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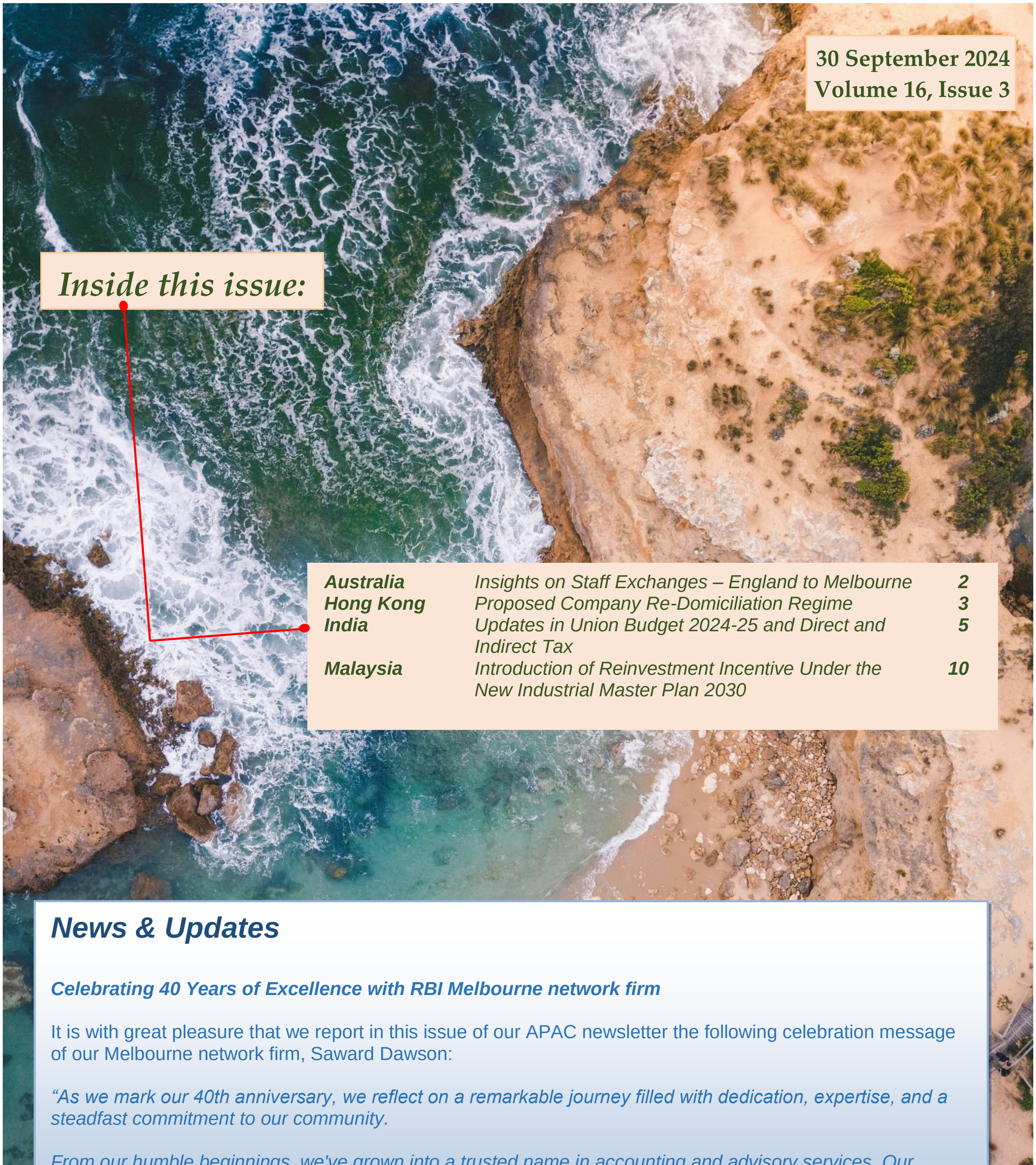
APAC News



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News & Updates

Celebrating 40 Years of Excellence with RBI Melbourne network firm

It is with great pleasure that we report in this issue of our APAC newsletter the following celebration message of our Melbourne network firm, Saward Dawson:

"As we mark our 40th anniversary, we reflect on a remarkable journey filled with dedication, expertise, and a steadfast commitment to our community.

From our humble beginnings, we've grown into a trusted name in accounting and advisory services. Our success is a testament to the unwavering support of our clients and the hard work of our incredible team. Each milestone we've achieved has been driven by our passion for making a positive impact.

We have had the honour of supporting non-for-profits in their mission to bring about social change, helping businesses navigate the complexities of growth, and providing individuals and families with the financial clarity they need to secure their futures. Every success story we've been part of is a reflection of our core values and our dedication to service.

The world has changed in so many ways over the past 4 decades, including new risks, compliance obligations, and technology. We have adapted to these opportunities with new strategies, agile thinking and a great team of professionals. Our RBI membership has also been invaluable as we serve the needs of our clients, increasingly operating in a global marketplace."

AUSTRALIA

FROM ENGLAND TO MELBOURNE: AN ACCOUNTING JOURNEY AND GLOBAL INSIGHTS

SAWARD DAWSON

One of the advantages of the RBI Network relationship is the opportunity for staff exchanges between firms.

Whilst celebrating its 40th years anniversary, Saward Dawson, Melbourne also reports an interview with Matthew Baggs, an accountant from Lubbock Fine, London who is doing a 12-week secondment in the Melbourne audit team.

We asked Matthew about his experience adjusting to life in Australia, the challenges and opportunities of working abroad, and his insights into the differences between the accounting practices in the UK and Australia.

- **What brought you to Australia and why did you choose to do a secondment?**

  The secondment offered a unique opportunity for me to meet new people and explore a new country and culture, with Melbourne being a city I've always wished to visit with a global reputation as a vibrant place to live and work. It also offered a number of exciting opportunities for me professionally, such as exchanging ideas and tapping into the expertise of a different audit team which will undoubtedly always have different strengths and approach things with a different mindset.

- **How does accounting and auditing in Australia compare to the UK?**

  Australian Accounting Standards are quite similar to International Financial Reporting Standards (IFRS). I have some experience of IFRS from my work in the UK, which has certainly helped me avoid feeling like I'm starting from scratch. Having said that, the majority of my experience in my career so far has been in reporting under Generally Accepted Accounting Practice in the UK (UK GAAP), which while very similar to IFRS in a lot of areas and converging towards it over time, is a few years behind in some areas such as lease accounting and revenue recognition. Because of this, it's been really useful to see how Saward Dawson approach auditing these areas specifically.
  In terms of auditing, the principles are broadly similar which has made the transition quite straightforward. The most notable difference is probably the difference in seasonality. While "busy season" in the UK certainly brings resource challenges, the high proportion of entities with 30 June year ends is very evident.

AUSTRALIA

(Continued)

- **What's been the most exciting part of working at Saward Dawson so far?**

  I've found Saward Dawson's focus on community impact really uplifting and I think it contributes significantly to the very positive culture that's been created amongst its employees. I enjoyed attending the firm's "mid-year dinner" back in July, which offered an opportunity to meet people that I haven't worked directly with in my time here. It was very clear from that event how much pride Saward Dawson takes in its staff's achievements. It is also very clear within the firm's internal communications which create a really encouraging and celebratory environment.

HONG KONG

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PROPOSED COMPANY RE-DOMICILIATION REGIME

With the view of enhancing Hong Kong's competitiveness in attracting foreign enterprises and investments, the Government has recently published the consultation conclusion and legislative proposals to put in place a company re-domiciliation regime in Hong Kong.

Framework

Legal identity and scope: The proposed regime allows companies re-domiciling to Hong Kong to preserve their legal identities without creating a new legal entity. However, the regime is one-way and does not provide for re-domiciliation out from Hong Kong as, obviously, outward re-domiciliation would contravene the objective of attracting foreign investment to Hong Kong.

The following four types of foreign companies are in-scope for re-domiciliation:

- Private companies limited by shares
- Public companies limited by shares
- Private unlimited companies with share capital
- Public unlimited companies with share capital

" The proposed regime allows companies re-domiciling to Hong Kong to preserve their legal identities without creating a new legal entity."

Business continuity: The companies' property, rights, obligations and liabilities, as well as its contractual and legal processes shall remain intact following the re-domiciliation. If the company has previously been registered in Hong Kong as a branch of a foreign company, it shall be allowed to retain its name and business registration number.

Rights and obligations: Upon re-domiciliation, the company would have the same rights and obligations as a locally incorporated company under the Companies Ordinance (CO). Such obligations would include, for example, requirements relating to appointing a company secretary, maintaining proper books and records and preparing annual audited financial statements, etc.

Eligibility criteria & application

- *Types of companies:* Eligibility is confined to the four types of companies as mentioned above.

- *Permission in original domicile:* Under the law of the applicant's original domicile, outward re-domiciliation is permitted.

- *Application timing:* At the time of applying for re-domiciliation, the applicant's first financial year end since its incorporation must have passed.

- *Member's consent:* The applicant should have received members' consent under the law of its original domicile. If the law of the original domicile does not require members' consent, a certified copy of a resolution duly passed by at least 75% of its members is required.

- *Proof of solvency:* The applicant must prove its solvency by providing the financial statements and a legal opinion. The financial statements should be audited if there is statutory audit requirement under the law of its original domicile.

- *Proof of compliance:* A legal practitioner who practises the law of the original domicile should provide a legal opinion that the proposed re-domiciliation is allowed under that law.

- *Approval time:* Upon receipt of all required documents, an application will generally be approved by the Companies Registry (CR) within 2 weeks.

- *Deregistration within 120 days:* The company should deregister from its original domicile within 120 days.

- *No economic substance test:* To make the proposed regime as inclusive as possible, the company will not be required to meet economic substance test in Hong Kong.

"Upon re-domiciliation, the company would have the same rights and obligations as a locally incorporated company under the Companies Ordinance (CO)."

Tax implications

- *Profits tax:* The proposed regime would not affect the re-domiciled company's chargeability to Hong Kong profits tax.

- *Transitional matters:* Suitable amendments shall be introduced in the Hong Kong tax law to deal with transitional tax matters arising from the re-domiciliation, e.g. deduction for trading stock and depreciation allowances for fixed assets that exist at the time of re-domiciliation.

- *Unilateral tax credit for exit tax:* Unilateral tax credits shall be available in respect of tax payable on actual profits derived in Hong Kong after re-domiciliation where the profits have been taxed in an unrealized form by the original domicile upon exit.

- *Tax residency:* The Government considers that clarification of tax residency of a re-domiciled company for tax purposes is generally not necessary (other than in relation to matters for application of double taxation treaties), as a company is chargeable to profits tax regardless of its domicile or residency.

Legislative timeline

The Government is in the process of drafting the Bill amendment. Hopefully the law can be passed and become effective before the end of the fiscal year 2024/25.

In this write-up, we have discussed the key highlights of the Union Budget 2024-25 and consequential changes in the direct and indirect taxes.

Highlights of the Finance Act, 2024

The Union Budget of India 2024-25 and was presented by the Honourable Finance Minister on 23 July 2024 after the newly elected government assumed office. The Finance Bill, 2024 presented in the budget session, recently received the President's assent. We summarise the key features of the Union Budget 2024-25 and the Finance Act, 2024.

The Union Budget focusses on the following 9 priorities:

1) *Productivity and resilience in agriculture*

Raising the agricultural productivity and developing climate resilient varieties of crops will be the focus. In achieving this, natural farming and the use of digital public infrastructure will be adopted.

2) *Employment and skilling*

This initiative includes:

- employment linked incentives,
- job creation in the manufacturing industry,
- involvement of more women workforce and
- setting up of 1,000 industrial training institutes to meet the skill needs of the industry

3) *Inclusive human resource development and social justice*

- To ensure all-round development of the eastern region, development of road connectivity projects and power projects in the eastern part of the country will be undertaken.
- Development of Industrial corridors in the eastern Indian States will be supported.
- Women led development will be promoted.

4) *Manufacturing and services*

The Government focusses on the promotion of micro, small and medium enterprises ('MSME's) and the labour-intensive manufacturing units. Some of the key announcements to this sector includes:

- Credit Guarantee Scheme for MSMEs in the manufacturing sector

INDIA

(Continued)

"The Government focusses on the promotion of micro, small and medium enterprises ('MSME's) and the labour-intensive manufacturing units."

- Credit Support to MSMEs during stress period
- Revising the credit assessment model for MSME credit to include the digital footprints (instead of pure asset or turnover criterion)
- Setting up of e-commerce export hub to facilitate MSMEs and traditional artisans to sell their products in international markets

Besides the MSME initiatives, following other proposals are announced:

- Development of investment-ready 'plug and play' industrial parks with complete infrastructure in or near 100 cities.
- To improve the share of the Indian shipping industry and generate more employment the budget announced putting in place a presumptive taxation regime for cruise ship operations of non-residents. Further, exemption will be brought in, for any income of a foreign company from lease rentals of cruise ships, received from a related company which operates such ship or ships in India
- Critical Mineral Mission for domestic production, recycling of critical minerals, and overseas acquisition of critical mineral assets
- Development of digital public infrastructure ('DPI') planned in the areas of credit, e-commerce, education, health, law and justice, logistics, MSME, services delivery, and urban governance.

5) *Urban development*

- This priority focusses on development of cities as 'Growth Hubs'
- Urban housing
- Water supply and sanitation
- Moderation in the stamp duty rates on property transaction and further lowering of stamp duties on those purchased by women.

6) *Energy security*

The major initiatives being:

- Bringing out a policy document on appropriate energy transition pathways
- Research and development of small and modular nuclear reactors

7) *Infrastructure*

- Total capital outlay of 3.4% of the GDP amounting to INR 1 million crores.
- Focus on private investment in infrastructure
- Promotion of tourism which has a potential of job creation, stimulation of investments and creating opportunities for other sectors.

- Restoration of places of natural beauty and historic significance

8) Innovation, research and development

- Private sector-driven research and innovation at commercial scale with a financing pool of INR 1 lakh crore in line with the announcement in the interim budget.

- For expanding the space economy by 5 times in the next 10 years, a venture capital fund of INR 1,000 crore will be set up.

9) Next generation reforms

These reforms will facilitate high economic growth and employment opportunities to be achieved through:

- improving the productivity of factors of production, i.e. land, labour, capital and entrepreneurship with the support of technology as an enabler, and

- facilitating markets and sectors to become more efficient.

This will be enabled through land-related reforms, taxonomy for climate finance, foreign direct investments and overseas investments.

Direct taxes

Comprehensive review of the Income-tax Act, 1961

In the Union Budget speech, the Honourable Finance Minister, Smt. Nirmala Sitaraman announced a comprehensive review of the Income-tax Act, 1961 ('the Act'). The purpose is to make the Act concise, lucid, easy to read and understand, which will reduce disputes and litigation, and provide tax certainty to the taxpayers. It will also bring down the demand embroiled in litigation. The review of the Act is proposed to be completed in six months, i.e. before the close of FY 2024-25.

"The purpose is to make the Act concise, lucid, easy to read and understand, which will reduce disputes and litigation, and provide tax certainty to the taxpayers."

The following are some of the important changes in the area of direct taxes:

- For the financial year ('FY') 2024-25, the corporate tax rate for foreign companies is reduced from 40% to 35% (on income other than income chargeable at special rates).

- Tax rates for domestic companies FY 2024-25 remain unchanged.

- From 1 August 2024, equalisation levy at the rate of 2% for e-commerce supply or services shall not be applicable.

- **Abolition of Angel Tax:** As per provisions of section 56(2)(viib) of the Income-tax Act, 1961 ('Act'), where a company (not being a company in which the public are substantially interested) receives, in any financial year, any consideration for issue of shares, if the consideration so received for issue of shares exceeds the face value of such shares, the aggregate consideration received for such shares exceeding its fair market value was chargeable to income tax under the head 'Income from other sources'. The said provision has been abolished from assessment year ('AY') 2025-26

INDIA

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onwards.

- Income from buy-back of shares by companies will be chargeable in the hands of recipient investor as dividend, instead of the current regime of additional income-tax in the hands of the company. Further, the cost of such shares shall be treated as a capital loss to the investor.

- Securities Transaction Tax ('STT') on 'futures in securities' is increased from 0.0125% to 0.02%, while the STT on 'options in securities' is increased from 0.0625% to 0.1%.

- **Taxation of capital gains (with effect from 23 July 2024)**

  i. Holding period (for classification of the asset as long term):

     - Listed financial assets: more than 12 months (hitherto, the holding period for units of business trust was more than 36 months)
     - Unlisted and non-financial assets: more than 24 months (unchanged)

  ii. Unlisted bonds, debentures, debt mutual funds, and market-linked debentures will attract applicable tax rates, regardless of holding period.

  iii. Short-term gains tax on specified financial assets increased from 15% to 20%; rates on other financial and non-financial assets remain unchanged.

  iv. Long-term capital gains in respect of all categories of assets will attract a tax rate of 12.5% without indexation benefit (previous rate was 20% with indexation benefit).

  v. The exemption limit on long term capital gains for certain listed financial assets is increased from INR 1 lakh to INR 1.25 lakhs annually.

"For the financial year ('FY') 2024-25, the corporate tax rate for foreign companies is reduced from 40% to 35% (on income other than income chargeable at special rates)."

- **Tax deducted at source ('TDS') and tax collected at source ('TCS')**

  – TDS on payment to a partner: payments made by a firm to its partner shall be subject to TDS at 10% for aggregate amounts more than INR 20,000 in a financial year.

  – Levy TCS of 1% on notified luxury goods of value exceeding INR 10 lakh

- **Personal taxation**

  i. Standard deduction to be increased to INR 75,000 from INR 50,000 for salaried employees and pensioners under the new tax regime.

  ii. Benefit of TCS paid will be allowed while computing the amount of tax to be deducted on salary income.

Indirect taxes

Certain relevant amendments in the customs tariff rate are discussed. These have become effective from 24 July 2024.

- **Critical minerals:** Basic Customs Duty ('BCD') has been reduced on various critical minerals (lithium, copper, cobalt and rare earth elements that are critical for sectors like nuclear energy, renewable energy, space, defence, telecommunications, and high-tech electronics). This will favourably impact input costs of various strategic industries. In many cases, the BCD rate has been reduced to nil.

- **Drugs:** BCD has been fully exempted on the following cancer drugs (from 10% to NIL).
  - Trastuzumab Deruxtecan
  - Osimertinib
  - Durvalumab

- **Precious metals:**
  - Reduction in the BCD of gold and silver to 6% (from existing 15%).
  - Reduction in the BCD of platinum, palladium and bushings made of platinum and rhodium alloy (in certain cases) to 5% (from existing 7.5%).

- BCD on mobile phone, mobile PCBA and mobile chargers/adapters is reduced to 15% (from the existing 20%)

- The list of exempted capital goods required in the manufacture of solar panels and solar cells has been widened.

"Basic Customs Duty ('BCD') has been reduced on various critical minerals (lithium, copper, cobalt and rare earth elements that are critical for sectors like nuclear energy, renewable energy, space, defence, telecommunications, and high-tech electronics)."

Companies Act, 2013

Merger and amalgamation of foreign companies with Indian companies: With effect from 17 September 2024, where the transferor foreign company incorporated outside India being a holding company and the transferee Indian company being a wholly owned subsidiary company incorporated in India, enter into merger or amalgamation,

- Both the companies are required to obtain the prior approval of the Reserve Bank of India

- The Indian company has to comply with specific provisions of section 233 the Companies Act, 2013 (relating to mergers and amalgamations.)

MALAYSIA

REINVESTMENT INCENTIVE UNDER THE NEW INDUSTRIAL MASTER PLAN 2030

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The Malaysian Investment Development Authority ("MIDA") has recently released the much-anticipated Guideline and Procedures for the Application of Incentive for Reinvestment under the New Industrial Master Plan ("NIMP") 2030.

This announcement follows the proposal to have a tiered Investment Tax Allowance ("ITA") incentive in the Budget 2024, aimed at encouraging existing companies, whose reinvestment allowance incentive period has ended, to continue investing in high-growth and high-value areas. This initiative supports sustained economic development by fostering higher levels of investment in strategic sectors.

"… aimed at encouraging existing companies, whose reinvestment allowance incentive period has ended, to continue investing in high-growth and high-value areas."

Overview of the reinvestment incentive under NIMP 2030

	Tier 1	Tier 2
Tax incentive	**ITA of 100%** on qualifying capital expenditure (excluding land cost) and **set off against 100% of statutory income**	**ITA of 60%** on qualifying capital expenditure (excluding land cost) and **set off against 70% of statutory income**
Incentive period	5 years	
Eligible applicant	(i) Incorporated under the Companies Act 2016 and a tax resident in Malaysia. (ii) Existing manufacturer, which may or may not have previously benefited from tax incentives granted under the Promotion of Investment Act 1986 and/or Income Tax Act 1967 ("MITA"). For those companies that had received a tax incentive, the period for claiming the incentive on approved products or activities must have ended. (iii) Undertake expansion or diversification projects in the manufacturing sector. (iv) If a related company has already received approval for the reinvestment incentive under NIMP 2030, the company in question is eligible for the reinvestment incentive only if it involves a different product or activity. (v) Eligible for only one round of this reinvestment incentive.	
Eligible products or activities	- Aerospace - Automotive Chemical including biotechnology - Electrical and Electronics - Food Processing - Halal - Machinery & Equipment - Medical Devices - Metal	- Mineral - Palm-oil based products - Pharmaceutical including biotechnology - Petrochemical products and petrochemicals - Rail - Ship building and ship repair - Textile, apparel and footwear - Wood, paper and furniture

(Continued)

The tiering tax incentive will be based on the following outcome-based approach:

	Tier 1	Tier 2
Minimum conditions	(i) Qualifying capital expediture (excluding land) to be realised within 3 years; (ii) Adoption of at least one of the foundational IR4.0 technologies i.e. artificial intelligence, internet of things, block chain, cloud computing and big data analytics, or advance materials and technologies (based on the National Fourth Industrial Revolution (4IR) Policy; and (iii) Adequate spending associated with R&D activities, including expenses related to the enhancement of products and technologies.	
Additional conditions	Subject to the following outcome but not limited to: (i) Adequate number of new full-time employees with high value jobs (minimum basic salary of RM10,000 per month); (ii) Engage the number of local suppliers as proposed; (iii) Adoption of green technology (generation of renewable energy or utilisation of energy efficient equipment); and (iv) Any other conditions related to sustainable economic development as stated in the approval letter.	Not applicable.
Date of application	1 January 2024 until 31 December 2028	

"… that companies which have not started their Reinvestment Allowance claim under Schedule 7A are not eligible for this new incentive."

A company claiming Reinvestment Allowance ("RA") under Schedule 7A of the MITA can opt to claim this mutually exclusive incentive. Opting for this incentive does not in any way extend the 15-year eligibility period for RA. It should be noted, however, that companies which have not started their RA claim under Schedule 7A are not eligible for this new incentive.

An application must be submitted to MIDA before the first sales invoice is issued by the company for the proposed project.

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