



Singapore updates

Taxation of Insurers

The Inland Revenue Authority of Singapore (IRAS) published a circular entitled 'Income Tax: Taxation of Insurers Arising from Adoption of FRS 117 - Insurance Contracts' on 21 October 2022. The circular provides details on the income tax treatment for insurers arising from the adoption of FRS 117 Insurance Contracts or SFRS(I) 17 Insurance Contracts for financial years beginning on or after 1 January 2023.

[Click here](#) for details.

The IRAS revised its circular entitled 'Income Tax: Taxation of Insurers Arising from Changes Made to Risk-Based Capital Framework (Second Edition)' on 21 October 2022 to update the tax treatment for insurers following the de-recognition of reinsurance arrangements between a Head Office and its branch in Singapore from 1 January 2022, and to clarify the application of the offsetting rules for participation fund surplus or loss apportioned to policyholders, amongst other updates.

[Click here](#) for details.

It was announced in Budget 2022 that the tax framework for facilitating corporate amalgamations under section 34C of the Income Tax Act 1947 (ITA) would be adapted to cover transfers of business by insurers effected by a scheme of transfer under section 117 of the Insurance Act 1966 made on or after 1 November 2021. On 11 November 2022, the IRAS issued the circular entitled 'Tax Framework for Transfer of Business by Insurers' setting out the tax framework for transfer of business by insurers.

[Click here](#) for details.

Income Tax Treatment Arising from Adoption of FRS 109 -Financial Instruments

The IRAS revised its circular entitled 'Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 - Financial Instruments' on 21 October 2022 for the following, amongst other updates:

- Clarification that the FRS 109 tax treatment would not apply to the relevant insurers. These affected taxpayers should refer to the IRAS e-Tax Guide "Income Tax: Taxation of Insurers Arising from Adoption of FRS 117 - Insurance Contracts" instead.
- Clarification on the tax treatment of interest income from loans that is chargeable to tax under section 10(1)(d) of the ITA. The taxable interest income will be computed based on the contractual interest rate.

[Click here](#) for details.

Mergers and Acquisitions Scheme

The IRAS revised its circular entitled 'Income Tax and Stamp Duty: Mergers and Acquisitions Scheme (Sixth Edition)' on 31 October 2022 to clarify the additional conditions to claim M&A tax benefits based on the 20% threshold and to reflect the enhancement to the M&A scheme whereby the definition of "local employee" has been expanded to include (a) an individual who is hired under central hiring arrangements and deployed to the acquiring company; and (b) an individual who is seconded to the acquiring company.

[Click here](#) for details.

Country-by-Country Reporting

Following the Income Tax (International Tax Compliance Agreements) (Country-By-Country Reporting) (Amendment) Regulations 2022 that came into operation on 12 August 2022 (see [September issue of our Tax News](#)), the IRAS revised its circular entitled 'Country-by-Country Reporting (Fourth Edition)' on 31 October 2022 to include the notification requirement for a Singapore multinational enterprise (MNE) group. The IRAS also revised the circular to update on, amongst others, the preparation of Country-by-Country Reports (CbC Reports) in CbCR XML Schema format, penalties for non-compliance and that with effect from the FY 2022, the definition of consolidated group revenue for determining the CbC Report threshold should include extraordinary income and gains from investment activities.

[Click here](#) for details.

Tax Exemption under Section 13(12) for Specified Scenarios, Real Estate Investment Trusts and Qualifying Offshore Infrastructure Project/Asset

The IRAS revised its circular entitled 'Income Tax: Tax Exemption under Section 13(12) for Specified Scenarios, Real Estate Investment Trusts and Qualifying Offshore Infrastructure Project/Asset (Ninth Edition)' on 1 December 2022 for, among others, the following:

- Updated the scenarios qualifying for Section 13(12).
- Clarified that with effect from YA 2024, in the event that a taxpayer misses the deadline for the submission of the Section 13(12) declaration form, the IRAS is prepared to review the declaration form submitted, subject to certain mitigating factors.

[Click here](#) for details.

Goods and services tax

The Goods and Services Tax (Excluded Transactions) (Amendment) Order was published on 22 November 2022 and came into operation on 23 November 2022. Based on the notice, the issuance, transfer or sale of any carbon credit (or any digital representation of a carbon credit), including those issued by the National Environment Agency, is treated as neither a supply of goods nor a supply of services i.e., an excluded transaction with effect from 23 November 2022. A digital representation of a carbon credit includes a digital image of a carbon credit created using blockchain technology.

[Click here](#) for details.

The IRAS revised its circular entitled 'Approved Marine Fuel Trader (AMFT) Scheme (Fifth Edition)' on 2 December 2022 to clarify the requirement to have good compliance and payment records for customs and excise duties in addition to various tax types, amongst other changes.

[Click here](#) for details.

The Goods and Services Tax (Amendment) Act 2022 was published on 5 December 2022. The amendments cover a number of areas, which include the change in GST rate to 8% and 9% from 1 January 2023 and 1 January 2024 respectively, and refining rules under the Overseas Vendor Registration and Reverse Charge regimes. Other amendments include the update of the GST treatment of travel arranging services from 1 January 2023.

The MOF had previously published a summary of its responses to key feedback received during its public consultation held on the draft Goods and Services Tax (Amendment) Bill 2022 before it was legislated.

[Click here](#) for details on the MOF website.

Income Tax (Amendment) Act 2022

The Income Tax (Amendment) Act 2022 was published on 4 November 2022. There are no significant changes to the Income Tax (Amendment) Bill 2022.

International updates

OECD Pillar One and Two Updates

On 20 December 2022, the Organisation for Economic Cooperation and Development (OECD) released four documents related to Pillars One and Two;

- Pillar Two Guidance on Safe Harbors and Penalty Relief (see [Tax Policy Alert](#)).
- Pillar Two public consultation document on Tax Certainty for the GloBE Rules (comments due 3 February 2023) (see [Tax Policy Alert](#)).
- Pillar Two public consultation document on the GloBE Information Return (comments due 3 February 2023) (see [Tax Policy Alert](#)).
- Pillar One public consultation document on the Draft Multilateral Convention (MLC) Provisions on Digital Services Taxes and other Relevant Similar Measures (comments due 20 January 2023) (see [Tax Policy Alert](#)).

EU Member states give final approval to proposed Pillar Two Directive

On 15 December 2022, the EU Council formally adopted the EU minimum tax Directive by written procedure. The written procedure ended with this unanimous agreement, notwithstanding the fact that Hungary abstained from the final vote, and Sweden made a written observation on a specific provision of the Directive. The Directive will enter into force on the day following its publication in the Official Journal of the European Union. Member States shall transpose the Directive into their domestic law by 31 December 2023.

[Click here](#) for details.

OECD Releases Pillar One Amount B Consultation Draft

On 8 December 2022, the OECD released a public consultation document on Amount B of Pillar One (the Consultation Document). The Consultation Document sets out the main design elements of Amount B, which aims to standardise the remuneration of related party distributors that perform baseline marketing and distribution activities. The Consultation Document outlines the progress made in defining what in-country baseline marketing and distribution arrangements are, how they may be identified in practice, and subsequently how in-scope arrangements may be priced in accordance with the arm's length principle. It also identifies areas where further work is being undertaken and seeks input from stakeholders on a number of specific questions.

Comments on the Consultation Document are due by 25 January 2023.

[Click here](#) for details.

OECD releases Progress Report on the Administration and Tax Certainty Aspects of Amount A of Pillar One

The OECD released for public consultation a Progress Report on the Administration and Tax Certainty Aspects of Amount A of Pillar One (consultation document), which includes the rules on the administration of the new taxing right and updated tax certainty-related provisions. Amount A of Pillar One introduces a new taxing right over a portion of the profit of large and highly profitable enterprises for jurisdictions in which goods or services are supplied or consumers are located.

[Click here](#) for details.

OECD amends Common Reporting Standard to expand scope and enhance reporting

On 10 October 2022, the OECD published Amendments to the Common Reporting Standard (CRS) to expand the scope of the CRS and enhance its reporting requirements. The rapid adoption of the use of crypto-assets for a wide range of investments and financial intermediaries means that crypto-asset and related transactions are not comprehensively covered by the initial CRS and that tax administrators may not have adequate visibility into when taxpayers hold or engage in such transactions involving crypto-assets. The OECD amended the CRS to address this deficiency.

[Click here](#) for details.

European Finance Ministers approve a revised Code of Conduct for Business Taxation

While meeting for the monthly ECOFIN meeting on 8 November 2022, the European Member States' Finance Ministers agreed to revised text to the European Code of Conduct for Business Taxation. The Code of Conduct plays an important role in determining which tax regimes are assessed for purposes of the EU list of non-cooperative jurisdictions for tax purposes.

The additional measures in the Code of Conduct will apply from 1 January 2023.

[Click here](#) for details.

Overseas updates

Australia

On 16 September 2022, a single judge of the Federal Court (O'Callaghan J) handed down his judgment in *Minerva Financial Group Pty Ltd v Commissioner of Taxation* [2022] FCA 1092. The case related to the Australian Taxation Office's (ATO) challenge under the general anti-avoidance provisions in Part IVA of the Income Tax Assessment Act 1936.

Whilst the ATO was largely successful with the judge finding that Part IVA applied to two of three identified schemes, it was the unusual features of the arrangement (including a discretion to distribute income to the corporate side of the structure), rather than the use of a stapled structure in general, that attracted the application of Part IVA.

[Click here](#) for details.

The Australian Federal Budget, which was released on 25 October 2022, announced Australia's fiscal outcomes and spending initiatives, as well as significant proposed tax changes. The fiscal outcomes show that Australia's economy remains robust. The tax changes and spending measures could significantly impact businesses investing into Australia. These include proposed amendments to the thin capitalization regime, restrictions on the deductibility of cross-border payments for intangibles, increased transparency obligations for multinational groups, and increased budget for the ATO to undertake compliance activities directed toward multinational groups.

[Click here](#) for details.

The ATO has released an updated guide on market valuations for tax purposes. Market valuations are relevant for a wide range of tax matters, including capital gains tax, employee share schemes, GST, and tax consolidations, to name just a few. The ATO's updated guide is intended to help taxpayers reduce the tax risks associated with valuations, as failing to engage an appropriately qualified valuer can lead to incorrect reporting of tax outcomes, and the potential for administrative penalties and interest.

[Click here](#) for details.

On 7 November 2022, Treasury released a consultation paper seeking comments on the design of a public register of beneficial ownership in Australia. Whilst the Australian Government announced its intention to establish this register as part of its pre-election commitment to introduce a package of measures to enhance multinational tax integrity and increase tax transparency in Australia, this proposal is not solely focused on tax transparency. Its aim is to also support stronger regulatory and law enforcement responses to tax and financial crime, assist foreign investment applications, and facilitate the enforcement of sanctions.

[Click here](#) for details.

The government grants landscape continues to evolve, as the Federal Government settles in and various state governments prepare for elections. In this piece, PwC Australia provides some brief observations about upcoming government grants, and the R&D Tax Incentive regulatory environment.

[Click here](#) for details.

On 17 November 2022, Treasury released for consultation an exposure draft law that seeks to implement the Government's October 2022-23 Federal Budget announcement concerning the tax treatment of buy-backs undertaken by listed public companies.

[Click here](#) for details.

The November issue of Monthly Tax Update by PwC Australia covers various items including ATO's report on its compliance programs and a decision by the Administrative Appeals Tribunal where software development was not considered core or supporting R&D activities.

[Click here](#) for details.

China

To boost equipment investment and enhance innovation capacity of enterprises, the executive meeting of the State Council held on 7 September 2022 deployed periodic tax cut measures to support enterprises' innovation.

[Click here](#) for details.

Hong Kong

To give effect to the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) in Hong Kong SAR, an

order was gazetted on 30 September 2022 and tabled at the Legislative Council on 19 October 2022 for negative vetting.

Hong Kong SAR has listed 39 comprehensive double taxation agreements as treaties covered by the MLI. The provisions of the MLI will have effect in Hong Kong SAR on 1 April 2023 (for taxes withheld at source) or 1 April 2024 (for other taxes) at the earliest.

[Click here](#) for details.

The Inland Revenue Department (IRD) will introduce a new mechanism for taxpayers to obtain an opinion from the CIR as to whether they meet the economic substance requirements under the refined foreign source income exemption (FSIE) regime expected to be effective on 1 January 2023. This new mechanism serves as an interim measure to provide greater tax certainty to taxpayers during the period between the gazetting of the amendment bill on the refined FSIE regime and the coming into operation of the relevant amendment ordinance.

[Click here](#) for details.

The Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Bill 2022 was gazetted on 28 October 2022, which introduces refinements to Hong Kong's FSIE regime for four types of offshore income, namely (a) interest, (b) dividends, (c) disposal gains from the sale of equity interests, and (d) income from intellectual property (IP) expected to take effect from 1 January 2023.

[Click here](#) for details.

Japan

On 16 December 2022, the Liberal Party and Komeito Party released the 2023 Tax Reform Proposal. The proposals include a legislative outline (the Outline) to implement a global minimum corporate tax based on the Global Anti-Base Erosion Model Rules published by the Organisation for Economic Cooperation and Development (GloBE Model Rules).

The outline introduces an income Inclusion Rule (IIR) that is broadly in line with the GloBE Model Rules. The IIR will apply to fiscal years beginning on or after 1 April 2024. Other features of the GloBE Model Rules, such as the Undertaxed Payments Rule (UTPR) and the Qualified Domestic Minimum Top-up Tax (QDMTT) are excluded from the Outline but may be included in the 2024 Tax Reform Proposals or later.

[Click here](#) for details.

Malaysia

The TaXavy Budget Edition covers the key tax proposals of Budget 2023 based on the Budget speech as announced by the Finance Minister on 7 October 2022.

[Click here](#) for details.

Following the gazette of the Income Tax (Exemption) (No. 5) Order 2022 and Income Tax (Exemption) (No. 6) Order 2022 in relation to tax exemption on specified foreign-sourced income, the Inland Revenue Board (IRB) has issued the Guidelines on Tax Treatment of Income Received from outside of Malaysia.

[Click here](#) for details.

The October issue of TaXavy covers gazette orders for tax incentives for late-life-assets projects, amendment rules relating to further deduction on costs of COVID-19 detection test and IRB's media release on deferment of payment of small-value withholding tax.

[Click here](#) for details.

The November issue of TaXavvy covers tax exemption on shipping profits, updated Frequently Asked Question (FAQ) in relation to withholding tax on payments made to agents, dealers and distributors and guidelines on tax treatment for Labuan entities with dormant status, amongst others.

[Click here](#) for details.

The December issue of TaXavvy covers updated guidelines and procedures for the application of special tax incentive under the National Economic Recovery Plan (PENJANA), updated guideline on incentive application for manufacturing project and Minimum Transfer Pricing Documentation Template.

[Click here](#) for details.

The Royal Malaysian Customs Department has released an announcement postponing the imposition of sales tax on low value goods sold on online marketplaces and imported into Malaysia to 1 April 2023. It was initially proposed to be implemented on 1 January 2023.

[Click here](#) for details.

South Korea

The November issue of Korea Tax Update includes the following:

- The Presidential Decree of the Corporate Income Tax Law amended to exempt income tax on interest or capital gains from government bonds, etc. derived by foreign corporations or non-residents
- The government announces its carbon neutrality and green growth strategy
- The National Tax Service audit to be temporarily suspended for companies contributing to job creations

[Click here](#) for details.

Taiwan

As Taiwan Controlled Foreign Company (CFC) rules are expected to come into force in 2023, the Ministry of Finance updated FAQs on the CFC rules to provide additional clarification and address queries raised by the general public.

[Click here](#) and [here](#) for details.

Vietnam

On 13 September 2022, the OECD published “Making Dispute Resolution More Effective – MAP Peer Review Report, Vietnam (Stage 2)”. The report details what actions Vietnam has taken and will take to improve its mutual agreement procedure so that it meets the requirements of Action 14 of the OECD’s Base Erosion and Profit Shifting initiative.

[Click here](#) for details.

Decree 91/2022 took effect on the signing date, i.e. 30 October 2022. One of the notable points under the decree is the change of the rule for provisional corporate income tax payments.

[Click here](#) for details.

International tax news

Analysis of tax developments worldwide

International Tax News is designed to help multinational organisations keep up with the constant flow of tax developments. Topics featured in the October 2022 edition include:

- Dutch budget proposes tax changes, increased burdens related to CO2 emissions
- Switzerland publishes draft Pillar Two ordinance for public consultation
- New Zealand tax authority held consultation on potential implementation of Pillar Two

[Click here](#) for details.

Topics featured in the November 2022 edition include:

- China expands “encouraged catalogue” to facilitate foreign investment
- Hungary proposes tax law changes
- Spain introduces new measures regarding reverse hybrid mismatches implementing ATAD II

[Click here](#) for details.

Global VAT Online – a summary of updates

PwC's Global VAT Online provides up-to-date business critical information on VAT/ GST rates, rules and requirements around the world to help you maintain control, mitigate risk and improve the overall effectiveness of your VAT/ GST function. It is a subscription service for all your indirect tax needs in a digital world.

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PwC's Green Taxes and Incentives Tracker helps you discover details about climate and carbon-related tax matters where your company operates; it covers more than 800 taxes and 600 green incentives in 88 countries and regions around the world that can affect critical business strategies and operations.

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Tax Policy Bulletin

Drawing on our experience of tax policy issues and insight from relationships with organisations such as the OECD, we have put together a series of Tax policy bulletins. With analysis and insight on policy changes around the world, these bulletins are designed to help you stay up-to-date with the latest developments and explain what these changes mean for you and your business.

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Contact us

If you would like to discuss any of the issues raised, please get in touch with your usual PwC contact or any of the individuals listed below.



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