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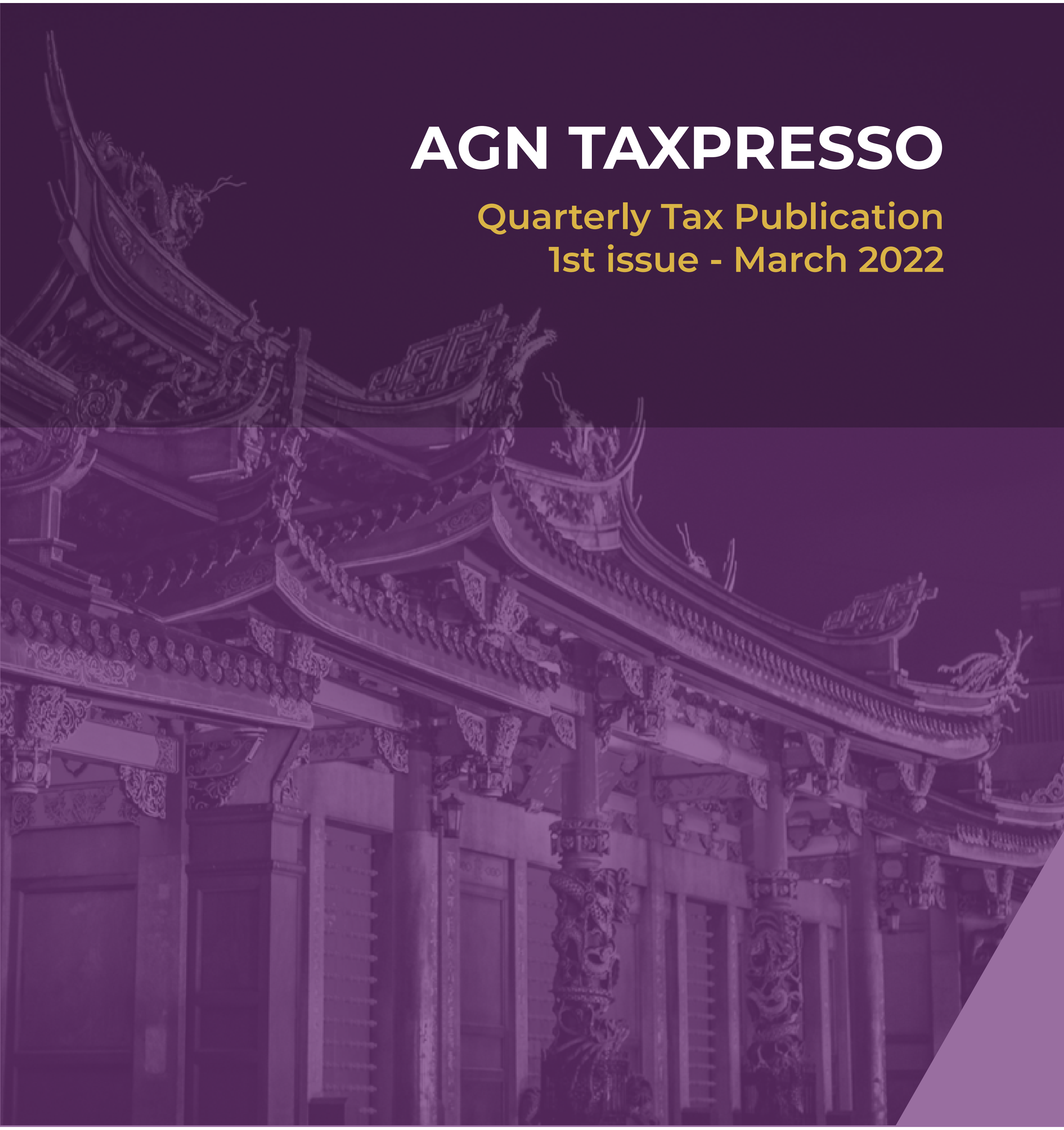

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MESSAGE FROM CHAIRMAN

Dear Members and Readers,

Our first issue of the 2022 AGN AP Taxpresso is out. We have quarterly contributions written by our tax committee members from our Asia Pacific region, including Australia, China, Hong Kong, India, Indonesia, Malaysia, New Zealand, Pakistan and Singapore.

Please continue to read them as they will provide you with useful nuggets of information and data that will keep you abreast of the respective countries' happenings.

Please let us know your feedback and comments so that we can make this publication beneficial for everyone. If you have any specific topics of interest that you require more information on, please let us know.

You can send your comments to me or our secretariat at asia-pacific@agn.com.

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HONG KONG BUDGET 2022/23

Proposed Budget and Summary of Hong Kong Taxes 2022/2023

COMMENTARY

Hong Kong's Finance Secretary Mr Paul Chan has delivered the final budget in the current administration on 23 February 2022 and continues to focus on rolling out various anti-epidemic funds totalling more than HK$54 billion to tackle the ongoing COVID-19 crisis in Hong Kong.

The most welcomed measures have included a more generous electronic consumption voucher for eligible individuals. Additionally, several new measures have been introduced including 1.) Tax deductions for domestic rental expenses (capped at HK$100,000); and 2.) New legislation that supports the rental enforcement moratorium for eligible SME's. These measures have been critical in supporting the financial relief effort towards rescuing businesses that have significantly struggled in the midst of one of the world's strictest anti-epidemic strategies.

To balance the significant expenditure incurred for relief initiatives, Mr Chan has sought to implement measures to increase revenue without compromising Hong Kong's low tax regime status. Rates on Stamp Duty and Stock Transfer have not been increased, compared to 2021. However, an "affordable users pay" principle has been implemented that targets taxpayers with domestic properties on a progressive rating system.

Furthermore, the government has also allocated an additional budget towards various initiatives to strengthen Hong Kong's economic recovery in the mid to long term. Highlighted measures include increased funding on 1.) Greater Bay Area (GBA) investments; 2.) issuance of inflation-linked retail and silver bonds; 3.) Smart ports for trading and logistics; and 4) the development of health innovations among other initiatives.

The Finance Secretary also highlighted one key tax factor concerning recent developments regarding BEPS2.0, whereby a 15% minimum tax right applies to MNEs that operate with at least 750m group revenue. This tax reform is expected to increase Hong Kong's revenue from profits tax in the mid-term. We see this as an implication where the IRD would start to tax companies that qualify with the minimum rate before topping up to the next appropriate tax jurisdiction starting from the year of assessment 2024-25. However, we only expect solid implementation guidelines and further clarification on criteria in the second half of 2022.

We welcome the government's introduction of several short-term relief measures to ease the immediate financial impacts of the epidemic. However, a long-term outlook must be considered.

Hong Kong still faces a long journey to full market recovery, which will likely be longer should a strategy that employs a sustainable epidemic approach not be adopted. Considering mid and long-term perspectives, we anticipate the increased measures to stimulate financial activity flows, GBA investment and enhance scientific and technological innovation. These factors will likely play a significant role in upholding Hong Kong's economic development and international position moving forward.

HIGHLIGHTS

1. Issue HK$10,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new immigrants aged 18 or above to stimulate local consumption.
2. Propose tax deduction for domestic rental expenses of maximum HK$100,000 for a year of assessment from 2022/23 on taxpayers who are not owners of domestic properties.
3. Waive salaries tax and tax under personal assessment for 2021/22, subject to a ceiling of HK$10,000.
4. Reduce profits tax for the year of assessment 2021/22 by 100%, subject to a ceiling of HK$10,000.
5. Legislate "Rental Enforcement Moratorium" for tenants of specific sectors which prohibit landlord from terminating the tenancy agreement for three months after law enforcement.
6. Extend the application period of the concessionary low-interest loan with 100% government guarantee for enterprises to June 2023. Maximum loan ceiling is raised from HK$6m to HK$9m with extended repayment period of 10 years and offer the option of making partial repayment of principal over a longer period of time.
7. Waive rates for non-domestic properties for 2022/23, subject to a ceiling of HK$5,000 per quarter in fi¬rst two quarters and HK$2,000 per quarter for remaining two quarters for each rateable non-domestic property.
8. Waive the business registration fees for 2022/23.
9. Waive 75% of water and sewage charges payable by non-domestic households for eight months, subject to a monthly cap of HK$20,000 and HK$12,500 respectively per household.
10. Extend waivers/ concessions of 34 groups of government fees and charges for 12 months.
11. Reduce rental by 75% for six months for eligible tenants of government properties and short-term tenancies.

SUMMARIES OF HONG KONG BUDGET 2022/23

FINANCE

1. Set up a HK$5b GBA Investment Fund to focus on investment opportunities in the Guangdong-Hong Kong-Macao Greater Bay Area ("GBA").
2. Issue no less than HK$35b of Silver Bonds, HK$15b of iBond and HK$10b of Green Bonds in the next financial year with the effort to make retail investors easier to participate in bond market.
3. Examine the revision of the listing requirements to meet the fundraising needs of technology enterprises.
4. Make preparation to allow stocks traded via the Southbound Trading of Stock Connect to be denominated in RMB.
5. Propose to provide tax concessions for the eligible family investment management entities managed by single-family offices.

INNOVATION AND TECHNOLOGY

1. Increase the funding allocated to the Future Fund to set up a HK$5b Strategic Tech Fund to invest in technology enterprises and projects which are of strategic value to Hong Kong.
2. Earmark HK$10b to promote the development of life and health technology.
3. Double the subsidy amount to HK$440m to strengthen support to the R&D activities of 16 State Key Laboratories and six Hong Kong Branches of Chinese National Engineering Research Centres in Hong Kong.

4. Double the subsidy amount under the Technology Start-up Support Scheme for Universities to HK$16m.
5. Set up a Digital Economy Development Committee to accelerate the progress of digital economy.
6. Earmark HK$600m to conduct a comprehensive e-government audit.

OTHER INDUSTRIES

1. Earmark HK$1.26b to support and develop the tourism industry.
2. Continue to develop sea-air cargo transhipment between the Hong Kong International Airport and the rest of the GBA.
3. Explore concrete proposals to promote the development of "Smart Port" and propose to provide half-tax concession to attract more maritime enterprises to establish a presence in Hong Kong.
4. Inject HK$1b to launch pilot schemes to support the development of the industry by adopting new technologies.
5. Provide recurrent provision of around HK$90m to InvestHK to strengthen its work on investment promotion.

LIVEABLE CITY

1. Provide 13 residential sites and 4 commercial sites under the 2022/23 Land Sale Programme to provide 18,000 units and 300,000 square metres of commercial floor area.
2. Make approximately 103 hectares of land available in the coming five years for the production of over 57,000 units.
3. Inject HK$1.2b to the Construction Innovation and Technology Fund.
4. Make amendments to the Mortgage Insurance Programme to increase the cap on property value for high percentage loans.
5. Inject HK$1.5b to the EV-charging at Home Subsidy Scheme to support the installation of EV charging-enabling infrastructure in more carparks of the existing private residential buildings.
6. Seek funding approval of about HK$8.4b for carrying out drainage improvement works to enhance the flood control capability and cope with climate change.

ONE-OFF SOCIAL AND INDIVIDUAL RELIEF MEASURES

1. Waive salaries tax and tax under personal assessment for 2021/22, subject to a ceiling of HK$10,000.
2. Propose tax deduction for domestic rental expenses of maximum HK$100,000 for a year of assessment from 2022/23 on taxpayers who are not owners of domestic properties.
3. Extend the application period of 100% Loan Guarantee Scheme for Individuals to end of April 2023. Loan ceiling raised to HK$100,000 and maximum payment period extended from 5 years to 10 years. Principal moratorium of the scheme is also extended to the first 18 months.
4. Issue HK$10,000 electronic consumption vouchers in instalments to each eligible Hong Kong permanent resident and new immigrants aged 18 or above to stimulate local consumption.
5. Provide rates concession for domestic properties for four quarters of 2022/23, subject to a ceiling of HK$1,500 per quarter in the first two quarters and HK$1,000 per quarter in remaining two quarters for each rateable property.
6. Grant a subsidy of HK$1,000 to each residential electricity account

Note: Legislative proposals do not generally become law until their enactment and may be modified by the Legislative Council before enactment.

TAX RATE TABLES

1. PROFITS TAX

	2022/2023	2021/2022*
Corporations - First HK$2m profits - On the remainder	8.25% 16.5%	8.25% 16.5%
Unincorporated business	15%	15%
Capital gains	Nil	Nil
Dividend	Nil	Nil

For 2021/22, the profits tax is proposed to be reduced by 100%, subject to a ceiling of **HK$10,000. (2020/21: HK$10,000)*

2. SALARIES TAX

- ➤ Salaries tax is charged at the lower of net chargeable income (Total Income - Deductions - Allowances) at progressive rates or net total income (Assessable Income - Deductions) at standard rate.
- ➤ Standard rate remains the same at 15%.
- ➤ Progressive rates are as follows:

2022/2023 (remain the same)		2021/2022*	
First HK$50,000 chargeable income	2%	First HK$50,000 chargeable income	2%
Next HK$50,000	6%	Next HK$50,000	6%
Next HK$50,000	10%	Next HK$50,000	10%
Next HK$50,000	14%	Next HK$50,000	14%
Remainder	17%	Remainder	17%

For 2021/22, the salaries tax and tax under personal assessment are proposed to be reduced by 100%, subject to a ceiling of **HK$10,000. (2020/21: HK$10,000)*

3. ALLOWANCES & DEDUCTIONS

	Proposed 2022/23	2021/22
Personal allowance		
Basic	HK$132,000	HK$132,000
Married	HK$264,000	HK$264,000
Single Parent	HK$132,000	HK$132,000
Disabled	HK$75,000	HK$75,000
Child allowances (1st to 9th child)		
Year of Birth	HK$240,000	HK$240,000
Other years	HK$120,000	HK$120,000
Dependent parent / grandparent allowances		
Basic (Age 60+)	HK$50,000	HK$50,000
Additional allowance (for dependant living with taxpayer) (Age 60+)	HK$50,000	HK$50,000
Basic (Age 55-59)	HK$25,000	HK$25,000
Additional allowance (for dependant living with taxpayer) (Age 55-59)	HK$25,000	HK$25,000
Dependent brother / sister allowance	HK$37,500	HK$37,500
Disabled dependant allowance	HK$75,000	HK$75,000
Deductions		
Self-education expenses	HK$100,000	HK$100,000
Home loan interest	HK$100,000 (entitlement period – 20 years)	HK$100,000 (entitlement period – 20 years)
Approved charitable donations	35% of income	35% of income
Elderly residential care expenses	HK$100,000	HK$100,000
Contributions to recognised retirement schemes	HK$18,000	HK$18,000
Qualifying premiums paid under the voluntary health insurance scheme policy	HK$8,000	HK$8,000
Qualifying annuity premiums and mandatory voluntary contributions to recognised retirement schemes	HK$60,000	HK$60,000
Domestic rental expenses (New)	HK$100,000	-

4. PROPERTY TAX & STAMP DUTY

The standard rate (for non-corporate owners) remains at 15% for 2022/2023. Property stamp duty remains unchanged, as detailed here:

	2022/23 (remain the same with 2021/22)		
Property consideration	**Flat rate**	**Scale 1**	**Scale 2**
Up to HK$2,000,000	15%	1.5%	HK$100
HK$2,000,001 to HK$3,000,000		3.0%	1.50%
HK$3,000,001 to HK$4,000,000		4.5%	2.25%
HK$4,000,001 to HK$6,000,000		6.0%	3.00%
HK$ 6,000,001 to HK$20,000,000		7.5%	3.75%
HK$20,000,001 and above		8.5%	4.25%
Duty rates are subject to marginal relief under Scales 1 & 2.			

NOTES:

1. The 15% flat rate applies to transfer of resident of resident property executed on or after 5 November 2016 except for the circumstances that Scale 2 rates are applicable.
2. The Scale 1 rates apply to transfer of non-residential property.
3. The Scale 2 rates apply to residential property acquired by a Hong Kong Permanent Resident who does not own any other residential property in Hong Kong at the time of acquisition.

Special Stamp Duty (SSD) remains to impose on transactions of residential properties for all values if the property is acquired by the vendor on or after November 20, 2010 and resold within:-

– 24 months from the date of acquisition (if the property was acquired between 20 November 2010 and 26 October 2012); or
– 36 months from the date of acquisition (if the property was acquired on or after 27 October 2012).

The SSD rates are as follows:

➤ 20% if the vendor has held the property for 6 months or less;
➤ 15% if the vendor has held the property for more than 6 months but for 12 months or less;
➤ 10% if the vendor has held the property for more than 12 months but for 36 months or less.

The budget proposed a raise to the rate of Stamp Duty on Stock Transfers from the current 0.1% to 0.13% of the consideration or value of each transaction payable by buyers and sellers respectively.

Compiled by Helen Wong on 7 March 2022

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INDIA

Artificial Intelligence for Handling GST Compliance, Curbing GST Evasion and Better Economic Data

"Everything we love about civilization is a product of intelligence, so amplifying our human intelligence with artificial intelligence has the potential of helping civilization flourish like never before – as long as we manage to keep the technology beneficial."

Max Tegmark - President of the Future of Life Institute

WHAT IS ARTIFICIAL INTELLIGENCE?

Artificial Intelligence (AI) is a blend of two words Artificial and Intelligence. Artificial means made by human work or art, not by nature i.e. not natural. Artificial Intelligence is the ability of Computers to do the work of human being. They receive inputs from the environment, interpret them and try to achieve a particular goal based on this data.

From SIRI to self-driving cars, artificial intelligence (AI) is progressing rapidly. While science fiction often portrays AI as robots with human-like characteristics, AI can encompass anything from Google's search algorithms to IBM's Watson to autonomous weapons.

GST (GOODS & SERVICES TAX)

GST is known as the Goods and Services Tax. It is an indirect tax which has replaced many indirect taxes in India such as the excise duty, VAT, services tax, etc. The Goods and Services Tax Act was passed in the Parliament on 29th March 2017 and came into effect on 1st July 2017. Goods and Service Tax (GST) is levied on the supply of goods and services. Goods and Services Tax Law in India is a comprehensive, multi-stage, destination-based tax that is levied on every value addition. GST is a single domestic indirect tax law for the entire country.

Artificial Intelligence can help in managing GST compliance, curb tax Evasion and arranged better Economic data in the following ways:-

1. E-INVOICING AND ARTIFICIAL INTELLIGENCE

Electronic invoicing (e-invoicing) is the system of validating transaction details real time in a portal run by National Informatics Centre on real time basis & is compulsory for Persons up to a Certain Turnover. The data included in the e-invoice—details of buyers, sellers, the description of the item sold as per the harmonized system of nomenclature (HSN), the amount and the tax payable—will be used to pre-populate some of the tax return forms and to compute the eligible tax credit and tax liability of the parties to the transaction. The government's move is towards pre-filled return forms which businesses can validate or modify at the end of every month. The icing on the cake is the ability of tax administration to intercept a bogus transaction. Already, with data mining and use of artificial intelligence, officials are able to nail bogus invoices and shell companieson time and protect the Revenue.

2. INPUT TAX CREDIT RECONCILIATION AND ARTIFICIAL INTELLIGENCE

Input Tax Reconciliation under GST is about matching the Purchase Register and the GSTR-2A, which is auto, populated based on GSTR 1 filing by the respective suppliers of the Enterprise. GST Input Tax Reconciliation is important to ensure timely and accurate input tax credit as well as for the correctness of various returns. Incorrect ITC claims affect the compliance health of the organization. Wrong or delayed GST credit means leaving money on the table and it can affect top line of the company by approximately 5%-6%. For large enterprises, this figure in Rupees could run into Tens of Crores. The process of reconciliation becomes complex for large organizations with multiple legal entities, multiple GSTNs, large vendor base and large data volumes. There may also be timing issue as some suppliers may file in one month, while customer processes the invoices in coming months.

Many organizations lack proper controls in their Accounts Payable (AP) processes. For instance, in many cases, supplier invoices are being tracked manually which results in large volumes of invoices appearing in GSTR 2A but are not accounted for input tax credit. Manual data entry for invoices also adds to reconciliation issues. The taxpayers are required to continuously keep an eye on any discrepancy or mismatches that may affect the ITC claim and should try to rectify the errors. Executing the reconciliation manually or with the use of a basic excel sheet is a tedious and time-consuming task and does not guarantee 100% accuracy. This calls for a proper process and system for executing the reconciliation effectively and efficiently. Most enterprises have reconciliation issues with GSTR-2A & PR (Purchase Register) data. On average, at least 30% of GSTR-2A data is not present in PR, indicating gaps in AP process. This might result into delayed credit as well as mis-representation of accounts

AI based Technology Service: An AI/ML (Artificial Intelligence/ Machine Learning) based technology platform helps the organization in understanding different types of invoices. An important feature would be to extract information from scanned copies of invoices and create purchase register automatically. This also helps in understanding the different formats of Purchase Registers and reconciles of data is efficiently done in different buckets like matches (auto match and AI based them with GSTR2A. It also reconciles voluminous data faster with high accuracy. Categorization match), mismatches, invalid data and missing data.

3. ARTIFICIAL INTELLIGENCE FOR BETTER ECONOMIC DATA

India is shifting its focus from man to machine for improving the speed and quality of the economic data. For long, India's economic data has been criticized to be inadequate, delayed and confusing courtesy the sharp and unexpected revisions. But going forward, the Ministry of Statistics is ramping up AI applications for collecting, analyzing, and reporting data to monitor the economy in a better way.

4. ARTIFICIAL INTELLIGENCE TO CURB TAX EVASION

India is a rapidly growing economy and has been on top of world affairs when it comes to being involved with new initiatives and technologies to improve current economic and other practices. The government is actively involving modern technologies such as artificial intelligence, analytics, and others into existing process for national benefit.

Indian Finance Minister Nirmala Sitharaman also announced the usage of deep analytics and Artificial Intelligence to track tax evasion in the Goods and Service Tax Network (GSTN). Sitharaman said, "The capacity of the GSTN system has also been enhanced. We have also deployed deep analytics and Artificial Intelligence to identify tax evaders and fake billers and launched special drives against them." The Indian government previously has used Machine Learning (ML) tools to fight tax evasion. This includes Project Insight. The project was launched in October 2017 to track tax evaders through technology, and further curb black money.

5. ARTIFICIAL INTELLIGENCE AND GST COMPLIANCE

A GST Return is a document that mentions all details related to GST invoices, payments, and receipts for a specific period. These are the main documents through which GST officials and taxpayers are connected. Now-a-days tax filings have become faceless and this has only been possible with the help of AI. GSTR – 1, GSTR- 2, GSTR – 2A, GSTR – 3B and much more cannot be a success without AI.

CONCLUSION

In a country like India which is yet at the developing stage, we need some transformational changes in the tax structure or in our tax system to increase the tax revenue of Government. Use of Artificial Intelligence and Machine Learning will lead us to foster Indian tax administration process, transparency in tax process, find out new tax payers, and prevent tax fraud, tax evasion etc. We know that change is inevitable; AI will be industrial revolution 4.0 in the world like in previous century computers, electrical energy were. Now a day's AI is applied in many sectors and it is growing day by day but we need to understand what is required to make this a success in Indian tax structure. We need to provide the correct data for the training to the machine so that it will reduce the bias or it will get the correct bias. Government is making a lot expenditure to make tax system integrated with artificial intelligence but if taxpayers are not aware about the system then it will be difficult to make this reform a success. Government requires a system which is based on Artificial intelligence and taxpayers are ready for upcoming technological change in the system but they do not want to end the human intervention. Taxpayers strongly believe that using a tax system which is based on artificial intelligence will be safe, secure and comfortable to use. If the taxpayers trust on entire tax system then only they will provide the correct data and due to that we will be able to get a very strong tax administration system but for that government need to make people aware about the system and make the system transparent so that it will build the taxpayers trust and they will accept this as a helping tool for fair and transparent.

Compiled by CA Suman Ahuja on 14 January 2022

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SINGAPORE

Singapore Budget 2022

The 2022 budget seeks to support jobs, businesses, and households in a significant $560 million package through the Small Business Recovery Grant and Jobs Growth Incentive. Also, to assist Singaporeans in alleviating the cost of living pressures through GST vouchers, top-ups to children's educational expenses and Community Development Council vouchers.

Businesses have been given a boost with $200 million to enhance digital capabilities that provide bridging, trade loans, and Merger & Acquisition loans for working capital to encourage Singapore-based businesses' internalisation. Further, $600 million has been set aside under the Productivity Solutions Grant for SMEs to push for greater advancement in the local enterprise ecosystem, including innovation and attracting and growing talent development through industry and overseas attachments.

The anticipated 2% GST hike from the current 7% has been deferred to be raised over two years from 2023 to 2024. The postponement of the GST hike was a pleasant surprise and welcome news to Singaporeans. To address the ageing population, even the income disparity, and fund major health and social programmes, the Minister has introduced more progressivity in high-income earners' income tax rates. The top marginal resident individual tax rates will increase from the year of assessment 2024 from 22% to 23% for chargeable income over S$500,000 up to S$1 million; 24% for chargeable income over S$1 million.

From 1 January 2023 and 2024, owner-occupied residential property tax brackets will be adjusted with top margins set at 23% (2023) and 32% (2024) for annual value over S$100,000. Non-owner occupied residential property tax rates will range from 11% to 27% (2023) and 12% to 36% (2024), with top margins applicable to annual value over S$60,000. Also, higher bands of property tax rates for high-end residential properties.

Luxury cars will be taxed at a higher rate, with a new Additional Registration Fee tier for vehicles at a rate of 220 per cent for the portion of open market value over S$80,000.

The above wealth taxes aim to build a fairer society where everyone aspires to succeed regardless of background.

With BEPS 2.0, Singapore agreed on the two pillars among the more than 130 countries. Pillar one reallocates profits of multinational enterprises ("MNE") whose turnover exceeds Euro 20 billion and above 10% profit margin to countries where consumption occurs. Pillar two subjects the MNE with global revenue of more than Euro750 million to profits being subject to a minimum tax rate of 15%.

To prevent the erosion of Singapore's tax base, the Minister proposed adjusting the Singapore tax system to introduce a Minimum Effective Tax Regime ("METR"). The MNE's effective tax rate in Singapore is at 15%. The MTER is subject to further study and consultation with the industry on the design of METR and monitoring of international developments before any decisions on the METR will be made. As tax incentives become less attractive, Singapore must compete for foreign investments on other fronts. Singapore has a very efficient logistic hub with easy access to the Asia Pacific region, a world-class talent pool, and a stable government encouraging free trade and a sound business environment. It offers intellectual property protection and an efficient legal system. Businesses setting up in Singapore would have many advantages as Singapore governs based on the rule of law and is renowned as a global business hub.

As part of the green initiative and to achieve net zero emissions by 2050, the government has sent a strong signal by substantially increasing the carbon taxes from the current 5%. Carbon tax hikes will start from 2024 at 25%, with the expected increase to $50 to $80 per tonne by 2030. This will enhance Singapore's drive to become the Asia hub for carbon services and a marketplace for carbon credits and transition to a green sustainable economy.

Compiled by N Vimala Devi on 7 March 2022

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