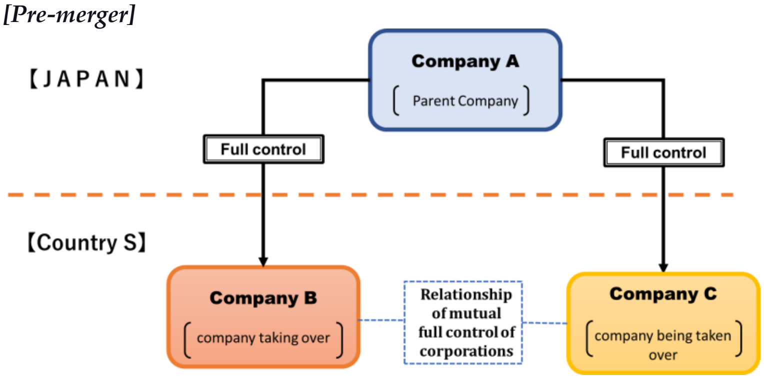
2) Companies B and C were mutually fully-controlled companies.

3) The merger is a no-consideration-paid merger in which Company B does not deliver consideration for the merger to Company A, the parent company of Company C. (Company A's shareholding ratios of Companies B & C before the merger were equal.)

4) After the merger, it is expected that the relationship of full control of Company B by Company A will continue.

Image of a qualified merger in which consideration is not paid (merger between subsidiaries)

[Pre-merger]



JAPAN

(Continued)

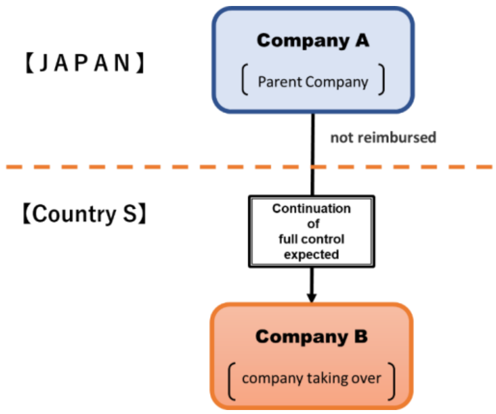
"Even when foreign laws and regulations apply to a legal act, if it has legal effects equivalent to those of a merger under Japan's Companies Act, it is considered a merger..."

JAPAN

(Continued)

"In the case of no consideration being paid, the ownership ratios of shares, etc., held by the same party prior to the merger in both the merging company and the company being merged were equal."

[At time of merger]



Note: [What is a "full-control relationship"?]

A relationship in which one party directly or indirectly holds all of the issued shares, etc., of a juristic person/company (hereinafter referred to as a "relationship of full control between the relevant parties")

Or a relationship between companies in which a relationship of full control exists with one party (hereinafter referred to as a "relationship of full control between companies").
(See Article 2-12-7-6 of the Corporation Tax Act)

Note: [Requirements for a qualified merger in which no consideration is paid]

1) Prior to the merger, relationships of full control by the same party over both the merging company and the company being merged (a mutual relationship of full control among corporations) existed, and it is expected that the relationship of full control of the merging company by the same said party will continue after the merger.
(Article 4-3, Paragraph 2, Item 2 of the Order for Enforcement of the Corporation Tax Act)

2) In the case of no consideration being paid, the ownership ratios of shares, etc., held by the same party prior to the merger in both the merging company and the company being merged were equal.
(Article 4-3, Paragraph 2, Item 2 (b) of the Order for Enforcement of the Corporation Tax Act)

MALAYSIA UNVEILS ITS REVISED 2023 BUDGET

Malaysia's revised Budget 2023 unveiled recently by our Prime Minister cum Finance Minister themed "Developing Malaysia MADANI" was inspired by the Malaysia MADANI policy framework that aims to strengthen the country's economic and fiscal standing, restore confidence by reforming the institution and governance and upholding social justice to combat inequality.

The Budget 2023 was drafted against the backdrop of a slower economic growth projection of 4.5% against 8.7% in the previous year. Nevertheless, being the Unity Government's first ever budget, Budget 2023 involves an allocation of RM388.1 billion (USD85.48 billion), the highest so far in the history of Malaysia.

Some of the key initiatives which are notable and of particular interest are:

Special Voluntary Disclosure Programme ("SVDP")

After a successful SVDP introduced in Budgets 2019 and 2022 for direct and indirect taxes (respectively), which saw many taxpayers participating in the programme and billions in additional taxes collected, the Unity Government reintroduced the SVDP (covering both direct and indirect taxes) in its attempt to boost Government's coffers. A full waiver of penalties will be given to taxpayers who come forward under the SVDP from 1 June 2023 to 31 May 2024.

"... Budget 2023 involves an allocation of RM388.1 billion (USD85.48 billion), the highest so far in the history of Malaysia."

Capital Gains Tax ("CGT")

The Malaysian capital gains tax regime is confined to gains made from the sale/transfer of real property or shares of a real property company. It does not tax any other capital gains such as a sale or exchange of rights in an asset. In Asia, only Malaysia, Singapore and Hong Kong do not impose tax on capital gains.

It was announced that a study will be undertaken to explore the potential introduction of the CGT, at a lower rate, on disposal of unlisted shares by corporate shareholders. This is likely to take effect in 2024.

Luxury goods tax

A luxury goods tax has been proposed for items such as luxury branded watches and fashion goods to broaden the tax base to those who had the means.

Goods and Services Tax ("GST")

Our Prime Minister has also announced that the Government will not be looking into reintroducing GST nor any other broad-based consumption tax until the people's income threshold increases to a reasonable level.

PHILIPPINES

ACCOUNTANCY PROFESSION IN THE PHILIPPINES CELEBRATES 100 YEARS

MFP
M. F. Padernal and Co.

On March 17, 2023, the Board of Accountancy (BOA) in collaboration with the Philippine Institute of Certified Public Accountants and other sectoral organizations celebrated the centenary of the accountancy profession in the Philippines. It is the culmination of the year-long celebration, which was launched on March 17, 2022 with the theme of the centennial celebration, "Celebrating the Past, Transforming the Present, Shaping the Future".

"One hundred years of the accountancy profession in the Philippines is certainly a big story worthy of center stage."

Proclamation No. 1333 signed by the President declaring March 18, 2022 to March 17, 2023 as the Centenary Year of the Accountancy Profession in the Philippines commemorates the importance of the accountancy profession in the Philippines, which has "promoted and sustained the highest standards of professionalism and ethics, and produced thousands of Certified Public Accountants (CPAs) of invaluable integrity and service, who have contributed immensely to the development of our nation, especially in the fields of finance and trade".

As part of the celebration, the BOA, together with the various professional accounting organizations, conferred the "Accountancy Centenary Award of Excellence" to 100 CPAs who "have proven themselves worthy of honor and emulation". According to the BOA, these individuals are "the Filipino CPAs who demonstrated unquestionable integrity, contributed immensely in the advancement of the accountancy profession, and participated remarkably in national development".

One hundred years of the accountancy profession in the Philippines is certainly a big story worthy of center stage.

SINGAPORE

SINGAPORE BUDGET 2023 TAX CHANGES

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On 14 February 2023, Deputy Prime Minister and Minister for Finance, Mr. Lawrence Wong, presented Singapore's 2023 Budget Statement. A summary of the tax changes is set out below:

Business Tax

- There is no change to the corporate income tax rate, currently at 17% and no tax rebates.
- Global Anti-Base Erosion (GloBE) rules under BEPS 2.0 Pillar Two and Domestic Top-up Tax (DTT) will apply to in-scope multinational enterprise (MNE) groups for businesses' financial year starting on or after 1 Jan 2025. Timeline may be revisited based on international developments.

SINGAPORE

(Continued)

"Global Anti-Base Erosion (GloBE) rules under BEPS 2.0 Pillar Two and Domestic Top-up Tax (DTT) will apply to in-scope multinational enterprise (MNE) groups for businesses' financial year starting on or after 1 Jan 2025."

- New "Enterprise Innovation Scheme"
  - 400% enhanced tax deduction for qualifying expenses (capped at $400,000) incurred for each of the following activities from Year of Assessment (YA) 2024 to YA 2028:
    - Research and development projects conducted in Singapore
    - Registration of intellectual property, including patents, trademarks, and designs
    - Acquisition and licensing of intellectual property rights
    - Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework
  - New 400% tax deduction for expenses (capped at $50,000) incurred for activities relating to innovation projects carried out with Polytechnics, the Institute of Technical Education or other qualified partners from YA 2024 to YA 2028
  - Non-taxable cash payout (capped at $20,000) based on a conversion ratio of 20% on up to $100,000 of total qualifying expenditure for all activities listed above per YA

- Extension of the following tax incentives/schemes to 31 Dec 2028:
  - Pioneer Certificate Incentive
  - Development and Expansion Incentive
  - Intellectual Property Development Incentive
  - Investment Allowance (IA) Scheme for capital expenditure on approved projects
  - Tax Incentive Scheme for ASPV engaged in Asset Securitisation Transactions (with refinement)
  - Qualifying Debt Securities Scheme (with refinement)
  - Financial Sector Incentive (with refinement)
  - Exemption on income derived by Primary Dealers from Trading in Singapore Government Securities Scheme
  - Insurance Business Development – Insurance Broking Business Scheme

- Extension of tax concession for tax deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit-impaired financial instruments for banks, merchant banks and qualifying finance companies to:
  - YA 2029 for abovementioned entities with a 31 Dec financial year end
  - YA 2030 for abovementioned entities with non-31 Dec financial year end

- Extension of IA (100%) scheme for Automation Projects to 31 Mar 2026

- Extension of tax measures relating to the following to 31 Dec 2028:
  - Withholding exemption on payments to non-resident for use of international telecommunications submarine cable capacity under indefeasible right-to-use (IRU) agreements
  - Writing down allowance for acquisition of an IRU
  - IA for the construction and operation of submarine cable systems in Singapore

- Withdrawal of tax deduction for expenditure incurred on building modifications for benefit of disabled employees from 15 Feb 2023

- Enhancement of Double Tax Deduction for Internationalisation Scheme to include new qualifying activity "e-commerce campaign" and to cover qualifying e-commerce start-up expenses paid to -e-commerce platform/service providers on business advisory, account creation, content creation, and product listing and placement on or after 15 Feb 2023. Pre-approval from Enterprise Singapore is required

- Option to accelerate capital allowance claim on plant & machinery over 2 years (instead of 3 years/useful life) is allowed for capital expenditure incurred in the basis period for YA 2024

- Option to accelerate deduction for Renovation and Refurbishment (R&R) expenditure over 1 year (instead of 3 years) is allowed for R&R expenditure incurred in the basis period for YA 2024

- Extension of the 250% tax deduction for donations made to Institutions of a Public Character and eligible institutions to 31 Dec 2026

- Extension of the Corporate Volunteer Scheme to 31 Dec 2026 with enhancements

- New tax incentive scheme for family office to allow qualifying donors to claim 100% tax deduction (capped at 40% of the donor's statutory income) for overseas donation made through qualifying local intermediaries

"No change to personal income tax rate, and no personal tax rebates."

Individual Tax

- No change to personal income tax rate, and no personal tax rebates

- Changes to Working Mother's Child Relief from a percentage of the working mother's earned income to a fixed dollar relief with effect from YA 2025 in respect of Singaporean children born or adopted on or after 1 Jan 2024.

- Foreign Domestic Worker Levy Tax Relief to lapse from YA 2025

- Working mothers will be allowed to claim Grandparent Caregiver Relief of $3,000 from YA 2024 in respect of caregivers who have trade, business, profession, vocation and/or employment income not exceeding $4,000 in the year preceding the YA of claim, subject to conditions

Vehicle Tax

- Higher marginal Additional Registration Fee (ARF) for luxury cars (with COE obtained from second COE bidding exercise in Feb 2023 onwards, or on/after 15 Feb 2023 for cars that do not need to bid for COEs)

Revised ARF Banding	Revised Rates
First $20,000 of OMV	100% of OMV
Next $20,000 of OMV	140% of OMV
[NEW] Next $20,000 of OMV	190% of OMV
[NEW] Next $20,000 of OMV	250% of OMV
[NEW] Above $80,000 of OMV	320% of OMV

- Preferential ARF rebates will be capped at $60,000. The PARF cap does not apply to vehicles that are not eligible for PARF rebates, such as goods-cum-passenger vehicles and classic cars.

Others

- Increase in CPF month salary cap

Worker age (years)	CPF monthly salary ceiling	CPF annual salary ceiling
Current	$6,000	$102,000
From 1 Sep 2023	$6,300(+$300)	
From 1 Jan 2024	$6,800(+$500)	
From 1 Jan 2025	$7,400(+$600)	
From 1 Jan 2026	$8,000(+$600)	

- Changes to Buyer's Stamp Duty for higher-value residential and non-residential properties

New (for properties acquired on or after 15 Feb 2023)		
Higher of Purchase Price or Market Value of the Property	Marginal BSD rate for residential properties	Marginal BSD rate for non-residential properties
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Next $500,000	4%	4% (new)
Next $1,500,000	5% (new)	5% (new)
> $3,000,000	6% (new)	

Disclaimer

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

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