



## **UPDATE TO MEMBER FIRMS**

### **By your region's Chair, Sunny Ma**

September 2016

Hello from Shanghai.



Welcome to the third edition of 2016 of the BKR International Asia Pacific Region E-Update aimed at keeping you informed and to encourage you to even greater participation in BKR International, whether within your country, at a sub-regional, regional or worldwide level.

BKR International's Asia Pacific Region spans from India to Sydney, and Tokyo to Wellington and beyond! Members in the Asia Pacific Region are served by the Asia Pacific Regional Board, the Executive Office in New York, our Regional Executive Director in the Sydney office of Walker Wayland, the Worldwide Board and the Asia Pacific Regional Committees.

Firms participate in mutually beneficial activities including staff exchange programs and meetings held throughout the year. The largest Regional meeting is the Asia Pacific Regional Meeting that will be in May, 2017. See later for more details of our next regional meeting.

## Australian Government Announces Changes to 2016-17 Budget Superannuation Proposals

Due to pressure placed upon the Government to make changes to the Superannuation Laws originally proposed in the Australian Federal Budget the Government has adjusted the proposed laws as follows as reported by Walker Wayland NSW

### **Plans for lifetime cap on non-concessional contributions dumped**

One notable change involves the government dumping plans for a \$500,000 lifetime cap on non-concessional contributions that would have been applied retrospectively dating back to 2007. The new proposal put forward will allow members to make both concessional and non-concessional contributions to their nominated superannuation fund until the cap of \$1.6 million in a members account balance is reached. However, this limit will be tied and indexed to the transfer balance cap.

### **Reduction to annual contribution cap on non-concessional contributions**

An annual contribution cap of \$100,000 on non-concessional contributions (down from the current cap of \$180,000) will apply until the \$1.6 million is reached. Non-concessional contributions to an accumulation account will cease to be available once the \$1.6 million is reached.

It is noted that this mechanism will apply to superannuation members individually. Therefore, a fund with two members can have capital up to \$3.2 million before further contributions will be disallowed. Further, members aged 65 and under can continue to utilise the three-year bring-forward rule in respect of making lump sum non-concessional contributions.

### **Minimum work requirements retained**

The government has elected to retain the minimum work requirements on people aged between 65 and 74 wishing to make voluntary contributions to their super. The Federal Budget had outlined that this legislation would be abolished. Plans to allow people with interrupted work patterns to roll over unused concessional contributions from the previous year have also been delayed. This will now commence 1 July 2018 rather than 1 July 2017.

### **Deduction for personal superannuation contributions**

The government has also indicated it plans to go ahead with legislation to allow taxpayers to claim a tax deduction for personal superannuation contributions regardless of their employment arrangements and implement the new Low Income Superannuation Tax Offset (LISTO) which replaces the current low income tax contribution which was due to be abolished from June next year. This measure will apply from 1 July 2017 and allow low income earners (those with an adjusted taxable income of less than \$37,000) a superannuation tax offset that reduces the tax on their superannuation contributions.

## Budget Savings Bill 2016 Passes Australian Senate

Savings Measures in the form of an Omnibus Bill has received Bi-Partisan support from the two major Australian Parties as reported by Walker Wayland NSW

The Budget Savings (Omnibus) Bill 2016 was passed by the Senate on 15 September 2016 without amendment and now awaits Royal Assent.

Among other measures the Bill implements measures announced in the 2016-17 Federal Budget reducing the rates of the tax offset available under the R&D tax incentive for the first \$100m of eligible expenditure by 1.5 percentage points. The higher (refundable) rate of the tax offset will be reduced from 45% to 43.5% and the lower (non-refundable) rates of the tax offset will be reduced from 40% to 38.5%.

## Unique Subscription Packages for BKR Member Firms

Following a recent deal arranged with the Board at BKR International, all member firms of the association are now able to take advantage of a selection of low cost subscription packages to International Tax Review.

A subscription to International Tax Review will provide you with unique log in details to use at [www.internationaltaxreview.com](http://www.internationaltaxreview.com) to access all content. You will also be able to easily access the recent ITR updates that have been posted on the BKR International Members Blog.

### International Tax Review

Below is an overview of what is included with an online account to [www.internationaltaxreview.com](http://www.internationaltaxreview.com).

- Daily news and updates on International Tax developments
- In depth analysis on current issues from Tax Payers, Tax Advisors, Policy Makers and government officials
- Jurisdictional focused insight
- Easy to digest technical analysis from top local tax advisors
- Review of current rulings as well as up and coming changes
- A practical point of view on how others are dealing with changes
- A fully searchable platform for historic research going back 25 years
- Access to the ITR App
- Weekly e-newsletters

### Package Options

#### **Option 1- US\$2,100**

12 month online account to [www.internationaltaxreview.com](http://www.internationaltaxreview.com) for 1 named user

#### **Option 2- US\$6,300**

12 month online account to [www.internationaltaxreview.com](http://www.internationaltaxreview.com) for up to 5 named users

#### **Option 2- US\$9,800**

12 month online account to [www.internationaltaxreview.com](http://www.internationaltaxreview.com) for up to 10 named users

To utilise the above pricing please contact Nick Burroughs [nburroughs@euromoneyplc.com](mailto:nburroughs@euromoneyplc.com)

Tel: +44 (0) 20 7779 8379

Fax: +44 (0) 20 7779 8344

## Power Tynan, Toowoomba, Queensland, Australia joins BKR

BKR is pleased to announce that Power Tynan based in Toowoomba Queensland has received approval to Join BKR.

Power Tynan is based in Toowoomba in the Darling Downs region of Queensland, Australia. It is located 125Km west of Queensland's capital city of Brisbane by Road.

Power Tynan offers Taxation Services, Business Advisory, Leasing and Finance Solutions, Superannuation Services and Superannuation Audit services.

BKR welcomes Power Tynan and looks forward to all members meeting the principles and staff of Power Tynan at the next conference.

More information can be found on the firm at the following: <http://www.powertynan.com.au/>

## **Convergence into IFRS continues in India**

India is converging into IFRS in a phased manner from 1st April, 2016. K. C. Mehta & Co. advises its clients on the convergence and is also the auditor of many publicly listed entities in India which are to publish their financial results under the converged IFRS with immediate effect.

K. C. Mehta & Co. was invited by the Faculty of Commerce, M. S. University of Vadodara to make a presentation on selected IFRS converged standards (referred to as Ind AS in India) at its National Workshop. The firm was represented by Vishal P. Doshi, Partner – Audit & Assurance, K. C. Mehta & Co. to make the presentation.

## **An understanding of the Indirect Transfer rules applying in India**

The rules surrounding the fair market value where there is an indirect transfer of assets in India by a non resident supplied by Doshi Chatterjee Bagri & Co LLP. These rules can be complex in nature however the member firm Doshi Chatterjee Bagri & Co LLP has supplied a comprehensive guide to assist in understanding the rule changes.

These changes can be found using the following link

<http://www.bkrasiapac.com/getattachment/8ae6954c-09c5-4e68-b551-a21861d6c5b5/Indirect-Transfer-Rules.pdf.aspx>

## **Appointment of New Executive Director**

BKR is pleased to announce the appointment of Mr Grant Allsopp as the new Executive Director of BKR Asia Pacific. Stephen Roger who has performed this role for many years will continue to work side by side with Mr Allsopp to ensure there is a smooth transition.

We welcome Grant to the role and wish him all the success ongoing.

<http://www.bkrasiapac.com/getattachment/a31de457-4adb-49ae-9231-5b085bdf5e69/Announcement-Appointment-of-New-Executive-Director.pdf.aspx>

# Indian Parliament Passes Goods and Services Tax Bill

As reported by DOSHI CHATTERJEE BAGRI & CO LLP On the 3<sup>rd</sup> of August 2016 the Upper House of the Indian Parliament passed the GST Bill with certain amendments.

The amended Bill will now go to the Lower House of the Indian Parliament where it will be discussed and necessary action taken. Thereafter some more formalities will be required to be complied with as mandated by the Indian Constitution. In view of this, it is expected that GST will become operational on or after 1 April 2017. GST will subsume 18 indirect taxes which are presently applicable to taxpayers in India.

It will make India one common market and there will be one indirect tax for the entire country. It will make doing business in India much simpler and is expected to bring more investment into the country. It may result in lower prices over time and act as a disincentive to tax evaders. The Indian Government expects that it may add up to 2% to the country's GDP. This will also reduce the cost of compliance of doing business in India. However, direct taxes such as Income tax etc will remain.

## Indian FDI Reforms

T R Chadha & Co LLP Chartered Accountants reports the following on the Indian FDI Reforms.

Union Government of India has recently introduced certain sweeping reforms in country's Foreign Direct Investment (FDI) policy. Going along with its Make-in-India campaign and endeavour to enhance ease of doing business in India, Government has brought various sectors under automatic route besides increasing FDI sectoral caps and relaxing certain crucial regulatory conditions in other sectors. The changes have been made in host of significant sectors including defence, civil aviation, pharmaceuticals, retail etc to address the roadblocks which have been of late been a matter of debate amongst the foreign investors. These sectoral changes have been briefly highlighted below:

### *Single Brand Retail Trading*

Under the earlier regulations, Indian entities having more than 51% FDI and engaged in single brand retail trading were required to source minimum 30% of value of total goods purchased from India. The said condition has now been relaxed to provide that these sourcing norms would not be applicable for first 3 years from commencement of business for trading of products having 'state-of-art' and 'cutting-edge' technology and where local sourcing is not possible.

### *Defence*

Earlier, FDI in defence sector beyond 49% was subject to Government approval route on case to case basis where it was likely to result in access to modern and 'state-of-art' technology in the country. The said condition of 'state-of-art' technology has now been relaxed and henceforth, FDI in defence beyond 49% would be subject to Government approval route in cases wherever it is likely to result in access to modern technology. Further, the same may also be allowed for other specific reasons.

### *Broadcasting*

Earlier, FDI in Broadcasting sectors, viz. Teleports, Direct to Home, Cable Network, Mobile TV and Headend-in-the Sky Broadcasting Services, was restricted to 49% and any FDI beyond 49% was subject to Government approval route. Now, these sectors have been opened up for 100% FDI under

automatic route. However, in cases of fresh infusion of FDI beyond 49% in a company not seeking permission from sectoral Ministry which leads to change in ownership pattern or transfer of stake by existing investor to new foreign investor, Government approval would be required.

### *Civil Aviation*

FDI in existing Airport projects beyond 74% was hitherto subject to Government approval route. Now, the same has been done away with and 100% FDI is allowed under automatic route. - FDI in Scheduled Air Transport Service/ Domestic Scheduled Passenger Airlines and Regional Air Transport Service was hitherto restricted to 49% (except for NRIs). Now, the same has been increased from 49% to 100%, however FDI beyond 49% would require Government approval.

### *Private Security Agencies*

Earlier, FDI in Private Security Agencies sector was allowed up to 40% under Government approval route. Now the cap has been increased to 74%, comprising 49% under automatic route and Government approval route beyond 49%.

### *Pharmaceuticals*

Earlier, FDI in brownfield pharmaceutical sector was allowed up to 100% but subject to Government approval route. Now, the same has been relaxed and FDI up to 74% in brownfield sector can be made under automatic route beyond which Government approval would be required. However, the same shall be subject to specified conditions.

### *Trading in Food Products*

100% FDI has been allowed for trading (including trading via. e-commerce) in respect of food products manufactured/ produced in India. However, the same shall require Government approval.

### *Animal Husbandry*

FDI in sectors of Animal Husbandry, Pisciculture, Aquaculture and Apiculture was hitherto allowed subject to certain specified 'controlled conditions'. The said conditions have been omitted and accordingly, now investors operating in these sectors would no longer be subject to such controlled conditions.

Apart from aforementioned sectoral changes, the foreign entities engaged in the principal business of defence, telecom, private security and broadcasting have been permitted to set up a liaison office, branch office, project office or any other place of business in India without seeking any approval from Reserve Bank India (which was mandatory hitherto), in cases where FIPB approval or license/permission form concerned ministry/ regulator has already been granted.

These reforms, while turning India as one of the most open economies in the world, have witnessed a warm welcome from the international community. There has been a substantial upsurge in FDI inflows in the country during the financial year 2015-16 aggregating to USD 55.46 billion, being the highest ever annual FDI inflows and with these substantial reforms, FDI inflows figures are slated to boost further and thereby spurring infrastructural growth & employment creation in the country!

# Indonesian Tax Amnesty

The Indonesian Tax Amnesty has been approved by the Indonesian Parliament. The amnesty allows Indonesian Tax Residents to get tax relief on their unreported net assets as reported by Doli, Bambang, Sulistyanto, Dadang & Ali.

## *DEFINITION*

Tax Amnesty is a waiver of tax due, administration sanctions, and tax crime sanctions which can be granted by paying Redemption Money (Uang Tebusan Tebusan) as stipulated in this law

Period of Tax Amnesty : 1 July 2016 – 31 March 2017

## *DEFINITION*

The Tax Amnesty is granted on tax obligations which have not been paid or fully settled/reported by taxpayers up the latest fiscal year (which ended within 1 January – 31 December 2015) through assets declared using the Asset Declaration Letter for Tax Amnesty.

Covers for Income Tax, Value Added Tax (VAT) and Luxury goods Sales (Tax)

## *WHO is ELIGIBLE*

All taxpayers are eligible except for taxpayers whose investigation cases have been declared complete by the Prosecutor (Kejaksaan); who are undergoing court proceedings; or are undergoing criminal punishment, for a tax crime

## *BENEFIT OF TAX AMNESTY*

Waivers of tax due, tax administration sanctions, and tax crime sanctions for all tax obligations for fiscal period up to the end of the latest fiscal year, for which no assessment letters have been issues

Waivers of administrative sanctions in the form of interest and fines for fiscal periods up to the end of the latest fiscal year.

Exemption from tax audit, preliminary evidence tax audit, and tax crime investigation for all tax obligations for fiscal period up to the end of the latest fiscal year

Discontinuation of any ongoing tax audit, preliminary evidence tax audit, and tax crime investigation for all tax obligations for fiscal periods up to the end of the latest fiscal year

## *RESTRICTIONS*

- Cannot Use the remaining tax loss carried forward from fiscal periods up to the end of the latest fiscal year to the following fiscal year
- Cannot Compensate tax overpayment (for income tax, VAT, and LST) from fiscal periods up to the end of the latest fiscal year to the following fiscal year
- Cannot Request an Income tax, VAT or LST refund for fiscal periods up to the end of the latest fiscal year; and/or Restrictions
- Cannot revise income tax, VAT, or LST returns for fiscal periods up to the end of the latest fiscal year

## Board Members of BKR Asia Pacific Interviewed

To assist all BKR Members to get to know the current board members introduction videos have been made and are available to be viewed on the BKR Website

**Sunny Ma:** <http://www.bkrasiapac.com/News/Multimedia/Sunny-Ma-Introduction.aspx>

**Jason Croston:** <http://www.bkrasiapac.com/News/Multimedia/Jason-Croston-Introduction.aspx>

**Marycris Oplas:** <http://www.bkrasiapac.com/News/Multimedia/Marycris-Oplas-Introduction-Video.aspx>

**Manu Chadha:** <http://www.bkrasiapac.com/News/Multimedia/Manu-Chadha-Introduction-Video.aspx>

### ***Important announcement!!!***

All communication that relates to professional services being requested by a client of another BKR member firm, or from another BKR member firm on behalf of a client, should always be treated as **URGENT**.

Members are expected to acknowledge receipt of the inquiry **by the end of the following business day**, give a date by which the information will be provided, and advise whether a fee will be charged. **IF YOU OR YOUR CLIENT DO NOT HEAR BACK WITHIN THIS TIME, CONTACT YOUR REGIONAL EXECUTIVE DIRECTOR IMMEDIATELY. ([stephen.roger@bkrasiapac.com](mailto:stephen.roger@bkrasiapac.com) )**

The board also agreed on a penalty system whereby any formal complaint made by a BKR firm against another BKR firm, about their slow or non-response to such a request, will be reviewed by the regional executive director and regional chair. If the complaint is deemed legitimate and reasonable then the firm will receive one count of infringement. If this occurs on three separate occasions, the firm will be liable for expulsion.

### ***Regional Website: <http://www.bkrasiapac.com>***

Our regional site is maintained by David Ross. David continues to welcome information, updates and articles to upload onto the regional site at [david.ross@wnsw.com.au](mailto:david.ross@wnsw.com.au)

This site is aimed to help the region expand on the Asia Pacific content currently available on the BKR main site, attract new firms in our region, promoting specific activity in Asia Pacific, and enable us to host new ideas and service offerings for existing members in the region.

For anyone who has not yet registered on the site, I encourage you to do so in order to access the Members Area:

<http://www.bkrasiapac.com/Logon/Register.aspx>

Please forward any ideas, comments, suggestions, and articles of interest to  
[Stephen.Roger@bkrasiapac.com](mailto:Stephen.Roger@bkrasiapac.com)

***All Latest News can be viewed online:***

<http://www.bkrasiapac.com/News/Latest-News.aspx>

## ***Upcoming Events***

### **Joint Asia/Pacific and EMEA Regional Meeting**

- 5 May – 8 May, 2016
- Mandarin Orchard Hotel Singapore, Singapore

## ***International Tax***

The International Tax page is available on the BKR Worldwide website at:

<http://www.bkr.com/bkr-international-tax.php>

## ***International Standards***

The EMEA region meets twice a year at the EGIAN meetings and has reported that the group continues to work hard at positioning itself to represent the middle-sized accounting networks and associations, to ensure that the right proposals get implemented for the benefit of fair competition in the audit market.

Given past experiences, it is likely that any changes in policy legislated by the European Commission will eventually filter through to the rest of the world, including Asia Pacific.

**Please visit the Asia Pacific website for all the latest documents and articles and for Minutes and Presentations from the latest EGIAN meetings:**

<http://www.bkrasiapac.com/Members-Area/Resources/Audit-Policy-documents.aspx>

## ***Case Studies page on Asia Pacific website***

<http://www.bkrasiapac.com/About-Us/Case-Studies.aspx>

We would like to receive more articles to enhance this section of the website, promoting case studies where BKR members have worked, and are working, together on joint clients.

Please send articles to Stephen Roger and/or simply details of similar situations, the content of which can then be added to this page, helping us promote BKR and the benefits in establishing relationships throughout the association.

## ***More Representation!***

We are still seeking member firm's representation in these countries:

- Cambodia
- Laos
- Myanmar
- Sri Lanka
- Thailand

If you have clients and/or know of people/businesses who work in any of those countries, please ask them for the names of potentially suitable accounting firms. Please email any information to Stephen Roger at [stephen.roger@bkrasiapac.com](mailto:stephen.roger@bkrasiapac.com)

## ***Future Asia Pacific meetings***

***5-8 May 2017, Mandarin Orchard Hotel  
Singapore Joint EMEA/Asia Pacific Regions***

### ***Your Firm's News***

If you would like anyone else in your firm to receive these E-Updates or if any firms have any news they want to share in our Region, please email [stephen.roger@bkrasiapac.com](mailto:stephen.roger@bkrasiapac.com)

Regards,

SUNNY MA  
Regional Chair

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