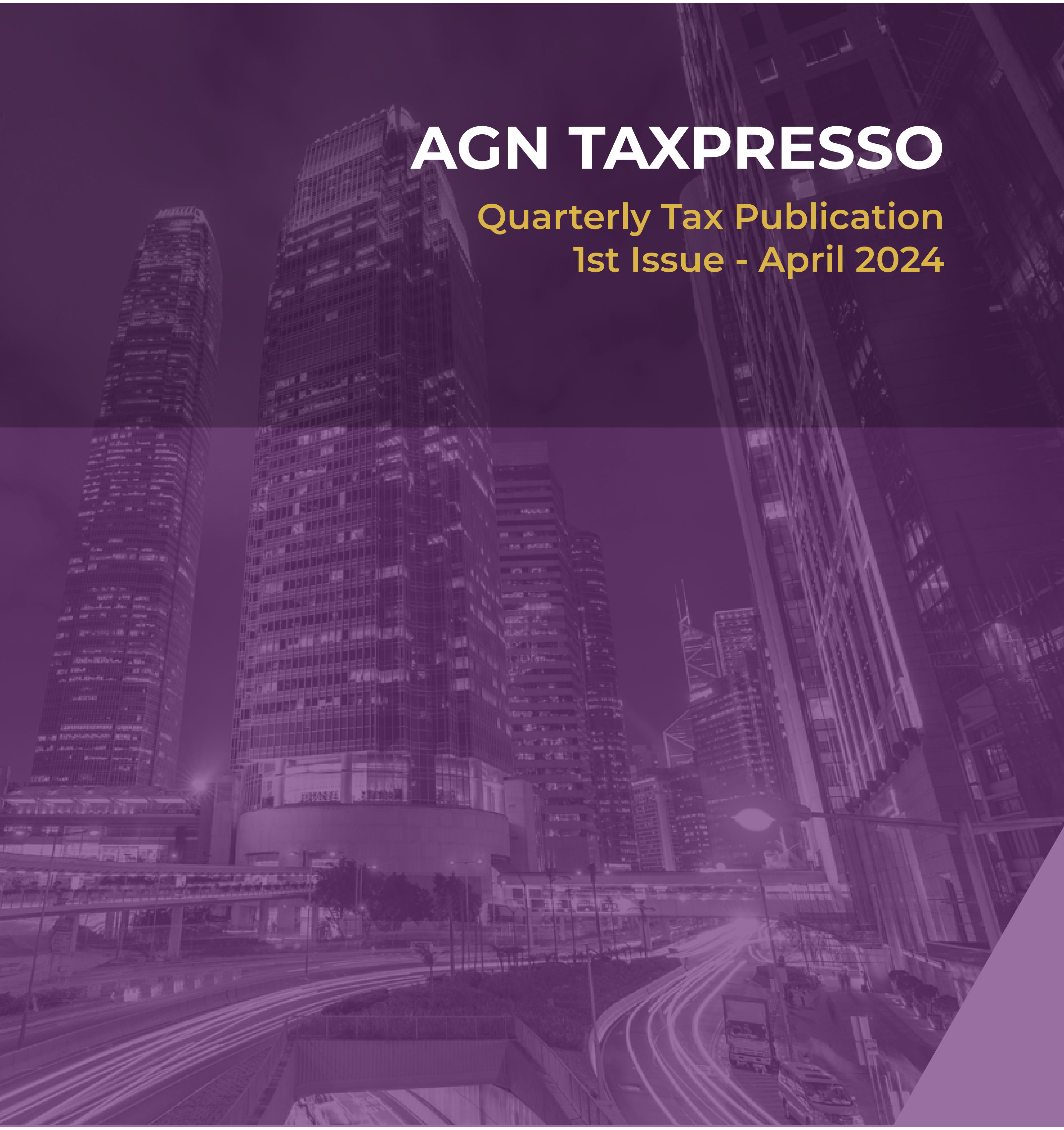

AGN TAXPRESSO

Quarterly Tax Publication
1st Issue - April 2024

Excellent.
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MESSAGE FROM CHAIRMAN

Dear Members and Readers,

Welcome to our first issue of the 2024 AGN AP Taxpresso, a quarterly publication composed of articles drafted by members of our AGN Asia Pacific Tax Committee, which we hope will be of interest to you.
It's hard to believe that a year has passed since I took over the reign of Chairman of the tax committee. 2023 passed too quickly for my liking, although I certainly do remember my experiences attending the Japan world congress meeting (which also comprised the APAC regional meeting), and the pleasure of being able to catch up with so many of my old colleagues again, as well as having the opportunity to make some new connections.

We still have a very active tax committee, with a diverse range of members (many of whom we are lucky to have retained their continued commitment to the group from 2023), from across the Asia Pacific jurisdictions of Australia, China, Hong Kong, India, Indonesia, New Zealand, Pakistan and Singapore.

As always, please do let us know if you have any feedback to our Taxpresso editions, as we do prepare them for the benefit of all AGN members, and we welcome any opportunity to improve the format and content accordingly.

Please also share with us any specific topics of interest which you would like to see included in future editions of Taxpresso. You can send your comments to me or our secretariat at asia-pacific@agn.com.

Finally, if you would also like to attend the committee meetings and share your own insights with respect to your jurisdiction, we would love to have you on board. Just forward your contact details to either myself or the secretariat, and we will ensure you receive the meeting invites.

Richard Ashby
Chairman, AGN Asia Pacific Tax Committee
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HONG KONG

Hong Kong Budget 2024/2025

The Hong Kong budget 2024-25 addressed key measures to strengthen Hong Kong's competitiveness as the international financial center and advancing the city's digital footprints. Several measures were aimed to seize business opportunities and to restore the Hong Kong Brand. With the government exercising prudence on the public finance, limited sweeteners were handed out this round, mainly benefitting local residents, homebuyers and property developers.

Increased schemes were also introduced to grow local talents mid to long term, as well to continue attracting top talents to work and build business in Hong Kong. We look forward to see the Government establishing stronger collaboration with Mainland and Southeast Asia countries, advancing our economy with growth, innovation and high quality development.

Below are some of the key observations:

- Boost for the real estate sector: The Budget exceeded expectations by introducing extensive relaxations for the real estate sector. Measures such as the elimination of demand-side management measures and easing mortgage issuance are poised to stimulate housing demand. However, market sentiment remains cautious due to high-interest rates, suggesting a gradual recovery.

- Stimulus for economic growth: Comprehensive measures have been introduced to bolster short-term growth in traditional economic pillars like tourism and SMEs while also focusing on long-term competitiveness in areas such as green development and technological innovation. This forward-looking approach aligns with the shifting consumption patterns, urging Hong Kong to accelerate its transition into new economies.

- Enhanced competitive edge: Emphasising foreign investment, the Budget introduces redomiciliation mechanisms and a 'patent box' tax incentive to attract overseas companies and encourage investment in R&D. Preferential tax regimes for funds and single-family offices are also broadened, aiming to diversify transactions and enhance competitiveness.

- Fiscal sustainability: To maintain fiscal sustainability, the government plans to reduce expenditures gradually while introducing various tax measures. These include a progressive income tax regime, a progressive rating system for domestic properties, and increases in business registration fees. These measures aim to broaden the tax base and reduce reliance on land sales.

- Green and infrastructure bonds: The government plans to issue bonds totalling $120 billion, with a significant portion allocated to green and infrastructure bonds. Despite increased issuance, the anticipated government debt ratio remains healthy and modest, reflecting responsible fiscal management.

The 2024-2025 Fiscal Budget exemplifies a proactive stance towards economic recovery, sustainability, and the bolstering of Hong Kong's global competitiveness.

The full Budget report is available here: https://www.budget.gov.hk/2024/eng/speech.html

Compiled by Helen Wong & Pierre Gargatte on 18 Mar 2024

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INDONESIA

New Payroll Tax for Employees

Starting from 1 January 2024, the withholding tax for payroll will change. The changes are meant to simplify the calculation that should be done on a monthly basis. While the monthly calculation is simplified, the year end calculation has not changed.

Previously, to calculate monthly payroll tax, employer needs to annualize the salary, and in doing so, the employer must separate how much is regular income and how much is non regular income. Moreover, the employer has to deduct the taxable income accordingly.

In the new mechanism, the employer simply requires two things from the employee:

1. Gross income amount, and
2. Non-taxable income status (e.g.: not married, married with 3 dependents, etc.)

This information then is applied to the Effective Rate ("TER") tables that are provided by Indonesian Tax Office ("ITO"). There are 3 tables provided, depending on the non-taxable status of the employee:

1. Table Category A: for status of TK/0, TK/1, K/0
2. Table Category B: for status of TK/2, TK/3, K/1, K/2
3. Table Category C: for status of K/3

(TK = not married, K = married, 1/2/3 = number of dependents)

Each table provides the applicable TER for the income amount. For example (Table Category A):

- For gross income between IDR 5.400.000 to 5.650.000, the rate is 0,25%
- For gross income between IDR 5.650.000 to 5.950.000, the rate is 0,50%, etc.

Calculation using TER is done for each month, except for the last month, i.e. year-end (December) or the last month of the employee working – before resignation. As for the last month itself, the calculation will not be using TER method, but the usual calculation, i.e. the actual income amount, deducted by any eligible deductions, then multiplied by the progressive rate.

The progressive rate is still the same, as follows:

- 5% for taxable income up to IDR 60.000.000
- 15% for taxable income of IDR 60.000.000 to IDR 250.000.000
- 25% for taxable income of IDR 250.000.000 to IDR 500.000.000
- 30% for taxable income of IDR 500.000.000 to IDR 5.000.000.000
- 35% for taxable income above IDR 5.000.000.000

The comparison between the old method and the new method can be illustrated (simplified) as follows:

Month	Old Method	Old Method
January	Gross income - deductibles, then	Gross income x TER
February	Gross income - deductibles, then	Gross income x TER
March	Gross income - deductibles, then	Gross income x TER
April	Gross income - deductibles, then	Gross income x TER
May	Gross income - deductibles, then	Gross income x TER
June	Gross income - deductibles, then	Gross income x TER
July	Gross income - deductibles, then	Gross income x TER
August	Gross income - deductibles, then	Gross income x TER
September	Gross income - deductibles, then	Gross income x TER
October	Gross income - deductibles, then	Gross income x TER
November	Gross income - deductibles, then	Gross income x TER
December (last month)	Gross income - deductibles, then deduct by tax paid from Jan-Nov	Gross income - deductibles, then deduct by tax paid from Jan-Nov
Total Jan-Dec	**Same between old & new method**	**Same between old & new method**

The total payroll tax for the year will still be the same between the old method and the new method.

With the new method, ITO also implemented a new web-based portal to submit the payroll tax return. In this new portal, the taxpayer (employer) needs to input the identity of each employee. Previously, when using the old desktop-based software, employees that are below the non-taxable income threshold were not required to be identified individually. Employers can just report the amount in total.

Therefore, the implementation of the new system, whilst simpler, will enforce stricter compliance. It is also expected that from this implementation, ITO will have a bigger taxpayer base (extensification). To add context, based on 2022 Annual Report of ITO (released December 2023), personal taxpayers that submitted their annual tax return is only 15,5 million taxpayers (total population is around 270 million people).

References:

- Government Regulation No. 58/2023
- Minister of Finance Regulation No. 168/2023
- Regulation of the Director General of Taxes No. 2/2024

Compiled by Erik Eneddy on 14 March

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SINGAPORE

Singapore Budget 2024

Some called it an "Election" Budget. The Budget also caters for the transformation of Singapore to withstand the changes that are constant in the volatile world we dwell in. The Budget charted the way forward to reinforce Singapore's social compact.

The Deputy Prime Minister and Finance Minister, Mr Wong, announced the Budget on 16 Feb 2024. Mr Wong will spend $131 billion to strengthen the social safety nets increasing the employability of the senior workforce, allowing mid-career switch by re-skilling and re-training them to compete in the changing technology space.

The Budget gave substantial handouts to both businesses and individuals. They are aimed at managing the inflationary pressures. Companies are given a generous tax rebate of 50% of tax payable with a $2,000 cash grant capped at $40,000 for the year of assessment 2024. For individuals and families, Community Development Council vouchers ($600), Cost of Living Special Payments ($200 to $400) and U-Save vouchers, amongst other cash and credits, were given, including a $200 personal tax rebate at 50% of tax payable for the year of assessment 2024.

The Budget allows senior workers aged 40 and above to pursue full-time diploma courses and to partially offset the loss from taking time off from work with a training allowance at 50% of the person's last 12 months' average income, capped at $3,000 per month for 24 months. The SkillsFuture Credit will also be topped up by $4,000 for such workers. Also, for ITE graduates to level up to pursue higher education, they get top-ups in their education account and CPF account amounting to $5,000 and $10,000, respectively.

Under the Base Erosion and Profit Shifting rules, Multinational Enterprise groups with annual group revenue of Euro750 million or more with group entities operating in Singapore will have to pay a minimum tax rate of 15%. The Domestic Top-up Tax rule may negate the benefits derived from the Singapore tax incentives given to such MNE groups.

However, to counter the above, the introduction of the Refundable Investment Credit Scheme ("RIC") may go towards mitigating the MNEs from pulling out of Singapore. The RIC should allow MNEs to obtain up to a 50% tax credit or cash refund on qualifying expenditures. Also, to attract foreign direct investments, Singapore should remain competitive as a global hub for trade, focusing on attributes such as ease of doing business, stable government, excellent infrastructure, and being a travel, aviation, educational and technological innovation hub.

Under the Environmental, Social and Corporate Governance initiatives, the Energy Efficiency Grant ("EEG") previously given to Food-related businesses was enhanced to extend to non-SMEs and additional businesses, including Manufacturing, Construction, Maritime and Data Centers. The government will support up to 70% and 30% of pre-approved energy-efficient equipment costs for SMEs and non-SMEs, respectively. An SME is defined as a group of enterprises with annual sales of not more than $100m or group employment of not exceeding 200 employees. The support per company was also increased from $30,000 to $350,000.

To encourage philanthropy and compassion for giving to humanitarian needs, Mr Wong introduced a new Overseas Humanitarian Assistance Tax Deduction. The scheme will allow a 100% tax deduction to individuals and corporations donating cash to approved overseas causes subject to meeting specified conditions. The 100% tax deduction is accorded to valid Fund-Raising for Foreign Charitable Purposes permitted by the Commissioner of Charities.

Singapore has predicted an estimated 1% to 3% GDP forecast. Hopefully, we will finish the year with a GDP growing at the higher end of the spectrum with the anticipation that inflation will be on a downward trend.

Compiled by N Vimala Devi on 18 Mar 2024

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