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Comparative Update on Pillar Two

Asia Pacific	Consultation	Draft legislation	Income Inclusion Rule (IIR)	Undertaxed Profits Rule (UTPR)	Domestic Top-up Tax (QDMTT)
Australia	Completed	Adopted (1) Primary leg, (2) Subordinate rules, and (3) Explanatory Materials	1/1/2024	1/1/2024	1/1/2024
HK (SAR)	Completed	N/A	1/1/2025	1/1/2025	1/1/2025
India		N/A	TBC	TBC	TBC
Indonesia		GR 55/2022	TBC	TBC	TBC
Japan		Adopted (IIR)	1/4/2024	1/4/2025 (Est)	1/4/2025 (Est)
S Korea		Adopted	1/1/2024	1/1/2025	TBC
Malaysia	Completed	Adopted	1/1/2025	TBC	1/1/2025
New Zealand	Completed	Adopted	1/1/2025 (26 for dom IIR)	1/1/2025	TBC
Philippines			TBC	TBC	TBC
Singapore	Q3	Draft legislation	1/1/2025	Deferred	1/1/2025
Thailand		Draft Legislation	1/1/2025	1/1/2025	1/1/2025
Vietnam		Adopted	1/1/2024	TBC	1/1/2024

No guidance from P/NG, Pakistan, Taiwan (except raising the Alternative Minimum Tax 12-15%)
STTR MLI signed 2 October 2023

Final legislation
Draft legislation

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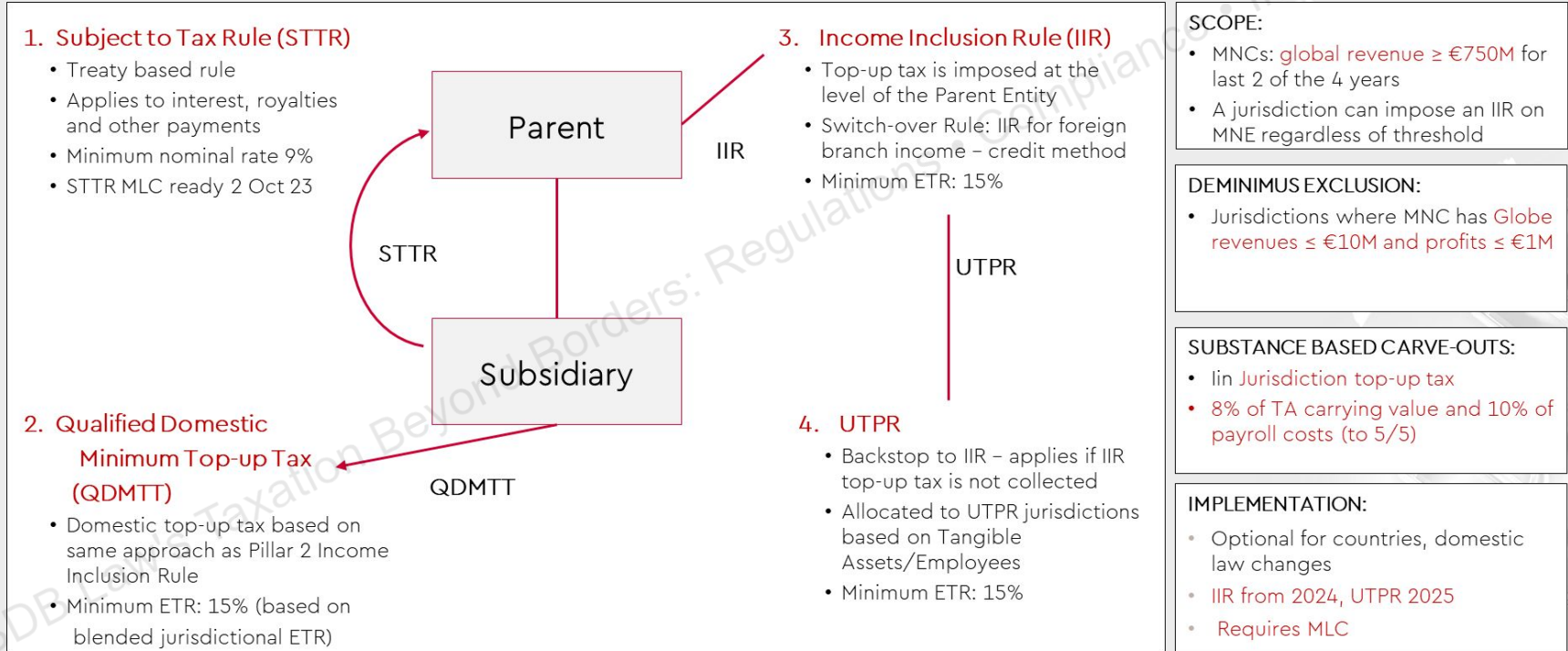
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Pillar Two in a Nutshell

Tax imposed under GloBE Rules is a top-up tax applied at a jurisdictional level – using a standardized base and definition of covered taxes to identify jurisdictions where ETR<15%



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Transfer Pricing Challenges Across Asia

General Updates

Increased scrutiny - intercompany transactions (services, financial and intangibles transactions)

Practical defence strategies as jurisdictions implements local TP rules that diverge from the OECD

Local benchmarks - preferred for local tested parties and tighter arm's length ranges

Additional compliance burden - layered on CbCR (from Pillar 1 and 2 reporting and top up tax)

Transfer Pricing Challenges Across Asia

Specific Country Updates

Singapore

- › Updated TP Guidelines – impacts financial transactions, transfer or sale of assets, government assistance, and TP Documentation exemptions thresholds (shift from planning to compliance)
- › Ecosystem to attract mid caps and family offices

Australia

- › Major case outcomes – e.g. Chevron/Singtel – reconstruction v hypothetical transaction
- › Taxation of intangibles: movement of IP and taxation of embedded royalties

Indonesia

- › Updated TP Guidelines [MoF 172] - changes in the TP process, the Mutual Agreement Procedure (“MAP”) and the Advance Pricing Arrangements (“APA”) to enhance clarity
- › Increased audits and adjustments, e.g. challenges to benchmarks

Vietnam

- › Increased challenges to low margins on provision of services by Vietnam back-offices.
- › Updated TP Guidelines (Decree 132/2020/ND-CP) – Extension of TP regulation to all the payers of CIT in Vietnam, wider definition of ‘related parties’, tightening of the acceptable arm’s-length range, TP documentations exemption.

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Overview of Digital Service Taxes in Asia Pacific

Country	Indirect Tax Measure	Direct Tax Measure
Australia	GST on digital services (Netflix Tax) has been in place since 2015 via the Overseas Vendor Regime.	No Corporate Income Tax unless a PE
China	VAT is withheld by the Chinese service recipient if they are a business; not withheld if they are a consumer.	No Corporate Income Tax unless a PE.
India	GST applicable on supply of online information and database access or retrieval services.	Equalisation levy (6% on provision of online/ digital advertising, 2% on e-commerce supply or services by e-commerce operators).
Indonesia	Digital VAT regime applicable to foreign intangible goods sellers / service providers and e-commerce operators.	Electronic Transaction Tax contemplated.
Malaysia	Service Tax on Digital Services (SToDTs) applicable to foreign service providers who provide digital services to consumers in Malaysia where the value exceeds RM500,000 for a period of 12 months.	No Corporate Income Tax unless a PE.
Philippines	Bill on imposition of DST was approved at the bicameral level. For transmittal to the Office of the President to be signed into law.	No Corporate Income Tax unless a PE
Singapore	GST on digital services and purchases of remote services via the Overseas Vendor Regime.	No Corporate Income Tax unless a PE.
South Korea	10% VAT on the provision of digital, advertising and cloud computing services.	No Corporate Income Tax unless a PE.
Thailand	7% VAT collected from non-tax-registered foreign suppliers that provide e-services from abroad.	No Corporate Income Tax unless a PE.
Vietnam	Introduced a digital services tax from 1 Jan 2022 for VAT (2-5%).	Introduced a digital services tax from 1 Jan 2022 for CIT (1-10%).

Definitions: Goods and Services Tax (“GST”); Value Added Tax (“VAT”); Permanent Establishment (“PE”)

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Download the WTS Global Asia Pacific Transfer Pricing Guide



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Thank You!



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