

A guide to  
VAT/GST in  
Asia Pacific 2019

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## Foreword

Welcome to the 2019 edition of Guide to VAT/GST in Asia Pacific, an essential reference for a reliable summary and easy access to information on the Value Added Tax (VAT) and Goods and Services Tax (GST) systems across 17 countries in the Asia Pacific.

Tax is rarely out of the news these days, with the focus primarily on direct taxes. Away from the headlines for the most part, the world of indirect taxes has however been steadily evolving and growing in importance over the last two decades. Global trends that are changing the way taxes are levied such as how indirect tax applies to the digital economy, are similarly mirrored in Asia Pacific.

Considering that Asia Pacific comprises countries with different economic, regulatory as well as tax environments, managing the effects of indirect taxes on the business and planning your indirect tax strategy to address the challenges, requires an appreciation of the local country rules and understanding of what changes are coming your way.

PricewaterhouseCoopers' (PwC) global network of over 2000 indirect tax experts across more than 150 countries worldwide, is organised to meet your international business needs and help solve your indirect tax challenges. Our Indirect Tax Network maintains a strong client focus and draws on PwC's broad array of indirect tax expertise to offer you a global network, local expertise and individual service.

This Guide to VAT/GST in Asia Pacific 2019 is a demonstration of the collective strengths and knowledge of the Network. I hope you will find the guide useful and an essential reference in your tax library.

**Jo Bello**

Global Indirect Taxes Network Leader  
PwC UK  
May 2019



## Preface

PricewaterhouseCoopers (PwC) Indirect Taxes Network in Asia Pacific is pleased to present its latest edition of the Guide to VAT/GST in Asia Pacific 2019. This guide is a summary of the VAT/GST rules across 17 countries in the region.

Reflective of one of the key global trends in indirect tax, we have included a new section on how indirect taxes apply to the digital economy in each country chapter. With this being an evolving area for indirect tax, we also recommend that you reach out to your usual PwC contacts or the country contacts in the chapters for more up to date information.

Amongst the various updates from the earlier edition, the 2019 guide covers the GST regime in India which came into effect from 1 July 2017 to replace a number of other indirect taxes, and the Sales and Service Tax regime implemented in Malaysia from 1 September 2018 which replaced the GST system. We are also pleased to include Sri Lanka in this 2019 edition.

We would like to thank all 17 countries who contributed to this guide, with special thanks to Soo How Koh and Rushan Lee from the PwC Singapore team, the driving force behind this significant project.

We hope our guide will be helpful in the navigation of your indirect tax obligations in this region.

**Tom Seymour**  
Asia Pacific and Americas Tax Leader  
PwC Australia  
May 2019

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Asia Pacific Indirect Taxes Network Leader  
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May 2019

# Snapshot - Indirect tax in Asia Pacific

May 2019

Country		Australia	Cambodia	China
Indirect tax type		GST	VAT	VAT, Consumption Tax
Tax rate	Standard tax rate	10%	10% but currently prescribed as 7%	For VAT: 13%, 9% and 6% For Consumption Tax: 3% to 45%
	Reduced or increased tax rate(s)	Not applicable	Not applicable	For VAT: 3%
	Is there scope for zero-rating or exemption from VAT/GST?	Yes	Yes	Yes
VAT/GST registration	Is there a threshold to be compulsorily registered for VAT/GST?	Yes	Yes	No, with exception for private individuals
	Can a foreign business register for VAT/GST?	Yes, subject to conditions	Yes, subject to conditions	No
	Can a foreign business recover VAT/GST if it is not registered for VAT/GST?	No	No	No
Filing and payment	What is the frequency of VAT/GST filing?	Monthly or quarterly. Annually possible, subject to conditions	Monthly	Range from 1 to 15 days, monthly or quarterly
	When is VAT/GST return due (filing due date)?	21 days from the end of tax period for monthly returns 28 days from the end of tax period for quarterly returns, with exception for December quarter	15 days after the end of the tax period	15 days from the end of the tax period for monthly and quarterly returns, with exception for assessable periods of 1 to 15 days
	When is VAT/GST payment due?	Same as the filing due date	Same as the filing due date	Same as the filing due date, with exception for assessable periods of 1 to 15 days
Reverse charge	Is there a reverse charge or withholding mechanism for imported services?	Yes	Yes	Yes, withholding mechanism for imported pilot services
Taxing the Digital Economy	Are there special rules or regime relating to the digital economy?	Yes	None at this time but there are draft laws under review.	None at this time but there are circulars concerning cross border retail e-commerce for individual consumers in China.

India	Indonesia	Japan	The Laos	Malaysia
GST, State VAT, Central Sales Tax (CST)	VAT	Consumption Tax	VAT	Sales Tax and Service Tax
For GST: Nil, 0.25%, 3%, 5%, 12%, 18% and 28% For VAT: 5% and 12.5 to 15% For CST: Local VAT rate or 2%	10%	Currently 8% To be increased to 10% from 1 October 2019	10%	Sales Tax: 10% Service Tax: 6%
Please refer to the rates above.	No reduced/increase tax rate. However, certain transactions may have higher or lower tax imposition base which effectively may reduce/increase the effective tax rate.	Currently not applicable 8% to be introduced from 1 October 2019	Not applicable	Sales Tax: 5% or specific rate based on goods (petroleum)
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	No	Sales Tax: Yes Service Tax: Yes, with exception
Yes, subject to conditions	Yes, subject to conditions	Yes, subject to conditions	Yes	Sales Tax: No Service Tax: Yes, subject to conditions
Yes	No	No	Yes	No
Monthly, annually	Monthly	Monthly, quarterly, annually	Regular VAT: Monthly Withholding VAT: Monthly for VAT registered. Within 15 days after payment for non-VAT registered	Monthly, bi-monthly, quarterly
Varies depending on which return is filed.	One month after the end of the tax period	Two months after the end of the tax period	Regular VAT: Monthly Withholding VAT: Monthly for VAT registered. Within 15 days after payment for non-VAT registered	One month after the end of the tax period
For a normal tax payer, 20 days from the end of the tax period	Prior to filing. Evidence of payment must accompany the return.	Same as the filing due date	Same as the filing due date	Same as the filing due date
Yes	Yes	Yes	Yes	No
Yes	None at this time but the Minister of Finance is studying this issue.	Yes	None at this time.	Yes, the proposed effective date is 1 Jan 2020



Myanmar	New Zealand	Philippines	Singapore	South Korea
Commercial tax (CT), Specific Goods Tax (SGT)	GST	VAT	GST	VAT
For CT: 5% For SGT: Range from 5% to 80%	15%	12%	7% To be increased to 9% during 2021 to 2025	10%
For CT: Range from 0% to 8%	9% - For supply of long term accommodation in a commercial dwelling	Not applicable	Not applicable	Not applicable
Yes	Yes	Yes	Yes	Yes
Yes	Yes	Yes	Yes	No
Yes, subject to conditions	Yes, subject to conditions	Yes, subject to conditions	Yes, subject to conditions	Yes, subject to conditions
No	No	No	No	Yes, subject to conditions
Monthly (for payment purpose), quarterly, annually	Monthly, bi-monthly, six-monthly	Monthly VAT declaration, quarterly return	Quarterly. Monthly possible, subject to approval	Quarterly
10 days from the end of the month, and by end of the month for the last month of the financial year. One month after the end of the tax period for quarterly returns. For annual return, within 3 months of the financial year end.	28 days from the end of tax period, with exception for periods ending on 31 Mar (due 7 May) and 30 Nov (due 15 Jan)	Monthly VAT declaration: 20th day of the following month. This can be extended up to the 25th day for e-filers, depending on the business industry classification. Quarterly VAT return: 25th day following the close of the quarter.	One month after the end of the tax period	25 days after the end of the tax period
Same as the monthly filing due date.	Same as the filing due date	Same as the filing due date	Same as the filing due date	Same as the filing due date
Yes, subject to the appointment of a local representative by the tax authorities.	Yes	Yes	Yes, with effect from 1 Jan 2020	Yes
None at this time.	Yes	None at this time but there are issuances to clarify the tax treatment of persons engaged in online transactions and e-commerce.	Yes, with effect from 1 Jan 2020	Yes



Sri Lanka	Taiwan	Thailand	Vietnam
VAT	VAT Non-VAT	VAT	VAT
15%	For VAT: 5% For non-VAT: 15% and 25%	10% but currently prescribed as 7%	10%
Not applicable	Not applicable for VAT For non-VAT: 0.1%, 1%, 2%, 5%	Not applicable	5%
Yes	Yes	Yes	Yes
Yes	No	Yes	No
Yes, subject to conditions	Yes (under VAT mechanism for cross-border sales of B2C services)	Yes, subject to conditions	Yes
No	No	No	No
Monthly, quarterly	Bi-monthly. Monthly possible, subject to approval	Monthly	Monthly, quarterly
One month after the end of the tax period	15 days after the end of the tax period	15 days after the end of the tax period	20 days after the end of the tax period for monthly returns 30 days after the end of the tax period for quarterly returns
For Manufacturers: 20 days from the end of the tax period. For others: By end of the month if the tax payable is from the 1st to 15th of the month. By 15th of the following month, if the tax payable is from 16th to the end of month."	Same as the filing due date	Same as the filing due date	Same as the filing due date
No	Yes	Yes	Yes
None at this time.	Yes	None at this time but there are draft laws under review.	None at this time but the Vietnam Government is studying this issue.

(i) China - The Chinese Government plans to further simplify the VAT brackets and launch the VAT legislation process in the next few years.

(ii) India - The Goods and Services Tax was introduced in India with effect from 1 July 2017 replacing various indirect taxes (except customs duty) that applied previously (i.e. central excise duty, service tax, VAT, luxury tax, etc.).

(iii) Malaysia - The new Sales Tax and Service Tax are effective from 1 August 2018 and replaces the Goods and Services Tax system.

(iv) Myanmar - Following the liberalisation of the state controlled economy, there are various changes taking place in Myanmar and details will change if and when notifications are issued by the Internal Revenue Department (IRD). Please refer to the country chapter or contact us for the latest information on commercial tax in Myanmar.

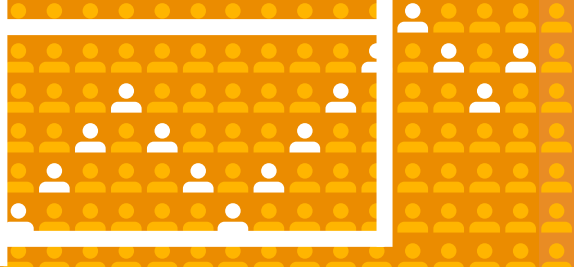
(v) Philippines - There is an ongoing tax reform program in the Philippines and, to date, but only the first package has been promulgated. One of the changes under the first package is that effective from 1 January 2023, the filing and payment of VAT shall only be done within 25 days following the close of each taxable quarter. There will no longer be a monthly VAT declaration filing.





# Australia

# Australia



## Scope

The Australian Goods and Services Tax (GST) was introduced with effect from 1 July 2000. The GST rate is currently 10%.

The Australian GST is a broad based tax. It is charged by an entity that is registered or required to be registered for GST purposes, makes a supply for consideration in the course of its enterprise, and the supply is connected with the Australian Indirect Tax Zone.

However, a supply is not subject to GST if it is zero rated (GST-free) or exempt (input taxed).

GST is also payable on the importation of goods into Australia.

## Taxable person

An entity is required to be registered for GST purposes if it is carrying on an enterprise and its annual Australian turnover exceeds AUD \$75,000 of non-exempt supplies over a rolling previous and future 12 month period. In the case of non-profit bodies, the registration threshold is AUD \$150,000. An entity can elect to register if its turnover is less than the threshold amounts, provided it is carrying on an enterprise.

“Enterprise” is defined in the GST law to include, among other things, an activity in the form of a business, an activity undertaken by a charitable body, religious institution or government, or an activity undertaken on a regular or continuous basis in the form of a lease, licence or other interest in property.

“Entity” is defined to include an individual, partnership, trust, company and unincorporated associations.

The GST law allows certain entities with at least 90% common ownership to form a GST group.

Special provisions may also be applied to certain joint ventures and branches. Joint ventures can elect to have a single entity report the joint venture activity.

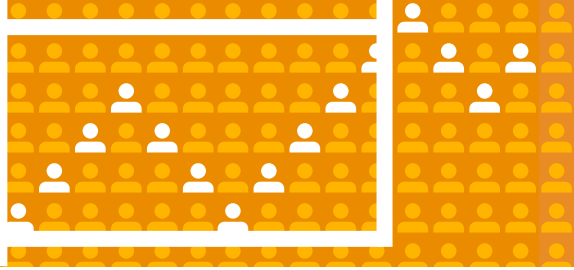
In contrast, divisions and branches of entities that have separate accounting systems can elect to register and report as if they were separate entities.

## Goods

### Definition

“Goods” are defined as any form of tangible personal property. A supply of goods can occur by way of sale, lease, hire, etc.

# Australia



## Place of supply

A supply of goods is connected with the Australian Indirect Tax Zone if the goods are supplied in the following circumstances:

- Delivered or made available in the indirect tax zone; or
- Removed from the indirect tax zone; or
- Brought to the indirect tax zone and
  - imported into the indirect tax zone by the supplier; or
  - installed or assembled in the indirect tax zone by the supplier.

## Time of supply

For an enterprise accounting on a non-cash basis, GST is brought to account in the GST return [which forms part of the Business Activity Statement (BAS)] for the tax period where the earlier of the following occurs:

- Any of the consideration is received for a supply; or
- An invoice is issued relating to the supply.

This rule is varied if the supply and consideration are on a progressive or periodic basis or the Commissioner of Taxation has determined that a different tax period should apply.

## Value

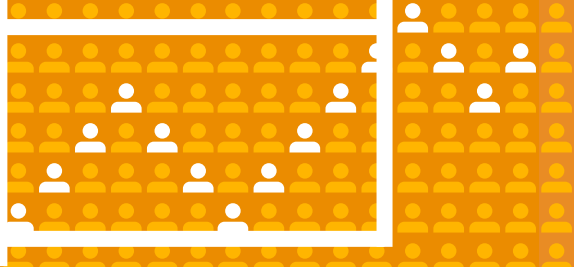
GST is payable on 10% of the value of the taxable supply. The value of the taxable supply is calculated as 10/11th of the GST inclusive consideration received for the supply.

The value of the supply includes the market value of any non-monetary consideration.

The value of a supply to an associated entity will be altered where:

- The supply is made for nil or inadequate consideration; and
- The recipient is not entitled a full input tax credit for GST incurred on acquisitions made in relation to that supply.

In these circumstances, the value of the supply will be the GST exclusive market value of the supply.



## Real property

### Definition

'Real property' is defined in the GST law to include:

- Any interest in or right over land; or
- A personal right to call for or be granted any interest in or right over land; or
- A license to occupy land or any other contractual right exercisable over or in relation to land.

### Place of supply

A supply of real property will be connected with the indirect tax zone if the real property, or the land to which the real property relates, is in the indirect tax zone.

### Time of supply

The same general rules for supplies of goods also apply to a supply of real property.

### Value

The same general rules for supplies of goods also apply to a supply of real property. However, in certain circumstances the GST payable on a taxable supply of real property may be calculated under a "margin scheme".

## Services

### Definition

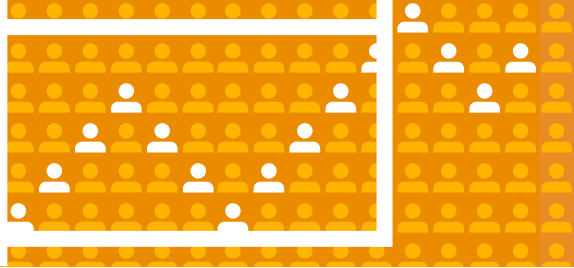
'Services' are not defined in the GST law. In these notes, a reference to 'services' includes intangible supplies, such as various forms of rights and options.

### Place of supply

A supply of services and intangible property (i.e. anything other than goods and real property) will be connected with the indirect tax zone if:

- The supply is made in the indirect tax zone; or
- The supply is made through an enterprise that the supplier carries on in the indirect tax zone; or
- If neither of the above apply, but the supply is of a right or option to acquire another thing, the supply of which would be connected with the indirect tax zone (e.g. an Australian holiday package that is supplied by an overseas travel agent).

# Australia



Additionally, the GST legislation has extended the 'connected with the indirect tax zone' rules to exclude certain supplies of services by non-residents to Australian-based business recipients (i.e. entities registered for GST in Australia).

## Time of supply

The same general rules for supplies of goods apply to supplies of services.

## Value

The same general rules for supplies of goods apply to supplies of services.

## Rates

### Standard rate

The standard rate of GST is 10%.

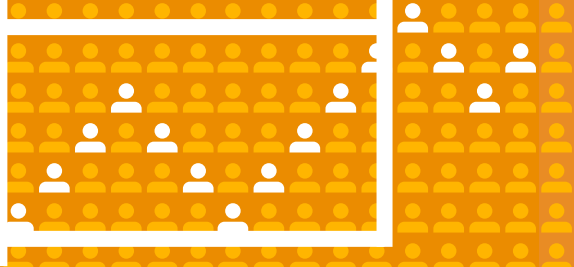
### Zero rate (GST-free)

A zero rate may apply to, but is not limited to the following supplies:

- Exports of goods
- Certain services consumed outside of the indirect tax zone
- International transport and related services, including certain domestic components of international transport
- Certain foods
- Water and sewerage
- Education and religious services
- Health and child care
- Supply of a going concern
- Non-commercial activities of charities
- Certain dealings in land
- International mail
- Certain telecommunication services
- Eligible carbon credits.

Zero rated supplies are referred to as 'GST-free' supplies for Australian GST purposes. No GST is payable on a zero rated supply but the recipient is generally entitled to full input tax credits for acquisitions made in relation to those supplies.

# Australia



In some instances, zero-rating applies only at the retail level (e.g. prescription drugs are only GST-free when supplied to the final consumer). However, in other instances, the zero-rating applies through the distribution chain (e.g. certain foods and medical appliances are GST-free throughout the supply chain).

## Exemption (input taxed)

Certain supplies are exempt. Exempt supplies are referred to as 'input taxed' for Australian GST purposes. These supplies include the following:

- Certain financial supplies
- Residential rent
- Sale of residential premises (but not including commercial residential premises or new residential premises)
- Precious metals, other than the first supply after refining (which is GST-free).

No GST is payable on an exempt supply. However, the supplier (and in many instances, the recipient) is not entitled to an input tax credit for acquisitions that relate to making these supplies.

However, a de minimis threshold (the financial acquisitions threshold) applies to goods, real property and services acquired to make exempt financial supplies.

## Imports/exports

### Imports of goods

GST is generally payable on goods imported into Australia. The GST is payable by the person who enters the goods for home consumption, at the time the goods are entered.

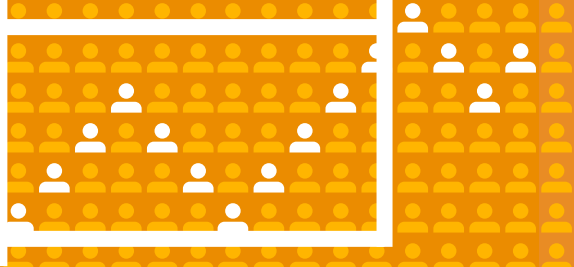
Certain GST-registered businesses can apply to the Australian Taxation Office (ATO) to participate in a scheme to defer the payment of GST on imported goods. If approved, the GST is not payable at the time of importation but is brought to account in the GST return for the month in which the importation took place. An entity that applies to participate in this GST deferral scheme must satisfy certain criteria specified by the ATO.

Certain imports are zero-rated. These include goods that are zero-rated (e.g. certain foods) and goods of small value.

The amount of GST payable on imported goods is 10% of the value of the taxable importation. The value of a taxable importation (other than of wine) is the sum of all of the following:

- The customs value of the goods and any customs duty payable; and
- The amount paid for the international transport of the goods and associated services; and
- The amount to insure the goods for the international transport.

# Australia



## Imports of services

Services acquired from off-shore may be subject to a reverse charge (i.e. in certain circumstances the acquirer is required to account for the GST payable on the services so acquired). The mandatory reverse charge only applies if the recipient is registered for GST and uses the acquisition in its enterprise to make exempt supplies. Where the reverse charge is applied, a credit can then be claimed for any portion that is used to make taxable or GST-free supplies.

This mandatory reverse charge does not apply to supplies that are connected with the indirect tax zone.

## Exports of goods

Exports of goods are zero-rated if they are exported by the supplier within 60 days of the earlier of:

- The day when the supplier receives any of the consideration for the supply; or
- The day the supplier gives an invoice for the supply.

A concession is given to goods supplied under a contract that specifies payment by instalments, whereby the 60 day export period does not start until the last instalment is invoiced or paid, whichever is the earlier.

Specific rules apply to the export of certain goods, such as aircrafts and ships and exports by a party other than the supplier.

Specific rules also apply to the supply of goods by way of lease or hire. The supply of these goods will only be zero-rated to the extent the goods are used outside of the indirect tax zone.

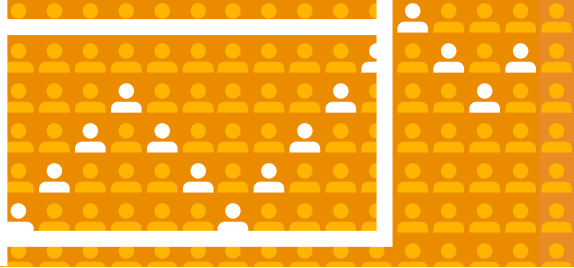
## Documentation

An exporter is required to retain sufficient documentation to demonstrate that the goods have been exported and the zero-rating treatment is appropriate. Documents such as Australian Border Force export entries, international transport documents and commercial documents should provide sufficient evidence in most instances.

## Exports of services

Services and intangibles supplied to entities outside Australia for consumption outside Australia are generally zero-rated. Supplies directly connected with real property situated outside of the indirect tax zone, a supply that is made in relation to rights for use outside of the indirect tax zone and the international transport of goods and passengers are zero-rated.





## Recovery/offset

### Recovery

A registered entity may be entitled to claim an input tax credit for GST paid on goods, real property and services it acquires to carry on its enterprise. Input tax credits claimable in a tax period are offset in the GST return against any GST that is payable on its taxable supplies. Only the net amount (output tax less input tax credits) is payable to the ATO. If input tax credits exceed GST on taxable supplies, a registered entity will be entitled to a refund.

A registered entity will be entitled to an input tax credit if all of the following conditions are met:

- The entity acquires something in the course or furtherance of its enterprise;
- The supply of the item to the acquirer is a taxable supply;
- The acquirer provides or is liable to provide consideration for the supply; and
- The entity holds a valid tax invoice at the time the claim is made.

However, the entity will not be entitled to input tax credits to the extent the acquisition relates to making exempt supplies, or if the expenses are of a private or domestic nature.

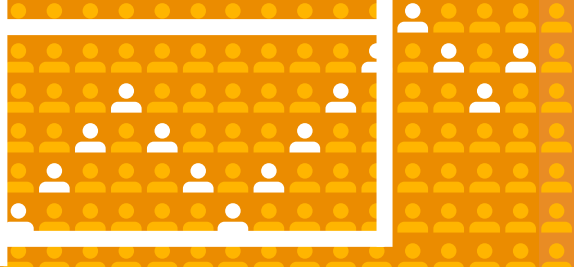
Many supplies treated as exempt in other tax jurisdictions are taxable in Australia, particularly supplies by financial supply intermediaries. For entities exceeding the Financial Acquisitions Threshold (see below), the Australian GST provides:

- GST-registered suppliers of financial supplies with a reduced input tax credit (RITC) of 75% of the GST charged on the acquisition of certain goods and services acquired to make those financial supplies; and
- Recognised trust entities with at least a 55% RITC for the GST charged on most services acquired in the course of its enterprise.

Additional RITCs are available for Australian-based financial supply providers incurring GST on services acquired from related entities (e.g. Head Office) overseas. The categories of expenses for which an entity can claim RITCs are listed in the GST Regulations.

Special rules also apply to deny a GST input tax credit on certain expenses that are non-deductible for income tax purposes (e.g. certain entertainment expenditure).

# Australia



## Apportionment

A registered entity that makes exempt and taxable/zero-rated supplies must apportion its input tax credits on the following basis:

- For expenses directly attributable to making exempt supplies (other than borrowings related to making taxable or zero-rated supplies), the purchaser is not entitled to any input tax credit.
- For expenses directly attributable to making other supplies (such as taxable and zero-rated supplies), the purchaser is entitled to full input tax credit.
- For all other expenses, the purchaser is required to apportion the input tax credits on a reasonable basis reflecting the partial use for making exempt supplies.

An entity making exempt supplies of financial services is only denied input tax credits relating to those financial supplies if it exceeds the FAT.

## Financial Acquisitions Threshold (FAT)

The FAT will be exceeded and an entitlement to claim input tax credits will be affected if the amount of GST incurred in the cost of business inputs in any rolling 12 month period exceeds either:

- AUD \$150,000; or
- 10% of the total of all the entity's input tax credits for its acquisitions or importations, if all were recoverable.

## Pre-registration claims

With the exception of certain pre-establishment costs of a company, GST incurred by an enterprise prior to registration cannot be recovered. However, expenses incurred during the commencement of an enterprise can be recovered provided the entity is registered for GST.

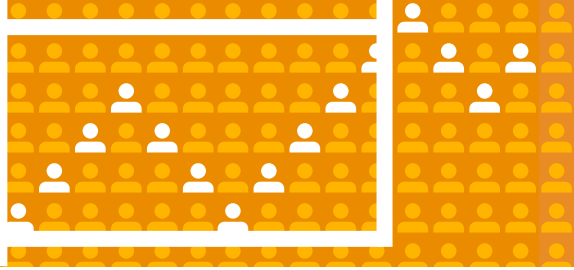
## Pre-establishment costs

GST incurred on acquisitions or importations related to a company within the 6 months prior to the company coming into existence and becoming registered can be recovered, in certain limited circumstances.

## Post-deregistration claims

GST incurred by a business after registration has been cancelled, cannot be recovered unless registration is backdated and re-activated. However, expenses incurred in the course of the termination of an enterprise can be recovered, provided the entity is registered for GST.

# Australia



## Change of use/capital items adjustment

A registered entity that makes exempt supplies and taxable or zero-rated supplies must periodically review the apportionment of input tax credits relating to its acquisitions. Where the actual use of the acquisition differs from the planned use, adjustments to increase or decrease GST liability may need to be made. The need to adjust and the period of adjustment varies according to the value of the acquisition. Adjustments may be for a period of up to 10 years.

## Compliance/obligations

### Registration

The GST legislation provides that an entity is required to be registered for GST if it is 'carrying on an enterprise' (as defined in GST legislation) and its annual turnover meets the registration turnover threshold. The GST registration threshold is AUD \$75,000 for entities other than non-profit bodies and AUD \$150,000 for non-profit bodies, calculated over a rolling prospective and retrospective 12 month period. The turnover counted is of supplies connected with Australia (including zero rated supplies), excluding exempt supplies.

The legislation also requires that the application for registration be made in the approved form within 21 days after becoming required to be registered.

It is possible to register voluntarily if the value of an enterprise's "annual turnover" does not exceed the registration threshold. To voluntarily register, the entity must demonstrate that it is carrying on an enterprise or it is undertaking activities in the course of commencing (or terminating) an enterprise. A penalty of AUD \$2,200 may be imposed for failure to apply for registration, or cancellation of registration, as required by the GST legislation.

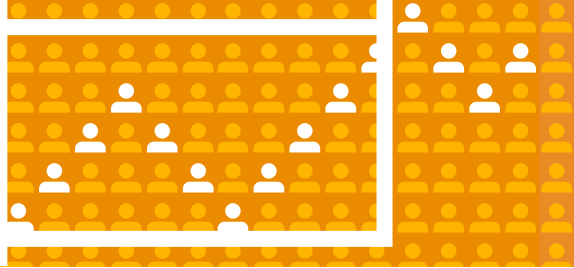
### Registration number

Each GST registered enterprise is given a unique reference number with the format 99 999 999 999. An enterprise making supplies connected with the indirect tax zone and/or carrying on an enterprise in Australia will also require an Australian Business Number (ABN), which doubles as the GST registration number, where it also obtains GST registration.

### Group registration

In certain circumstances, a number of GST-registered entities may apply to be treated as a GST group. The membership criteria for creating or being a member of a GST group generally includes at least 90% common ownership, and each member having the same tax periods and accounting for GST on the same basis.

# Australia



There are complex and differing rules applying to companies, trusts, partnerships and individuals in order to satisfy the GST group membership criteria.

GST registered non-resident entities can be members of a GST group.

The establishment of a GST group affects certain GST compliance obligations of the group members.

An Australian resident member of the group must be nominated as the “representative member”. It takes on the administrative responsibilities of the group, is required to pay the GST liability for all members of the group and takes on the group members’ entitlement to input tax credits. Generally, the transactions within a GST group are not taxable for GST purposes.

The primary benefits of electing to group are lowered compliance costs and potential cash-flow benefits. However, once grouped, each entity is jointly and severally liable for the group’s GST liability, and the aggregation of entities may cause turnover thresholds to be reached. An Indirect Tax Sharing Agreement (ITSA) can be entered into between group members to limit that liability for individual entities.

## Invoices, including e-invoicing

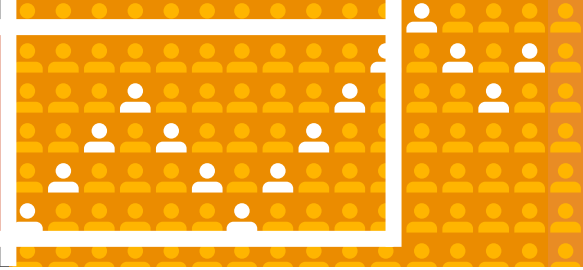
A supplier is required to issue a tax invoice within 28 days of a request by the recipient. A supplier is not required to issue a tax invoice if the value of the supply is equal to or less than AUD \$75.

To be valid, a tax invoice must contain enough information to enable the following to be clearly identified:

- The supplier’s name and Australian Business Number (“ABN”);
- A brief description of each item supplied including the quantity (if applicable) and price;
- The extent to which each sale is a taxable supply - this can be shown separately or, if the GST to be paid is exactly one-eleventh of the total price, as a statement such as ‘total price includes GST’;
- The date the document is issued;
- The amount of GST (if any) payable for each sale;
- If the document was issued by the recipient and GST is payable for any sale – that the GST is payable by the supplier;
- That the document was intended to be a tax invoice or a recipient created tax invoice if it was issued by the recipient.

Additional requirements apply for tax invoices denominated in foreign currencies.

# Australia



## Records

### Retention period

All records must be kept for a period of 5 years after the completion of the transactions or acts to which they relate.

Records can be kept solely in electronic form. However, they must be readily accessible, easily convertible into English and capable of being retrieved and read during the required retention period. Back-up copies are expected to be retained or some other method provided to enable ready reconstruction of the accounts. Appropriate data integrity must be maintained. Records may be kept outside Australia but they must be readily accessible and easily convertible into English.

## Returns

### Periods

Returns for all enterprises can either be monthly or quarterly (quarters end on 31 March, 30 June, 30 September and 31 December).

Entities with a turnover of AUD \$20 million or more must lodge GST returns monthly. The monthly returns and payment must be made electronically. Entities with turnover below AUD \$20 million may lodge quarterly or elect to lodge monthly.

A concession is available for entities with annual turnover of less than AUD \$2 million. In certain circumstances, such entities can elect to lodge annual GST returns. However, instalment payments of notional GST amounts must be made on a quarterly basis.

Entities which register for GST voluntarily [i.e. entities with an annual turnover below the registration turnover threshold of AUD \$75,000] are entitled to lodge GST returns and pay GST annually.

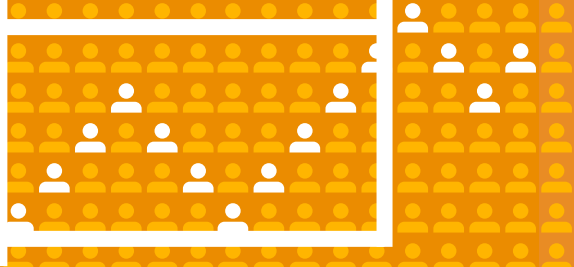
### Due dates

The return must be lodged with the ATO within 21 days from the end of the tax period for monthly remitters, and within 28 days from the end of the tax period for quarterly remitters. One exception is the December quarter, for which lodgment is due on 28 February rather than 28 January.

### Payment

Any net amount of GST payable is due at the same time the return is filed. Bank Transfer Payments are to be made electronically or in a manner determined in writing by the Commissioner of Taxation.

# Australia



## Refunds

Net credit amounts from the GST return will firstly be applied against other Australian taxes payable, and only the balance will be refunded. Refunds are only paid by the ATO into an acceptable bank account in Australia.

## Content of forms

A GST return will generally require the following information:

- Total Sales – all supplies (i.e. taxable and non-taxable supplies) that are connected with Australia and which are attributable to the period of the return;
- Export Sales – any GST-free export sales of goods attributable to the period;
- Other GST-free sales attributable to the period;
- Capital purchases – any capital acquisitions, inclusive of GST, attributable to the period;
- Non-capital purchases – other acquisitions, inclusive of any GST, attributable to the period;
- GST on sales – total GST liability on taxable supplies during the period;
- GST on purchases – total input tax credits claimed for acquisitions during the period; and
- Adjustments – changes to GST liabilities or input tax credits from previous periods.

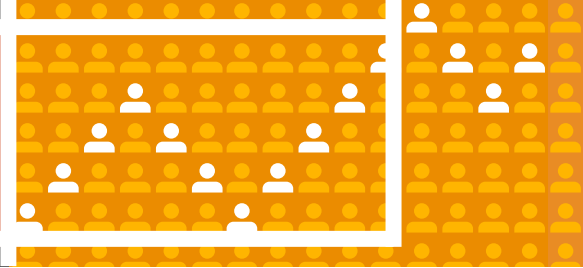
The GST return forms part of the Business Activity Statement, which is also used to report other Australian business taxes including details of any tax withheld from salaries and wages and company income tax installments.

## Bad debts

A supplier accounting on a non-cash basis can make a decreasing adjustment (i.e. recover GST previously paid on the taxable supply) on bad debts written off, or adjust automatically if the consideration has not been received within 12 months. However, the supplier must make an increasing adjustment to repay the GST portion of any part of a bad debt subsequently recovered and for which it previously made a decreasing adjustment.

Conversely, a recipient who has claimed an input tax credit for a taxable supply but has not paid the consideration (or part thereof) must make an increasing adjustment (i.e. repay the GST portion of the unpaid amount) when the supplier writes the debt off as bad or when the amount has been overdue for 12 months or more.

# Australia



## Non-residents

A non-resident entity may register for GST in Australia if it carries on an enterprise anywhere in the world. The entity does not need to be making supplies in Australia to be eligible to register for GST.

The criteria for mandatory GST registration of a non-resident enterprise is the same as those for a resident enterprise. Registration for GST is not a criteria in determining whether an entity has a permanent establishment in Australia for income tax purposes.

Non-residents have some specific additional documentary requirements to register for GST e.g. evidence in English, to prove they are a properly constituted business in another country.

Non-residents that only make supplies through an online marketplace or electronic distribution platform may not need to register for GST in Australia. However, where a non-resident business is required to register for GST for low value imported goods and / or imported services and digital products, they are able to choose from two registration options – standard (i.e. full) GST registration as outlined above, or simplified GST registration which is explained below.

## Simplified GST Registration for non-resident suppliers

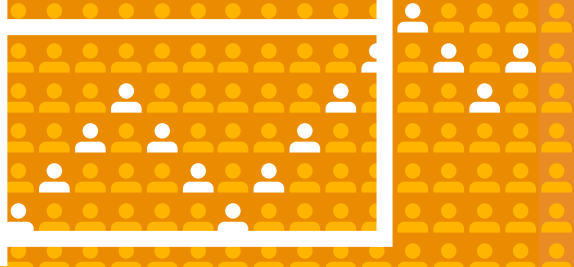
From 26 June 2017, non-residents are able to apply for a simplified GST registration with the ATO. This allows non-resident businesses which are eligible to electronically register, report and pay their Australian GST liabilities quickly and easily. However, non-resident businesses are not able to claim any GST refunds using this registration.

Under the simplified GST registration system, documentary requirements are minimal, with no proof of identity documents necessary (this is in contrast to the full GST registration, where documentary requirements are extensive).

Online registration is available via an electronic portal on the ATO website. Non-residents must first obtain an AusID secure credential to access the portal. Once registered, non-resident entities are provided with a 12-digit ATO Reference Number (ARN) as a unique identifier in lieu of an ABN.



# Australia



## Returns

Registrants under the simplified GST system are required to report and pay any GST liability to the ATO on a quarterly basis. Under the simplified GST registration system, a non-resident supplier is required to report the following information:

- Net sales – required to report the amount of total sales made in the quarter, excluding any GST payable (i.e. net amount).
- GST on sales – required to report the GST amount on total sales. If this number is not equal to 10% of the net sales amount, the supplier must give a reason on the return as to why this number is not 10%.

It is important to note that under the simplified GST registration system, registrants are not entitled to claim GST refunds.

## Refunds to foreign business

Non-resident businesses can only obtain GST refunds if they are registered for GST and incur Australian GST. Refunds will only be paid by the ATO into an acceptable bank account in Australia.

## Refunds to tourists

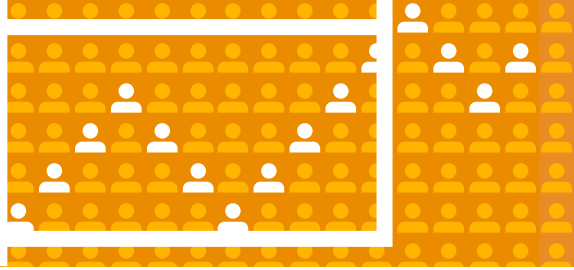
Generally, tourists may obtain GST refunds where the tourist:

- Spends AUD \$300 (GST inclusive) or more with a registered supplier and has a single tax invoice for the purchase;
- Buys the goods no more than 60 days before departure from Australia; and
- Wears or carries the goods on board the aircraft or ship, and presents them along with the original tax invoice, passport and international boarding pass to a Customs Officer at a Tourist Refund Scheme (TRS) facility.

Claims at airports are only available up to 30 minutes prior to the scheduled departure of the outward flight. Claims at seaports should be made no earlier than 4 hours and no later than 1 hour prior to the scheduled departure time of the vessel.

The refund only applies to goods the tourist takes with him/her as hand luggage or wears onto the aircraft or ship when he/she leaves Australia. It does not apply to tobacco/tobacco products, alcoholic beverages (except wine on which wine equalisation tax has been borne), or services or goods consumed, or partly consumed in Australia, such as chocolate or perfume. However, unlike many other tourist shopping schemes, some goods such as clothing and cameras, can be used in Australia before departure.

# Australia



## Penalties

The Taxation Administration Act 1953 imposes a uniform penalty regime which covers GST and other Australian taxes.

A registered entity may be liable for a series of penalties, including:

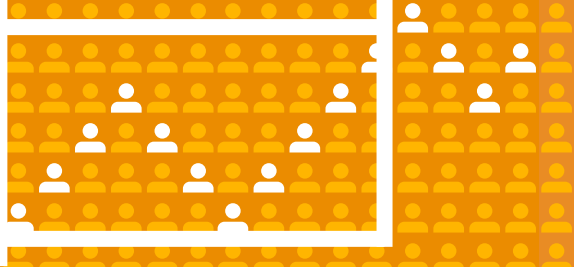
- Administrative penalty - from 10% to 75% of GST underpaid as a consequence of making a false and misleading statement
- Late lodgment penalty - currently up to AUD \$1,050 for large entities and AUD \$105,000 for Significant Global Entities
- The General Interest Charge (GIC) consisting of a base interest rate plus 7 percentage points. The GIC generally ranges from 9%–13% per annum.
- Where an entity is a monthly remitter, a penalty of AUD \$1,050 for each payment applies where the payment is not made electronically.

The GIC, compounding on a daily basis, is payable for each day in the period that:

- Starts at the beginning of the day by which the tax was due to be paid; and
- Ends at the end of the last day on which (at the end of the day) any of the tax or GIC on the tax remains unpaid.

The GIC rate is set each quarter. A list of GIC rates is available on the ATO website.

# Australia



## Digital Economy

### Goods

From 1 July 2018, low value goods (AUD \$1,000 and under) supplied by overseas retailers to 'Australian consumers' are considered to be taxable supplies for GST purposes. These measures also apply to Australian retailers that use a drop shipment model (i.e. direct shipping to Australia from outside of Australia).

GST will continue to be payable at the border for sales over AUD \$1,000 upon importation of the goods into Australia (i.e. 'taxable importation').

Where supplies of low value goods are made through an Electronic Distribution Platform (EDP), the GST liability on these supplies would shift to the operator of the EDP (i.e. generally, online marketplaces that act as intermediaries).

The GST liability on sales of low value goods may also shift to 're-deliverers' (service providers that assist individuals to obtain goods from foreign suppliers, for example, by providing a mailing address for delivery in a particular jurisdiction and then arranging the transport into Australia). Therefore, international transport may no longer be GST-free if it is provided by an entity in relation to the taxable supply of low value goods and the entity is a re-deliverer.

### Services

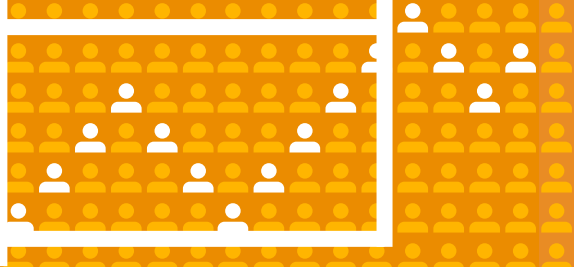
From 1 July 2017, Australian GST applies on supplies of digital products and services to the end-users, the 'Australian consumers'. Under these rules, the EDP operator is responsible for GST instead of the merchant. The new rules apply to digital products and services made through the EDP and delivered by means of electronic communication. However, services that require human involvement like call centres, services related solely to providing access to a payment system or digital services supplied by Australian-based merchants do not fall within these new EDP rules.

The term 'Australian consumer' means an Australian resident that is not registered for GST in Australia. If a GST-registered entity supplies digital services or digital products, they will remain responsible for GST. However, they have a possibility to enter agreement with the EDP operator to shift the responsibility to EDP.

### Affected businesses

The new rules affect non-resident suppliers making sales of digital services and products to Australian consumers. In certain circumstances, a local or overseas operator of electronic marketplaces (i.e. EDP), may be regarded as the supplier of the services made by the suppliers through these marketplaces.

# Australia



## Registration

The EDP operator needs to register for GST if it meets the general GST registration requirements. As outlined above, there are two options available to a non-resident supplier; a simplified GST registration (where they will be unable to claim GST credits on acquisitions made in Australia) or the standard GST registration.

## Returns

Please refer to the earlier section for GST reporting obligations, which apply to all other GST-registered businesses, including non-resident suppliers that are registered under either the standard GST registration or simplified GST registration.

## Period

Under the standard GST registration, non-resident suppliers must lodge their GST returns on either a quarterly or monthly basis (depending on their turnover).

If the non-resident supplier is registered under the simplified GST registration system, it will be required to lodge their GST returns on a quarterly basis.

GST returns can be lodged electronically to the ATO.

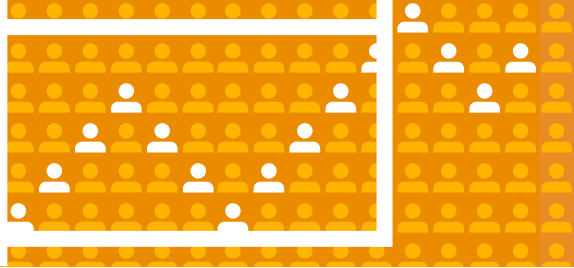
## Payment

Payment of GST returns is due on the same day as the lodgement of the GST return is due (i.e. the 21st day of the month for monthly returns, and the 28th day of the month for quarterly returns).

## Refunds

Under a simplified GST registration, a non-resident supplier is not entitled to any GST refunds on acquisitions made. However, under a standard GST registration a non-resident supplier will be entitled to claim GST refunds provided, among other things, the supplier makes acquisitions for a creditable purpose.

# Australia



## Content of forms

Please refer to the section above for the content of forms when a non-resident supplier is registered for GST under a standard GST registration.

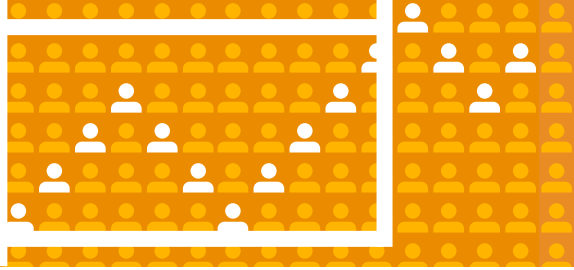
Under the simplified GST registration system, a non-resident supplier is required to report the following information:

- Net sales – required to report the amount of total sales made in the quarter, excluding any GST payable (i.e. net amount).
- GST on sales – required to report the GST amount on total sales. If this number is not equal to 10% of the net sales amount, the supplier must give a reason on the return as to why this number is not 10%.

## Penalties

The current penalty regime applies to non-resident suppliers and electronic marketplace operators.

# Australia



## Other indirect taxes

Payroll Tax is imposed by the territory and state governments on wages, salaries and other benefits (above a certain threshold) for work performed within their jurisdictions.

Stamp Duty is a state-based stamp duty on various instruments including conveyances, agreements to convey property, leasing agreements, hiring arrangements, loan agreements, loan security agreements and instruments for the transfer of marketable securities such as shares.

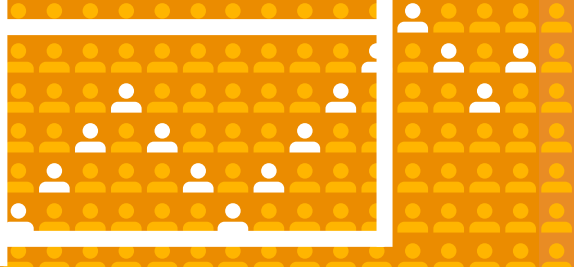
Excise is a tax levied on certain goods manufactured in Australia, such as beer, spirits and petroleum products, which can be manufactured only under license issued by the Australian Border Force.

Wine Equalisation Tax is a single stage Federal tax which applies (in most cases) to dealings in wine at the wholesale level. In almost all dealings to which it applies, GST will also apply.

Luxury Car Tax is a single stage Federal tax which is imposed on supplies and importations of luxury cars, and is in addition to any GST that may be payable. The tax is only calculated on the value of the car that exceeds the luxury car tax threshold [which for the financial year 2018-19 is AUD \$75,526 for fuel efficient cars and AUD \$66,331 for other cars]. The rate of LCT is currently 33%.

Customs Duty of varying rates is applicable to goods imported into Australia which must be cleared by the Australian Border Force. Importers are responsible for obtaining a formal clearance for consignments of goods above set value limits. Imports of low value will generally be exempt from duty.

# Australia



## Useful contacts

For help and advice regarding GST in Australia, please contact:

### **PricewaterhouseCoopers**

#### **Michelle Tremain**

Partner – National Indirect Tax Leader

Email: [michelle.tremain@pwc.com](mailto:michelle.tremain@pwc.com)

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Partner

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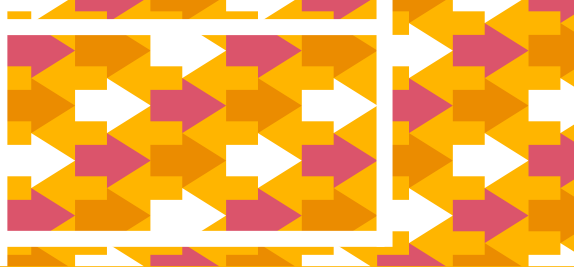
### **Tax authority**

The GST in Australia is administered by the **Australian Taxation Office (ATO)**, [www.ato.gov.au](http://www.ato.gov.au). Details on how to contact them can be found on their website.





# Cambodia



## Scope

The tax is known as Value Added Tax (VAT) and it was implemented from 1 January 1999.

VAT is imposed on “self-declaration taxpayers”, making taxable supplies in Cambodia.

## Taxable person

“Self-declaration taxpayers” include corporations, foreign branches and representative offices registered with the Ministry of Commerce (MoC) and the General Department of Taxation (GDT).

VAT is also applicable to persons who are not corporations, foreign branches and representative offices duly registered with the MoC and the GDT, depending on their quarterly turnover.

## Taxable supply

Taxable supply is defined to include:

- The supply of goods or services by a taxable person in Cambodia.
- The appropriation of goods for his own use by a taxable person.
- The making of a gift, or supply at below cost, of goods or services by the taxable person.
- The import of goods into the territory of Cambodia.

## Goods

### Definition

The term ‘goods’ is defined to include tangible property other than land or money.

Supply of a service that is incidental to the supply of a good, is considered a supply of a good.

### Place of supply

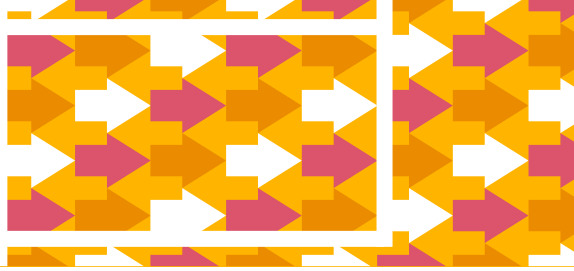
A supply of goods takes place in Cambodia if the goods are delivered in Cambodia. This includes a transfer of the right to use or to dispose of the goods.

### Time of supply

The time of supply is the earlier of:

- The time the supplier must issue an invoice. A VAT invoice must be issued within 7 days after shipping the goods or payment if the payment occurs before the shipping of the goods; or
- The time the supplier issues an invoice if that invoice is issued before the time it must be issued by the supplier.

# Cambodia



## Value

The taxable value for goods is the price the seller charges the purchaser. The taxable value includes any charges for transportation and other items payable to the seller with respect to the supply. It also includes any Specific Tax, which is due on certain supplies of merchandise and services.

When the payment for a taxable supply involves any consideration other than money, for the direct or indirect benefit of the seller, this consideration must be included in the taxable value, at its fair market value.

The taxable value for any imported goods shall be the customs value including insurance, plus any customs duties and Specific Tax due. If this value is not available, the fair market value must be used.

## Services

### Definition

The term 'service' includes the provision of something of value other than goods, land or money. A supply of goods which is incidental to a supply of services is considered to be a supply of services.

### Place of supply

A supply of a service takes place in Cambodia if the service is performed in Cambodia, except in the following instances:

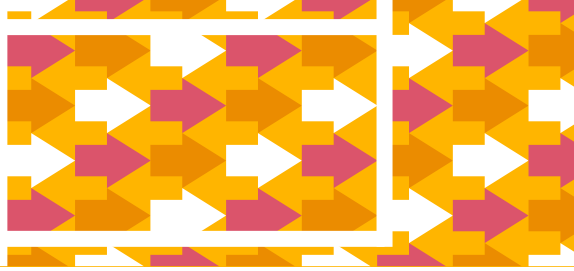
- The supply of a service in connection with immovable property is deemed to take place where the property is located.
- The supply of a service in connection with transportation is deemed to take place where the transport occurs.

### Time of supply

The time of supply is the earlier of:

- The time the supplier issues, or must issue an invoice. A VAT invoice must be issued within 7 days after performing the services or payment if the payment occurs before the services are performed; or
- The time the supplier issues an invoice if that invoice is issued before the time it must be issued by the supplier.

# Cambodia



## Value

The taxable value for any supply of services is the price the seller charges the purchaser.

The GDT has the right to determine the value of services based on the fair market value, where it appears the value used is incorrect.

## Rates

### Standard rate

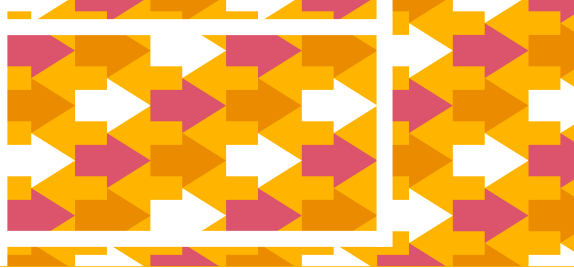
The standard rate is 10% and it applies to all supplies which are not zero-rated or exempt.

### Zero rate

Besides the standard rate, VAT at the rate of 0% may be applicable to:

- goods exported from Cambodia;
- services consumed outside Cambodia;
- domestic supplies of paddy rice;
- domestic supplies of milled rice or milled rice production services by contractors to the rice exporters, subject to specific conditions;
- domestic supply of certain goods and services by the supporting industries or sub-contractors the exporters (i.e. garments manufacturers, textiles, footwear, bags, handbags, and headwear industries), subject to specific conditions;
- domestic supplies of certain agricultural products including all types of fertilisers, plant seeds, animal medicines, animal foods, animal species, and agricultural machinery and tools; and
- Cut, Make and Trim (CMT) services for the purpose of exporting the processed products.

Exports are defined to include the international transportation of passengers or goods, or services in connection thereto.



## Exemption

The following supplies are exempt from VAT (i.e. no VAT is charged on supplies and no credit is given for related input VAT):

- Supply of land
- Public postal services
- Hospital and medical services, and the provision of goods incidental thereto
- Public transportation activities operated by state-owned providers
- Insurance activities
- Primary financial services
- Supply and import of certain agricultural products or equipment
- Imported goods for personal use and non-profit activities
- Supply of electricity.

## Imports/exports

### Import of goods

Importation of goods is subject to 10% VAT. Imported goods may be treated as including associated services. The importation of articles for personal use (as defined in Article 57 (6) of the Law on Taxation (or “LoT”)) and the importation of goods for or by foreign diplomatic and consular missions, international organisations and agencies of technical cooperation of other governments for use in the exercise of their official functions (as defined in Article 58 of the LoT) are exempt from VAT.

### Import of services

Imported services are not subject to VAT.

### Export of goods

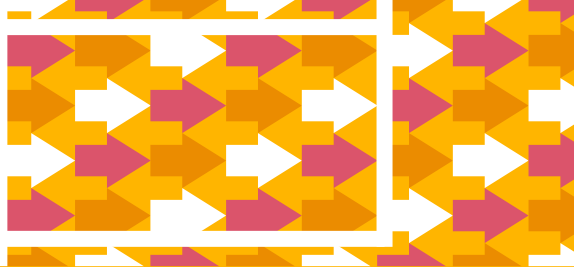
Export of goods is subject to 0% VAT.

### Export of services

Services that are consumed or used outside of Cambodia are subject to 0% VAT.

## Documentation

The exporter must maintain documentation to prove that the goods have been exported from Cambodia in order to be eligible for zero rate VAT.



## Recovery/offset

### Recovery

VAT on the following supplies may be recovered/offset against the output VAT due on supplies made. The input VAT must be used in the business. Purchases of a private nature that are unrelated to taxable supplies are excluded.

In general, input VAT arises from the following:

- VAT paid on imports
- VAT paid on local purchases of goods and services.

VAT input credits are not available for the following expenses:

- Mobile telephone costs
- Entertainment expenses
- Amusement or recreation expenses
- Purchase of vehicles designed to carry not more than 10 people
- Purchase of regular or super gasoline, lubrication oil and diesel.

### Apportionment

When a business makes a mixture of taxable and exempt supplies, VAT incurred on its purchases has to be reviewed to see if it can be recovered in full. The following rules apply to VAT recovery for businesses making both taxable and exempt supplies:

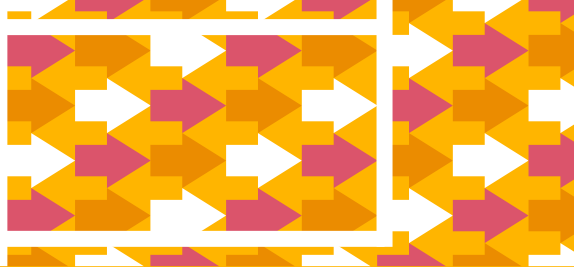
- If the exempt supply is less than 5% of the total supplies, all VAT incurred will be allowed as VAT input credits.
- If the exempt supply is more than 5% of the total supplies, VAT incurred will be allowed as a credit on a pro-rata basis.
- If the exempt supply is more than 95% of the total supplies, no VAT input credits will be allowed.

Where an apportionment is needed under the above rules, this will be done by reference to the following formula:

$$A \times (B/C)$$

A = the total amount of input tax for the period.

B = the total value of taxable supplies, exclusive of VAT made by the taxable person during the period.



C = the total value of taxable and non-taxable supplies, exclusive of VAT made by the taxable person during the period. This does not include the value of certain non-taxable supplies, for example the transfer of a business.

## Pre-registration claims

Input VAT can be claimed with respect to preliminary expenses if the supply or import occurred not more than 60 days prior to the effective date of registration.

## Post-registration claims

Input VAT cannot be claimed after the company has been deregistered.

## Change of use/capital items adjustment

Capital assets ceased to be used in the business for which input VAT has been claimed shall be deemed sold and subject to VAT, based on the market value of the capital assets. The tax regulations do not allow a taxpayer to claim input VAT for capital assets used partly for exempt purposes.

## Compliance/obligations

### Registration

No registration threshold is applicable for companies, foreign branches and representative offices (i.e. they need to register for VAT if they are making supplies in Cambodia). They are required to complete the registration prior to commencement of their business activities.

For other businesses, registration is required within 30 days of the date on which they become a taxable person if the three-month taxable turnover exceeds:

- 125 million Riels for supplies of goods
- 60 million Riels for supplies of services
- 30 million Riels for government contracts.

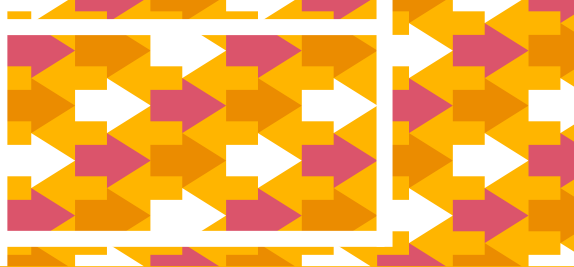
In order to register, the resident business needs to complete and submit the VAT Form 101 to the GDT. In practice, the GDT requires a VAT registration to be made within 15 days of the date the taxpayer completed its registration with the MoC.

### Registration number

Each VAT registered business is given a unique reference number with the format – VT 999999999.



# Cambodia



## Group registration

Group registration is not allowed.

## Invoices, including e-invoicing

When a supply is made to another taxable person, a taxable person must issue a tax invoice.

The following information is required to be shown on the tax invoice for VAT purposes:

- Name and VAT number of both the recipient and supplier
- Invoice number
- Address of both recipient and supplier
- Date of issue
- Quantity, description and selling price
- Value exclusive of VAT
- VAT amount and the inclusive amount (except for supplies to non-tax registered entities, in which case only the inclusive amount should be shown)
- Date of supply, if different from the date of issue of the invoice.

## Records

### Retention period

All records must be kept for a period of 10 years.

Records cannot be kept solely in electronic form (i.e., maintenance of paper copies is necessary). Records must be kept in Cambodia.

## Tax returns

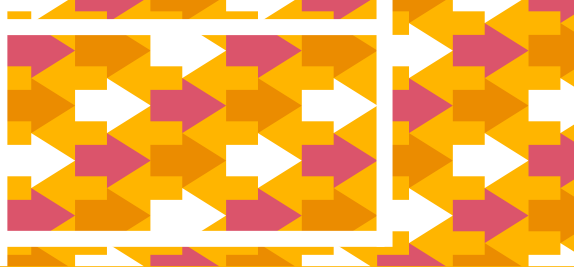
### Periods

Returns for all businesses must be made monthly.

### Due dates

The return must be submitted to the Large Taxpayer Department or the tax branches within 20 days of the end of the month.

# Cambodia



## Payment

The VAT due on a return must be paid by the 20th day of the following month. Payment should be made by cash/cheque to the Canadia Bank and its branches if the taxpayers are registered in Phnom Penh and this must be in the local currency (i.e. Riel). There are penalties for late payment of taxes and late filing of returns.

## Refund

Taxable persons who are in a VAT credit position for three consecutive months or more may apply for a refund. An actual refund will only be made by the GDT after a special audit on VAT has been carried out by the GDT.

An exporter or taxpayer who is registered as a Qualified Investment Project (QIP) for VAT will be eligible to apply for a refund on a monthly basis.

## Content of forms

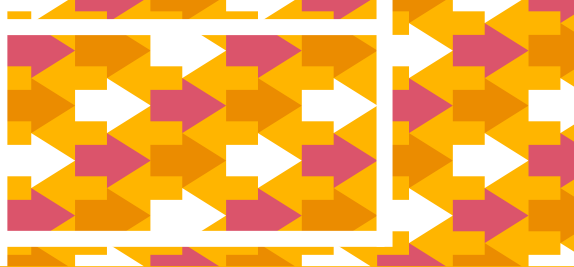
VAT is a monthly tax. The GDT requires taxpayers to enclose the Sales and Purchase Records and creditable VAT invoices dated in the month together with the return.

The below are the major content of the VAT return:

- Period of the VAT return
- VAT tax identification number
- Company name
- Input VAT brought forward
- Monthly creditable and non-creditable purchases
- Monthly taxable and non-taxable sales
- Output VAT
- Refund
- Input VAT carried forward

## Bad debts

There is no provision allowing businesses to claim back output VAT where the customer has failed to make payment, for whatever purposes.



## **Non-residents**

To register, a non-resident business needs to complete and submit VAT Form 101 to the GDT. In practice, non-resident businesses can only register for VAT if they have registered a formal presence in Cambodia (i.e., they have registered with the MoC in a form of a company or foreign branch).

## **Refund to foreign business**

There is no provision to allow overseas companies that incur VAT in Cambodia to claim credit for that VAT.

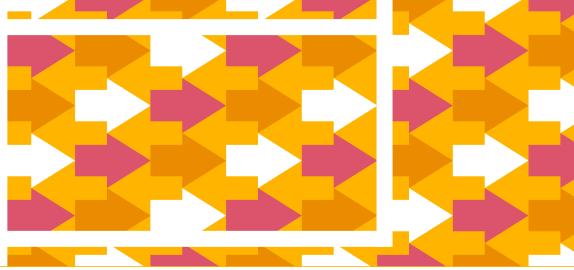
## **Refund to tourists**

There is no scheme which allows tourists to recover VAT spent on their purchases in Cambodia.

## **Penalties**

Late submission of nil returns will be subject to an additional tax of 2 million Riels per return.

For late tax payments, an additional tax of up to 40% and interest of 2% per month will also be imposed.



## **Digital Economy**

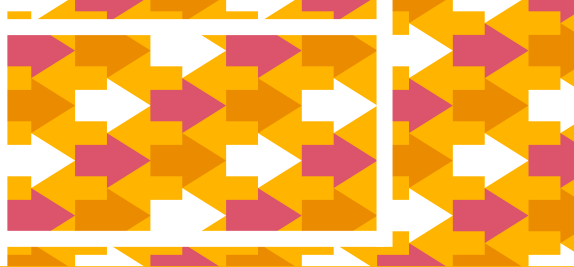
At this stage, Cambodia does not have any special rules on the taxation of the digital economy. The Royal Government is however, studying the issue.

## **Other indirect taxes**

Specific Tax is a form of excise duty that is imposed on the importation or domestic production of certain goods and services. It applies to alcohol, beer and cigarette products, and certain passenger transportation and international telecommunication services. Specific Tax is also imposed on the import of certain goods. No credit is available for Specific Tax paid.

Public Lighting Tax is imposed throughout the chain of supply of certain alcohol, beer and cigarette products. It is a compounding tax and no credit is available for Public Lighting Tax paid.

# Cambodia



## Useful contacts

For help and advice regarding VAT in Cambodia, please contact:

### **PricewaterhouseCoopers (Cambodia)**

**Heng Thy**

Partner

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Tel: +855 23 860 606 Ext 1502

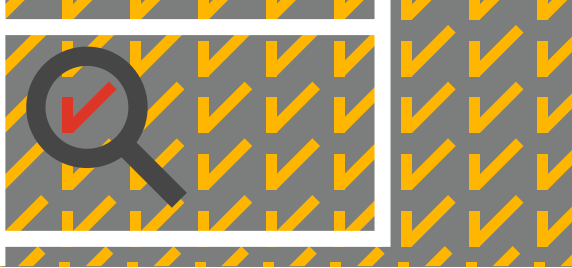
### **Tax authority**

The **General Department of Taxation** ([www.tax.gov.kh](http://www.tax.gov.kh)) is responsible for the collection of tax. It is located at: Corner of Russian Federation Boulevard and Mao Tse Tong Boulevard, Phnom Penh.



# China

# China



## Scope

Value-added Tax (VAT) was introduced into China with effect from 1 January 1994. From 1 January 1994 to 31 December 2008, the system that China adopted was a “production-based” VAT system, under which the input VAT incurred on fixed assets was not creditable and was required to be capitalised as costs of the fixed assets.

With the issuance of the Provisional VAT Regulations effective from 1 January 2009, the Chinese VAT system was transformed from the production-based VAT to a consumption-based VAT which means that the input VAT incurred on fixed asset purchases may be fully creditable.

Further, starting from 1 January 2012, a pilot program of Business Tax to VAT (“B2V”) transformation was first launched in Shanghai with selected service industries and thereafter rolled out to all provinces and cities in China. With the completion of B2V transformation on 1 May 2016, the VAT regime now covers all the industries across China.

The following transactions are subject to VAT in China:

- The supply of goods
- Provision of labor services of processing, repair and replacement.
- The importation of goods.
- Selling services, intangible assets or real property in China.

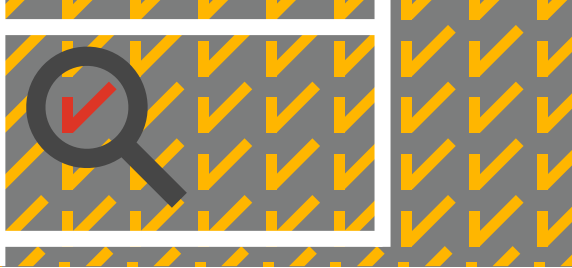
## Taxable person

A taxable person is defined as any unit or individual that carries out the above mentioned activities. A unit is a term used to refer to:

- Enterprises
- Administrative units
- Institutions
- Military units
- Social organisations
- Other units.

The term “individual” refers to individual business operators and other individuals.

# China



## Goods

### Definition

Goods refer to tangible movable goods, including electricity, heat and gas.

“Sale of goods” is defined as the assignment of the ownership of goods for compensation.

“Compensation” includes currency, goods or other economic benefits obtained from the purchaser.

### Place of supply

Goods are treated as supplied in China if the place of shipment for or the location of goods to be sold is within China.

### Time of supply

Generally, for the sale of goods or services subject to VAT (“taxable services”), the time of supply is the date when the sale proceeds are received, or when the documented evidence of collection right of the sale proceeds is obtained. Where invoices have been issued in advance, the time of supply is the date when the invoices were issued. Different sales/payment arrangements may therefore produce different timings for VAT reporting.

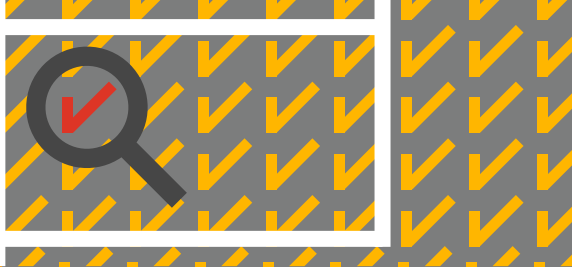
For the importation of goods, the time of supply is the date of the customs declaration.

### Value

The sales amount on which VAT is imposed is the total consideration and all other charges receivable from the purchaser, but not including the amount of sales VAT collected from the purchaser.

“Other charges” refer to additional fees or charges not included in the price charged and receivable from the purchaser. Examples include handling fees, subsidies, funds, fund-raising fee, profit sharing, incentive bonuses, fines for breach of contract, interest on deferred payments, late payment penalty, compensation, fee collected on behalf, fee paid on behalf, packing fees, rental on packing materials, contingency charges, quality charges, freight and loading and unloading charges and charges of any other nature which are in addition to the price charged to the purchaser.





The following items are excluded:

- Consumption Tax withheld on processing of consumer goods subject to Consumption Tax.
- Disbursement of freight charges, where the transportation party issues the Freight invoice to the purchaser and the taxpayer redirects the freight invoice to the purchaser.
- Government funds or administrative charges collected on behalf of government which meet all the following conditions:
  - Government funds approved by the State Council or Ministry of Finance, administrative charges approved by the State Council or the provincial governments and their finance department and the price regulatory authorities;
  - Issuance of invoices at the time of collection. The invoices should be printed by the finance department at provincial level or above;
  - All charges received will be forwarded to the authorities
- Insurance premium received from the purchaser, Vehicle Purchase Tax and Vehicle and Vessel License Plate Tax withheld on behalf of the purchaser.

## Labor Services of Processing, Repair and Replacement

### Definition

“Processing” refers to the business of contracting to process goods (i.e. where the contractor supplies the raw materials and major materials, and the sub-contractor, according to the requirements of the commissioning party, manufactures and collects processing fees).

“Repair and replacement” refers to the business of contracting to repair goods which have been damaged or malfunctioned, so as to restore such goods to their original state and functions.

“Provision of processing, repair and replacement services” in the VAT context refers to the provision of processing, repair and replacement services for consideration. However, the provision of processing, repair and replacement services by the staff employed by the units or individual business operators for their units or employers, is not included in this definition

### Place of supply

Services are treated as supplied in China if the services are provided within the territory of China.

### Time of supply

Please refer to the earlier section on time of supply of goods.

# China



## Value

Please refer to the earlier section on value of goods.

## Services

### Definition

The sale of services refers to the provision of transportation services, postal services, telecommunication services, construction services, financial services, modern services and consumer services.

### Place of supply

Services are treated as supplied in China if any seller or buyer of the services (except for lease of real property) is located within the territory of China.

Leasing of real property is treated as supplied in China if the real property leased is located in China.

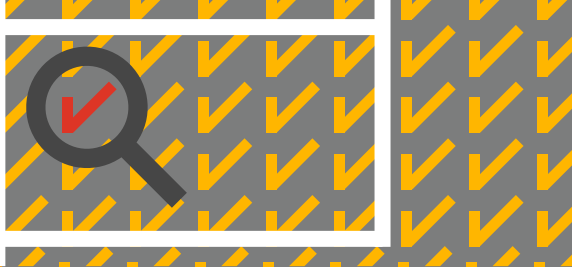
### Time of supply

The obligation of VAT payment or withholding arises:

1. On the day when the sale proceeds are received, or when the documented evidence of collection of the sale proceeds is obtained in connection with the taxable activity conducted by the taxpayer. Where invoices have been issued in advance, the VAT obligation arises on the date when the invoices were issued.
2. On the day when the advance payment is received (for construction or leasing services with payment made in advance).
3. On the day when the ownership of the financial instruments changes (for transfer of financial instruments).
4. On the day when the transfer of the intangible assets is completed or the ownership of the real property changes.
5. The obligation to withhold the VAT arises on the day when the VAT payment obligation of the taxpayer arises.

## Value

Please refer to the earlier section on value of goods.



## Sales of Intangible Assets

### Definition

The sale of intangible assets refers to business activities of transferring the ownership or the use right of intangible assets. Intangible assets refer to the assets that have no physical form but can bring economic benefits, including technologies, trademarks, copyrights, goodwill, use rights of natural resources and other intangible equity assets.

### Place of supply

Intangible assets are treated as supplied in China if any seller or buyer of the intangible assets is located within the territory of China, or the natural resources of which the using right is transferred is located within the territory.

### Time of supply

Please refer to the earlier section on time of supply of services.

### Value

Please refer to the earlier section on value of goods.

## Sales of Real Property

### Definition

The sale of real property refers to the business activities of transferring the ownership of real property. Real property refers to the assets that are immovable or will suffer from changes in nature or shape after movement, including buildings and structures.

### Place of supply

Real property is treated as supplied in China if the real property sold is located within the territory of China.

### Time of supply

Please refer to the earlier section on time of supply of services.

### Value

Please refer to the earlier section on value of goods.

# China



## Rates

### Standard rate

The VAT rate of 13% applies to:

- The importation and supply of goods not qualifying for any reduced rate or exemption.
- The supply of processing, repair and replacement services.
- The supply of leasing services of moveable assets

The VAT rate of 9% applies to:

- Supplies of goods such as food, edible vegetable oils, feeds, chemical fertilisers and others like heating, gas, books, newspaper, etc.
- The supply of services related to transportation, postal services, basic telecommunications, construction, leasing of real property, sales of any real property or transfer of land use rights.

The VAT rate of 6% applies to the supply of services related to:

- Value-added telecommunication services
- Financial services
- Modern services (except for leasing of moveable assets and leasing of real property)
- Consumer services
- Transfer of intangibles (except for transfer of land use rights)

The VAT rate of 3% applies to supplies of goods and services by persons registered as a Small Scale VAT payer (as opposed to a General VAT payer), whose annual taxable turnover is not more than RMB 500,000.

However, Small Scale VAT payers cannot claim input VAT credit or issue VAT invoices to their customers.

### Zero rate

A zero rate applies to export of goods and export of qualified services.

# China



## Exemption

The following supplies are exempt from VAT:

- Self-produced agricultural products sold by agricultural producers.
- Contraceptive medicines and devices.
- Antique books.
- Imported instruments and equipment used directly in scientific research experiments and for education.
- Materials and equipment imported as assistance, free of charge, from foreign governments and international organisations.
- Articles imported directly by organisations for the disabled, for special use by the disabled.
- Sale of goods which have been used by the sellers.

VAT exemption (without credit) is also applied to certain qualified export of services.

## Imports/exports

### Import of goods

VAT is payable on goods at importation and collected by China Customs. The VAT payable on goods imported by taxpayers is calculated according to the composite assessable value and the VAT rate as specified by the VAT Law.

VAT payable and composite assessable value is calculated according to the following formulae:

Composite assessable value =

Value on which Customs duty is paid + Customs duty + Consumption Tax

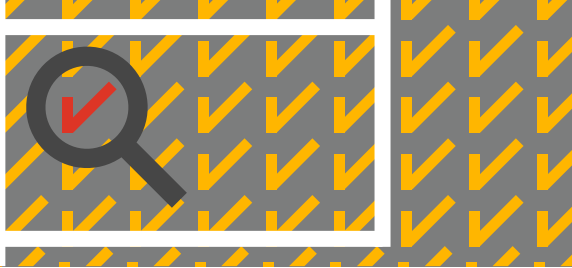
VAT payable =

Composite assessable value × VAT rate

### Import of services

The importation of services is subject to VAT. The agent or service recipient would have to withhold the VAT amount and then pay VAT on behalf of the overseas supplier. If the service recipient is a general VAT payer, it could claim this VAT as its own input VAT credit (provided the purchase is related to taxable activities).

# China



## Export of goods

Generally, exports of goods are zero rated for VAT.

For certain types of goods, the exports of such goods are exempt from VAT with no input VAT credit or export VAT refund.

For certain types of goods, the export of such goods would be deemed as domestic sales that are subject to output VAT.

## Export of services

Export of certain qualified services could be treated as either zero-rated or exempt. Zero-rated exports would be eligible for refund on VAT incurred on purchase relating to the export.

Assessment shall be made based on the service nature/category and whether the services are consumed completely outside the territory of China. In addition, such zero-rated or exempt treatment is not enjoyed automatically though. Record filing or approval procedures need to be conducted with the in-charge tax bureaus.

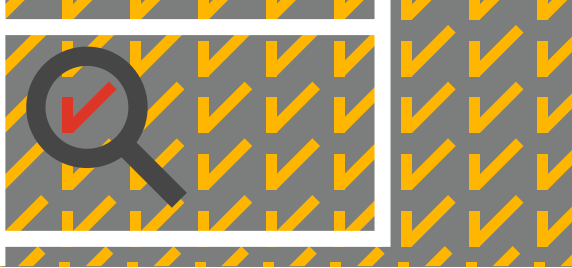
## Recovery/offset

### Recovery

“Input VAT” refers to the VAT paid by a taxpayer on the purchase of goods, labour services, services, intangible assets or real property.

The following amounts of input VAT shall be credited against the output VAT:

- The amount of VAT specified in the VAT special invoices obtained from the seller.
- The amount of VAT specified on the customs import VAT payment certificates obtained from China Customs.
- On the purchase of agricultural products, unless the special VAT invoices or the customs import VAT payment certificates have been obtained, the input VAT shall be calculated on the basis of the purchase price indicated on the invoices for purchase of agricultural products and a deduction rate of 9%; with respect to those purchased by a taxpayer for the production of goods subject to the VAT rate of 13%, the input VAT shall be calculated as per the deduction rate of 10%.



The formula for computing the input VAT shall be as follows:

Input VAT = Purchase price × Deduction rate

- The amount of VAT indicated on the tax payment certificate issued by the tax authority on the party with VAT withholding obligation for the VAT withheld and paid.

In addition to the above:

- From 1 April 2019, with respect to domestic passenger transport services purchased by the tax payers, the input VAT incurred shall be allowed to credit against the output VAT as follows:

1. where a general VAT e-invoice is obtained, the amount indicated on the invoice;
2. where an e-ticket itinerary receipt for air transport with passenger identity information indicated is obtained, the input VAT shall be calculated as per the following formula:

Input VAT for air passenger transport =  
 $(\text{Airfare} + \text{Fuel surcharge}) / (1 + 9\%) \times 9\%$

3. where a railway ticket with passenger identity information indicated is obtained, the input VAT shall be calculated as per the following formula:

Input VAT for railway passenger transport =  
 $\text{Face value} / (1 + 9\%) \times 9\%$

4. where other passenger tickets for roads, waterways, etc. with passenger identity information indicated are obtained, the input VAT shall be calculated as per the following formula:

Input VAT for other passenger transport such as roads and waterways =  
 $\text{Face value} / (1 + 3\%) \times 3\%$

- From 1 April 2019 to 31 December 2021, taxpayers whose sales revenue from postal services, telecommunication services, modern services and consumer services accounts for more than 50% of the total sales revenue shall be allowed to claim an additional 10% super-credit against its VAT payable.



VAT incurred on the following items cannot be offset / credited against output VAT:

- Goods, labour services, services, intangible assets and real property purchased for items subject to the simplified calculation method, items exempted from VAT, or for collective welfare or personal consumption;
- Goods and related labour services and transport services purchased but then damaged or lost in abnormal circumstances;
- Products, and other goods (excluding fixed assets), labour services and transport services purchased for processing finished products, lost or damaged in abnormal circumstances; and
- Loan services, catering service, daily resident services and entertainment services purchased.

## Apportionment

For VAT payers engaged in VAT exempt or reduced items, the sales amounts for exempt or reduced items must be accounted for separately. If the sales amounts have not been separately accounted for, no exemption or reduction is allowed.

## Pre-registration claims

Input VAT incurred before the registration as a general VAT payer is not claimable.

## Post-registration claims

Input VAT incurred after de-registration/winding up of the general VAT payer is not claimable.

## Change of use/capital items adjustment

If there is a change of use resulting in a situation where the VAT incurred will fall under the non-offset/non-credited (against output VAT) position noted above, then where input VAT has already been claimed, the input VAT on those purchased goods or taxable services must be deducted from the total amount of input VAT of the taxpayer for the current period. For non-creditable input VAT incurred on capital items, the input VAT transfer-out should be calculated based on the Net Book Value of the capital items in the month where the input VAT is transferred out.

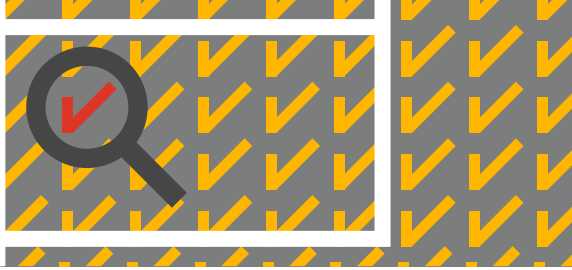
## Compliance/obligations

### Registration

Separate VAT registration with the local State Tax Bureau is required in order to be recognised as a VAT payer.



# China



## Registration number

Each registered business is given a unique reference number, with 18 numeric characters.

## Group registration

Group registration is not available in China.

## Invoices, including e-invoicing

The stationery, format and invoice numbers of VAT invoices are controlled by the tax authorities.

The following data is shown on these invoices:

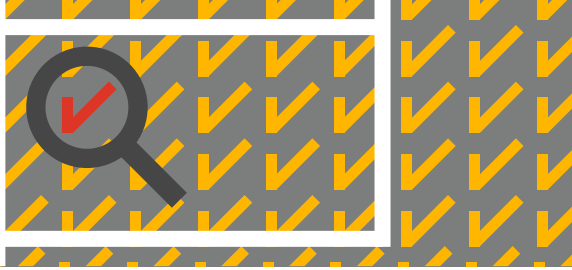
- Issuance date
- Name of the recipient
- Address and telephone number of the recipient
- Tax registration number of the recipient
- Name of the bank and the bank account number of the recipient
- Description of the goods involved
- Model number
- Unit
- Unit price
- Quantity
- Total amount
- Applicable tax rate
- Total tax amount
- Name of the supplier
- Address and telephone number of the supplier
- Tax registration number of the supplier
- Name of the bank and the bank account number of the supplier
- Supplier's company chop
- Name of the supplier's staff issuing the invoice, collecting payment and reviewing the invoice.

The invoice, with the above mentioned information, must be sealed by the supplier's company chop.

Invoices which fail to meet the relevant requirements cannot be used as financial proof.

VAT e-invoicing is currently only available for general VAT invoices (as opposed to the special VAT invoices) in China.

# China



## Records

### Retention period

All records must be kept for a period of 10 years under the PRC Implementation Rules of Tax Collection and Administration Law.

## Returns

### Periods

The VAT assessable period can be 1 day, 3 days, 5 days, 10 days, 15 days, 1 month or 1 quarter. The actual assessable period for a taxpayer is determined by the tax authorities, in accordance to the amount of VAT payable. VAT that cannot be assessed in regular periods may be assessed on a transaction by transaction basis.

### Due dates

A taxpayer that adopts 1 month or 1 quarter as an assessable period must report and pay VAT within 15 days following the end of each period. If an assessable period of 1 day, 3 days, 5 days, 10 days or 15 days is adopted, the VAT shall be prepaid within 5 days following the end of that period, and a monthly return must be filed with any balance of tax due settled within 15 days from the first day of the following month.

### Payment

The VAT is due when the return has to be filed. If the payment is late, a surcharge of 0.05% on the outstanding tax liabilities per day will be applied.

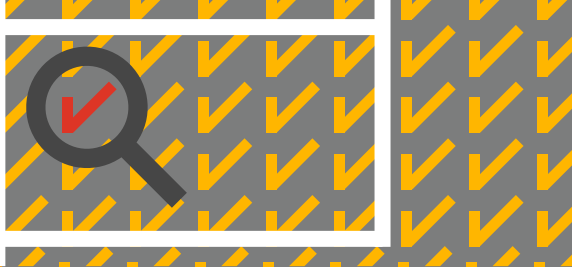
### Refunds

Export sales are generally zero rated. The related input VAT may be refunded fully or partially, subject to the stipulated refund rate of the particular products.

In addition, starting from 1 April 2019, a pilot program was launched to allow qualified taxpayers meeting certain conditions to claim back the excess input VAT balance.

### Bad debts

Currently, there is no PRC VAT regulation allowing a VAT payer to claim for the paid VAT included in bad debts.



## Non-residents

Non-resident businesses are not allowed to trade inside China. Tax authorities will not accept applications for VAT registration from non-residents. Non-residents include foreign enterprises with a fixed or business establishment in China.

However, for non-residents providing taxable services within China without an establishment in China, their agent will be the tax withholding agent. Where there is no agent, the purchaser will be the tax withholding agent.

The VATable activities do not necessarily result in a permanent establishment for Chinese Corporate Income Tax ("CIT") purpose. Whether non-residents are treated as having permanent establishments in China shall be reviewed in the context of PRC CIT Law, its implementation rule and the double tax treaties between the foreign country and China.

## Refunds to foreign business

This is no provision for refunds to foreign businesses.

## Refunds to tourists

An overseas tourist travels in China and purchase goods for over RMB 500 on the same date at the same shop may enjoy the VAT refund when departing from China. The VAT refund rates are 11% and 8% respectively. The formula for computing the VAT refund is as bellows:

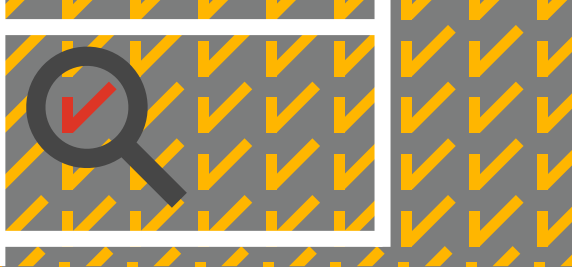
VAT refundable = Invoice amount (VAT inclusive) x VAT refund rate

## Penalties

Late submission of returns will lead to a penalty of up to RMB 2,000 and RMB 2,000 to RMB 10,000 for serious cases.

As noted above, for late payments, a surcharge of 0.05% on the outstanding tax liabilities per day will be applied.

Non-filing or non-payment could lead to a penalty of not less than 50% and not more than 5 times of the related tax liabilities.



## Digital economy

China does not have specific VAT rules on the digital economy. The current regime applies to the provision of goods/services under the digital economy.

Having said so, the China tax authorities have issued a series of circulars in recent years, to reiterate and set forth the taxation principles in relation to cross border retail e-commerce for individual consumers in China.

- In 2016, the Ministry of Finance (“MOF”), General Administration of Customs (“GAC”) and the State Taxation Administration (“STA”) jointly issued Caiguanshui [2016] No.18 (“Circular 18”) which set forth the import tax and customs duty policies in relation to cross border retail e-commerce for individual consumers.

In particular, Circular 18 sets out preferential import VAT tax and customs duty treatments for individuals who purchase goods via cross-border e-commerce channel. For individuals who purchase goods via the cross-border e-commerce retail channel, if the value of a single purchase is below RMB 2,000 and within the individual’s import annual quota of RMB 20,000, import VAT and Consumption Tax (if applicable) will be levied with a 30% discount and customs duty will be waived. Otherwise, taxes and customs duty should be paid in full.

- In 2018, the MOF, GAC and STA released Caiguanshui [2018] No.49 (“Circular 49”) to further relax the policy in Circular 18. From 1 January 2019, the effective date of Circular 49, the value of single purchase and individual’s annual import quota are increased from RMB 2,000 and RMB 20,000 to RMB 5,000 and RMB 26,000 respectively. Circular 49 also specifies that in order to enjoy the above preferential treatments, the goods purchased from the e-commerce retail channels must be end products for use by the individual customer and should not be for resale in the domestic market. Further, in principle, bonded import good purchased online should not be picked up from areas outside of the customs supervision zones.

## Other indirect taxes

Consumption Tax is levied on all units and individuals engaged in the production, sub-contracting for processing or the importation of certain stipulated consumer goods in China.

The goods covered by Consumption Tax include tobacco, liquor, cosmetics, jewellery, firecrackers and fireworks, refined oil, motorcycles, motor vehicles, golf ball and its equipment, high-grade wrist watch, yacht, disposable wooden chopsticks, wooden floor boards, battery and coating with tax rates ranging from 3% to 45%.

# China



## Useful contacts

For help and advice regarding VAT in China, please contact:

### **PricewaterhouseCoopers**

**Robert Li**

Partner, National Indirect Tax Leader

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Tel: +86 21 2323 2596

### **Tax authority**

Each location (province, city or district) has its own tax bureau.



# India

# India

## Scope

The Goods and Services Tax (GST) was introduced in India with effect from 1 July 2017 replacing various indirect taxes (except customs duty) that applied previously (i.e. central excise duty, service tax, VAT, luxury tax, etc.).

GST is single tax applicable on a supply of goods and services. However, petroleum products i.e. petrol, diesel, aviation turbine fuel (ATF), natural gas, and crude oil along with alcohol for human consumption are outside the ambit of GST. To deal with India's federal structure, India has introduced a dual model of GST comprising:

1. Central GST (CGST) and State GST (SGST)/Union Territory GST (UTGST) levied on intra-state supplies
2. Integrated GST (IGST) levied on interstate supplies and imports.

The registration and compliance obligations are administered at a state level, with each registration obtained on a state-wise basis treated as a different taxable person.

GST has been introduced with a multiplicity of rates ranging from 5% to 28%, with certain goods and services eligible for exemption. Some categories of goods/services, like vehicles, coal, tobacco, aerated beverages, etc., notified by the government are subject to Compensation Cess under GST.

The GST Council (Goods and Services Tax Council) is the apex constitutional body which determine the policies for GST.

## Taxable person

Taxable person is a person who is required to be registered upon crossing the threshold limit and certain categories of person who have to compulsorily register under the GST law.

### Registration

The threshold limit for the purpose of obtaining GST registration is INR 2 million aggregate turnover in a tax year (INR 1 million for some special category states, like the North Eastern states).

However, from 1 April 2019, the threshold for a supplier of goods was increased to INR 4 million, while the supplier of services would remain at INR 2 million. Similar increase would be for special category states. For the purpose of the threshold, the aggregate turnover shall be computed on an all India basis. For some specific categories of supplies and suppliers, the registration requirement is mandatory.

Similar to previous VAT laws, there is a concept of composition scheme under GST for small traders. Small traders having turnover of INR 15 million have an option to avail a composition scheme. Under the said scheme, GST at a lower rate (1% of the taxable turnover for manufacturers/traders and 5% in case of restaurants) would apply. The concept of composition scheme was not applicable to services, except restaurant services. Moreover, a taxable person supplying goods under the composition scheme can supply services up to 10% of his turnover in the previous financial year or INR 0.5 million, whichever is higher.

## Goods

### Definition

Goods mean every kind of movable property other than money and securities but includes actionable claims, growing crops, grass and things attached to or forming part of the land which are agreed to be severed before supply or under a contract of supply.

### Place of supply

GST is a destination-based consumption tax i.e. tax would accrue to the state in which goods or services are finally consumed, which is also termed as the 'place of supply'.

As goods are tangible, the determination of their place of supply, based on the consumption principle, and the provisions for the determination of the place of supply in respect of domestic supplies and cross border supplies have been framed depending on movement of goods.

### Time of supply

In order to calculate and discharge tax liability, it is important to know the date when the tax liability arises i.e. the date on which the charging event occurs. The GST law has provided separate provisions to determine the time of supply for goods and time of supply for services.

The general rule for time of supply for goods is the earliest of the following dates:

- Date of issue of invoice by the supplier. If the invoice is not issued, then the last date on which the supplier is legally bound to issue the invoice with respect to the supply; or
- Date on which the supplier receives the payment

However, the liability to pay tax at the time of receipt of advance has been relaxed in case of goods.



# India

## Value

The value of a taxable supply of goods and services shall ordinarily be 'the transaction value' which is the price paid or payable, when the parties are not related and price is the sole consideration.

In most of the cases of regular normal trade, the invoice value will be the taxable value. However, to determine value of certain specific transactions, determination of the value of supply rules has been prescribed in the CGST Rules.

## Services

### Definition

Services mean anything other than goods, money and securities but includes activities relating to the use of money or its conversion by cash or by any other mode, from one form, currency or denomination, to another form, currency or denomination for which a separate consideration is charged.

### Place of supply

Services being intangible in nature, it is not easy to determine the exact place where services are acquired, enjoyed and consumed.

Similar rule of place of supply for goods applies to services, for certain categories of services. The place of supply is determined with reference to provisions framed for domestic supplies and cross border supplies. The rest of the services are governed by a default provision i.e. location of the recipient.

### Time of supply

The general rule for time of supply for goods is the earliest of the following dates:

- Date of issue of invoice by the supplier (If the invoice is issued within the legally prescribed period) or the date of receipt of payment, whichever is earlier;
- Date of provision of service (If the invoice is not issued within the legally prescribed period) or the date of receipt of payment, whichever is earlier;
- Date on which the recipient shows the receipt of service in his books of account, in case the aforesaid two do not apply.

## Value

Common valuation provisions for goods apply to services.

# India

## Rates

### Standard rates

Rate	Category of goods and services
0%	Essential items
0.25%	Rough Diamonds
3%	Gold, precious stones, imitation jewelry
5%	Concessional rates for mass consumption and common use items
12%	Merit Rate
18%	Standard Rate
28%	De-merit rate for luxury cars, cigarettes

In case of supply within State, CGST will be 50% of IGST Rates and SGST/UTGST for supply within the State or Union Territory will be 50% of IGST rates. However, general rate of tax is IGST at 18% or CGST at 9% plus SGST/UTGST at 9%.

### Zero rate

Zero-rating requires goods or services to be exported or supplied to a Special Economic Zone developer or a Special Economic Zone unit. Under zero-rating, the outward supplies as well as the inputs or input services used in supplying the outward supplies need to be free of GST. This is done by employing the following means:

1. The taxes paid on the supplies which are zero-rated are refunded;
2. The credit of inputs/ input services is allowed;
3. Wherever the supplies are exempted, or the supplies are made without payment of tax, the taxes paid on the inputs or input services i.e. the unutilised input tax credit is refunded.

The provisions for the refund of unutilised input credit are contained in the CGST Act and rules.

### Exemption

Exempt supply means supply of any goods or services or both which attracts nil rate of tax or which may be wholly exempt from tax and includes non-taxable supply. The Government keeping in view the public interest/recommendations of the GST Council has issued notifications 02/2017 and 12/2017 –Central Tax (Rate), dated 28 June 2017 for exemption of supply of goods and services respectively, amended from time to time by various notifications.

## Import/Export

### Import of Goods and Services

Import of goods means bringing goods into India from a place outside India. Whereas import of services means the supply of any service, where (i) the supplier of service is located outside India; (ii) the recipient of service is located in India; and (iii) the place of supply of service is in India.

IGST is payable on an import of goods and services and are subject to the additional levy of basic customs duty at a value that is determined as per the Customs Act, Rules and Regulation only in case of goods. The goods are assessed, duties paid and cleared from customs custody in terms of the procedure prescribed under the Customs law.

### Export of Goods and Services

Export of goods means taking goods out of India to a place outside India.

Export of services means the supply of any service where:

1. the supplier of service is located in India;
2. the recipient of service is located outside India;
3. the place of supply of service is outside India;
4. the payment for such service has been received by the supplier of service in convertible foreign exchange; and
5. the supplier of service and the recipient of service are not merely establishments of a distinct person.

Under the GST regime, exports are zero-rated and the exporter has either of the two options:

- Export under bond without payment of tax;
- Export along with tax payment and claim refund later.

The procedural requirements of claiming refund are provided in the CGST Act and Rules.

## Offset/Recovery

GST payable on outward supplies can be set-off by the GST paid on inward supplies. The GST paid on inward supplies i.e. input tax credit (ITC) is credited to the Electronic Credit Ledger by a registered person on a self-assessment basis.

A registered taxpayer can also make cash deposits in the recognised banks through the prescribed modes to the Electronic Cash Ledger using any of the online or offline modes. After which, the total outward liability is offset with balances in electronic cash and credit ledger. The manner of utilisation is as follows:

<b>Payment for</b>	<b>First set off</b>	<b>Then set off</b>
SGST	IGST	SGST
CGST	IGST	CGST
IGST	IGST	CGST and SGST

## Apportionment

Where a taxable person makes both taxable and exempt supplies the taxable person needs to restrict its common inputs to taxable supplies. In a gist, taxable person can take credit for GST incurred that relates directly to taxable supplies. The taxable person cannot take credit for GST that is directly attributable to exempt supplies or supplies which are not to be used for the business. Such credit either has to be reversed or added to the output tax liability.

The standard method of apportionment is based on the ratio of taxable supplies to total supplies

## Blocked GST credit

There is list of certain types of inward supplies where the GST cannot be utilised against outward supplies. However, the GST is allowed if exceptional circumstances are met. This list is not exhaustive and covers the main blocked credits as follows:

1. Motor vehicles and conveyances
2. Foods and beverages, outdoor catering, beauty treatment, health services, cosmetic and plastic surgery
3. Membership of a club, health and fitness centre, Rent-a-cab, life insurance and health insurance
4. Travel benefits to employees on vacation
5. Works contract services for construction of an immovable property
6. Goods or services used for personal consumption
7. Goods that are lost, stolen, destroyed, written off or disposed of by way of gift or free samples

8. Tax paid as a result of evasion of taxes, or upon detention of goods or conveyances in transit, or towards redemption of confiscated goods/conveyances.

## Transitional provisions

Since multiple taxes levied and collected by the Centre and States were replaced by one tax called GST, there are transitional provisions to ensure that the transition to the GST regime is smooth and hassle-free and no ITC (Input Tax Credit)/benefits earned in the existing regime are lost.

The transition provisions are categorised under three heads:

1. Relating to Input Tax Credit [i.e. (i) closing balance of credit on inputs in excise, VAT and service tax returns (ii) un-utilized credit on the capital goods (iii) persons who were not registered under previous law]
2. Other cases: (i) Continuance of existing procedures such as job work for a reasonable period without any adverse consequence under GST law, registered dealer who was paying tax under composition scheme previously but is a normal taxpayer under GST can claim credit of inputs available, credit distribution by Input Service Distributor, etc.
3. All claims (pending as well as future) pertaining to pre-GST laws.

## Compliance/obligations

### Registration

Under GST, registrations need to be taken state-wise i.e. there are no centralised registrations under GST. A business entity having its branches in multiple states will have to take separate state wise registration for the branches in different states. Further, within a state, an entity with different branches would have a single registration wherein it can declare one place as its principal place of business and other branches as additional place(s) of business. Earlier, a business entity having separate business verticals in a state may obtain separate registration for each of its business verticals. However, the GST law was amended to replace “business vertical wise” registration with “place of business wise” registration by providing that a person having multiple places of business in a state may obtain separate registration for each such place of business, subject to conditions prescribed.

## Threshold for Registration

Please refer to Registration section under Taxable Person.

## Registration Number

The supplier is allotted a 15-digit GST identification number called “GSTIN” and a certificate of registration incorporating therein this GSTIN is made available to the applicant on the GSTN common portal.

The first 2 digits of the GSTIN is the State code, next 10 digits are the PAN of the legal entity, the next two digits are for entity code, and the last digit is check sum number.

Registration under GST is not tax specific which means that there is single registration for all the taxes i.e. CGST, SGST/UTGST, IGST and cesses.

## Tax Invoice and other instruments

### Tax Invoice/Bill of Supply

The time for issuing an invoice would depend on the nature of supply viz whether it is a supply of goods or services.

A registered person supplying taxable goods shall, before or at the time of removal of goods (where the supply involves movement of goods) or delivery or making available thereof to the recipient, issue a tax invoice showing the description, quantity and value of goods, the tax charged thereon and such other particulars that are prescribed in the invoice rules.

A registered person supplying taxable services shall, before or after the provision of service but within a prescribed period, issue a tax invoice.

If a registered person is dealing only in exempted supplies or is availing of composition scheme (composition dealer), then such a registered person needs to issue a bill of supply in lieu of invoice.

There is no format prescribed for an invoice/bill of supply, however, invoice rules make it mandatory for an invoice to have the following fields (only applicable field are to be filled):

1. name, address and GSTIN of the supplier;
2. a consecutive serial number, in one or multiple series, containing alphabets or numerals or special characters hyphen or dash and slash symbolised as “-” and “/” respectively, and any combination thereof, unique for a financial year;
3. date of its issue;

4. name, address and GSTIN or UIN, if registered, of the recipient;
5. name and address of the recipient and the address of delivery, along with the name of state and its code, if such recipient is unregistered and where the value of taxable supply is fifty thousand rupees or more;
6. HSN code of goods or Accounting Code of services;
7. description of goods or services;
8. quantity in case of goods and unit or Unique Quantity Code thereof;
9. total value of supply of goods or services or both;
10. taxable value of supply of goods or services or both taking into account discount or abatement, if any;
11. rate of tax (Central tax, State tax, Integrated tax, Union territory tax or cess)
12. amount of tax charged in respect of taxable goods or services (Central tax, State tax, Integrated tax, Union territory tax or cess);
13. place of supply along with the name of state, in case of a supply in the course of inter-State trade or commerce;
14. address of delivery where the same is different from the place of supply;
15. whether the tax is payable on reverse charge basis;
16. signature or digital signature of the supplier or his authorised representative

## Records

Every person registered under GST, is required to keep and maintain, at his principal place of business, as mentioned in the certificate of registration, a true and correct account of—

1. Production or manufacture of goods;
2. Inward and outward supply of goods or services or both;
3. Stock of goods;
4. Input tax credit availed;
5. Output tax payable and paid;
6. Goods or services imported or exported;
7. Supplies attracting payment of tax on reverse charge
8. Such other particulars as may be prescribed,

along with relevant documents, including invoices, bills of supply, delivery challans, credit notes, debit notes, receipt vouchers, payment vouchers, refund vouchers and e-way bills. A registered person may keep and maintain such accounts and other particulars in electronic form in such manner as may be prescribed.

# India

## Retention period

All accounts maintained together with all invoices, bills of supply, credit and debit notes, and delivery challans relating to stocks, deliveries, inward supply and outward supply shall be preserved for seventy-two months (six years) from the due date of furnishing of annual return for the year pertaining to such accounts and records and shall be kept at every related place of business mentioned in the certificate of registration.

## Returns

A regular taxpayer needs to furnish monthly returns and one annual return.

There are separate returns for a taxpayer registered under the composition scheme, non-resident taxpayer, taxpayer registered as an Input Service Distributor, a person liable to deduct or collect the tax (TDS/TCS). In fact, taxpayers are required to file returns depending on the activities they undertake. To ease the compliance requirements for small tax payers, the taxpayers with annual aggregate turnover up to INR 15 million files details of outward supplies on a quarterly basis and on a monthly basis by taxpayers who have annual aggregate turnover greater than INR 15 million.

All the returns are to be filed online. Returns can be filed using any of the following methods:

1. GSTN portal ([www.gst.gov.in](http://www.gst.gov.in))
2. Offline utilities provided by GSTN
3. GST Suvidha Providers (GSPs).

## Goods and Services Tax Network (GSTN)

The GSTN is a Government company, wholly owned by the Central Government and State Governments. The Company has been set up primarily to provide IT infrastructure and services to the Central and State Governments, taxpayers and other stakeholders for implementation of the GST.

The GSTN has been entrusted with the responsibility of building the indirect taxation platform for GST to help taxable persons prepare, file, rectify returns and make payments of indirect tax liabilities. GSTN is a one stop solution for all indirect tax requirements, due to which business will be able to manage tax easily. It is easier for the taxable persons and government to track the status of returns and payments with the help of the GSTN.

## GST Suvidha Providers (GSP)

To enable taxable persons to comply with requirements of GST, 34 companies were given permission to act as 'GST Suvidha Providers'.



GST Suvidha providers are expected to bring scalability and easy access to GSTN. They will enable optimal, 24x7 use of GST Portal all round. GST Suvidha Providers will enable 1000+ small tax accounting Software providers to access GSTN through them. However, a taxable person has option to access GST portal directly and filing returns through GSP is not mandatory.

## Payment

Electronic ledgers or E-Ledgers are statements of cash and input tax credit in respect of each registered taxpayer. In addition, each taxpayer shall also have an electronic tax liability. Once a taxpayer is registered on the common portal (GSTN), electronic tax liability is set off with the two e-ledgers (Cash Ledger & Electronic Credit Ledger). This is discussed in the section on Offset/ Recovery.

## Refund

The claim and sanctioning procedure is completely online and time bound. However, with each of the instances different time lines are prescribed, which is beyond this chapter. The following are the cases where a refund may arise:

1. Export of goods or services
2. Supplies to SEZs units and developers
3. Deemed exports
4. Refund of taxes on purchase made by the UN or embassies etc.
5. Refund arising on account of judgment, decree, order or direction of the Appellate Authority, Appellate Tribunal or any court
6. Refund of accumulated Input Tax Credit on account of inverted duty structure
7. Finalisation of provisional assessment
8. Refund of pre-deposit
9. Excess payment due to mistake
10. Refunds to international tourists of GST paid on goods in India and carried abroad at the time of their departure from India
11. Refund on account of issuance of refund vouchers for taxes paid on advances against which, goods or services have not been supplied
12. Refund of CGST & SGST paid by treating the supply as intra-state supply which is subsequently held as inter-State supply and vice versa.

The refund claim, wherever due, will be directly credited to the bank account of the applicant. The applicant need not come to the authorities to collect the cheques or for any other issues relating to the refund claim.

# India

## Non-residents

### Registration

A non-resident taxable person making taxable supply in India has to compulsorily take registration. There is no threshold limit for registration. A simplified form GST REG-09 is required to be filled. A non-resident taxable person has to electronically submit an application, along with a self-attested copy of his valid passport, duly signed or verified through EVC, in FORM GST REG-09 at least five days prior to commencing his business in India.

### Input tax credit

Input tax credit shall not be available in respect of goods or services or both received by a non-resident taxable person except on goods imported by him. The taxes paid by a non-resident taxable person shall be available as credit to the respective recipients.

### Returns

The non-resident taxable person shall furnish a return in FORM GSTR-5 electronically through the Common Portal including therein, the details of outward supplies and inward supplies and shall pay the tax, interest, penalty, fees or any other amount payable under the GST law within twenty days after the end of a calendar month or within seven days after the last day of the validity period of registration, whichever is earlier.

### Refunds

The amount of advance tax deposited by a non-resident taxable person at the time of initial registration/ extension of registration, will be refunded only after the person has furnished all the returns required in respect of the entire period for which the certificate of registration granted to him had remained in force. Refund can be applied in the serial no. 13 of the FORM GSTR -5.

## Refunds to tourists

An enabling mechanism has been introduced in GST law, whereby an international tourist procuring goods in India, may while leaving the country seek refund of integrated the tax paid by him or her.

## Penalties

For inadvertent bonafide mistake (Normal Cases) or a deliberate attempt (Fraud Cases) to evade taxes, there are incentives for the person who accepts tax liability and readily discharges the same. The law provides an opportunity for the payment of tax, interest and a nil or nominal penalty (depending on the nature of offence).

## Digital Economy

### E-way bills

The e-way bill is an electronic bill that is required for the movement of goods in case the value of the consignment is above INR 50,000. The movement of goods may be (i) in relation to supply, (ii) for reasons other than supply, or (iii) due to inward supply from unregistered persons.

The bill can be generated from the GSTN portal, and every GST-registered taxpayer is required to comply with the requirement to issue an e-way bill.

### Scope and Affected Business

Online Information Database Access and Retrieval services ('OIDAR') is a category of services provided through the medium of internet and received by the recipient online without having any physical interface with the supplier of such services. It includes electronic services such as:

1. advertising on the internet;
2. providing cloud services;
3. provision of e-books, movie, music, software and other; intangibles through telecommunication networks or internet;
4. providing data or information, retrievable or otherwise, to any person in electronic form through a computer network;
5. online supplies of digital content (movies, television shows, music and the like);
6. digital data storage; and
7. online gaming.

### Registration

For entities located outside India - the supplier (or intermediary) of online information and database access or retrieval services shall, for payment of integrated tax, take a single registration under the Simplified Registration Scheme in Form GST REG-10. The supplier shall take registration at Principal Commissioner of Central Tax, Bengaluru West has been the designated for grant registration in such cases.

In case there is a person in the taxable territory (India) representing such an overseas supplier in the taxable territory for any purpose, such person (representative in India) shall get registered and pay integrated tax on behalf of the supplier.

In case the overseas supplier does not have a physical presence or does not have a representative for any purpose in the taxable territory, he may appoint a person in the taxable territory for the purpose of paying integrated tax and such person shall be liable for payment of such tax.

# India

## Filing of Returns

Persons providing online information and data base access or retrieval services from a place outside India to a person in India other than a registered person are required to file returns in FORM GSTR-5A on or before the twentieth day of the month succeeding the calendar month or part thereof.

GSTR-5A is required to be filed only by the service provider (or his representative) providing OIDAR services from outside India to a non-taxable online recipient in India.

Other categories of OIDAR service providers (like those supplying OIDAR services from India) will have to file regular returns (GSTR 1, 2, 3/3B) prescribed for general categories of registered persons.

## E-commerce operators

E- Commerce operator means a person who owns, operates or manages digital or electronic facility or platform for electronic commerce.

There are many e-commerce operators operating in India. These operators display/list on their portal, goods and services which are actually supplied by some other person to the consumer. The price/consideration for the goods/services is collected by the operator from the consumer and passed on to the actual supplier after deducting his commission as the operator. The Government has placed the responsibility on the operator to collect the 'TCS' i.e. tax collected at source at a rate of 1% from the supplier.

The e-commerce operator as well as the supplier supplying goods or services through an operator need to take compulsorily registration under GST. The operator is also required to furnish a monthly statement in Form GSTR-8.

## Other Indirect Taxes

**Excise duty** and **VAT** is applicable to petroleum and tobacco products, alcoholic liquor.

# India

## Useful contacts

For help and advice regarding GST in India, please contact:

### **PricewaterhouseCoopers**

**Pratik Jain**

Partner

Email: [pratik.p.jain@in.pwc.com](mailto:pratik.p.jain@in.pwc.com)

Office: +91 124 330 6507

### **Tax authority**

GST is administered by **Goods & Services Tax Council**

Office of the Goods & Services Tax Council Tower - II,

5th Floor, Jeevan Bharti Building,

New Delhi -110001 Office

Email: [contact.gstcouncil@gov.in](mailto:contact.gstcouncil@gov.in)

Contact: 011-23762656



# Indonesia

# Indonesia



## Scope

Value Added Tax (VAT) is known as Pajak Pertambahan Nilai (PPN) and was introduced on 1 April 1985.

VAT is required for transactions involving the transfer of taxable goods or the provision of taxable services in the Indonesian Customs Area, including the import and export of certain taxable goods and services.

Typically, the VAT rate is 10%. However, VAT on the export of taxable tangible and intangible goods as well as the export of limited taxable services is at 0%. By law, all goods and services, unless otherwise stated, constitute taxable goods or taxable services.

## Taxable person

A taxable person is a person who supplies taxable goods or renders taxable services. Persons with turnover below the limit of IDR 4.8 billion are excluded.

VAT-able Entrepreneur (Pengusaha Kena Pajak/PKP) includes individuals, limited liability companies, limited partnership companies, state owned companies, joint ventures, partnerships, pension funds, foundations, social and political organizations and other forms of statutory bodies making supplies in the course of their business activities.

## Goods

### Definition

Taxable goods are goods which according to their nature and legal status are moveable or immoveable, and include intangible assets (excluding the goods listed in the negative list such as products of mining or drilling taken directly from the source, money, and gold bars).

### Place of supply

Goods are treated as supplied in Indonesia if the goods are located within the Customs Area of Indonesia at the time they are supplied.

The supply of intangible goods by a foreign supplier to an Indonesian customer is subject to VAT through a self-assessment (reverse charge) by the Indonesian customer regardless of the customer's VAT status.

# Indonesia

## Time of supply

VAT is due when the tangible goods are supplied or when the payment is received; whichever is earlier. The VAT on imported goods is due at the time of importation.

In the case of intangible goods, VAT is imposed when intangible goods from outside the Customs Area are utilized within the Customs Area. VAT is also be imposed but at the rate of 0% upon export of tangible goods and intangible goods at the time of exportation by a PKP.

Separate time of supply rules apply in particular circumstances.

## Value

The basis for VAT constitutes the selling price, import value, export value, or any other value stipulated in a decision by the Minister of Finance.

The selling price is the value of money, including all costs that are requested or should be requested by the seller for the delivery of taxable goods, not including VAT and discounts listed in the VAT invoice.

Import value is the monetary value of the imported taxable goods, which constitutes the basis for assessing import duty, along with other charges which are subject to tax, pursuant to the provisions outlined in Indonesian customs legislation (Cost, Insurance and Freight (CIF) price).

The transfer of goods in a business merger would be regarded as a non-taxable event provided it was conducted between PKPs.

## Services

### Definition

A service is any service activity based on a commitment or legal action that assist with goods or facilities, or enables available rights to be used, including services undertaken to produce goods on order requests by means of materials and instructions from the buyer.

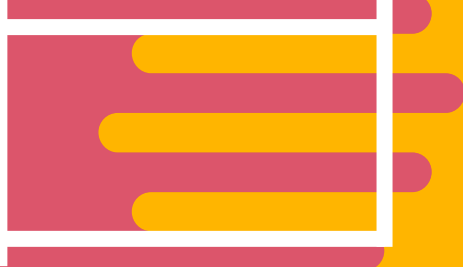
Some services are exempt from VAT, e.g. financial and insurance services, religious services, and government services.

### Place of supply

A supply of services is considered as delivered in Indonesia if the supplier of those services is based in Indonesia and the services are physically performed in Indonesia.



# Indonesia



For services supplied by someone outside of Indonesia, the service will be deemed to be supplied in Indonesia if the service recipient is located in Indonesia or if the service is consumed in Indonesia. Tax is collected through a self-assessment carried out by the Indonesian recipient of the service (under a reverse charge).

## Time of supply

VAT on the provision of services is payable upon the delivery of services conducted by a PKP within the Customs Area, or when payment is received; whichever is earlier.

The VAT is imposed on the utilization of services from outside the Customs Area within the Customs Area. The VAT is imposed at the rate of 0% on the export of certain services at the time of exportation by a PKP.

## Value

Generally, the value used to calculate the VAT due is the service price, or compensation paid.

## Rates

### Standard rate

The standard rate of VAT is 10% and is applicable to all standard-rated supplies of goods and services.

### Reduced rate

VAT is calculated by applying the VAT rate to a relevant tax basis. In most cases, the tax basis is the transaction value agreed between the parties concerned. For certain events or situations, other criteria must be used as the tax basis.

### Zero rate

A zero rate applies to the export of tangible goods, intangible goods, and certain other services.

### Exemption

Certain transactions do not attract VAT. This can be by way of mechanisms such as VAT exemptions, VAT not-collected, or not subject to VAT.

# Indonesia



The deliveries that do not attract VAT are as follows:

- Goods or services that are not included in the definition of delivery of taxable goods (such as the delivery of collateral of loans).
- Goods or services that are not subject to VAT in the negative list (such as basic need goods much needed by everyone, products of mining or drilling taken directly from the source, and financial services).
- The import and/or delivery of goods that are exempted from VAT under strategic goods classification (such as capital goods under certain facility).
- Certain transactions in certain designated zones whereby VAT is not collected.

## Imports/exports

### Import of goods

The import of goods (e.g. raw materials, equipment, and finished goods etc.) is subject to VAT at 10% based on the import value (CIF plus import duty). The VAT paid on the importation is creditable input VAT to the extent that the import of goods is relevant to the PKP's business purposes.

### Import of services

Where an Indonesian company receives and utilises services, including royalties from outside Indonesia, the Indonesian company must self-assess, report, and pay 10% VAT (under a reverse charge). The VAT due under this procedure should be eligible for input VAT credit (which is essentially refundable) to the extent that the service is relevant for running the PKP's business.

### Export of goods

Exports of goods are zero-rated, meaning the company can claim a refund resulting from its creditable input VAT. The VAT invoice document is using a specific document, namely an Export Declaration of Taxable Goods (Pemberitahuan Ekspor Barang/PEB). Generally, the company should also have documentation such as a Bill of Lading, Airway Bill, and invoices in order to support the zero-rating treatment.

# Indonesia

## Export of services

Export of services means a service activity carried out within the Customs Area which results in goods, facilities, conveniences, or rights being made available for utilization outside of the Customs Area. The range of services is divided into the following three groups:

- Services connected to movable goods utilized outside of the Customs Area.
- Services connected to immovable goods located outside of the Customs Area in the form of consultation services for construction.
- Other services where the output is utilized outside of the Customs Area and utilization is based on a request from an overseas recipient.

The following documents for export of services are required in order to prove 0% VAT rate:

- a written agreement between the domestic service provider (PKP) and an overseas counter-party (stipulating the type, details and value of the agreed services); and
- a proof of payment from the overseas counter-party to the PKP.

If these are not satisfied, then the service will be treated as being delivered within the Customs Area and subject to 10% VAT.

## Recovery/offset

VAT paid on the acquisition of VAT-able services/goods used for the business and to produce taxable supplies, may be recovered/offset against the output VAT. If VAT invoices are received late, they may be recovered on the following date of return, but only up to three months after the date of the invoice being issued. If this deadline is missed, the credit can still be claimed, but only by submitting an amended VAT return for the period when it should have been claimed.

Input VAT from certain transactions cannot be credited, such as:

- the purchase of benefits-in-kind assets used for employees; and
- non-business related purchases.

## Apportionment

For partially exempt businesses, input VAT related to the acquisition of goods or services which are directly linked to the delivery of a non-VAT taxable supply, is not creditable. If input VAT is incurred for both taxable and exempt activities, it needs to be apportioned and only the part related to taxable activities is creditable.

# Indonesia

## Pre-registration claims

Input VAT incurred on the purchase of goods or services before registration cannot be recovered.

## Post-registration claims

Input VAT incurred after a business has ceased to be registered cannot be recovered.

## Compliance/obligations

### Registration

All taxable businesses are generally obliged to register. Small businesses do not have to register for VAT if their turnover is less than IDR 4.8 billion. However, voluntary registration is available for small scale taxable businesses with turnover below the threshold.

The general tax registration, including registration for VAT purposes, takes place at the specific Tax Office overseeing the district where the business is permanently located.

VAT registration is only granted after, or on the date that the tax identity registration (Nomor Pokok Wajib Pajak/NPWP) has been completed.

Branches located in separate tax districts are also required to register separately for VAT and to submit their own returns. There is a facility for centralised VAT reporting. Approval is required from the Director General of Tax. Companies which are registered in the Large Tax Office, Foreign Investment Tax Office, Certain Foreign Corporate and Foreigners Tax Office, Tax Office for Listed Companies, or the Medium Tax Office are automatically centralised.

### Registration number

The VAT registration number consists of 15 digits (this is also the taxpayer's NPWP). There is only one tax registration number which includes VAT as well as other taxes.

### Group registration

Group registration is not allowed.

### Invoices (including e-invoicing)

A taxable person must issue a tax invoice for all taxable supplies. A taxable person can also issue a single VAT invoice for all supplies to the same buyer during a calendar month.

# Indonesia

For domestic transactions, VAT invoices must contain the following information concerning:

- name, address, NPWP of the supplier of taxable goods or services;
- name, address, NPWP of the recipient of taxable goods or services;
- the kinds of goods or services, the selling price or compensation, and the price discount;
- the collected VAT;
- the collected Luxury-goods Sales Tax;
- code, serial number and the date of issuance of VAT invoice; and
- name and signature of the party entitled to sign the VAT invoice.

An administrative fine of 2% of the sales price, or compensation in addition to the VAT, may be imposed if the business does not issue and pay a VAT invoice.

The VAT invoice must be issued at the end of the month following the delivery of the taxable goods and/or delivery of all taxable services if payment is received after the month of delivery of the taxable goods and/or delivery of all taxable services. If payment occurs prior to the end of the following month, the VAT invoice must be issued no later than the time of receipt of payment.

Most PKPs are required to prepare its VAT invoice in electronic format subject to certain de minimis exceptions.

## Records

### Retention period

All records must be kept for a period of 10 years.

### Format

Taxpayers should maintain bookkeeping, consisting of, at the very least, records concerning assets, liabilities, capital, income and expenses, as well as sales and purchases that enable the taxpayer to calculate the amount of tax payable. Bookkeeping or recording must be maintained in Indonesia by using Roman alphabet, Arabic numerals, the Rupiah unit of currency, and arranged in an Indonesian language or a foreign language which is permitted by the Minister of Finance.

## Returns

### Periods

Returns for all businesses must be made monthly.

Electronic filing of the VAT return is a requirement for the majority of PKPs.

# Indonesia

## Due dates

The return must be submitted to the Tax Office at the end of the following month.

## Payment

The VAT due is prior to the VAT being filed (i.e. at the end of the following month) and evidence of payment must accompany the return. Payment should be made by cash or cheque/giro to a state treasury, government bank, appointed bank, or post office. An e-payment system is also available.

For example, if the return period is 1–31 March, the due date for filing the return is 30 April (a copy of the payment slip must be attached to the VAT return). The payment due date is prior to the VAT being filed, i.e. on 30 April.

If the payment is late or tax is underpaid, the business will be charged 2% interest per month.

## Refunds

If input VAT exceeds output VAT, a request for a refund of the excess can be made. Generally, the request can be submitted at the year end, except in the case of low-risk PKPs who can submit the refund request on a monthly basis.

The Tax Office has 12 months to review the submitted refund request (completed with mandatory attachments) through a tax audit. However, certain taxpayers (i.e. golden taxpayers, taxpayers with low refund values, and low-risk PKPs) are eligible for a preliminary tax refund whereby the Tax Office must issue a decision within one month, and without the need to conduct a tax audit prior to approving the taxpayer's refund request.

The Tax Office can still do a tax audit on the tax year or period that has been granted a preliminary tax refund, and administrative sanctions will apply if the tax audit results in a tax underpayment position.

Alternatively, excess input VAT can be carried forward and offset or credited against future output VAT. Input VAT can be credited against the output VAT of the same month or, at the latest, three months after the end of the commercial accounting year.

# Indonesia



## Content of forms

A monthly VAT Return specifies, among other things, the information outlined below

- Total value of standard rated supplies.
- Total value of zero rated supplies.
- Total value of exempt supplies.
- Total value of the above 3 amounts.
- Total value of taxable purchases.
- Output VAT due.
- Less input VAT and refunds claimed.
- Net due or claimed as refund.
- Name and signature of designated signatory.

## Bad debts

There is no mechanism/provision to allow credit for VAT paid on a supply, where the customer has failed to pay.

## Non-residents

Non-resident businesses can only register for VAT if they satisfy Indonesian tax residence requirements. Effectively, this means that non-residents must have a permanent establishment for income tax purposes in order to register for VAT in Indonesia.

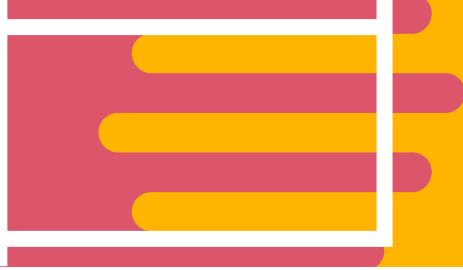
## Refunds to foreign business

There is no refund mechanism allowing foreign businesses to recover VAT on their purchases.

## Refunds to tourists

There is a refund mechanism allowing tourists to recover VAT on their purchases with a minimum VAT value of IDR 500,000.

# Indonesia



## Penalties

Failure to submit a VAT Return on time is subject to a fine of IDR 500,000.

A penalty of 2% of the tax basis is applied in the event of late registration or lack of registration, or the improper issuance of the VAT invoice.

An interest of 2% a month (with a maximum of 24 months) of the tax underpaid is applied on late payment of the VAT due.

In cases where the zero rate has been incorrectly applied, or the input VAT should not have been carried forward, the penalty can be 100% of the tax underpayment.

In cases of tax crime, the penalty could be imprisonment for a maximum of 2 years, and a fine of up to four times the amount defrauded.



# Indonesia

## Digital economy

To date, there is no specific tax regime for electronically supplied services.

In late December 2018, the Minister of Finance (MoF) released a regulation No.210/PMK.010/2018 that highlight how the e-commerce transactions are subject to the prevailing tax regulations in Indonesia. However, this regulation has been withdrawn by the MoF through a Press Release issued on 29 March 2019. At the date of print, the matter is being reviewed by the MoF as there are plans for discussions with the relevant stakeholders to develop an appropriate framework.

## Other indirect taxes

Luxury-goods Sales Tax (LST) is applied to the importation of luxury goods and the domestic manufacture of luxury goods in certain categories. This tax is a single-stage tax and is not creditable as input VAT.

LST rate may be increased up to 200%. However, the current LST rates range from 10% to 125% and are applied to a wide range of non-essential goods, for example:

- Luxury residences such as luxury houses, apartments, condominiums, and town houses.
- Luxury cruisers, excluding for state purposes and public transport. Aircrafts, other than those used by the state or for commercial air transport purposes.

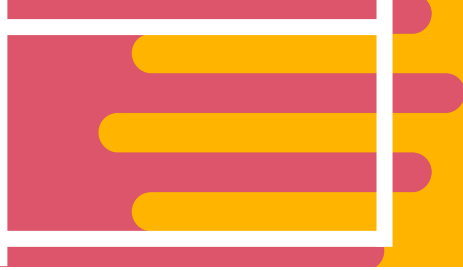
Municipal Taxes are applied to certain types of goods/activities, such as restaurant tax and advertisement tax. These taxes are collected by the local government.

Land and building tax is levied at a maximum rate of 0.3% on property held, and is based on the sale value of the land and building. Land and building tax for forestry, plantation, mineral, coal, oil, gas and geothermal mining, and other industries located in national waters outside the territory of the regional area is governed separately.

Stamp duty is levied at IDR 3,000 on certain taxable documents valued more than IDR 250,000, but not more than IDR 1,000,000; or at IDR 6,000 on certain taxable documents valued more than IDR 1,000,000.

Customs duty applies to goods imported into the Indonesian customs area.

# Indonesia



## Useful contacts

For help and advice regarding VAT in Indonesia, please contact:

### **PricewaterhouseCoopers**

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Partner

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**Abdullah Azis**

Partner

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### **Tax authority**

The VAT authority in Indonesia is **Direktorat Jenderal Pajak (DJP)** or **Kantor Pelayanan Pajak (KPP)**, [www.pajak.go.id](http://www.pajak.go.id).

They are based at:

Kantor Pusat Direktorat Jenderal Pajak,  
Jl. Gatot Subroto No. 40-42, Jakarta Selatan.



# Japan



# Japan



## Scope

The Consumption Tax (CT) which is also locally known as Shouhi-zei was introduced on 1 April 1989.

The following transactions are generally subject to CT, unless such transactions are specifically listed as non-taxable transactions:

- The transfer or lease of goods located in Japan and supply of services for consideration by a business in Japan.
- Import of goods
- Import of electronically supplied digital services performed via telecommunications online such as the distribution of e-books, music, software, cloud services or advertisements on or after 1 October 2015.

## Taxable person

Taxable persons are enterprises which conduct taxable transactions in Japan, and who clear goods from the Customs.

The term 'enterprises' includes corporations, organisations without judicial personality and individuals doing business, regardless of whether they are residents or non-residents in Japan.

There is no separate procedure for the registration of foreign businesses except that they are required to appoint a tax representative when they do not have an office in Japan.

With effect from 1 October 2015, in the case of a provision of Business to Consumer (B2C) Electronically Supplied Services (ESS) that are supplied by an Offshore Business Person, such Offshore Business Person also becomes a CT taxpayer.

## Goods

### Definition

The term 'goods' means any asset including rights and intangible assets which are the object of a transaction (transfer or lease).

### Place of supply

The general rule is that transactions are deemed to take place where the asset is located at the time of the transaction or in the place where the service is provided.

# Japan

Listed below are some examples of particular types of supply and where they are deemed to take place.

<b>Transactions</b>	<b>Place of supply</b>
Ships and aeroplanes	The registration office when registered in Japan, otherwise the supplier's office
Patents, utility models, designs and rights to use circuits and trademarks	The registration office (if in two or more countries, the supplier's office)
Securities (except golf memberships)	Existing place of securities
Copyrights, know-how and similar rights	The supplier's office
Goodwill, fishery rights and common piscatorial rights	The supplier's office
Mining rights	The mining site
Registered government bonds	Register's office
Investment in partnerships	Head office of the partnership
Mortgage bonds	The location of the mortgaged security
Pecuniary credits	Creditor's office
Shares in golf clubs	The location of the golf club

## Time of supply

The time of supply is, in principle, the date of delivery.

## Value

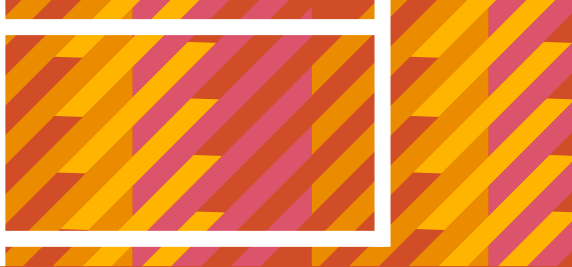
The tax base is the amount of consideration for the supply.

## Services

### Definition

The term 'provision of services' means rendering services including, for example, construction work, repairs, transportation, storage, printing, advertising, brokerage, entertainment, technical assistance, furnishing information, performing, writing and service facilities where a service based on intellectual knowledge or skills is provided, including services provided by attorneys, public accountants, tax accountants, writers, athletes, film directors and chess players.

# Japan



## Place of supply

Services are generally taken to be supplied in Japan if the service is provided in Japan, or the supplier is based in Japan.

<b>Transactions</b>	<b>Place of supply</b>
International transportation	Either the place of departure, shipment or arrival if in Japan
International communication and mail	Either the place of forwarding or reception if in Japan
Insurance	Office of the insurance company
Supply of information or design	Office of the supplier
Scientific and/or technological services for the construction or production of manufacturing facilities	Place from which the majority of the supplies and services are provided

Regarding the provision of electronically supplied digital services performed online via telecommunications such as the distribution of e-books, music, software, cloud service or advertisement on or after 1 October 2015 (defined as “Provision of ESS”), the in-or-out-of-scope criteria is changed to the destination of the service recipient (instead of the place where the supplier is established).

The import of such Provision of ESS is subject to CT on or after 1 October 2015.

## Time of supply

The time of supply is, in principle, the date of service delivery.

## Value

The tax base is the amount of consideration paid or to be paid for the supply of the service.

## Rates

### Standard rate

The standard rate of CT is 8% and applies to all transactions not qualifying for an exemption if conducted by a business for consideration in Japan.

A bill has been passed for the rate increase from 8% to 10%, with effect from 1 October 2019.

# Japan



## Reduced rate

Reduced rate of 8% is applied from 1 October 2019 to the following items:

1. Sale of food and beverage (except for the supply of meals rendered at a location having certain food and beverage facilities by a business person engaged in the restaurant business, coffee lounge business, and other meals supply business under the Food Sanitation Act).

The “food and beverage” above refers to food as defined in the Food Labeling Act (excluding alcoholic beverages).

If the food and beverage is combined with an asset other than food and beverage, it is excluded from the scope of food and beverage for purposes of the reduced rate. However, if it is a low-priced asset of JPY 10,000 or less and two-thirds or more of the value of the integrated asset is composed of food and beverage, the reduced rate is applied to the entire portion as food and beverage.

2. The sale of a newspaper under a periodical subscription contract (limited to a newspaper with a regular title that publishes general social facts about politics, the economy, society, culture, etc. which is published twice or more a week).
3. The reduced rate of 8% is applied to the food and beverage as stated in the above (1) which are withdrawn from a bonded area on or after 1 October 2019.

## Zero rate

A zero rate applies to, but is not limited to:

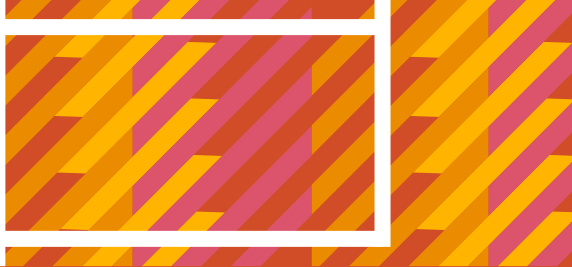
- Export of tangible goods
- Certain services supplied to non-residents
- International transportation services
- International communication services

## Exemption

The following supplies are non-taxable (i.e. no CT is charged on supplies and there is no credit given for related CT incurred as a cost):

- Sales or leases of land
- Sales of securities
- Interest on loans and guarantee fees, etc.
- Sales of postal stamps and similar items
- Provision of public services, international postal money orders and international postal money transfers as well as foreign exchange transactions

# Japan



- Provision of certain medical services insured under certain medical insurance laws
- Provision of certain social welfare services
- Tuition and entrance examination fees for certain schools including textbooks
- Residential rents
- Others (child birth costs, cremation costs, and special equipment for disabled persons).

## Imports/exports

CT at the rate of 8% (10% from 1 October 2019) is imposed at import of goods and is collected by Customs.

The import of services is currently not subject to CT. However, due to the Consumption Tax reform, CT is assessed on imports of electronically supplied services with effect from 1 October 2015.

Exports of goods and services are not liable to CT.

### Documentation

An export declaration is needed to prove an export of goods as Exporter of Record. Written documentation is needed to prove an export of services (e.g. a contract with an overseas person).

## Recovery/offset

### Recovery

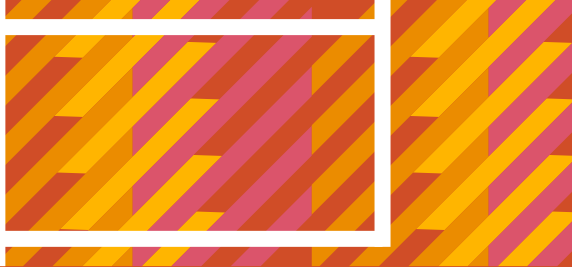
A business is able to credit the entire input tax where 95% or more of turnover consists of taxable supplies on the condition that the taxpayer's taxable supplies during the current period are JPY 500 million or less per year.

There are certain supplies that are specifically denied input (consumption tax) deduction in the itemised method shown below. These include:

- The development costs of land for sales; and
- The purchase costs of medicine for medical care insured under the Health Insurance Law.



# Japan



## Apportionment

When a business makes a mixture of taxable and non-taxable supplies, it must review the CT it incurs on its purchases to see if it can be recovered in full.

The following rules apply to CT recovery for partly non-taxable businesses:

- If 95% or more of sales are taxable supplies, all input tax can be claimed on the condition that the taxpayer's taxable supplies during the current period are JPY 500 million or less per year. When a taxable enterprise has taxable supplies during the current period exceeding JPY 500 million, input CT allocated to such non-taxable sales without credit cannot be credited against output CT.
- If more than 5% of the turnover consists of supplies that are exempt without credit, the input tax allocated to the exempt supplies cannot be credited against output tax.

## Pro-rata rule

Where the taxable sales ratio is less than 95%, input tax credit is calculated using the following itemised method or proportional method:

- Itemised method

Where taxable purchases can be classified into the following items, the amount of input tax credit is computed by using the itemised method shown below:

- (1) Taxable purchases for transfer of taxable assets only;
- (2) Taxable purchases for transfer of other assets only; or
- (3) Taxable purchases for transfer of taxable assets and other assets in common.

Computation:  $(A) + (B) \times (C)$

(A) = Consumption tax amount on (1)

(B) = Consumption tax amount on (3)

(C) = Taxable sales ratio (or substitutional ratio); or

(C) = Taxable sales ratio, in principle.

- Proportional method

Where a taxable purchase cannot be classified as above, the amount of input tax credit is computed by using the proportional method (i.e. aggregated amount of consumption tax on taxable purchases x taxable sales ratio). Once this proportional method is chosen, it cannot be changed for two years.

# Japan



## Simplified system

Business enterprises with taxable sales during the base period of JPY 50 million or less can, if they so elect, take a deemed input tax credit on taxable sales, instead of a credit based on the actual input tax and taxable sales ratio. The rate of deemed input tax credit depends on the business classification.

Once this simplified tax system is chosen, it cannot be changed for two years.

## Pre-registration claims

A 'registration' is not required for a business enterprise to charge CT to the customer. A business can generally recover the CT charged to it before it starts to make taxable supplies.

## Post-registration claims

A 'registration' is not required for a business enterprise to charge CT to the customer. CT incurred after cessation of business is not generally reclaimable.

## Change of use/capital items

Certain adjustment on input tax credit may be required in case of diversion of fixed assets from taxable business use to non-taxable business use.

## Compliance/obligations

### Registration

A business that makes taxable supplies during the base period (generally the year beginning two years before the tax year concerned) of more than JPY 10 million, will automatically become a taxable business.

Also, for a business whose taxable supplies during the 'base period' (defined as the period two years prior to the current year) are JPY 10 million or less, and has taxable sales and domestic salary expenses paid to residents in Japan subject to Japanese withholding tax both of which exceed JPY 10 million during the first 6 months of the previous fiscal year (excluding the previous fiscal year of 7 months or less), it would automatically become a taxable enterprise for CT purposes for the current fiscal year.

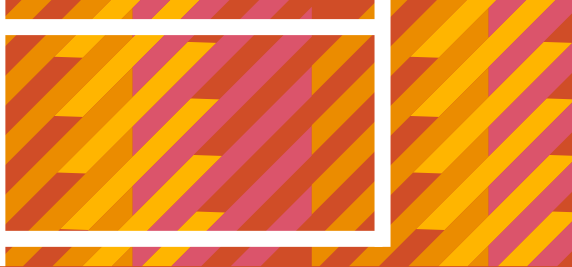
Businesses, whose taxable supplies during the base period are JPY 10 million or less and whose taxable sales or domestic salary expenses paid to residents in Japan subject to Japanese withholding tax does not exceed JPY 10 million during the first 6 months of the previous fiscal year, are generally exempt from filing a CT return and paying net CT. However, there are special rules for corporate 'Split-Up' or 'Spin-Off' for such an exemption.

# Japan



Please also note:

- A corporation with paid-in capital of JPY 10 million or more will become a taxable business for the initial two years of its establishment in its home country.
- When “Fixed asset subject to adjustment” where per unit price (exclusive CT) of asset other than inventory is JPY 1 million or more is acquired during the following taxable period (excluding the taxable period when Simplified Taxation System is applied), CT Exemption and Simplified Taxation System are not applied continuously for a 3 years period including and from the taxable period when it was acquired, and thus input CT credit will be adjusted and decreased in the 3rd year (by using 3 years average taxable sales ratio) in case of considerable decrease in taxable sales ratio.
  1. 2 years mandatory taxable period starting on or after 1 April 2010 where CT Exemption is not applied by voluntary filing of tax report for election of taxable enterprise for CT purposes made on or after 1 April 2010, or
  2. Initial 2 years mandatory taxable period where the company is established on or after 1 April 2010 and its paid-in capital is JPY 10 million or more.
- Non-resident businesses have the option to be treated as a taxable business.
- CT exemption for a new corporation will not be applicable to a corporation established on or after 1 April 2014 in which more than 50% of its shares are either, directly or indirectly, (i) owned by a “Other person” (limited to a person who directly owns any share in the new corporation, including the relatives, etc. of the “Other person” who depend on the “Other person” for their livelihood) and/or the “Special related corporation” (e.g., subsidiary, 2nd-tier subsidiary and 3rd tier subsidiary fully owned by “Other person”) at the beginning of the fiscal year and (ii) any of the “Other person” or the “Special related corporation” is “large enterprise” (defined as an enterprise whose taxable sales exceeded JPY 500 million during the year that is two years prior to new corporation’s current tax period). A dissolved company which was dissolved within 1 year prior to the beginning of the new corporation’s current tax period and was a “Special related corporation” on the dissolution date is treated as a “Special related corporation” for this purposes.
- Applicability of the tax-exempt threshold system for a business person including an Offshore Business Person on or after 1 October 2015 is judged based on the taxable sales whereby the consumption tax liability is assessed on those who make the taxable transfer of assets, etc. [excluding Provision of B2B ESS] and thus, the payment amount of the Specific Taxable Purchase [i.e., receiving Provision of B2B ESS for a business in Japan] is not included for judgment of the tax-exempt threshold.
- Due to the 2016 Tax Reform, restriction on JCT holiday system and simplified taxation system after acquisition of High-priced Specific Asset is as follows;



1. If a “High-priced Specific Asset” (e.g. inventory or a “Fixed Asset subject to Adjustment” at a per unit price of JPY 10 million or more exclusive of JCT) is acquired in Japan or imported into Japan by a taxable enterprise on or after 1 April 2016 during a tax period when the simplified taxation system is not applied, the JCT holiday system and simplified taxation system cannot be applied until the tax period containing the date 3 years after the beginning date of the tax period when it was acquired or imported.

However, the above is not applied if a High-priced Specific Asset is acquired on or after 1 April 2016 based on the contract concluded on or before 31 December 2015.

2. If an asset with a construction cost of JPY 10 million or more exclusive of JCT is constructed by oneself, the treatment as stated in the above (1) is applied until the tax period containing the date 3 years after the beginning date of the tax period when the construction was completed.

## Registration number

Once a tax return is filed, a unique reference number with the format 99 99 99 99 is given by the tax authorities. With the introduction of My Number System from 1 January 2016, all the corporate taxpayers will be issued a 13-digit Corporate Number and all the individual persons having a residency certificate will be issued a 12-digit Individual Number in early October 2015. The Corporate Number and Individual Number must be shown on their tax returns from the tax period beginning on or after 1 January 2016. No registration number system is applicable (except for provision of B2C ESS from a Registered Offshore Business Person) as the invoice system for indirect taxes has not yet been adopted in Japan before the introduction of the Qualified Invoice Archiving System on 1 October 2023.

## Group registration

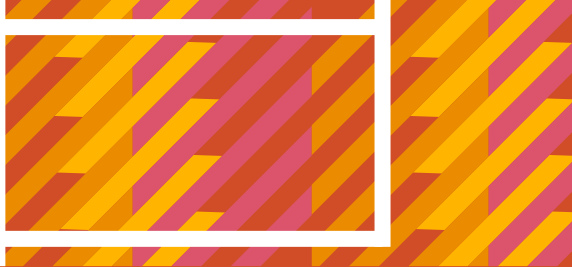
CT grouping is not permitted and each legal entity must file its own return.

## Invoices, including e-invoicing

The following data is required to be shown on invoices for CT purposes:

- Supplier’s name
- Recipient’s name
- Purchase date
- Products/services should be itemised
- The amount.

Only hardcopies of invoices are allowed (except for provision of B2C ESS from a Registered Offshore Business Person).



## Records

The company is generally required to maintain both accounting records and creditors' invoices, in order to claim input tax credit.

### Retention period

The archiving period is 7 years under the Consumption Tax law (10 years under the Commercial Code).

Records (excluding invoice, contract and receipt) can be kept solely in electronic form. The application for retention of books and documents by means of electromagnetic records must be approved by the relevant tax office.

Records can be kept outside Japan. The records must be promptly transferred to Japan upon the tax auditor's request. However, the intent of the law is for the records to be maintained in Japan.

## Returns

### Periods

A taxpayer can choose to make returns annually, quarterly or monthly.

### Due dates

The due date for filing a CT return and making the tax due is two months after the end of each taxable period. No extensions are allowed.

For annual filings, provisional payments are required either bi-annually, quarterly or monthly, depending on the prior year's tax liability.

### Payment

The CT is due at the same time as when the return has to be filed. Payment should only be by cash or cheque. It can be paid at any authorised bank or post office.

If the payment is late, the business will be charged interest. The interest is calculated at a rate of 2.6% per annum for the first two months after the certain due date. After these two months, the rate of interest will increase to 8.9% per annum.

### Refunds

A tax refund will be made in due course after filing the tax return.



## Content of forms

The main content is as follows:

- Filing date and name of the Tax Office
- Taxpayer's name, address and phone number
- Taxpayer's reference number
- Taxpayer's Corporate Number and Individual Number
- Name and signature of the taxpayer's representative and accountant in-charge
- Tax period and the type of tax return (i.e. final, interim or amended)
- Taxable sales and output CT thereon
- Taxable purchase and input CT thereon
- Tax exempt sales, non-taxable sales and taxable sales ratio
- Election of calculation method
- Taxable sales in the base period
- Taxpayer's bank account information (in the case of a return of refunds)
- Tax advisor's name and signature.

## Bad debts

The CT amount on bad debts is creditable when the account receivable becomes uncollectible for corporate tax purposes.

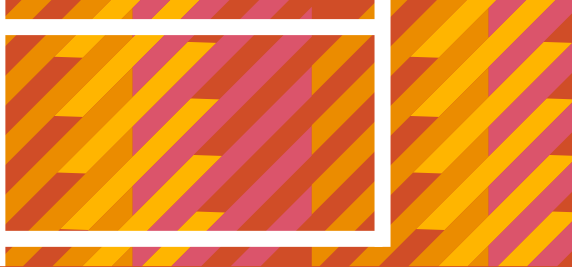
## Non-residents

A non-resident business, which makes taxable supplies in Japan during the base period (generally the year beginning two years before the tax year concerned) of more than JPY 10 million, will automatically become a taxable business.

With effect from 1 October 2015, for B2C (Business to Consumer) ESS that is supplied by an Offshore Business Person, such Offshore Business Person becomes a CT taxpayer:

- Where the first day of the base period for the business person's tax period started before 1 October 2015, the applicability of the tax-exempt threshold system is determined as if this new legislation on cross border digital services was introduced from the first day of such base period.
- However, if there are any difficulties establishing the annual taxable sales in such base period, the annual taxable sales can be calculated based on 4 times the value of taxable sales from 1 April 2015 to 30 June 2015 as if this new legislation was introduced during that period.

# Japan



A summary of the CT rules applicable to non-residents is generally as follows:

1. The non-resident business does not need to have a fixed or business establishment before it can register for CT in Japan.
2. There is a difference if the non-resident business supplies goods or services in Japan before it can register for CT as follows:

- Supply of goods

In general, if the non-resident business (assuming it is not newly incorporated) had no taxable sale in Japan in the past, it would be exempt from CT return filing for an initial two accounting years period from its commencement of supplying goods in Japan.

- Supply of services (until 30 September 2015)

In general, if the place of supply of the services is located outside Japan as performed by the non-resident business to a resident business in Japan, the supply of the services is not subject to CT.

If the place of supply of services is located in Japan, the supply is subject to 8% (10% from 1 October 2019) CT. Also, if the service is partially supplied by the non-resident business within Japan (i.e. the service is supplied both in Japan and outside Japan) and the Japan portion cannot be calculated, or it is not clear as to where the service is supplied by the non-resident business, the service should be deemed to be supplied in a place where the service supplying office is located in general. Thus, the service should not be subject to CT.

3. Introduction of CT on cross-border digital services from 1 October 2015

Certain electronic supplies by offshore suppliers are subject to CT with effect from 1 October 2015 as summarised below:

- Change of the in-or-out-of-scope criteria (from origin principle to destination principle)

The provision of digital online services performed via telecommunications, such as the distribution of e-books, music, software, cloud service or advertisement, is defined as the "Provision of ESS". The in-or-out-of-scope criteria is changed to the destination of the service recipient (from the place where the supplier is established).

- Introduction of reverse charge mechanism for Provision of B2B ESS



The “Provision of ESS” supplied by an Offshore Business Person in which it is clear in view of the nature of such services or the terms and conditions, etc. of such services that the recipient of such services is a business person, is defined as the “Provision of B2B ESS”. In this case, the consumption tax liability of the transaction is shifted to the business person who receives the provision of services (i.e. the introduction of a reverse charge mechanism).

With the reverse charge mechanism in place, specific purchases among taxable purchases in Japan (hereinafter referred to as “Specific Taxable Purchase”) are included in the scope of consumption tax liability.

An Offshore Business Person engaged in the Provision of B2B ESS in Japan is required to notify the counterparty prior to the provision of such services, that a business person completing a Specific Taxable Purchase of such services becomes a consumption taxpayer. However, in any of the following B2B ESS cases, it shall be assumed as if there were no such B2B ESS during such tax period:

1. Case where the taxable sales ratio of the business recipient for the tax period receiving a provision of B2B ESS is 95% or more.
  2. Case where there is an amount of CT assessed on a B2B ESS during the tax period that the business recipient is applying the simplified taxation method (e.g., that is allowed for small companies having annual taxable sales of JPY 50 million or less in the base period).
  3. Case where a JCT exempt enterprise receives a provision of B2B ESS.
- Transitional measure to ensure fair taxation

As a transition measure, the input tax credit on a taxable purchase for receiving the Provision of B2C (Business to Consumer) ESS from an Offshore Business Person is not allowed (even when the recipient is a business person). However, the input tax credit on a taxable purchase for receiving the Provision of B2C ESS from a “Registered Offshore Business Person” is allowed if the incoming invoice or the like describing the registration number, etc. of such “Registered Offshore Business Person” is retained under certain conditions.

“Registered Offshore Business Person” is defined as a certain Offshore Business Person who satisfies certain conditions and is limited to a taxpayer only for whom the tax-exempt threshold system is not applied (i.e. does not have tax-exempt status). The taxpayer has to submit an application to the National Tax Agency (NTA) Commissioner on or after 1 July 2015.

4. Although the filing of a CT return by the non-resident business will not create a permanent establishment in Japan, the tax authorities may raise questions on this issue if the non-resident business files a CT refund return with the tax office.





5. The consumption tax liability on provision of services such as performing arts, sports or etc. performed in Japan by an Offshore Business Person on or after 1 April 2016 is shifted to the business person who receives the provision of services, instead of the service supplier (under the reverse charge mechanism).

## Refunds to foreign business

There is a refund system in Japan that can allow an enterprise (including a foreign business) to make a claim to the Japanese tax authorities for a refund of the net input consumption tax (i.e. input tax minus output tax) incurred. In order to claim a refund, the foreign business must make an election to be treated as a 'taxable enterprise' in advance. The taxable enterprise may obtain the refund by filing a CT return after the end of the tax period.

## Refunds to tourists

Although there is no refund system for individual tourists, non-residents may purchase tax-exempt commodities at an export shop. Certain conditions apply to such sales.

## Penalties

Late submission of filing tax returns will be subject to 15% of tax payable plus 5% (\*) of exceeding portion of tax payable over JPY 500,000 (or the penalty is mitigated to 5% of tax payable if the tax return is voluntarily filed before the Japanese tax authorities notify a taxpayer of the tax audit plan, otherwise the penalty is mitigated to 10% [plus 5% of exceeding portion of tax payable over JPY 500,000] of tax payable if the tax return is voluntarily filed before the Japanese tax authorities realize such non filing situation). In case of concealing or manipulating facts, the heavy penalty is assessed at 40% (\*) of tax payable instead of the above.

(\*) If the non-filing penalty (assessed after the Japanese tax authorities realize such non filing situation) or the heavy penalty is assessed within 5 years from the date of late-filing, amendment or assessment on tax due, 10% is added to the rate of the above non-filing penalty (15% or 20%, assessed after the Japanese tax authorities realize such non filing situation) or the rate of the above heavy penalty (35% or 40%) on such late-filing, amendment or assessment on tax due.

For late payment, interest at a rate of 2.6% per annum will be charged for the period from the original due date to two months after the certain due date. After the two months, the interest will increase to 8.9% per annum.

The maximum penalties for fraud or evasion are 10-year prison term and a fine of JPY 10 million, or up to the amount of money equivalent to the tax evaded (or up to the amount of money multiplied 10 by the import consumption tax evaded), depending on the circumstances.



## Digital economy

Business to Consumer (B2C) Electronically Supplied Services (ESS) that are supplied by an Offshore Business Person will be regarded as taxable sales for CT. Please refer to the commentary in the section on “Non-residents”.

## Other indirect taxes

There are a number of other indirect taxes in Japan. Some are levied on a national basis, while others are only applied locally.

National Indirect Taxes include:

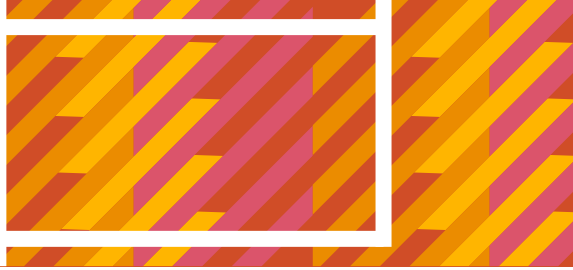
- Liquor tax – tax levied on liquors
- Gasoline tax and local road tax – tax levied on gasoline
- Aircraft fuel tax – tax levied on fuel which an aircraft consumes
- Petroleum tax – tax levied on crude oil, imported petroleum products and gaseous hydrocarbons
- Petroleum gas tax – tax levied on liquefied petroleum gas for automobile fuel contained in a high pressure container
- Tobacco tax, special tobacco tax – tax levied on tobacco products
- Stamp tax – tax paid by affixing and cancelling a stamp on the documents which are exhaustively listed in the Stamp Duty Act provisions
- Registration and license tax – tax levied on registration with regard to property rights, companies, certain professions, etc. and on the obtaining of business licenses
- Electric power resources development tax – tax levied on businesses supplying electric power
- Automobile tonnage tax – tax levied on automobile owners or users

The following are other Local Indirect Taxes in Japan:

- Prefectural and municipal tobacco tax
- Golf course tax
- Diesel oil delivery tax
- Bathing tax
- Real property acquisition tax
- Automobile tax
- Environmental performance tax

Prefectures and municipalities are entitled to levy other kinds of taxes with the permission of the national government.

# Japan



## Useful contacts

For help with Consumption Tax issues in Japan, please contact:

### **PwC Tax Japan**

#### **Takashi Murakami**

Partner

Email: [takashi.a.murakami@pwc.com](mailto:takashi.a.murakami@pwc.com)

Tel: + 81 (0)80 3592 6121

#### **Kotaku Kimu**

Director

Email: [kotaku.kimu@pwc.com](mailto:kotaku.kimu@pwc.com)

Tel: +81 (0)80 1114 3480

### **Tax authority**

The authority that controls Consumption Tax is the **National Tax Agency (NTA)**, [www.nta.go.jp](http://www.nta.go.jp)

They are based at:

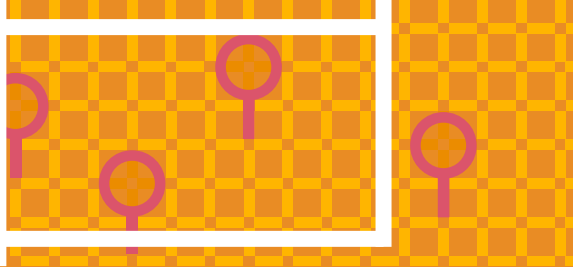
Kasumigaseki 3-1-1

Chiyoda Ku

100-8978 Tokyo



# Laos



## Scope

The VAT Law was implemented on 1 January 2010 to replace Business Turnover Tax (BTT).

The Ministry of Finance issued Notification No. 3111/MoF, dated 27 November 2009 on the implementation of the VAT Law on 1 January 2010.

The regulations and guidelines for VAT and VAT registration are set out in the following:

- VAT Law No.04/NA, dated 26 December 2006;
- Decree on the Implementation of VAT No.270/PM, dated 18 September 2009;
- Instruction No.3111/MoF, dated 27 November 2009;
- Regulations on VAT Registration N0.3225/MoF, dated 17 December 2009;
- Regulations on Declaration and Payment of VAT No.3227/MoF, dated 17 December 2009;
- Regulations on Completion of VAT Declaration Form No.3228/MoF, dated 17 December 2009; and
- Regulations on Funding Resources and Refunding of VAT No.3229/MoF, dated 17 December 2009.
- Instruction to VAT implementation No. 0077, dated 11 January 2017.
- The amended VAT Law No. 48/NA, dated 20 June 2018 (The latest update version).

## Taxable person

A taxable person refers to individuals, legal entities, organisation which operates a business, consume goods and services in Lao People's Democratic Republic (Laos PDR).

## Goods

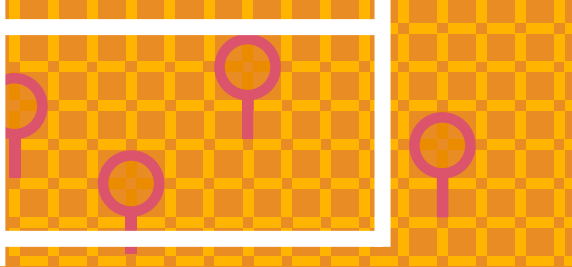
### Definition

“Goods” refer to physical or non-physical objects that are movable or immovable and fixed assets which used for production, supply, exchange and services.

### Place of supply

The place of supply for goods that are subject to VAT is as follows:

- At the place of location of the actual goods for supply with no transportation.
- At the place where the goods from which the goods are transported on behalf of the supplier, by the buyer or on behalf of the buyer.
- At the place where the goods are installed or assembled by the supplier or on behalf of the supplier.



## Time of supply

No specific definition of time of supply exists.

## Value

Value Added Tax Taxable amount are as follows:

- The actual transaction costs (CIF) plus customs duties and excise tax (if any) for imported goods;
- Selling price of goods and services plus excise tax (if any), excluding domestic Value Added Tax;
- Actual purchase price of goods and services, excluding Value Added Tax on supply of goods and services from resident and non-registered the enterprise under the law of Lao PDR.
- Actual transaction cost (CIF) plus custom duties, excise tax (if any) and gross profit or deemed profit tax for non-VAT registered;
- Actual value or market value of supply of goods and services plus excise tax (if any) for self-use, exchange or given for free;
- Actual value of supply of goods and services plus excise tax (if any) for a supply goods and services through the electronic system.

## Services

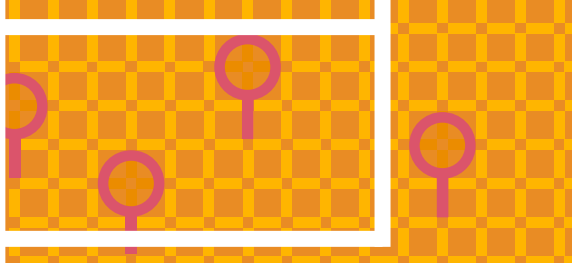
### Definition

“Service” refers to business operations consisting of the provision of labour to others or itself that is not a supply of goods, in return for a service charge in cash or in kind including equipment and vehicles.

### Place of supply

The place of supply for services in Lao PDR is as follows:

- At the place where the services are received.
- Where the supplier of consulting services is resident and established in Lao PDR.
- At the place where the supply of consulting services are related to information in Lao PDR whether or not the receiver of services is resident and established in Lao PDR.
- At the place of services which are related directly to real estate in Lao PDR such as designing, construction, maintenance and repair, services and other operation activities.
- At the place of supply of lease services of goods or enterprise’s assets which are moveable such as car, boat, plane if the goods are actually used in Lao PDR.
- At the place where passengers and goods transportation services are provided if the transaction actually occurs in Lao PDR



- At the place where cultural, artistic, sporting, scientific, educational, entertainment services or similar activities are provided.
- At the place where postal and telecommunications are provided if the service suppliers are registered enterprises under the law of Lao PDR no matter whether the customers are in Lao PDR or overseas.
- At the place where tourism services and related services are provided.

## Time of supply

No specific definition of time of supply exists.

## Value

The price charged for the service is the value on which VAT is charged.

## Rates

The VAT law provides two rates, the 0% rate and the standard 10% rate.

### Standard rate

The standard VAT rate of 10% applies to all imported, locally manufactured and consumed goods and services, which are not VAT exempted or zero-rated.

The output VAT to be charged is calculated by multiplying the taxable price by the applicable VAT rate.

### Zero rate

The 0% VAT rate applies to exported goods.

### Exemption

The law provides a list of goods and services which are exempted from VAT. This means that no output VAT is charged on the supply of such items. The list includes:

For imported goods:

- All type of crop seeds, animal for breeds, animal sperm, vaccines, equipment and liquid nitrogen for preserving vaccine and animal sperms, animal feeds, raw materials for animal feeds and vaccine production.
- Raw materials used in the production of organic fertilizers, agro-processing products, organic fertilizers, fertilizers and pesticides that are not dangerous to the ecosystem, human and animal health and life;

- Equipment and machine used in agricultural activities;
- Materials, minerals, equipment and spare parts used in production for export;
- Equipment that cannot be supplied or produced in Lao PDR and Truck machines that are fixed assets and specific for use in production;
- Chemical substances for the purpose of research, testing, scientific analysis of the Government authorities;
- Tax stamps and postal stamps;
- Airplane and equipment used in domestic and international air transportation;
- Fuel and other petroleum used in air transportation services;
- Goods used in official work for embassy, organization in Lao PDR under agreements, international agreements approved by the relevant ministries;
- Textbooks, course teaching book, modern equipment used in learning and teaching, used in research room and experiment room approved by the relevant ministries;
- Gold-bars used to insure the printing of bank notes, importation of bank notes and importation of paper or metal for printing bank notes by Bank of Lao PDR or authorize by Bank of Lao PDR;
- Animal vaccines, artificial organs for transplantation for animals;
- Traditional medicines, artificial organs for transplantation for human, human blood, supporting equipment for patients, the disabled and elderly persons;
- Equipment, medical tools, diagnostic equipment for public service of the hospitals, health centres;
- Vehicles used for specific work and public benefit such as fire trucks, ambulances, trailers, Live car for television and radio broadcast and other specific vehicles of State organization and social organisation;
- Vehicles used for national defense and public security except for vehicles used for management work;
- Some types of equipment and gifts of students, government officers, ambassadors who complete the work overseas and foreigners who wish to move to Lao PDR permanently as specified in customs law except for heritage stuff;
- Goods to support grant projects as specified in agreements that the government has signed with foreign countries.

#### For domestic goods and services:

- Non-processed or primary processed agriculture products such as sliced, grinded, removed shell, removed seed;
- All kinds of live or dead animals including the whole body or in pieces that are non-processed or preliminary processed;
- Supply of afforestation, plantation of industrial fruit and medicinal trees;
- All types of crop seeds, animals breeds, animal feeds, raw materials for making animal feeds and vaccines;



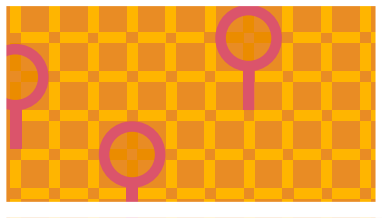
# Laos

- Raw materials used in the production of organic fertilizers, agro-processing products, organic fertilizers, fertilizers and pesticides not dangerous for health and life, ecosystem, and animal;
- Goods in airplane for the international air transportation services;
- The equipment and machinery used in agricultural activities;
- Raw material, equipment and spare parts used for manufacturing for export;
- Tax stamps and postal stamps;
- International transportation;
- Authorized learning and teaching textbooks, modern education equipment for learning and teaching activities, to use for research and experiment as authorized by relevant ministry;
- Authorized newspapers, political magazines, non-business and non-derisive and incited television service and radio programmes that disseminate political policies and serve political duties;
- The education and sport services by childcare centres, kindergartens, primary and secondary schools, vocational schools, vocational training centres, colleges, academies, universities, school teaching sports and gymnastics;
- Deposit interest, loan interest, income from transferring money fee, profit from foreign currency exchange and other financial transactions from activities of bank and or financial institution which obtained approval from bank of the Lao PDR;
- Return of an investment in securities that are registered in the stock market, the services of stock market, services of deposit securities centre, services of agency institute on securities which provide services on securities activities and other securities activities;
- Health insurance, life insurance, animals insurance and tree plantations insurance;
- The examination, treatment and diagnosis of humans and animals;
- Animal medicines, artificial organs for transplantation for animals
- Traditional medicines, artificial organs for transplantation for human, human blood, wheel chair for patient disabled person and elders
- Medical tools, equipment, diagnostic equipment for public service of the hospitals, health centres;
- Goods and services supplied to assist projects as defined in the agreements, treaties, contracts that the government has signed.

## Recovery/offset

### Recovery of input VAT

- Input VAT credits can be claimed by taxpayers registered for VAT in the Lao PDR. For the input VAT to be creditable, the taxpayer must obtain a proper VAT invoice from the supplier and comply with the conditions stipulated in the VAT law.



The VAT law provides a number of special cases for input VAT credits, such as partial input VAT credits in case that the input goods or services are used for both taxable and tax exempt supplies of goods and services. Full input VAT credits are available for fixed assets used commonly for the supply of taxable and exempted goods and services. Input VAT credits in relation to exported goods and services are only available if various documentation requirements can be fulfilled.

The non-deductible input VAT credit relates to goods and services not used directly in the business operation such as input VAT on celebrations, entertainment, luxury items, golfing and other sports.

Input VAT can be carried over up to three months starting from the month that the input VAT occurs.

### VAT calculation method

VAT payable is calculated as the output VAT charged to customers less the input VAT incurred on purchases of goods and services.

## Compliance/obligations

### Registration

Individuals, legal entities and organizations which have obtained an enterprise registration certificate approved for relevant sectors and the TIN, must register in the VAT system, except the small businesses. There is no registration threshold for VAT.

### VAT filing and payment

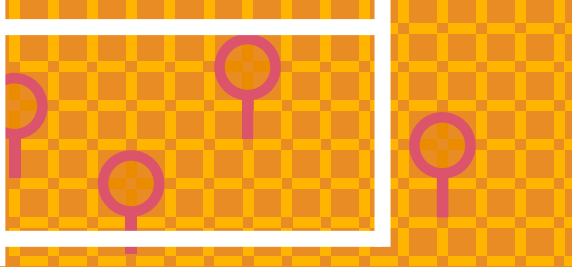
VAT-registered business operators must file and pay VAT returns every month. The VAT liability on the monthly VAT return must be paid by the 15th day of the following month.

If a VAT-registered businesses operator purchases services from a non-resident and non-VAT-registered person, it must withhold VAT and pay the withholding VAT on a monthly basis by the 15th day of the following month.

If a non VAT-registered businesses operator purchases services from non-resident and non-VAT-registered person, it must withhold VAT and pay the withholding VAT within 15 days from payment.

Individuals, legal entities and organizations who import goods are obliged to file VAT return at the time of customs declaration at the checkpoint

VAT shall be paid in LAK. If VAT is remitted in a foreign currency, it shall be converted into LAK on the date of remittance based on the exchange rate announced by the Bank of Lao PDR (buying rate).



## Refunds

VAT will be refunded under the following conditions:

- For business operators who are under VAT payer that export goods and services to foreign countries:
  - Keep accounts in accordance with the Accounting Law
  - Use invoices in accordance with the Decree on invoice
  - Possess accurate and complete transaction contract, export certified documents
  - Payment via the bank in Lao PDR
  - Comply with accurate and complete filing and payment regimes of VAT in accordance with this Law and relevant regulations.
- For VAT payer whose business is merged, separated, or terminated should:
  - have a merging and separate contract, certified documents on the separation of a business from the relevant sectors
  - have the certified documents on accurate and complete tax payments with the documents certified the termination of business from the relevant sector
- Individual, or a legal entity which is a VAT payer that is bankrupt, is required to have case files and a court decision on the bankruptcy of the enterprise.

## Refunds to foreign business

Non-resident foreigners carrying out services in the Lao PDR may not be able to register for VAT. Payments to such foreigners for such services are subject to a VAT withholding.

## Refunds to tourists

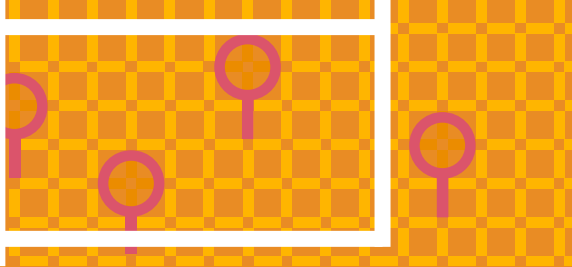
VAT related to goods purchase of tourists is refundable.

## Penalties

There are penalties for various offences and errors, such as the following cases:

- Fine of LAK 500,000 per month for VAT late filing.
- Fine of LAK 100,000 per time for failure to put taxpayer identification number in VAT declaration form.
- Fine of LAK 3,000,000 per time when there are changes in information such as phone number, enterprise's location and other which need to be mentioned in the VAT declaration form.

# Laos

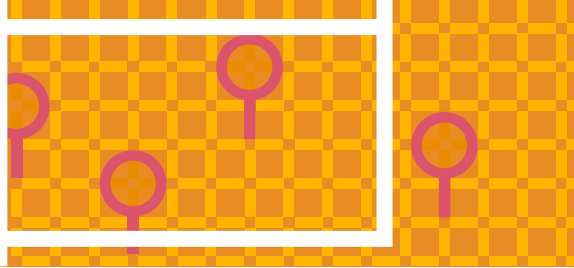


- Fine of 0.1% per day of VAT arrear in case there is failure to pay the payable amount as specified in VAT declaration form.
- Fine based on accounting regulation for failure to comply with the accounting standards.
- Failure to issue invoices or issue invoice incorrectly or writing detail invoice incompletely.
- Fine of LAK 1,500,000 per month for non-filing of VAT return
- Fine of 50% of VAT amount as making damage to state from non-filing or filing but not correct such as not declaring the goods and services as subject to VAT or declare less than actual, deduct input VAT over than what is deductible, the carry forward of higher than actual, advance filing, over payment more than actual specify in the law, not declare VAT or file less than actual.
- Fine of LAK 1,000,000 for one time per enforcement notice for failure to provide accounting documents, or failure to provide complete accounting documents.
- Fine of LAK 1,000,000 per time of violation if not cooperative with authorities.

## Digital economy

There are currently not special rules for taxing the digital economy.

# Laos



## Useful contacts

For advice on VAT in the Lao PDR, please contact:

### **PricewaterhouseCoopers (Lao) Sole Company Limited**

#### **Apisit Thientrongpinyo**

Partner

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#### **Irving Sison**

Associate Director

Email: [irving.sison@pwc.com](mailto:irving.sison@pwc.com)

Tel: +856 21 222 718-9 ext. 1501

### **Tax authority**

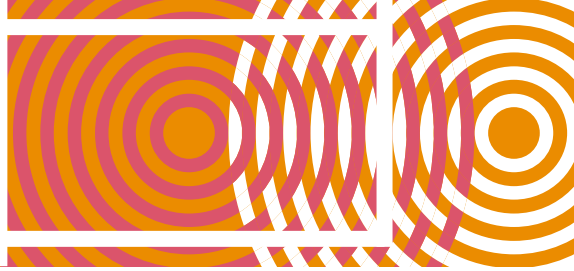
#### **The Tax Department**

The Ministry of Finance

Tel: +856 21 217 025



# Malaysia



The sales tax and service tax were implemented in Malaysia on 1 September 2018, replacing the Goods and Services Tax system that was first introduced on 1 April 2015. The sales tax and service tax are governed under two separate legislations, administered by the Royal Malaysian Customs Department (“Customs”).

## Sales Tax

### Scope

Sales tax is a single-stage tax imposed on taxable goods manufactured in Malaysia by a manufacturer registered under the Sales Tax Act 2018, and on the importation of taxable goods into Malaysia by any person.

Sales tax is generally an ad valorem tax. All goods manufactured in Malaysia by registered manufacturers or imported by any person are taxable at 10% unless specifically prescribed or exempted by order of the Minister of Finance.

### Taxable person

A taxable person is a manufacturer who is registered or liable to be registered for sales tax. A manufacturer is liable to be registered if the total sales value of his taxable goods for a 12-month period exceeds or is expected to exceed RM500,000.

### Definition

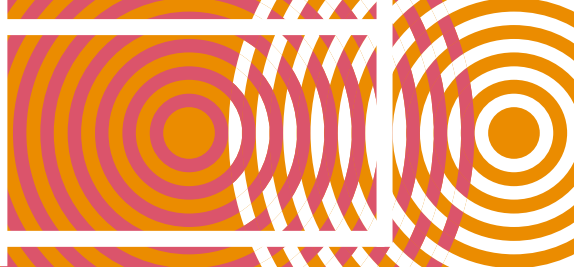
“Manufacture” means

1. In relation to goods other than petroleum, manufacture is defined as a conversion of organic or inorganic materials by manual or mechanical means into a new product by changing the size, shape, composition, nature or quality of such materials and includes the assembly of parts into a piece of machinery or other products. However, manufacture does not include the installation of machinery or equipment for the purpose of construction.
2. In relation to petroleum, any process of separation, purification, conversion, refining and blending.

“Goods” means all kind of movable property.

### Sales Value

The value of taxable goods shall be determined in accordance with the regulations made under the Sales Tax Act 2018. The rules for the determination of sales value of taxable goods are specified in the Sales Tax (Determination of Sales Value of Taxable Goods) Regulations 2018.



## Rates

Sales tax is an ad valorem tax. Specific rates of sales tax are currently only imposed on certain classes of petroleum (generally, defined petroleum).

The ad valorem rates are as follows:

<b>Class of goods</b>	<b>Rate</b>
All other goods, except for goods subject to 5% rate, petroleum subject to specific rates and goods not specifically exempted	10%
Fruit juices, certain food stuff, building materials, telephone, watches and certain computer parts	5%

## Exemption

All goods manufactured for export are exempted from sales tax.

Other goods which are specifically exempted include:

- Live animals, fish, seafood and certain essential food items including meat, milk, eggs, vegetables, fruits, bread
- Books, magazines, newspapers, journals, and periodicals
- Bicycles including certain parts and accessories
- Naturally occurring mineral substances, chemicals, etc.
- Pharmaceuticals products such as medicine, medical cream, cough syrup, bandage, medicaments containing multivitamins and minerals, etc.
- Fertilisers (animal origin or chemical) and insecticides
- Articles of goldsmith such as gold or platinum jewellery, silver tableware, etc.

A complete list of goods exempted from sales tax can be found in the Sales Tax (Goods Exempted From Tax) Order 2018.

Certain manufacturing activities are exempted from the registration requirement. They include the developing and printing of photographs and production of film slides, manufacture of ready mixed concrete, preparation of meals, repair of second hand or used goods and the installation of air conditioners in motor vehicles.





## Facilities

There are exemption facilities under the Sales Tax Act 2018 which gives the Finance Minister the power to exempt sales tax. The exemption can be categorised as follows:

- Exemption by Order of the Minister; or
- Specific exemption.

The Finance Minister may by an Order exempt:

1. Any goods or class of goods from the whole or any part of the sales tax; or
2. Any person or class of persons from payment of the whole or any part of the sales which may be charged and levied on any taxable goods manufactured or imported

### **Exemption under Schedule A of the Sales Tax (Goods Exempted From Tax) Order 2018)**

- Goods or class of goods that are exempted from sales tax are listed in the Schedule A, Sales Tax (Goods Exempted From Tax) Order 2018.

### **Exemption under Schedule A, B, and C of the Sales Tax (Persons Exempted from Payment of Tax) Order 2018**

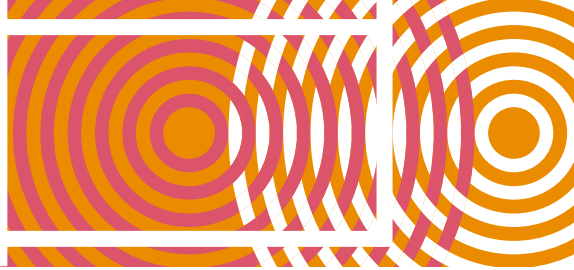
- Schedule A provides exemption to a list of person or class of person from payment of sales tax.
- Schedule B provides sales tax exemption to a manufacturer of specific exempted goods, to acquire raw materials, components and packaging materials used in the manufacturing of exempted goods.
- Schedule C provides exemption of sales tax to registered manufacturer on the acquisition of raw materials, components and packaging materials to be used in manufacturing of taxable goods.

## Specific exemption

A person or class of person may submit an application to the Finance Minister to be exempted from payment of the whole or any part of the sales tax which would have been payable by such person or class of person.

## Drawback

A person may apply to the Director General of Customs to claim drawback on the sales tax paid in respect of imported or locally acquired taxable goods which are subsequently exported.



## Imports/exports

### Import of goods

Sales tax is payable on taxable goods upon importation, and this is collected by Customs. The sales tax due is to be paid before the goods can be cleared from Customs control.

The person due to pay the sales tax upon importation may be the owner of the goods or the person who is the importer of record. The sales tax due is based on the import value and includes any Customs Duty and/or Excise Duty which are also due.

There are exemption facilities available to suspend the sales tax upon importation of goods.

### Export of goods

Exports of goods will not, in principle, be subject to sales tax.

### Documentation

To support a claim for exportation of goods, it is necessary to prove that the goods have actually left the country. In general, this means being able to produce documentation (e.g. Customs export form, bill of lading, airway bills, invoices to overseas customers and other commercial evidence) to show that the goods have been exported. If proof of export cannot be provided, sales tax will be due on the sale regardless of whether it has or has not been charged.

## Compliance/obligations

### Registration

A manufacturer is liable to be registered if the total value of his taxable goods for a 12 month period exceeds or is expected to exceed the threshold of RM500,000. The calculation of the threshold for the 12 months period can apply retrospectively or prospectively.

A manufacturer who is not liable to be registered for sales tax or exempted from registration may register on a voluntary basis.

The due date for registration is not later than the last day of the month following the month in which he is liable to be registered for sales tax.

### Registration number

Each sales tax registered person is issued with unique identification number starting with a letter followed by 14 digits (e.g. X99-9999-99999999).



## Invoices, including e-invoicing

A registered person is required to issue an invoice with the prescribed particulars for the sale of taxable goods.

The following particulars must be shown on an invoice:

1. the invoice serial number;
2. the date of the invoice;
3. the name, address and identification number of the registered manufacturer;
4. the name and address of the person to whom the taxable goods is sold;
5. a description sufficient to identify the taxable goods sold;
6. any discount offered;
7. for each description, distinguish the type of taxable goods, quantity of the taxable goods and the amount payable excluding sales tax;
8. the total amount payable excluding sales tax, the rate of sales tax and the total sales tax chargeable shown as a separate amount;
9. the total amount payable inclusive of total of sales tax chargeable; and
10. if any amount is expressed in foreign currency, that amount shall be converted to the local currency.

A registered person is allowed to issue electronic invoices in-lieu of invoices in paper form.

## Records

Every taxable person must keep full and up-to-date records of all transactions which affect or may affect his tax liability, including the following records:

1. all records of sales of taxable goods by or to that taxable person including invoices, receipts, debit note and credit note;
2. all records of importation and exportation of taxable goods; and
3. all other records as the Director General may determine.

## Retention period

The records described above must be kept for a period of 7 years in either the local National Language or English.

Records can be kept in electronic format but must be readily accessible and convertible in writing.



## Returns

### Periods

A taxable period is a period of 2 calendar months. However, a taxable person can apply to vary the taxable period to the Director General of Customs.

The returns must be filed no later than the last day of the month following the end of the taxable period to which the return relates. The returns must be filed even if there are no taxable transactions for that month.

### Payment

Sales tax is due at the time the taxable goods are sold, disposed of otherwise than by sale, or first used otherwise than as materials in the manufacture of taxable goods, by the taxable person. However, in relation to the classes of petroleum that are subject to sales tax, special provision apply regarding the time when sales tax is due.

The payment is due, with a return furnished, no later than the last day of the month on which the return is due to be furnished. For a varied taxable period, the payment is due, with a return furnished, latest by 30 days from the end of the varied taxable period.

### Content of forms

The return for both sales tax and service tax will be the SST-02 form. For sales tax, the following information is required:

#### Part A

- SST registration number
- Name of registered manufacturer
- Taxable period
- Return and payment due date

#### Part B1

- Description of taxable goods
- Customs tariff code
- Value of taxable goods (including value of Debit Note)
- Values of goods for own use / disposed



## Part B2

- Total value of tax payable for taxable goods at 5% rate
- Total value of tax payable for taxable goods at 10% rate
- Total value of tax payable
- Amount of sales tax deduction from credit note and contra transaction;
- Total tax payable before penalty imposed
- Penalty rate/penalty amount
- Total of tax payable inclusive penalty

## Part C

- Total value of taxable sales and tax payable for goods under Schedule 2, Sales Tax (Rate of Tax) Order 2018

## Part D

- Sales of taxable goods exempted from tax under:
  - Export / Special Area / Designated Area
  - Local sales exempted to person under the Sales Tax (Person Exempted From Payment of Tax) Order 2018
    - Schedule A
    - Schedule B
    - Schedule C

## Part E

- Goods purchased under item 1 to 5 , Schedule C, Sales Tax (Person Exempted From Payment of Tax ) Order 2018

### Refund of sales tax on bad debts

A registered manufacturer or a person who has ceased to be a registered manufacturer can apply for a refund of sales tax in relation to bad debts subject to the following:

- The whole or part of the sales tax paid has been written off as bad debt
- All reasonable efforts have been made by the applicant to recover the sales tax.



## Penalties

Customs may impose penalties for offences and errors. The majority is imposed upon conviction. The rates of penalties are as follows:

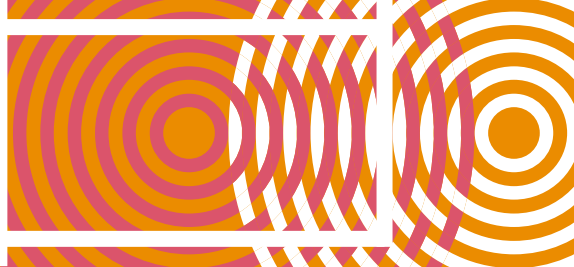
- Penalty for incorrect return
  - Up to RM300,000 per year (RM50,000 per offence times 6 returns)
- Failure to make payment
  - Up to RM300,000 per year (RM50,000 per offence times 6 returns)
- Penalty for general offences (i.e. transactional)
  - Up to RM30,000 per offence
  - transaction base (RM30,000 times the number of transactions)
- Penalty for late payment
  - 30 days: 10% of the amount of sales tax remains unpaid
  - 60 days: 25% of the amount of sales tax remains unpaid
  - 90 days: 40% of the amount of sales tax remains unpaid

Imprisonment term may also be imposed in addition to the penalties for the above offences.

Customs has the power to compound offences and effectively reach out-of-court settlements. The amount compounded is restricted to 50% of the maximum penalties on conviction.

There are also penalties for:

- Failure to register
- Submitting a late return
- Incorrect information
- Evading sales tax
- Failing to keep records
- Obstruction of an officer
- Issuing an invoice with sales tax whilst not registered.



## Service Tax

### Scope

Service tax is a consumption tax levied and charged on any prescribed taxable services provided in Malaysia by a person registered under the Service Tax Act 2018, in carrying on his business. Service tax is also levied and charged on the importation of any prescribed taxable services into Malaysia, effective 1 January 2019.

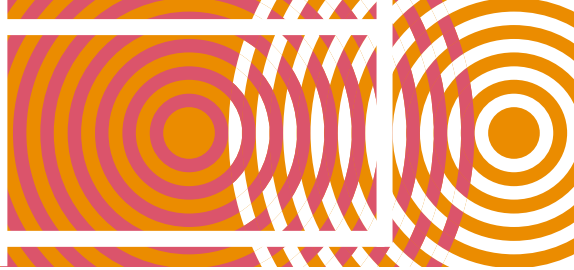
Service tax is proposed to be charged on digital services provided by overseas service providers to Malaysian customers, effective 1 January 2020.

### Taxable person

A taxable person is a person who is registered or liable to be registered for service tax. A person is liable to be registered if the total value of his taxable services for a 12-month period exceeds or is expected to exceed the prescribed registration threshold.

The table below summarises the taxable person and their respective prescribed registration

Group	Taxable person	Registration threshold (RM)
A	<ul style="list-style-type: none"> <li>Operators of hotels, inns, lodging house, service apartment, homestay (subject to some exclusions)</li> </ul>	500,000
B	<ul style="list-style-type: none"> <li>Operators of restaurants, bars, snack-bars, canteen, coffee house or any place providing food and drinks whether eat-in or take-away (subject to some exclusions)</li> </ul>	1,500,000
C	<ul style="list-style-type: none"> <li>Operators of night-clubs, dance halls, cabarets</li> <li>Operators of 1st, 2nd or 3rd Class Public House and 1st and 2nd Class Beer House</li> <li>Operators of approved health and wellness centres and massage parlours (subject to some exclusions)</li> </ul>	500,000
D	<ul style="list-style-type: none"> <li>Operators of private clubs</li> </ul>	500,000
E	<ul style="list-style-type: none"> <li>Operators of golf course or golf driving range</li> </ul>	500,000
F	<ul style="list-style-type: none"> <li>Licensed operators of bettings, sweepstakes, lotteries, gaming, machines or games of chance</li> </ul>	500,000



G	<ul style="list-style-type: none"> <li>• Advocates, solicitors and syarie lawyers</li> <li>• Public accountants</li> <li>• Licensed or registered surveyors / registered valuers, appraisers and estate agents</li> <li>• Professional engineers</li> <li>• Architects</li> <li>• Providers of consultancy, training, or coaching services (subject to some exclusions)</li> <li>• Information technology services providers (subject to some exclusion)</li> <li>• Management services providers (subject to some exclusions)</li> <li>• Employment services providers (subject to some exclusions)</li> <li>• Licensed private agencies</li> </ul>	500,000
H	<ul style="list-style-type: none"> <li>• Person who are regulated by Bank Negara Malaysia and provide credit card or charge card services through the issuance of a credit card or a charge card</li> </ul>	Nil
I	<ul style="list-style-type: none"> <li>• Licensed insurers or takaful operators</li> <li>• Licensed/registered persons providing telecommunication services and contents applications services</li> <li>• Operators of parking spaces</li> <li>• Operators of motor vehicles service or repair centres</li> <li>• Licensed courier service providers</li> <li>• Hire-and-drive car and hire-car service companies</li> <li>• Advertising service providers</li> <li>• Providers of electricity transmission and distribution services</li> <li>• Licensed airlines providing domestic flights (subject to some exclusions)</li> <li>• Operators of amusement parks (subject to some exclusion)</li> <li>• Providers of brokerage and underwriting services</li> <li>• Providers of cleaning services (subject to some exclusion)</li> </ul>	500,000
	<ul style="list-style-type: none"> <li>• Approved Customs agents</li> </ul>	Nil

With effect from 1 January 2020, foreign service providers who provide online services to Malaysian consumers will be required to register in Malaysia and charge service tax.





## Services

### Taxable services

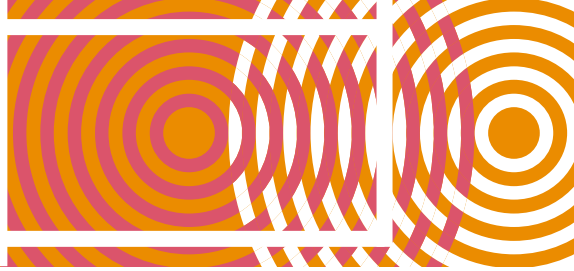
A complete list of taxable service are prescribed in the First Schedule to the Service Tax Regulations 2018.

Examples of taxable services include but not limited to the provision of:

- accommodation premises,
- sales or provision of food,
- drinks and alcoholic beverages,
- certain professional services,
- certain telecommunications services,
- betting and gaming services,
- management services,
- security services,
- provision of parking space,
- provision of golf course,
- golf driving range,
- courier delivery services (other than to destinations outside Malaysia),
- domestic flight services,
- provision and issuance of charge card or credit card whether or not subscription or fee is imposed,
- provision of electricity to domestic consumer,
- advertising services,
- air passenger transport services,
- cleaning services,
- services including entrance fees of amusement park operators,
- services in relation to the use or provision of brokerage and underwriting,
- consultancy, training, coaching services.

### Rates

The rate of service tax is 6% ad valorem for all prescribed taxable services except for the provision of charge or credit card services. For the provision of charge or credit card services, the service tax is at RM25 per year on each principal card or supplementary card.



## Exemption

### 'Company within the same group of companies' concession

Certain professional services provided to companies within the same corporate group would not be taxable subject to certain qualifying criteria.

Examples of the types of supplies that may qualify under this concession are provision of management services, consultancy services, and information technology services.

### 'B2B' service tax exemption

Specific taxable services provided by a registered person to another registered person who is registered for the same service will be exempted from service tax, effective from 1 January 2019.

## Imports/exports

### Import of services

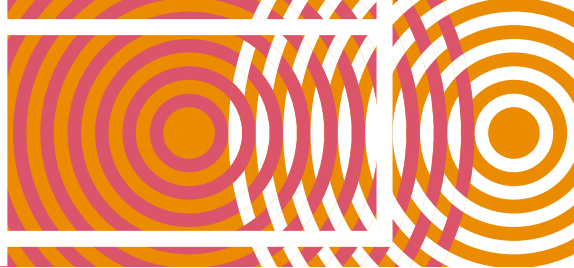
Effective 1 January 2019, service tax is levied and charged on the importation of any prescribed taxable services into Malaysia.

Any person who carries on business in Malaysia who acquired taxable services, if it is made in Malaysia, from any service provider outside Malaysia shall account for and make payment of service tax to Customs. The term "any person" refers to a business whether registered or not registered for service tax.

The service tax for imported taxable service is due on the earlier of the payment date or the date the invoice for the service is received. A non-taxable person is required to account for the service tax on imported taxable services in the prescribed declaration, SST-02A form, to the Director General of Customs.

### Export of services

Generally, service tax is not chargeable for any services in connection with goods, land or subject matters outside Malaysia.



## Compliance/obligations

### Registration

A person is liable to be registered if the total value of his taxable supplies for a 12 month period exceeds or is expected to exceed the threshold as prescribed in the First Schedule of the Service Tax Regulations 2018. The calculation of the threshold for the 12 months period can apply retrospectively or prospectively.

A person who makes taxable supplies below the threshold is not required to be registered but may register on a voluntary basis.

The due date for registration is not later than the last day of the month following the month in which he is liable to be registered for service tax.

### Registration number

Each service tax registered person is issued with unique identification number starting with a letter followed by 14 digits (e.g. X99-9999-99999999).

### Invoices, including e-invoicing

A registered person is required to issue an invoice with the prescribed particulars for the taxable services rendered.

The following particulars must be shown on an invoice:

- the invoice serial number;
- the date of the invoice;
- the name, address and identification number of the registered person;
- a description sufficient to identify the taxable services provided;
- any discount offered;
- the total amount payable excluding tax, the rate of service tax and the total service tax chargeable to be shown separately;
- the total amount payable inclusive of the total service tax chargeable; and
- if any amount is expressed in foreign currency, that amount shall be converted to the local currency.

A registered person may write to the Director General of Customs to apply for certain particulars of an invoice to be omitted. A registered person is also allowed to issue electronic invoice in-lieu of invoice in paper form.



## Records

Every taxable person must keep full and up-to-date records for all transactions which affect or may affect his tax liability, including the following records:

1. all records of provision of taxable services by or to that taxable person including invoices, receipts, debit note and credit note; and
2. all other records as the Director General may determine.

### Retention period

The records described above must be kept for a period of 7 years in either the local National Language or English.

Records can be kept in electronic format but must be readily accessible and convertible in writing.

## Returns

### Periods

A taxable period is a period of 2 calendar months. However, a taxable person can apply to vary the taxable period to the Director General of Customs.

The returns must be filed no later than the last day of the month following the end of the taxable period to which the return relates. The returns must be filed even if there are no taxable transactions for that month.

### Payment

The payment is due, with a return furnished, no later than the last day of the month on which the return is due to be furnished. For a varied taxable period, the payment is due, with a return furnished, latest by 30 days from the end of the varied taxable period.

### Content of forms

The return for both sales tax and service tax will be the SST-02 form. For service tax, the following the following information are required:

#### Part A

- SST registration number
- Name of registered person
- Taxable period



## Part B1

- Type of taxable service provided / imported
- Service type code
- Value of work performed
- Values of free services
- Value of taxable service (including value of Debit Note)

## Part B2

- Total value of tax payable for taxable services other than from Group H
- Total value of tax payable for taxable services from Group H
- Total value of tax payable
- Amount of service tax deduction from credit note and contra transaction;
- Total tax payable before penalty imposed
- Penalty rate/penalty amount
- Total of tax payable inclusive penalty

## Part D

- Taxable services exempted from tax under export, special area or designated area.

### Refund of service tax on bad debts

A registered person or a person who has ceased to be a registered person can apply for a refund of service tax in relation to bad debts subject to the following:

- The whole or part of the service tax paid has been written off as bad debt
- All reasonable efforts have been made by the applicant to recover the service tax

### Penalties

Customs may impose penalties for offences and errors. The majority is imposed upon conviction. The rates of penalties are as follows:

- Penalty for incorrect return
  - Up to RM300,000 per year (RM50,000 per offence times 6 returns)
- Failure to make payment
  - Up to RM300,000 per year (RM50,000 per offence times 6 returns)



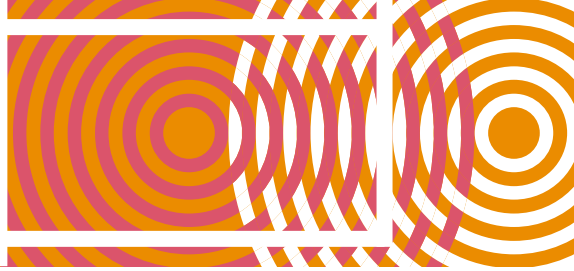
- Penalty for general offences (i.e. transactional)
  - Up to RM30,000 per offence
  - transaction base (RM30,000 times the number of transactions)
  
- Penalty for late payment
  - 30 days: 10% of the amount of service tax remains unpaid
  - 60 days: 25% of the amount of service tax remains unpaid
  - 90 days: 40% of the amount of service tax remains unpaid

Imprisonment term may also be imposed in addition to the penalties for the above offences.

Customs has the power to compound offences and effectively reach out of court settlements. The amount compounded is restricted to 50% of the maximum penalties on conviction.

There are also penalties for:

- Failure to register
- Submitting a late return
- Incorrect returns
- Incorrect information
- Evading service tax
- Failing to keep records
- Obstruction of an officer
- Issuing an invoice with service tax whilst not registered



## Digital Economy

### Services

As proposed in the Service Tax (Amendment) Bill 2019, with effect from 1 January 2020, service tax will be charged on digital services provided by foreign service providers to Malaysian consumers. The service providers will be required to register for service tax as ‘foreign registered persons’.

‘Foreign service provider’ means any person who is outside Malaysia providing any digital service to a consumer and includes any person who is outside Malaysia operating an online platform for buying and selling goods or providing services (whether or not such person provides any digital services) and who makes transactions for provision of digital services on behalf of any person.

It would seem that the intention is to make platform operators responsible for charging and levying the tax on digital services provided to consumers, whether or not they are actually providing the digital service. However the construction of the legislation would also capture any other provider of a digital service to a ‘consumer’. Those service providers will be required to register for service tax.

‘Consumer’ means any person who fulfils any two of the following:

1. makes payment for digital services using credit or debit facility provided by any financial institution or company in Malaysia;
2. acquires digital services using an internet protocol address registered in Malaysia or an international mobile phone country code assigned to Malaysia;
3. resides in Malaysia.

### Scope of Services

‘Digital services’ have been broadly defined as a service which is:

“Any service that is delivered or subscribed over the internet or other electronic network and which cannot be obtained without the use of information technology and where the delivery of the service is essentially automated.”

### Affected businesses

Overseas businesses who are providing any digital service to a consumer, online platform for buying and selling goods or providing services, and businesses who makes transactions for provision of digital services on behalf of any person.



## Compliance/obligations

### Registration

For the registration before the effective date, foreign service providers are required to be registered 3 months prior to the effective date. This would mean that registration must be completed prior to 1 October 2019.

For the registration after the effective date, foreign service providers that meet a turnover threshold, either prospectively or retrospectively, are required to register no later than the last day of the month following the month in which he is liable to be registered for service tax.

The turnover threshold is yet to be announced, however for guidance, most services under the Service Tax Act are subject to a turnover threshold of RM500,000.

### Invoices

A foreign registered person is required to issue an invoice or a document with the prescribed particulars which are yet to be defined.

### Period

A taxable period is a period of 3 calendar months. However, a foreign registered persons can apply to vary the taxable period to the Director General of Customs.

### Returns

The returns must be filed no later than the last day of the month following the end of the taxable period to which the return relates. The returns must be filed even if there are no taxable transactions for that month.

### Payment

The payment is due, with a return furnished, no later than the last day of the month on which the return is due to be furnished.

### Contents of forms

The return to be submitted by foreign registered person is yet to be defined by Customs.





## Penalties

Customs may impose penalties for offences and errors. Some are imposed upon conviction. The rates of penalties are as follows:

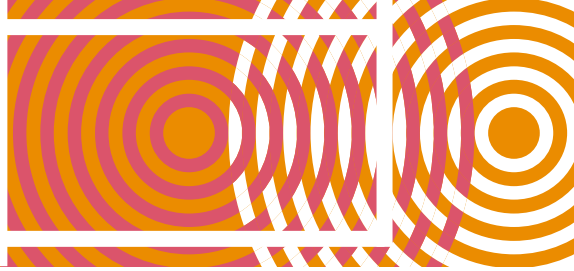
- Penalty for incorrect return
  - Up to RM200,000 per year (RM50,000 per offence times 4 returns)
- Failure to make payment
  - Up to RM200,000 per year (RM50,000 per offence times 4 returns)
- Penalty for general offences (i.e. transactional)
  - Up to RM30,000 per offence
  - transaction base (RM30,000 times the number of transactions)
- Penalty for late payment
  - 30 days: 10% of the amount of service tax remains unpaid
  - 60 days: 25% of the amount of service tax remains unpaid
  - 90 days: 40% of the amount of service tax remains unpaid

Imprisonment term may also be imposed in addition to the penalties for the above offences.

Customs has the power to compound offences and effectively reach out of court settlements. The amount compounded is restricted to 50% of the maximum penalties on conviction.

There are also penalties for:

- Failure to register
- Submitting a late return
- Incorrect information
- Evading service tax
- Failing to keep records
- Obstruction of an officer



## Useful contacts

For advice on sales tax and service tax in Malaysia, please contact:

### **PricewaterhouseCoopers**

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Advisor

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Tel: +60 3 2173 1648

### **Tax authority**

The collection of sales tax and service tax are administered by the **Royal Malaysian Customs Department**, <https://mysst.customs.gov.my/>

They are based at:

Royal Customs Malaysia Head Office

Ministry of Finance Complex

No. 3, Persiaran Perdana Presint 2

62596 Putrajaya

Malaysia



# Myanmar

# Myanmar

Myanmar does not have a value added tax (VAT) system. Instead, its turnover tax is commercial tax. This commentary aims to serve as a reference guide on the commercial tax system in Myanmar. The government has also introduced Specific Goods Tax (SGT) Law on 18 January 2016 with effect from 1 April 2016.

It should be noted that there are various changes taking place in Myanmar following the liberalisation of the state controlled economy. The Internal Revenue Department (IRD) may periodically issue notifications which impose/cancel/revise the types of goods and services which are subject to commercial tax. Details will change if and when such notifications are issued.

## Scope

Commercial tax is imposed on a wide range of goods and services produced or rendered within the country, based on the sales proceeds. The tax is also levied on trading activities within the country, imported goods where the import value is based on the landed cost i.e. the sum of the cost, insurance and freight (CIF) value and customs duty, and certain exported goods e.g. electricity and crude oil. Collection of these taxes is made at the point of entry and the time of clearance for importation.

The relevant producer of prescribed goods, provider of prescribed services, trader, importer of goods and exporter of certain goods (that are subject to commercial tax) shall be responsible to pay the commercial tax.

## Taxable person

Prior to 1 April 2014, no commercial tax was imposed if the sales or receipts from services for a financial year were not more than MMK 10 million.

The threshold has been changed as follows:

- With effect from 1 April 2014, the threshold of MMK 10 million was increased to MMK 15 million.
- With effect from 1 April 2015, the threshold was increased to MMK 20 million.
- With effect from 1 April 2017, the threshold was increased to MMK 50 million.

## Rates

The tax rates ranging from 0% to 8% is levied as a turnover tax on goods and services. Generally, commercial tax is imposed at the rate of 5%. Commercial tax on all exports of goods except for electricity (8%) and crude oil (5%) shall be subject to commercial tax at the rate of 0%.

## Goods and Services

Goods are defined as imported materials and materials produced in the country for sale. Services refer to the rendering of services for remuneration, fee or consideration.

There are 42 types of goods exempted from commercial tax. All services rendered within the country are subject to 5% commercial tax except for 31 types of services that are specifically exempt from commercial tax (e.g. life insurance, banking and financial services that are operated with the permission of the Central Bank of Myanmar, microfinance, public transportation, publishing services).

Companies registered under the Myanmar Investment Law (MIL) and Special Economic Zone (SEZ) Law and which have obtained permits from the Myanmar Investment Commission (MIC) and the SEZ management committee may also, at the discretion of the relevant approving authorities, be granted exemption from commercial tax on the importation of certain goods during certain periods and goods that are manufactured for export.

## Recovery/offset

Businesses which are registered for commercial tax can recover commercial tax incurred on goods and services as input tax if the conditions for claiming are satisfied.

Prior to 1 April 2016, the manufacturer can offset the tax paid on the raw materials or semi-finished goods purchased against the tax due on the sale of goods that are produced. The business which carries out a trading business of buying and selling of goods can offset the tax paid on the importation and purchase of such goods against the tax due on the sale of the same goods.

With effect from 1 April 2016, under notification no. 18/2016 (dated 4 February 2016), Amended Commercial Tax Regulations, the manufacturers, traders and service providers are allowed to claim commercial input tax incurred on both services and goods in accordance with the following rules:

- The businesses must be registered for commercial tax purposes in order to claim any commercial input tax against commercial output tax.
- Sufficient supporting documents in relation to the claim such as Invoices, Form 31 – Security paper (i.e., commercial tax claim form), and Certificate of Commercial Tax Registration must be submitted.
- The amount of the commercial input tax claimable during a financial year is limited to the commercial output tax due on sales during the same financial year, except export sales that are regarded as zero-rated supplies where the excess commercial input tax over output tax is therefore refundable.

# Myanmar

- If the businesses were to incur commercial input tax more than commercial output tax due on sales during a financial year, the excess input tax incurred during a financial year will be allowed for income tax deduction, except export sales where the excess input tax is refundable. This implies that any excess commercial input tax (except export sales) is not allowed for carry forward.
- Commercial input tax on purchases of capital expenditure will not be claimable against the commercial output tax due.
- Commercial tax payments made within 10 days after the end of financial year will be regarded as advance commercial tax paid during that financial year.

## Compliance/obligations

Paragraph 5 of the Notification 180/2015 amended Section 3 of the Commercial Tax Regulations such that the producer of goods or trader or the service provider who shall have taxable sales proceeds or the taxable service income in a year are required:

- For the first year – to submit an application for registration to the relevant Township Revenue Officer with the stipulated form within one month in advance prior to the commencement of the business
- For each subsequent year - to submit an application for registration to the relevant Township Revenue Officer with the stipulated form within one month before the expiry date of the registration certificate

A person registered for commercial tax is required to comply with the following filing deadlines:

- Payment of its monthly commercial tax within 10 days of the following month. However for the last month of each financial year, in practice, the IRD currently requires the monthly filing and payment to be made latest by the end of the month instead of within 10 days of the following month
- Submission of a quarterly commercial tax return to IRD by the end of the following month of each quarter and
- Submission of an annual commercial tax return to IRD within three months from the end of the statutory accounting year end

## Refunds to foreign businesses

There are currently no provisions to allow a foreign business that is not registered in Myanmar to recover commercial tax.

# Myanmar

## Refunds to tourists

There are currently no provisions to allow tourists to recover commercial tax incurred in Myanmar.

## Penalties

There are penalties for many offences and errors. The penalties could range from 10% to 100% of the additional tax payable, plus potential jail sentences.

There are penalties for:

- failure to register
- failure to send intimation of commencement of operation of enterprise
- failure to furnish the return within the stipulated time
- failure to pay tax according to the return
- failure to comply with the notice intimating to appear for examination relating to assessment
- failure to pay tax within the days stipulated or extended to pay tax
- failure to submit the accounts stipulated to keep by the Ministry of Finance and Revenue of the Union Government
- evaded payment of tax or concealed particulars relating to the proceed of sale or receipt from service to reduce tax and
- furnished a false return relating to the business's proceed of sale or receipt from service or to have produced books of accounts, statements of accounts which are false or which the business knows to be false with deceitful purpose

Based on the Amended Commercial Tax Law 2015 dated 2 April 2015, there are additional penalty provisions for failure to furnish an invoice/receipt to a buyer or customers and failure to affix a tax stamp on the invoice/receipt issued. In addition to 100% of tax due on the invoices/receipts and the additional penalty provisions for that default within a financial year are as follows:

- First time failure: MMK 200,000
- Second time failure: MMK 500,000
- Third time failure: MMK 700,000
- Over three times failure: MMK 1 million

# Myanmar

## Specific Goods Tax (SGT)

The Specific Goods Tax Law replaces commercial tax for a list of specific goods that are imported into Myanmar, manufactured in Myanmar, or exported to a foreign country. A manufacturer, importer, exporter and the person who keeps in hand the specific goods are liable to pay the tax.

On top of SGT, commercial tax of 5% will also be imposed.

## Goods

The list of specific goods include cigarettes, tobacco leaves, virginia leaves, cheroots, cigars, pipe tobaccos, and betel-chewing tobacco; beers, wine, and alcoholic beverages; wood logs and wood cuttings; raw jade, rubies, sapphires, emeralds, diamonds, and other precious gems; polished jade, rubies, sapphires, emeralds, diamonds, and other precious gems; jewellery studded with polished jade, rubies, sapphires, emeralds, diamonds, and other precious gems; vans, saloons, sedans and estate wagons, and coupe cars except double cab 4-door pickups from the range of 1501 cc to 4001 cc and above; and kerosene, petrol, diesel, and aviation jet fuel, as well as natural gas.

## Rates

The SGT rates range from 5% to 80%. SGT is exempted for all exports, except for natural gas, wood logs and wood cuttings, raw gemstones, and processed gemstones with the tax rates ranging from 5% to 15%.

The tax payable shall be based on the landed costs if the specific goods are imported.

If they are produced locally, the tax payable will be based on the sale price of the factory, workshop or department approved by the IRD for the relevant fiscal year if the specific goods are identified as taxable items under notifications issued by the Ministry of Planning and Finance. For the remaining specific goods, the tax payable will be based on the higher of the selling price reported by the factory, workshop, or selling price of factory and department prescribed by the IRD.

For specific goods to be exported, the tax payable will be based on the cost on board of the goods. According to the SGT law, if it is found that goods in the hand of owner have not been made tax payment, the tax payable will be based on the selling price or market price at the time of finding.



## Recovery/offset

Based on the notification no. 5/2019 (dated 10 January 2019), Specific Goods Tax Rules, a manufacturer of specific goods and a person who export specific goods (that are subject to specific goods for export) to abroad can claim and offset the specific goods tax incurred on the landed cost of the imported specific goods and the specific goods purchased from the local manufacturer.

The SGT can be offset with the following specifications:

- It must be registered for SGT purpose;
- All the offsetting of input SGT shall be on a consumption basis;
- The SGT paid on fixed asset, damaged goods and unsold products are not allowed for offset;
- Submission of relevant supporting documents such as the prescribed claim form (e.g. Form 21, 22).

With sufficient evidence that the taxpayer is able to show that the tax paid exceeds the actual assessed tax, the excess shall be refunded. Claiming refund or offsetting or requesting for prescribing as the tax payable shall be only within one year.

## Compliance/obligations

Registration is required for the manufacturer, importer and exporter within the prescribed timeline. The registration needs to be done within three months before starting the business and renewal of registration is within three months in advance before starting the relevant fiscal year.

The SGT shall be paid together with the customs duties to the customs department before collecting the goods for imported specific goods. For the manufactured specific goods within the country, it must be paid within 10 days to the IRD after the month of sale or within 10 days after the month of production. For the exported specific goods, the tax must be paid within 10 days after the month of export.

The annual return must be filed within three months from the end of the statutory accounting year end.

# Myanmar

## Penalties

There are penalties for many offences and errors. The penalties can range from 10% to 100% of the value of the goods or assessed tax payable including imprisonment. The penalties include:

- Fine for possessing specific goods on which no tax was paid
- Failure to pay the tax within the period
- Failure to submit the return in time
- Failure to affix the specified tax seal
- Evade/ conceal in order to reduce tax rate
- Sued and convicted within Sued and convicted within
- Intention to cheat, Sued and convicted of intent to cheat
- Misusing power vested by this law with dishonesty or to cheat
- Failing to abide by this law without sufficient reason to do so.

The penalties for failure to register for SGT or reporting the information required to determine market price within the stipulated time is MMK 5 million.

# Myanmar

## Digital economy

Currently, there are no special rules for taxing the digital economy.

## Other indirect taxes

Property tax applies to immovable property (land and buildings) situated within the City Development area and is imposed by the city development committee just to cover its costs incurred in maintaining each respective city.

Stamp Duty is levied under the Myanmar Stamp Act 1891 on various types of instruments.

Customs duty is levied under the Customs Tariff of Myanmar (2017) at rates ranging from 0% to 40% on the importation. Companies registered under the MIL and SEZ Law and which have obtained permits from the relevant approving authorities may, at their discretion, be given relief from customs duty on machinery, equipment, instruments, machinery components, spare parts and materials used during the period of construction or expansion, and on raw materials for a certain period.

Excise duty in the form of excise license fee is levied on alcoholic drinks. The duty is collected by the Ministry of Home Affairs.

# Myanmar

## Useful contacts

For help and advice regarding Commercial Tax in Myanmar, please contact:

### **PricewaterhouseCoopers Myanmar Co. Ltd.**

#### **Paul Cornelius**

Tax Partner

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Tel : + 65 6236 3718

#### **Ding Suk Peng**

Tax Managing Director

E-mail : suk.peng.ding@mm.pwc.com

Tel : + 959 977852930

### **Tax authority**

Commercial tax is administered by the **Internal Revenue Department (IRD)**,  
[http: www.irdmyanmar.gov.mm](http://www.irdmyanmar.gov.mm).

The IRD is based at:

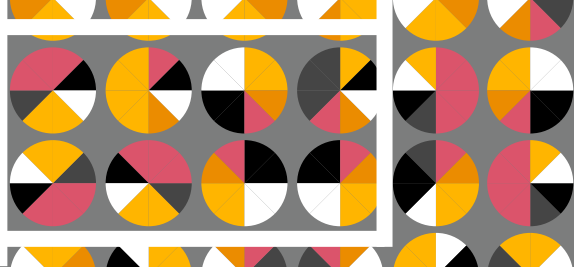
Building No. 46

Naypyidaw, Myanmar



# New Zealand

# New Zealand



## Scope

The Goods and Services Tax Act 1985 introduced Goods and Services Tax (GST) with effect from 1 October 1986.

GST applies to the supply of goods and services (excluding exempt supplies) made “in New Zealand” by registered persons at the rate of 15% (increased from 12.5% on 1 October 2010). There are minimal exemptions and the two principal rates are 15% and 0%.

Exports of goods are zero rated, as are certain “exported” services, certain business-to-business financial services and supplies involving land between GST- registered persons.

The principal categories of exempt supplies are “financial services” and “residential rental accommodation”.

## Taxable person

A taxable person is defined as a person who is registered or liable to be registered for GST. A person is liable to be registered for GST if the person makes taxable supplies in the course or furtherance of a taxable activity and the total value of supplies made in New Zealand (NZ) from all taxable activities has exceeded, or is expected to exceed NZD 60,000 in any 12 month period (the threshold was increased from NZD 40,000 to NZD 60,000 from 1 April 2009).

A person includes a company, an unincorporated body of persons, a public authority and a local authority. An unincorporated body means an unincorporated body of persons, including a partnership, a joint venture and the trustees of a trust.

If a person makes taxable supplies below the registration threshold, the person may voluntarily register.

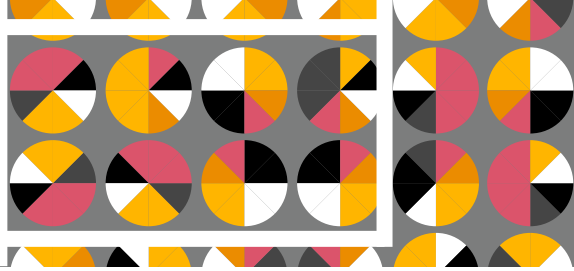
Separate GST registration for groups of companies is possible if certain criteria are met (see section under ‘Group registration’ for more details).

## Goods and services

### Definition of goods

Goods are defined as all kinds of personal or real property; but does not include choses in action or money, or a product that is transmitted by a non-resident to a resident by means of wire, cable, radio, optical or other electromagnetic system or by means of a similar technical system.

# New Zealand



## Definition of services

Services are defined as anything which is not goods or money.

“Money” includes:

- Bank notes and other currency, being any negotiable instruments used or circulated, or intended for use or circulation, as currency; and
- Postal notes and money orders; and
- Promissory notes and bills of exchange, -

whether of New Zealand or any other country, but does not include a collector’s piece, investment article, or item of numismatic interest.

## Place of supply

There is a “three-tier” place of supply rule. The “general” rule is that goods and services are treated as supplied in New Zealand if the supplier is resident in New Zealand. They are deemed to be supplied outside New Zealand if the supplier is not resident in New Zealand.

In the case of non-residents, this rule is modified so that goods and services will be deemed to be supplied in New Zealand if:

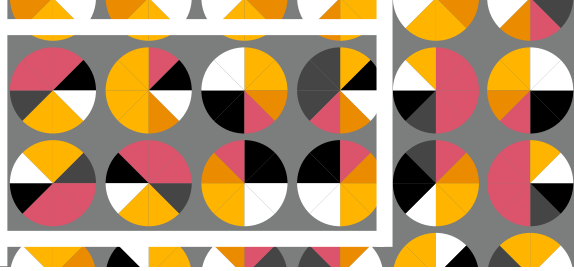
- In the case of goods, the goods are in New Zealand at the time of supply;
- In the case of services, the services are physically performed in New Zealand by a person who is in New Zealand at the time the services are performed.

There is a further modification whereby goods and services supplied by a non-resident supplier “in New Zealand” under the above rule will be deemed to be supplied outside New Zealand, if the supplies are made to a GST-registered person for the purposes of carrying on that registered person’s taxable activity, unless the parties agree otherwise. The effect is to give non-residents a choice of whether or not to register, and they will normally choose to register where there are GST costs to be recovered.

A person is resident in New Zealand for GST purposes if the person is resident for income tax purposes, or carries on any activity in New Zealand while having any fixed or permanent place in New Zealand relating to that activity.

There is also a special place of supply rule for a non-resident supplier of “remote services”, and for a “reverse charge” on imported services that deems the supply to be made in New Zealand (both of these special rules are discussed in more detail below).

# New Zealand



## Time of supply

Generally, the time of supply is the earlier of the time that an invoice is issued, or the time any payment is received (a deposit or part payment beneficially received is sufficient), or where one of the specific timing rules applies. Certain specific timing rules apply to progressive supplies and supplies between associated persons.

The time of supply for transactions between associated persons occurs at the earlier of invoice or payment, or where:

- In the case where the goods supplied are removed, at the time of removal;
- In the case where goods supplied are not to be removed, at the time they are made available to the recipient;
- In the case where services are supplied, at the time they are performed.

With respect to progressive supplies, the time of supply is generally the earlier of the time when payment becomes due or is received. An example would be payment of rental under a lease agreement.

## Value

The value of the supply is defined as the amount, with the addition of the tax charged, that is equal to the aggregate of:

- To the extent the consideration is paid in money, the amount of money paid as consideration; and
- To the extent the consideration is not paid in money, the open market value of that consideration.

In the common situation where a supply is for a consideration in money, the value of the supply is taken to be such amounts as, with the addition of tax, equal to consideration. For example, if the total consideration is NZD 115, the value is NZD 100 and the GST is NZD 15.

If the supply is not for a consideration in money or not wholly for money, the value will be the open market value. An example of this would be in a barter or part exchange situation.

## Rates

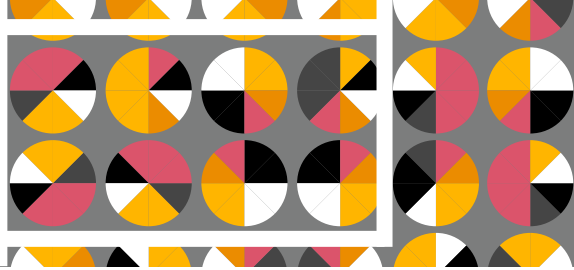
### Standard rate

The standard rate of GST is 15%.

This applies to all supplies of goods and services that are neither exempt supplies nor capable of being zero-rated.



# New Zealand



## Reduced rate

The reduced GST rate is 9%.

This applies to long term (more than 4 weeks) accommodation in a commercial dwelling.

## Zero rate

A zero rate applies to:

- Exported goods and services;
- The supply of business-to-business (B2B) financial services (provided an election is made and the recipient of the financial services makes 75% or more taxable supplies in any 12 month period, or is in a group that makes 75% or more taxable supplies);
- The sale of a business as a “going concern”;
- Most transactions involving supplies of emissions units under the emissions trading scheme; and
- All transactions involving land between GST-registered persons.

Since 1 April 2011, all transactions involving land became subject to compulsory zero-rating, if at the time of settlement, the purchaser intends to use the land for making supplies that are subject to GST and the land is not intended to be used as the principal residence of the purchaser or an associate. This change is intended to combat certain abusive GST arrangements where the vendor does not pay output tax but the purchaser claims a GST refund.

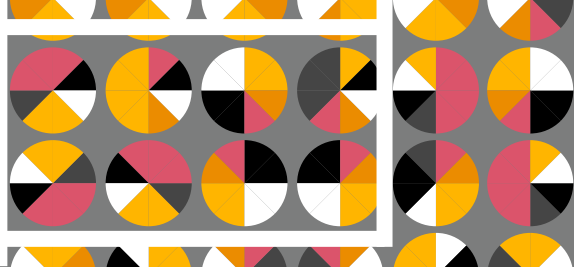
## Exemption

The following supplies are exempt from GST:

- Financial services, together with the supply of any other goods and services which are reasonably incidental and necessary to that supply of financial services;
- Goods or services donated by any non-profit body;
- Residential accommodation in a dwelling;
- Leasehold land on which a residential dwelling is erected.

However, certain equity and participatory securities, that would usually be exempt as financial services, are subject to GST at 15% if the securities confer a right to receive goods and services that are not exempt from GST.

# New Zealand



## Imports/exports

### Imports of goods

GST is payable on the landed value of imported goods and is collected by the New Zealand Customs. This GST, together with any Customs tariff duty, is normally paid before the goods can be cleared. GST and duty (if any) is payable by the importer of record.

New Zealand Customs operate a deferred duty scheme under which approved importers can clear goods and pay any GST/Duty after the goods have passed from customs control.

If the importer is a GST “registered person”, this “import” GST can be recovered as input tax via the mechanism of lodging a GST return.

### Imports of services

#### Remote services

Non-resident suppliers of remote services to New Zealand end consumers are required to register for and return New Zealand GST if their supplies to New Zealand exceed NZD 60,000.

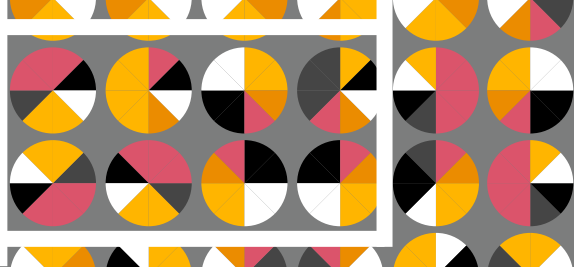
Remote services are services without a necessary connection between the place of performance and the place of consumption. The rules apply to electronic marketplaces that provide a platform through which an underlying supplier is connected to New Zealand customers (such as app stores). The electronic marketplace is deemed to have made the supply on behalf of the underlying supplier, and the registration and other GST obligations are placed on the marketplace. Further details around these rules are provided in the Digital economy section.

#### Reverse charge

The importation of services may be subject to GST under a reverse charge mechanism. A reverse charge applies if a resident who imports the services makes less than 95% taxable supplies and the services would have been taxable if made in NZ. If so, the recipient of the services will have to account for output tax.

However, to the extent that the services are acquired for a taxable purpose, the GST can be recovered as input tax. This means that to the extent that the recipient makes taxable supplies, the GST can be recovered. For example, if 50% of all supplies made by the recipient are taxable (either at 15% or 0%), half of the GST accounted for as output tax can be recovered as input tax.

# New Zealand



## Exports of goods

The supply of goods by a registered person to a non-resident recipient will be zero-rated in the following main scenarios, if:

- The goods have been entered (or deemed to be entered) for export under the Customs and Excise Act 2018; or
- The Commissioner is satisfied that the goods have been exported by the supplier to a place outside New Zealand; and
- The supplier will enter the goods for export as a condition of making the supply, and will export the goods within 28 days; or
- (in limited circumstances), where the supplier has entered the goods for export but the recipient is the exporter of record.

The commonly accepted evidence of export to support zero rating is an export entry.

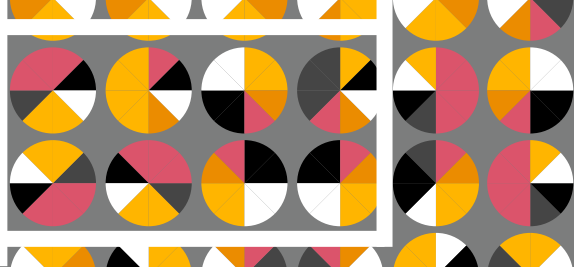
## Exports of services

The supply of services to a non-resident who is outside New Zealand at the time the services are performed will be zero-rated, provided the services are not supplied:

- directly in connection with land in New Zealand or improvements to land, or supplied in connection with such land or improvement and are intended to enable or assist a change in the physical condition, ownership or other legal status of that land or improvement; or
- directly in connection with moveable personal property, other than choses in action, situated in New Zealand at the time the services are performed.

However, services performed directly in connection with moveable personal property can also be zero-rated provided the end result is the supply of information to a non-resident who is outside NZ at the time the services are performed.

The zero-rating provisions take precedence over the exempt supplies provisions. This means that a supply of financial services is zero-rated (rather than the usual exempt treatment) if supplied to a non-resident.



## Recovery/offset

### Offset

GST on purchases that are used or to be used in a taxable activity can generally be offset against the GST collected on sales, which would otherwise be payable to the Inland Revenue Department (IRD). Where exempt supplies are made, there is generally a need to restrict GST recovery (see section on 'Apportionment').

The GST should be recovered in the period it is incurred or any later period (subject to certain conditions), and deductions must be supported by valid tax invoices.

### Recovery

A registered person is entitled to an input tax deduction when:

- GST is charged on the supply of goods or services (which are not exempt supplies) made to that person; and
- to the extent that the goods or services are acquired for the purpose of making taxable supplies.

Certain "entertainment expenditure" is subject to special restriction which means that it effectively only qualifies for a 50% input tax deduction.

### Apportionment

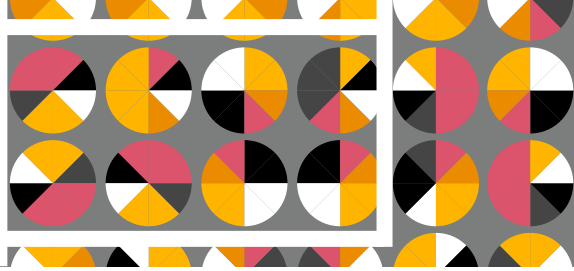
Where a business makes both taxable and exempt supplies, the recovery of GST is limited such that, broadly speaking, only the GST relating to taxable supplies is recoverable. The rules here are complex and subject to certain exceptions and de minimis limits.

In simple terms, where specific goods and services are acquired to make only taxable supplies, the GST charged on those supplies will be fully recoverable.

Where a registered person acquires goods or services that are used for both taxable and exempt supplies, input tax can be claimed only to the extent that the goods and services are for taxable use. Apportionment is therefore required and the registered person must estimate the intended use of the goods or services at the time of acquisition using a method which produces a fair and reasonable result (known as the fair and reasonable method) and claim input tax accordingly.

The same apportionment rules applies where a registered person acquires goods or services that are used for both taxable and non-taxable purposes.

# New Zealand



## Pre-registration claims

There is scope to recover some pre-incorporation GST costs incurred by a company. There is a provision to allow deductions for expenditure incurred for non-taxable purposes which is applied for taxable purposes after registration.

## Post-registration claims

Input tax deductions cannot be made after registration has ceased. However, GST directly related to the winding up of a business can be recovered where it can be demonstrated that the tax was incurred in connection with the business operations prior to the cessation of the registration.

## Change of use/capital items adjustments

Where a person's intended use changes over time, including where goods or services are acquired for the purpose of making taxable supplies but are subsequently applied for the purpose of making exempt supplies (or vice versa), adjustments are required to be made for the change.

## Compliance/obligations

### Registration

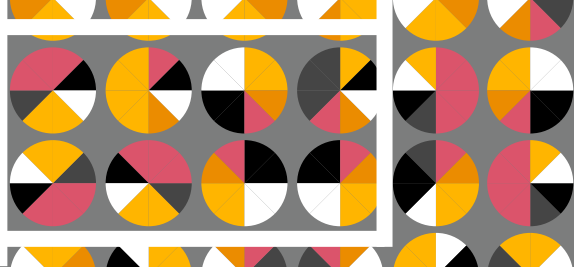
A person who is likely to make or has made taxable supplies which exceed the registration threshold of NZD 60,000 in any 12 month period is liable to register for GST and will be deemed to be registered from the beginning of that 12 month period. In other words, a person is required to consider its position in any month, with reference to that month and the preceding 11 months and with reference to the succeeding 11 months. If either test exceeds the NZD 60,000 limit, a liability to register will exist in that month.

A person must use the prescribed form when applying for registration. The application must be made within 21 days of a person becoming liable to register.

Registration requires lodgment of a registration form (Goods and Services Tax Application for Registration), supporting company information and documentation to the IRD within 21 days of becoming liable to register.

A person may voluntarily register for GST even if his taxable supplies do not exceed the registration threshold. However, in order to do so, the person must be carrying on a "taxable activity" which involves making taxable supplies.

# New Zealand



As noted above, a person is deemed to be a registered person even where the person is liable to register but fail to apply for a GST number. Failure to register when liable means a person commits an “absolute liability” offence with maximum fines ranging from NZD 4,000 for a first offence to NZD 12,000 for subsequent convictions.

Blank registration forms are available on the IRD’s website [www.ird.govt.nz](http://www.ird.govt.nz).

## Non-residents – remote services

Non-resident suppliers of remote services may choose to register on a simplified “pay-only” basis if they do not need to claim any New Zealand GST costs.

## Non-residents – business claimants

A discrete registration option is available for non-resident businesses that do not have a taxable activity in New Zealand but wish to claim GST costs incurred in New Zealand. Provided that the business is registered for a consumption tax or equivalent in its home jurisdiction and certain other eligibility criteria are met, the business may register and claim a refund of GST costs incurred in New Zealand.

## Registration number

After applying to the IRD for a GST number, each registered person is given a unique tax file number with the format – 99-999-999 or 999-999-999 (ie. either 8 or 9 digits).

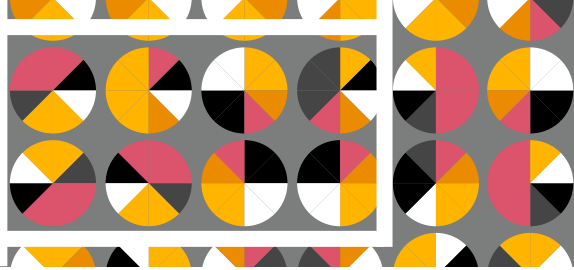
This number is generally the same as the person’s tax file number used for income tax purposes, commonly called an “IRD number”.

## Group registration

Groups of companies are permitted group registration, provided certain criteria are satisfied. In the case of groups of companies, one person (an individual or company) must control all the members of the group and have at least 66% of the shareholder decision-making rights in each company. The Income Tax Act 2007 definition of a group of companies is used for these purposes.

Group registration results in supplies between members of the group being ignored for GST purposes. All supplies made to other persons outside the group are deemed to be made by the representative member of the group.

# New Zealand



Non-GST registered companies may join an existing GST group provided that at least 75% of the supplies the group as a whole makes to persons outside the GST group are taxable supplies.

It is also possible, in some limited cases, to group other unincorporated bodies such as trusts for GST purposes. The test for grouping is based on the existence of common control.

There is no mechanism for applying for a retrospective group registration.

## Invoices, including e-invoicing

A person who makes taxable supplies must provide a “tax invoice” to the recipient if requested. In practice, a tax invoice is always issued with supplies made.

A “tax invoice” must contain the following information:

- The words “tax invoice” in a prominent place;
- Name and registration number of the supplier;
- Name and address of the recipient;
- Date upon which the tax invoice is issued;
- A description of the goods and services supplied;
- Quantity or volume of the goods and services supplied;
- The consideration and a statement that it includes GST, or the price (excluding GST), the GST amount and the total amount (either format is acceptable).

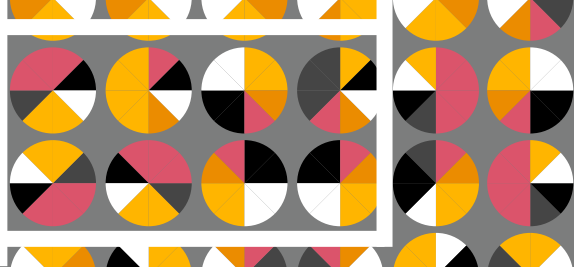
All tax invoices, if re-issued for any reason, must include the words “copy only”.

A single, shared tax invoice may be issued by one principal supplier on the supplier’s own behalf as well as on the behalf of other GST-registered suppliers where it is practical to do so and they have a statutory obligation to do so, and/or they are part of the same group of companies.

## Records

All records must be kept for a period of 7 years.

Records can be kept solely in electronic form. The primary requirement is that the records must be capable of being printed as a hard copy in an identical format to the original. Records can be kept outside the country only after written permission has been given by the IRD to retain records outside New Zealand.



## Returns

### Periods

GST returns can cover different taxable periods depending on that person's level of taxable supplies. The return periods are as follows:

- Six-monthly where taxable supplies do not exceed NZD 500,000 in any 12 month period;
- Monthly where taxable supplies exceed NZD 24 million in any 12 month period;
- Bi-monthly where not placed in monthly or 6-monthly categories.

In addition, a registered person can voluntarily apply for a monthly taxable period.

### Due dates

Returns are due on, or before, the 28th of the month following the last day of the taxable period, except for the period ended 30 November, which is due 15 January, and the period ended 31 March, which is due 7 May.

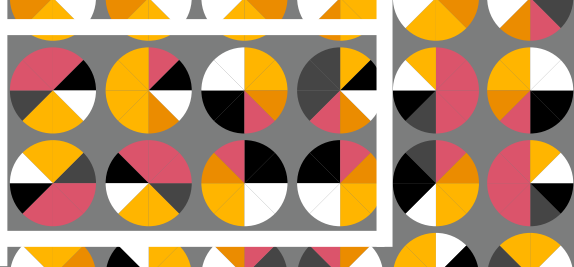
### Content of returns

A GST return shows the following information:

- Total value of sales and income, including standard-rated and zero-rated supplies (inclusive of GST);
- Total value of zero-rated supplies;
- Total value of GST on the standard-rated supplies;
- Total value adjustments;
- Output tax due;
- Total value of purchases and expenses, excluding imported goods (inclusive of GST);
- Total value of GST on purchases;
- Total value of adjustments (which includes GST charged on imported goods);
- Input tax deductions;
- Net amount of GST payable or receivable;
- Bank details for refund;
- Name and signature of designated signatory.



# New Zealand



## Payment

The GST is due on the same date as the return is due to be filed (refer to “Due dates” above). Payments should be by cash, cheque or bank transfer. There is also a possibility to pay via direct debit. Late payment penalties and interest are charged on any tax unpaid after the due date.

The late payment penalty is calculated as follows:

- 1% of the unpaid tax will be imposed where tax is due but not paid by the due date, and a further 4% penalty will apply if the payment is not made within 7 days of the due date;
- 1% of the amount unpaid (including previously charged penalties) is added to the unpaid amount as at each day that falls 1 month after the day on which the initial penalty was imposed.

“Use of money interest” rates on underpayments and overpayments of taxes and duties are 8.22% for underpayment and 1.02% for overpayment. The new rates came into force on 8 May 2017, which are regularly reviewed to ensure they are in line with market interest rates.

## Bad debts

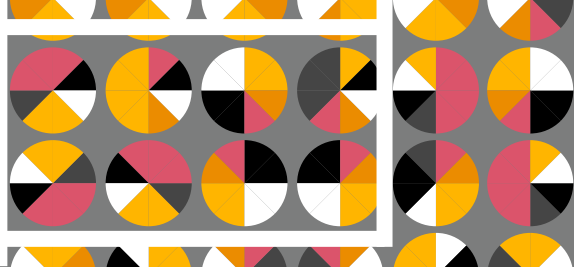
Where a debt is written off as a bad debt during a taxable period, an input tax deduction is allowed to the extent of the output tax previously returned on the relevant sale. Normal commercial criteria apply when determining whether a debt is ‘bad’.

## Penalties

In addition to the late payment penalties and use of money interest charged on underpayment of tax described earlier, the following penalties can be imposed in certain circumstances:

- Late filing penalty. Broadly, late filing taxpayers that account for GST on an invoice or hybrid basis are subject to a NZD 250 penalty, and taxpayers that account for GST on a payments basis are subject to a NZD 50 penalty. The penalty is not imposed for first time non-compliance.
- Shortfall penalties for not taking reasonable care, unacceptable tax position, gross carelessness, abusive tax position and evasion. Shortfall penalties range from 20% to 150% of the tax shortfall. Some reductions are available for, for example, voluntary disclosures and previous good behaviour.
- Criminal penalties can be imposed for the following absolute offences:
  - Not keeping records required by law;
  - Not providing information to the Commissioner;
  - Not providing a tax invoice when required;
  - Not applying for registration when liable to do so.

# New Zealand



The penalty is a fine ranging from NZD 4,000 for the first offence and up to NZD 12,000 for subsequent offences.

- Criminal penalties for:
  - Knowledge offences can result in fines up to NZD 50,000;
  - Evasion offences can result in fines up to NZD 50,000 and/or imprisonment up to 5 years.
- For those tax offences that carry no specific penalty, there is a maximum fine of NZD 15,000 for the first offence and NZD 25,000 for later offences.

## Non-residents

An overseas person who is either a resident under the NZ income tax legislation or has a fixed or permanent place in NZ is treated as a resident for GST purposes and would be liable to be registered for GST (provided supplies are made).

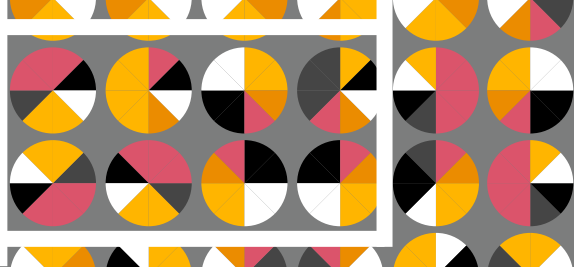
Also, an overseas person who is non-resident, is liable to register for GST in NZ if supplies of goods or services are made in NZ to, broadly, non-GST registered persons.

If the non-resident supplies goods or services in NZ to a GST-registered person for the purpose of that person's taxable activity, the non-resident can voluntarily register for GST in NZ by entering into an agreement with the NZ GST-registered person that the supplies made are deemed to be made in NZ. As mentioned, non-residents will normally choose to register where there are GST costs to be recovered.

A NZ GST registration in itself does not give rise to a permanent establishment for NZ income tax purposes.

Non-resident businesses (which are not carrying out a taxable activity or making supplies in New Zealand) may also register for GST for periods commencing on or after 1 April 2014, provided certain conditions are met.

# New Zealand



## Refunds

### Refunds to GST-registered businesses

The person will receive a refund where input tax deductions exceed output tax on sales for a period. This will be paid by the IRD after the GST return is assessed.

### Refunds to foreign business

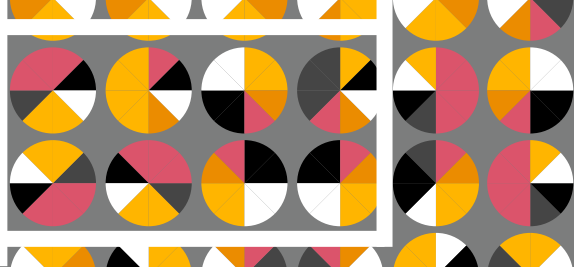
Before 1 April 2014, there was no mechanism for the refund of GST costs to non-resident businesses in New Zealand. The only way such costs could be recovered was by deduction as “input tax” against “output tax” on supplies made. An ability to become a “registered person” was therefore crucial if a non-resident wished to recover GST costs incurred in New Zealand.

From 1 April 2014, non-resident businesses may register for GST and therefore have the potential to receive refunds, provided certain conditions are met.

### Refunds to tourists

New Zealand does not have any mechanism to enable tourists to obtain a refund of GST paid on goods and services purchased in New Zealand. However, some retailers offer a system whereby zero-rated goods can be purchased by departing travellers and the goods are collected at the airport at the time of departure.

# New Zealand



## Digital economy

### Goods

#### Low value imported goods sold to NZ consumers

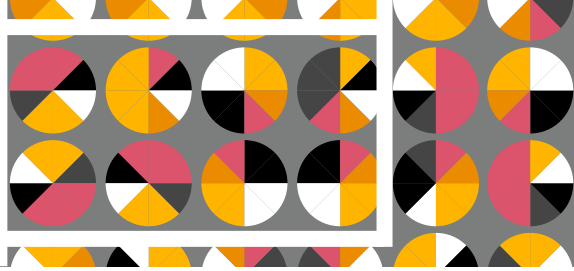
Under current law, GST is levied and collected by the New Zealand Customs Service (NZ Customs) on goods imported into NZ. The minimum amount of duty collectable by NZ Customs (the Customs de minimis) is NZD 60. This means that GST is usually not collected on imported consignments with a value below NZD 400.

At the time of print, a taxation Bill is currently before the New Zealand Parliament proposing that offshore sellers be required to register and account for GST at 15% on supplies of low value imported goods (LVIGs) if sales to New Zealand private consumers in a 12-month period exceed NZD 60,000.

“Low-value” goods will be defined as goods valued at NZD 1,000 or less (excluding any duties, transport or insurance costs). The current rules for collection of import GST by the New Zealand Customs Services will remain for goods valued above NZD 1,000.

This Bill is expected to be enacted by July 2019 for a 1 October 2019 application date.

# New Zealand



## Services

From 1 October 2016, New Zealand has charged GST on non-residents' supply of remote services to New Zealand consumers. "Remote services" are defined as those without a necessary connection between the place where the services are physically performed, and the physical location of the recipient.

## Scope

Due to the wide definition of "remote services", almost all kinds of services are covered by the rules. The definition includes both digital services, such as e-books, music, videos and software downloads, as well as non-digital services, such as general insurance, consulting, accounting and legal services.

Only B2C supplies are subject to these rules – services that are made to a non-GST registered customer which means that it can apply to both individuals and businesses which are not registered for GST in New Zealand.

## Affected businesses

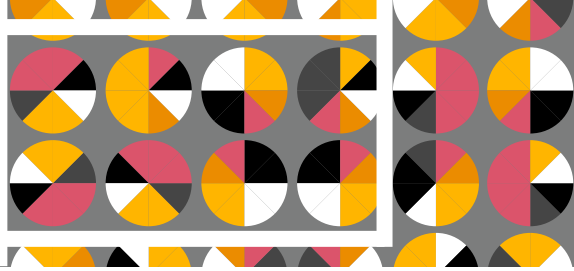
The remote services rules apply to offshore suppliers that meet the NZD 60,000 registration threshold. The rules also apply to electronic marketplaces, which are deemed to make supplies made through their platform.

## Registration

The registration threshold for both the remote services rules and the low-value imported goods proposals is NZD 60,000. This is the same GST registration threshold that applies to domestic businesses.

If a non-resident supplier is already registered for GST because it makes taxable supplies under the standard rules, it does not need to register separately for any remote services it supplies. Instead, these suppliers should continue to file their usual GST returns and include their supplies of remote services.

# New Zealand



## Returns

### Period

Every registered supplier of remote services (soon to also be extended to registered suppliers of low value imported goods) must furnish a GST return every 3 months. Returns are due on, or before, the 28th of the month following the last day of the taxable period, except for the period ended 30 November, which is due 15 January, and the period ended 31 March, which is due 7 May.

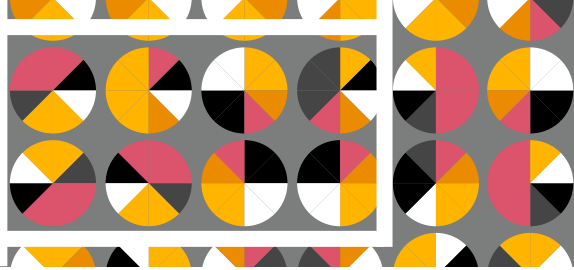
### Payment

The payment due with a return must be made no later than the last day that the return is due to be made.

### Penalties

The current penalty regime applies to the overseas suppliers and electronic marketplace operators.

# New Zealand



## Other indirect taxes

Customs duty and GST are imposed on the importation of goods into New Zealand. New Zealand has adopted a WTO valuation model for customs purposes. Duty/GST are normally calculated on an ad valorem basis but there is scope in some circumstances to obtain duty concessions.

Excise duty is imposed on tobacco products, alcohol products and fuels such as motor spirit, CNG and LPG.

Customs Duty is payable on the entry of goods into New Zealand. The following types of duty apply:

- Concessional duty which is levied on travellers' baggage concessions;
- Preferential duty which is levied on goods originating in Australia, Canada, the United Kingdom, Singapore and less developed countries;
- Specific duty which is fixed by quantity, irrespective of value;
- Ad valorem duty generally from 0% to 10% of value.

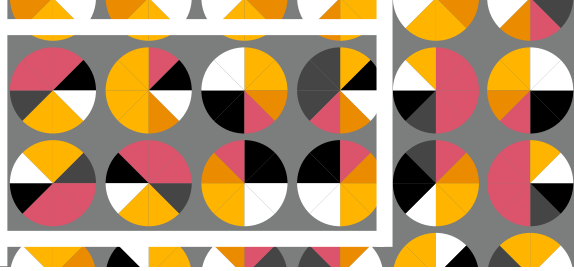
Goods of a kind not manufactured locally are generally duty free.

Gift Duty is no longer applicable on gifts made on or after 1 October 2011.

Gaming and Entertainment Taxes include:

- Totalisator duty which is levied on 4% of betting profits;
- Lottery duty which is levied on 5.5% of the nominal value of all tickets represented in the drawing of any lottery;
- Gaming machine duty which is levied on 20% of the gaming machine profits;
- Casino duty which is levied on 4% of the casino win.

# New Zealand



## Useful contacts

For help and advice regarding GST in New Zealand, please contact:

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### **Tax authority**

GST is administered by the **Inland Revenue Department (IRD)**, [www.ird.govt.nz](http://www.ird.govt.nz).

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# Philippines

# Philippines



## Scope

The VAT in the Philippines traces its roots from the sales tax law which was introduced in the country in 1939. The sales tax was a single-stage value-added tax, meaning, it was applicable only to the original seller. On 1 July 1978, Presidential Decree (P.D.) No. 1358 was issued to amend the sales tax law, but only with respect to the manner of computation.

On 25 July 1987, the old VAT law, Executive Order (E.O.) No. 273 was issued and the law took effect on 1 January 1988. The major change introduced by E.O. No. 273 is that it covered not just original sellers, but subsequent sellers as well, meaning, it was a multi-stage tax imposed on every turnover of the goods sold and purchased.

Since E.O. No. 273, the Philippine VAT system has undergone several major revisions.

On 1 November 2005, the VAT amendatory law came into effect and the VAT coverage was expanded to include, the sale of electricity, sale or importation of petroleum products, services rendered to the airlines and shipping companies engaged in domestic operations and services rendered by physicians and lawyers. The amendatory law also placed a 70% cap on the input tax credits which the taxpayer may claim but this cap on input tax credits was removed beginning December 2006.

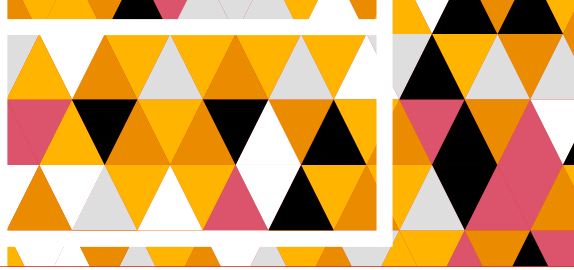
On 19 December 2017, package 1 of the Tax Reform for Acceleration and Inclusion (TRAIN) or Republic Act No. 10963 was signed into law and this took effect on 1 January 2018. The said law contains amendments to several provisions of the National Internal Revenue Code of 1997, including VAT.

In general, the VAT is imposed on the sale, barter or exchange of goods, properties and services in the ordinary course of trade or business in the Philippines, or importation of goods into the Philippines.

The term “in the course of trade or business” means the regular conduct or pursuit of a commercial or economic activity, including transactions incidental thereto by any person. Non-resident persons who perform services in the Philippines are deemed to be making sales in the course of trade or business, even if the performance of services is not regular.

For sales of goods or properties, there are certain transactions which are considered “deemed sales” and are subject to VAT.

# Philippines



## Taxable person

Any person (natural or juridical entity), who in the course of his trade or business sells, barter, exchanges or leases goods or properties and/or engages in the sale or exchange of services, will be liable to VAT.

Importers of goods (natural or juridical entity), regardless of whether the importation is made in the course of trade or business, will also be subject to VAT.

However, businesses located in special economic zones (e.g., registered enterprises with the Philippine Economic Zone Authority [PEZA] and registered enterprises with the Subic Bay Metropolitan Authority [SBMA]), are subject to special gross receipts tax of 5% in lieu of all taxes, including VAT, and have zero rate VAT on their input taxes.

Persons whose annual gross sales or gross receipts do not exceed the required threshold of PHP 3,000,000 are generally liable to the 3% percentage tax but may voluntarily register for VAT.

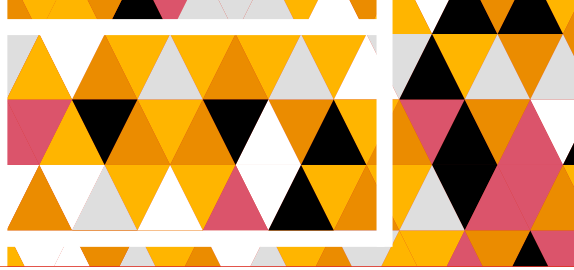
## Goods

### Definition

The term “goods and properties” includes all tangible and intangible objects capable of pecuniary estimation. It includes, among others:

- Real property primarily held for sale or lease in the ordinary course of trade or business. Provided, however, that the sale of residential lots is subject to VAT only if the selling price is more than PHP 1,919,500 and for house and lots, the selling price must be more than PHP 3,199,200.00. However, under the VAT regulations, even if the real property is not primarily held for sale to customers or held for lease in the ordinary course of trade or business but the same is used in the trade or business of the seller, the sale thereof shall be subject to VAT being a transaction incidental to the taxpayer's main business.
- The right or privilege to use patents, copyrights, designs or models, plants, or other like property or right;
- The right or privilege to use any industrial, commercial or scientific equipment;
- The right or privilege to use motion picture films, films, tapes and discs; and
- Radio, television, satellite transmission and cable television time.

# Philippines



## Place of supply

The place of supply is not expressly defined in the VAT Law. However, Section 4.105-2 of the Consolidated VAT Rules and Regulations (Revenue Regulations [RR] No. 16-2005, as amended by RR No. 13-2018) clearly states that VAT is a tax on consumption levied on the sale, barter, exchange or lease of goods or properties and services in the Philippines.

Based on this provision, the place of supply, in the case of sale of goods, is the place where the transfer of title of the goods from the seller to the buyer occurs. The transfer of title occurs upon actual or constructive delivery of the goods by the seller to the buyer.

## Time of supply

In the case of sale of goods, VAT should be accounted for at the time of consummation of sale, as evidenced by sales invoices.

Special rules apply with respect to sale of real property held primarily for sale or lease in the ordinary course of trade or business of the seller. In the case of a sale on installment basis (i.e., initial payment/s in the year of sale does not exceed 25% of the gross selling price), the VAT will be due on each installment payment, including interest and penalties, actually and/or constructively received by the seller.

In the case of a sale of real property on deferred payment basis (i.e. initial payment/s in the year of sale exceed 25% of the gross selling price), the transaction will be treated as a cash sale. This has the effect of making the entire selling price taxable in the month of sale.

## Value

For a sale of goods, the value of the supply is the gross selling price (the total amount of money or its equivalent), which the purchaser pays or is obligated to pay the seller in consideration of the sale of goods, excluding VAT. For instance, if PHP 112 is paid for the goods, the value of supply is PHP 100 and VAT is PHP 12. Note that the excise tax, if any, on such goods or properties shall form part of the gross selling price.

There is no explicit provision in the law to determine the money equivalent of the gross selling price, where the consideration of the sale is not in money or wholly in money. However, in the Bureau of Internal Revenue (BIR) Primer on VAT, it was clarified that under this situation, the value of the consideration is the price (excluding VAT) that would have been charged in an open market sale for purely monetary consideration.

# Philippines



On the other hand, for certain transactions, special rules are followed in determining the gross selling price or tax base if there is no money consideration. For instance, in the case of “deemed sale transactions” arising from retirement or cessation of business, the tax base shall be the acquisition cost or the current market price of the goods, whichever is lower. The “deemed sale transactions” refer to specific business transactions or events. These are considered sales for VAT purposes even if they do not result in actual sales.

There are also special valuation rules in the case of a sale of real property to determine the gross selling price for VAT purposes. It shall be the higher of the consideration stated in the sales document or the fair market value.

## Services

### Definition

The term “sale or exchange of services” means the performance of all kinds of services in the Philippines for a fee, remuneration, or consideration, whether in kind or cash.

The lessors of both real and personal properties, hotels, caterers, carriers for the transport of goods and merchandise, power companies (including electric cooperatives and National Grid Corporation of the Philippines), franchise grantees, non-life insurance companies, pre-need companies, health maintenance organisations (HMOs), lending investors, and dealers in securities, are also subject to VAT based on their gross receipts.

The sale of services also includes the lease, or the use of, or the right, or privilege to use copyrights, patents, designs or models, plans, secret formulae or processes, goodwill, trademarks, trade brands or other properties or rights.

### Place of supply

It is clearly provided in the definition of the phrase “sale or exchange of services” for the purpose of VAT under Section 108 (A) of the Philippine Tax Code, that the performance of all kinds of services in the Philippines for a fee, remuneration, or consideration is subject to VAT.

### Time of supply

In the case of a sale of services, VAT is based on the gross receipts. Thus, VAT will be accounted for upon actual or constructive receipt of the fee, remuneration, or consideration. This is evidenced by official receipts.

# Philippines

## Value

For the sale of services, its value is gross receipts, which refer to the total amount of money or its equivalent, representing the contract price, compensation, service fee, rental, or royalty. This value includes the amount of the materials supplied with the services, deposits, and advance payments received (actually or constructively) for the services performed or to be performed, excluding VAT. This excludes those amounts earmarked for payment to unrelated third parties or received as reimbursements for advance payment on behalf of another which do not contribute to the benefit of the payor provided that the payments are properly supported by third party receipts and/or invoices issued in the name of the buyer/customer.

There is no explicit provision in the law in determining the money equivalent of the gross receipts if the consideration for sale is not in money. However, the market value of the property received in exchange for the service is usually considered as the gross receipts for VAT purposes.

## Rates

### Standard rate

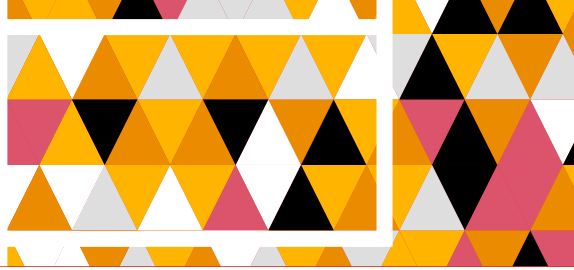
The standard rate of VAT is 12%.

### Zero rate

Zero rate VAT applies, but is not limited, to the following:

- a. Sale and actual shipment of good from the Philippines to a foreign country;
- b. Sale of raw materials or packaging materials to a non-resident buyer for delivery to a resident local export-oriented enterprise;
- c. Sale of raw materials or packaging materials to export-oriented enterprise whose export sales exceed 70% of the total annual production;
- d. Sale of goods, supplies, equipment, fuel and services and leases of property to persons engaged in international shipping or international air transport operations. The goods, supplies, equipment, and fuel must be used for international shipping and air transport operations while the services must be exclusively for international shipping and air transport operations;
- e. Transactions considered export sales under Executive Order No.226, otherwise known as the Omnibus Investments Code of 1987 and other special laws (e.g., sales to PEZA and SBMA registered enterprises);
- f. Sale of goods and services to persons or entities whose exemption under special laws or international agreements to which the Philippines is a signatory (e.g., sales to Asia Development Bank and International Rice Research Institute);
- g. Processing, manufacturing, or repacking of goods for other persons doing business outside the Philippines, where the goods are subsequently exported;

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- h. Services rendered to a person engaged in business conducted outside the Philippines or to a non-resident person not engaged in business who is outside the Philippines when the services are performed;
- i. Services performed by subcontractors and/or contractors in processing, converting, or manufacturing goods for an enterprise whose export sales exceed 70% of the total annual production;
- j. Transport of passengers and cargo by domestic air or sea vessels from the Philippines to a foreign country; and
- k. Sale of power or fuel generated through renewable sources of energy.

However, items b, c, e, g, and i shall be subject to 12% VAT upon successful establishment and implementation of an enhanced VAT refund system that grants refunds of creditable input tax within 90 days from filing of the VAT refund application and all pending VAT refund claims as of 31 December 2017 shall be fully paid in cash by 31 December 2019.

## Exemption

Certain transactions are exempt from VAT. This means that no VAT will be charged on the sale of such transactions. It also means that there will be no VAT on costs related to the making of these exempt goods or in the rendition of these exempt services. Some examples of exempt transactions are:

- a. Sale or importation of agriculture and marine food products in their original state, livestock, poultry of a kind generally used as, or yielding or producing foods for human consumption; and breeding stock and genetic materials therefor;
- b. Sale or importation of fertilizers; seeds, seedlings, fingerlings; fish, prawn, livestock and poultry feeds;
- c. Importation of personal and household effects belonging to Philippine residents returning from abroad and non-resident citizens coming to resettle in the Philippines, provided the same are exempt from the Tariff and Customs Code;
- d. Importation of professional instruments and implements, tools of trade, occupation or employment, wearing apparel, domestic animals and personal and household effects belonging to persons coming to settle in the Philippines or Filipinos or their families and descendants who are now residents or citizens of other countries (overseas Filipinos) in quantities and of the class suitable to the profession, rank or position of the persons importing said items, for their own use and not for barter or sale, accompanying such persons, or arriving within a reasonable time;
- e. Sale of real properties not primarily held for sale or lease;
- f. Services rendered by private educational institutions;
- g. Services subject to percentage tax;
- h. Services rendered by an individual pursuant to an employee-employer relationship;

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- i. Medical, dental, hospital, and veterinary services;
- j. Sale of gold to the Bangko Sentral ng Pilipinas;
- k. Sale or lease of particular goods and services to senior citizens and persons with disability;
- l. Transfer of property pursuant to Section 40 (C)(2) of the Tax Code;
- m. Sale of drugs and medicines prescribed for diabetes, high cholesterol, and hypertension beginning 1 January 2019;
- n. Association dues, membership fees, and other assessments and charges collected by homeowners associations and condominium corporations;
- o. Other sales of goods and services with gross annual sales and gross annual receipts not exceeding PHP 3,000,000 (threshold amount); and
- p. Sales made by self-employed individuals and professionals availing of the 8% tax on gross sales and/or receipts, in lieu of graduated income tax rates.

## Withholding VAT

The government, or any of its political subdivisions and agencies, including government-owned or controlled corporations, must withhold a 5% final VAT on the gross payments from its purchases of goods and services. The withholding VAT system shall be shifted from final to creditable system starting 1 January 2021.

## Imports/exports

### Importation of Goods

VAT is imposed on every importation of goods, whether or not the imported goods shall be used in business. The VAT on importation is collected by the Philippine Bureau of Customs (BOC) and is required to be paid before the release of the goods from Customs custody.

The VAT on importation is based on the total value used by the BOC in determining the tariff and customs duties, plus customs duties, excise taxes, and other charges. The landed cost of the importation shall be the basis for computing VAT, if the customs duties are determined based on volume or quantity of goods.

In the case of tax-free importation of goods wherein the importer subsequently sells the goods to a non-exempt person, the latter will be considered as the importer and will be liable for VAT on the importation.

The cross-border doctrine is the underlying principle for the tax treatment of zero rate on the export sales and the 12% rate on the importation of goods in the Philippines.

### Importation of Services

The payment to non-residents for services rendered in the Philippines shall be subject to 12% VAT.



# Philippines



The VAT on such services shall be withheld by the local payor as withholding agent and shall be remitted/paid to the BIR on behalf of the non-resident foreign party. In remitting the 12% withholding VAT, the local payor shall use BIR Form No. 1600 (Monthly Remittance Return of Value-Added Tax and Other Percentage Taxes Withheld). The duly filed return and proof of payment thereof shall serve as sufficient basis for the local payor to claim the input tax credit.

## Export of Goods

As mentioned above, the export of goods is subject to 0% VAT. This means that the export sale of goods and properties is a taxable transaction for VAT purposes, but shall not result in any output tax. However, the input tax on purchase of goods, properties or services related to the goods sold shall be available as tax credit or refund.

## Export of Services

The export of services is subject to 0% VAT if rendered to a non-resident person outside the Philippines and the consideration for which is paid for in acceptable foreign currency. The services must be accounted for in accordance with rules and regulations of the Bangko Sentral ng Pilipinas or BSP.

## Documentation

The following are the documentary requirements to support a zero-rate application on export sales:

- Zero-rated VAT invoice/receipt (e.g., invoice for sale of goods/receipt for sale of services) with the word “zero-rated sale” printed or written)
- Other export documents, including but not limited to export declaration, shipping documents (e.g., bill of lading, airway bills, proof of inward remittance or payments, purchase order, and certificate of origin).

# Philippines



## Recovery/offset

### Recovery

The VAT paid on the following transactions (input tax) made in the course of trade or business can be credited against the VAT due on the sales (output tax):

- Purchase of importation of goods;
- Purchase of real properties for which VAT has actually been paid;
- Purchase of services in which VAT has actually been paid;
- Transactions that are “deemed sale”;
- Transitional input tax (Please see discussion on pre-registration claims); and
- Presumptive input tax incurred on purchases of primary agricultural products used as inputs in the production of persons engaged in processing of sardines, mackerel, and milk and in manufacturing refined sugar and cooking oil and packed noodle-based instant meals.

### Apportionment

When the taxpayer undertakes mixed transactions (taxable and VAT-exempt transactions), input taxes that can be directly attributed to transactions subject to VAT may be recognised as an input tax credit. However, if any input tax cannot be directly attributed to VAT taxable or VAT-exempt transaction, the input tax must be pro-rated to the VAT taxable and VAT-exempt transactions. Only the portion relating to transactions subject to VAT may be credited.

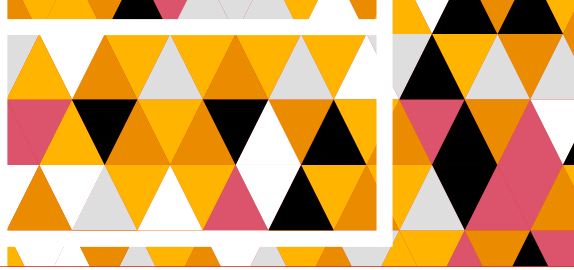
### Pre-registration claims

Generally, VAT incurred by a person prior to registration is not recoverable. However, taxpayers who became VAT registered upon exceeding the minimum turnover of PHP 3,000,000 in any 12 month period (or who voluntarily registers even though their turnover does not exceed PHP 3,000,000), are entitled to a transitional input tax credit. This transitional input tax is equivalent to 2% of the value of their beginning inventories, or the actual VAT paid, whichever is higher. It can be credited against the output tax.

### Post-registration claims

VAT incurred after registration is recoverable (i.e., input VAT can be credited against the output tax liability of the taxpayer or refunded). Moreover, any unused input taxes upon cessation of the business may be recovered through refund. Please refer to section on Refunds.

# Philippines



## Change of use/capital items adjustments

The input tax on capital goods is subject to 5-year amortisation or the estimated useful life of the asset, whichever is shorter, if the aggregate acquisition cost (exclusive of VAT) in a calendar month exceeds PHP 1 million, regardless of the acquisition cost of each capital good. Otherwise, the input tax is allowable as credit against output tax in the month of acquisition.

There is no mechanism to make the necessary adjustment on the VAT originally claimed where the use of the asset changes over a period of years (e.g. use of asset changes from taxable sale to VAT-exempt).

The amortization of the input VAT shall only be allowed until 31 December 2021. After which, taxpayers with unutilised input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilised.

## Compliance/obligations

### Registration

VAT registration is mandatory if the taxpayer's annual gross sales or receipts for the past 12 months have exceeded the annual statutory threshold of PHP 3,000,000 or there are reasonable grounds to believe that the taxpayer's gross sales or receipts for the next 12 months will exceed the PHP 3,000,000 threshold.

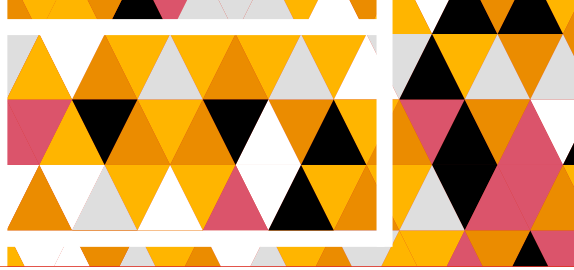
Mandatory registration is also required in the case of franchise grantees of radio and television broadcasting whose gross annual receipts for the preceding calendar year exceeded PHP 10 million.

VAT registration is optional in the following instances:

- Taxpayers whose annual gross sales or receipts do not exceed the statutory thresholds; and
- Taxpayers who undertake mixed transactions (both VATable and exempt), with regard to their VAT-exempt transactions.

In order for a new business to register for VAT, it is necessary to submit a registration form together with the supporting company/individual information and documentation to the Revenue District Office (RDO) of the tax authorities which has jurisdiction over the principal place of business or branch.

# Philippines



The registration form for businesses is the Application for Registration for Corporations/ Government Owned and Controlled Corporations (GOCCs) and Partnerships, also known as BIR Form No. 1903.

The registration form for individual taxpayers is BIR Form No. 1901.

Taxpayers who were previously non-VAT registered but are now covered by the VAT law (and others who want to voluntarily register as VAT taxpayer), must update their registration by filing the Application for Registration Information Update (BIR Form No. 1905).

The application form should be filed on, or before, the commencement of business. However, at the latest, the application form should be submitted before the due date for filing of the first tax return and statement of declaration, as required by the Philippine Tax Code.

An annual registration fee of PHP 500 must be paid for every separate establishment or place of business not later than 31 January of every year. It needs to be filed within 10 days before the beginning of the calendar quarter following the quarter in which the threshold was exceeded.

There is no separate procedure for the registration of a foreign business operating through a local branch.

Any person who maintains a head or main office and branches in different places must register with the RDO which has jurisdiction over the place where the main or head office or branch is located.

All persons engaged in business must also secure an authority to print receipts or sales/ commercial invoices from the BIR. The same rule applies for computerised invoicing.

## Registration number

Each VAT-registered person will be assigned only one tax identification number (TIN) with the following format – 227-368-566-0000.

A branch must use the 9-digit of the principal or head office, plus a 4-digit Branch Code.

## Group registration

VAT grouping is not permitted.

## Invoices, including e-invoicing

A VAT invoice shall be issued for every sale, barter, or exchange of goods or properties.

# Philippines



A VAT official receipt shall be issued for every lease of goods or properties and for every sale, barter, or exchange of services.

Only VAT-registered persons are required to print their TIN followed by the word “VAT” in their invoice or official receipts. These documents will be considered as a “VAT Invoice” or “VAT Official Receipt”. All purchases covered by invoices/receipts other than a VAT invoice/VAT Official Receipt will not give rise to any input tax credit.

The following information must be indicated in the VAT invoice or VAT official receipt, as required by the BIR Revenue Memorandum Circular No. 62-2005:

- Name of the Seller
- Business type of the Seller (if any)
- Business address of the Seller
- A statement that the Seller is a VAT-registered person followed by his TIN
- Name of the Buyer
- Business type of the Buyer, if any
- Address of the Buyer
- TIN of the buyer, if VAT-registered and the amount is PHP1,000 or more
- Date of transaction
- Quantity
- Unit cost
- Description of the goods or properties or nature of the service
- Purchase price plus the amount of VAT shown separately

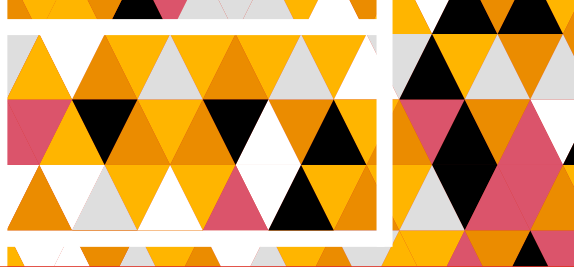
The amount of tax shall be shown as a separate item in the invoice or receipt. If the sale is exempt from VAT, the term “VAT EXEMPT SALE” must be written or printed prominently on the invoice or receipt. If the sale is subject to 0% VAT, the term “ZERO-RATED SALE” must be written or printed prominently on the invoice receipt.

While some of the above-listed information is inconsistent with the invoicing requirements under the VAT Law and Consolidated VAT Rules and Regulations, it is advisable to indicate all this information on the VAT invoices/receipts.

Within 5 years from the effective date of the TRAIN law and upon establishment of a system capable of storing and processing the required data, taxpayers engaged in the export of goods and services, e-commerce, and under the jurisdiction of the Large Taxpayers Service are required to issue electronic receipts or sales or commercial invoices in lieu of manual receipts or sales or commercial invoices.

Taxpayers not required to issue electronic receipts or sales or commercial invoices may opt to do so.

# Philippines



## Records

In addition to the regular accounting records required (i.e., journal and ledger), all persons subject to VAT are also required to maintain a subsidiary sales journal and subsidiary purchase journal in which every sale or purchase on any given day is recorded.

Moreover, a subsidiary record, in ledger form, must be maintained for the acquisition, purchase or importation of depreciable assets or capital goods. The record must contain information on the total input tax paid on the assets/capital goods, as well as the monthly input tax claimed in the VAT declaration or return.

Accounting records can be stored in electronic format, provided hard copies can be made available at any time for inspection by the BIR.

### Retention period

Generally, a taxpayer must retain its records for a period of at least 3 years to be counted from the due date for the filing of the return, or the date of the actual filing, whichever is later. However, records pertaining to a particular year or years under tax audit by the BIR should be preserved until final resolution of any tax assessment is issued for the said year/s.

The original of each receipt of invoice shall be kept and preserved in the place of business of the purchaser for a period of 3 years from the close of the taxable year in which such invoice or receipt was issued. Likewise, the duplicate shall be kept and preserved by the issuer for the same period.

## Returns

### Periods

The Monthly Value Added Tax Declaration (BIR Form No. 2550M) is submitted for the first and second month of a quarter. Following which, the consolidated return for the whole quarter (Quarterly Value Added Tax Return [BIR Form No. 2550Q]) is submitted.

### Due dates

For manual filing of the monthly returns, the filing period is within 20 days following the end of each month. For monthly returns submitted electronically, the filing period is between 21 and 25 days, depending on the business industry group. The business industry is divided into the following 5 groups and the below table shows the filing due date for each group.

# Philippines

<b>Grouping</b>	<b>Business Industry</b>	<b>Period to File</b>
A	Financial, land transportation, construction, hotel and restaurants industries, and other services providers	25 days following the end of the month
B	Manufacturing industry	24 days following the end of the month
C	Retail industry and real estate industries	23 days following the end of the month
D	Public utility and recreational industries	22 days following the end of the month
E	Agricultural, farming, fishing, research and development, other services, and business activities	21 days following the end of the month

Effective 1 January 2023, the filing and payment of VAT shall only be done within 25 days following the close of each taxable quarter. There will no longer be monthly VAT filing.

## Payment

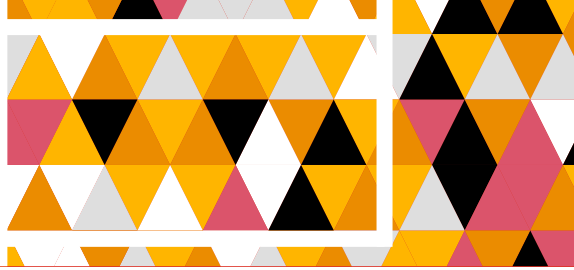
Payment is due at the same time the return is submitted and is to be made to the Accredited Agvvent Bank (AAB) within the RDO where the business is registered.

## Refunds

Refunds for unused VAT credits can be made in the following circumstances:

- With respect to unused VAT credits attributable to zero-rated or effectively zero-rated sales, a refund can be filed within 2 years following the close of the taxable quarter when such sales were made.
- Upon cancellation of a VAT registration due to retirement from, or cessation of business, or due to changes in or cessation of status, a refund can be filed within 2 years from the date of cancellation.

# Philippines



## Content of forms

A quarterly VAT return shows the following information:

- VATable sales/receipts for private sales
- Sale to government
- Zero-rated sales/receipts
- Exempt sales/receipts
- Total sales/receipts and total output tax due
- Total available input tax
- Less: deductions from input tax
- Total allowable input tax
- Net VAT payable (total output tax less total allowable input tax)
- Less: tax credit/payments
- Tax still payable (overpayment).

In addition to the VAT returns, all taxpayers are required by the BIR to submit quarterly summary list of sales (SLS) and purchases (SLP) starting 1 January 2012. The SLSP shall be submitted through compact disk-recordable (CDR) medium following the prescribed format under existing regulations on or before the 25th day of the month following the close of the taxable quarter. However, those under the jurisdiction of the large taxpayer group of the BIR, or those enrolled in the electronic filing payment system, must electronically submit their summary list of sales or purchases on or before the 30th day of the month following the close of the taxable quarter.

## Bad debts

For sale of goods, there is no provision which allows the seller to claim credit for the output tax he has paid in the event where payment is not received from the buyer. However, this concern is not relevant for the sale of services because VAT is accounted for when payments are actually or constructively received.



# Philippines



## Non-residents

### Registration as a VAT Taxpayer

Only persons who, in the course of trade or business, sell, barter or exchange goods or properties, or engage in the sale or exchange of services, shall be required to register for VAT. Thus, a non-resident person who is registered for VAT in the Philippines is deemed to be doing business in the Philippines.

### Withholding VAT

Payments to non-residents are subject to a final withholding VAT in the following instances:

- Lease or use of properties or property rights owned by non-residents;
- Services rendered to local insurance companies with respect to reinsurance premiums payable to non-residents; and
- Other services rendered in the Philippines by non-residents.

## Refunds to tourists

There is no scheme allowing tourists to recover VAT on their purchases.

## Penalties

Penalties, fines and interest are imposed on the following violations:

- Failure to file and pay the return
- Failure to pay the amount due per return
- Failure to pay deficiency taxes based on notice of assessment
- False or fraudulent return
- Issuance of VAT invoice/official receipt by a non-VAT registered person
- Non-compliance with the invoicing and registration requirements of the Philippine Tax Code.

The penalties include 12% interest per annum starting 01 January 2018 (previously 20%), 25% (50% in case of fraud) surcharge and fixed amount of compromise penalties.

# Philippines

## Digital economy

The BIR has been gradually issuing tax rulings, revenue regulations, and memorandum circulars clarifying the tax treatment of persons engaged in online transactions and e-commerce. To date, these are as follows:

- Sale of products in digital or electronic format
- Online business transactions
- Persons engaged in the business of land transportation
- Persons engaged in offshore gaming services.

The tax treatment provided in these issuances is quite general. Essentially, these businesses are taxed similar to other industries. For example, in one memorandum circular, the BIR clarified that taxpayers engaged in online business transactions (such as online shopping/retailing, intermediary service, advertisement and auction) are on the same footing as physical stores. Hence, they are required to register the business, secure Authority to Print invoices/receipts, register and maintain books of accounts for use in business, issue registered invoice/receipt for each transaction, among others.

## Other indirect taxes

Excise Tax is applied to articles manufactured or produced in the Philippines for domestic sale, consumption, or any other manner of disposition, as well as to imported articles.

Articles subject to excise tax are:

- Distilled spirits
- Wines
- Fermented liquor
- Tobacco products and cigarettes
- Manufactured oils and other fuels
- Automobiles
- Non-essential goods such as jewelry, perfumes and toilet water, and yachts or other vessels intended for pleasure or sports
- Non-essential services such as performance of invasive cosmetic procedures, surgeries, and body enhancements for aesthetic purposes
- Sweetened beverages
- Mineral products including coal and indigenous petroleum.

# Philippines



## Other percentage taxes

The following are subject to other percentage taxes:

- Domestic carriers and keepers of garages
- International carriers
- Franchises on radio and/or television except those with annual gross receipts of more than PHP 10,000,000
- Overseas dispatch, message, or conversation transmitted from the Philippines
- Banks and non-bank financial intermediaries
- Life insurance premiums
- Agents of foreign insurance companies
- Amusement operator/lessee/proprietor
- Winnings
- Sales of listed and traded stocks
- Non-VAT registered small businesses with gross receipts/gross sales not exceeding the threshold amount of PHP 3,000,000.

# Philippines



## Useful contacts

For help and advice regarding VAT in the Philippines, please contact:

### **PricewaterhouseCoopers New Zealand**

**Alex B. Cabrera**

Partner

Email: [alex.cabrera@ph.pwc.com](mailto:alex.cabrera@ph.pwc.com)

Tel: +632 459 2002

**Malou P. Lim**

Partner

Email: [malou.p.lim@ph.pwc.com](mailto:malou.p.lim@ph.pwc.com)

Tel: +632 459 2049

### **Tax authority**

The **Bureau of Internal Revenue** administers VAT collection.

BIR Website: [www.bir.gov.ph](http://www.bir.gov.ph).

Location: National Office Building, Diliman, Quezon City, Philippines



# Singapore

# Singapore

## Scope

The Goods and Services Tax (GST) was introduced in Singapore with effect from 1 April 1994. The tax is broad based, with few exemptions and a single standard rate of 7%. The Government has announced in the Singapore Budget 2018 that the standard rate will be raised to 9% sometime between 2021 to 2025.

All supplies of goods and services in Singapore are taxable transactions, unless they are exempt. For goods to be regarded as supplied in Singapore, the goods must be in Singapore at the time they are supplied. For supplies of services, the services are supplied in Singapore if the person making the supply belongs in Singapore. Exports of goods are zero rated, as are certain defined “international services”.

## Taxable person

A taxable person is defined as a person who is or is required to be registered for GST. To be liable to be registered for GST, a person must make taxable supplies in Singapore over the defined threshold. The annual turnover threshold for GST registration is S\$1 million.

A person can be an individual, a company, a partnership, organisation, association or trust, etc.

Separate GST registration for groups of companies is possible, if certain criteria are met. For a group registration to be allowed, one person (an individual or company) must have common control over the members of the group. The Companies Act definition of “control” is used for these purposes (see section on Registration for more details).

## Goods

### Definition

Goods are defined in the legislation to exclude money, and are generally taken to mean tangible property. There are also a number of types of supply that are defined as supplies of goods e.g. treatment or process applied to another person’s goods, utilities including power, water, light, refrigeration, air conditioning, and interest in land or any licence to occupy land.

### Place of supply

Goods are treated as supplied in Singapore, if they are in Singapore when the supply takes place. This applies both to goods that stay in Singapore and those that are taken out of Singapore i.e. exports.

# Singapore

## Time of supply

The time when any individual supply is deemed to have taken place is the time of supply, also known as the tax point to account for the output tax.

The time of supply rule for goods is the earlier of:

- Issue of invoice
- Receipt of payment

The issuance of any type of invoice e.g. a debit note, that serves as a bill for payment, not just a tax invoice, will be an event that triggers the time of supply.

Separate time of supply rules apply to particular circumstances e.g. sale of land and property, goods on consignment, goods on sale or return, private use of business assets.

## Value

The value of the supply is defined as the amount upon which the GST is charged. Where the supply is for a consideration in money, the value of the supply is taken to be such amount as, with the addition of the tax to be equal to the consideration. For example, if the total consideration is S\$107, then the value is S\$100 and the GST is S\$7.

If the supply is not for a consideration in money, or not wholly for money, then the value will be the open market value. An example of this would be in a barter or part exchange situation. Open market value is defined as the price an unrelated third party would have to pay for the same supply.

## Services

### Definition

Services are simply defined as anything which is done for a consideration (including, if so done, the granting, assignment or surrender of any right), which is not a supply of goods. Consideration can be either money or something else that has a monetary value.

# Singapore

## Place of supply

A supply of services is treated as made in Singapore if the supplier of those services belongs in Singapore. Services are treated to be outside the scope of Singapore GST if the person making them does not belong in Singapore. To belong in Singapore, a person would have to have a business establishment or some other fixed establishment (including a branch or agency) and no such establishment elsewhere. For a company, it is normally established where it is incorporated or legally constituted.

Where a supplier has establishments in more than one country, the place most closely connected with the supply is seen as the place from where the supply is made.

## Time of supply

The same general time of supply rule for supplies of goods applies to supplies of services.

There are special rules for retention payments and some other non-standard situations.

## Value

The value of the supply is the amount upon which the GST is charged. Where the supply is for a consideration in money, the value of the supply is taken to be such amount as, with the addition of the tax to be equal to the consideration.

If the supply is not for consideration in money, or not wholly for money, then the value is the open market value. Open market value is defined as the price an unrelated third party would have to pay for the same supply.

## Rates

### Standard rate

The standard rate of GST is 7%. The rate will be raised to 9% sometime between 2021 to 2025.

### Zero rate

Zero rating for goods is only available for supplies of goods which are physically exported from Singapore. Zero rating for services is allowed for a defined list of international services. In general these services are connected with the international transportation of passengers or goods, services directly connected with land or goods outside Singapore, or services that are supplied to and directly benefit persons outside Singapore or services that directly benefit a GST-registered person in Singapore (from 1 January 2020). The rules for international services are complex and beyond the scope of this chapter.



# Singapore

## Exemption

Exempt supplies are restricted to most supplies of financial services as principal, and the sale and lease of residential property. With effect from 1 October 2012, the supply and import of qualifying precious metals is exempt from GST.

Exemption means that no GST is charged on such supplies. It also means that, in principle, no GST can be recovered on costs related to the making of those exempt supplies, subject to certain de minimis exceptions.

## Imports/exports

### Import of goods

GST is payable on goods at importation, and this is collected by Singapore Customs. The GST is due to be paid before the goods can be cleared into Singapore.

The person due to pay this GST at import may be the owner of the goods or the person who is importer of record. The GST due is based on the import value and includes any Customs duty which is also due. The evidence needed by an importer to support a claim for the GST incurred at import is the GST payment permit from Singapore Customs.

Due to Singapore's role as a regional trading hub, a number of special schemes have been introduced. Schemes such as the Major Exporter Scheme, Zero GST Warehouse Scheme and the Import GST Deferment Scheme are designed to remove or reduce the cash flow costs where a business imports goods for subsequent export. The schemes generally allow the import of the goods, with the GST due suspended.

A company will generally need to apply for these schemes and meet stringent criteria before they are allowed to operate them.

### Import of services

From 1 January 2020, a reverse charge will apply to imported Business-to-Business ("B2B") services. This affects businesses which are not able to claim GST input tax in full. What this means is that the person who receives services (subject to some exceptions) from an overseas supplier for the purposes of his partial exempt business is required to account for GST as if he had supplied the services to himself. Non-registered businesses that are not entitled to full input tax credit will have to register for GST to account for the reverse charge if the value of the imported services exceeds S\$1 million in a 12-month period.

Please refer to the section on Digital economy.

# Singapore

## Export of goods

Exports of goods are zero rated for GST. To support a claim for zero rating, it is necessary to prove that the goods have actually left the country. In general, this means being able to produce documentation to prove this e.g. bill of lading, air waybill, invoice to overseas customer and other commercial evidence to show the goods have been exported. Proof of export should be obtained within 60 days of the export. If proof of export cannot be obtained, GST will be due on the sale whether it has been charged or not.

## Export of services

A supply of services is only zero rated if the services fall within the definition of “international services”. A description of the “international services” is beyond the scope of this chapter.

## Recovery/offset

GST on purchases that are used or to be used for the business can generally be offset against the GST collected on sales. This is generally taken to mean that the GST is used or to be used for the purpose of making taxable or zero rated supplies. Where exempt supplies are made, there is generally a need to restrict GST recovery (see section on Apportionment below). The GST should be recovered in the period it is incurred and claims must be supported by tax invoices. There is also a rule that the GST must be paid within 12 months from the date of payment to qualify as an input tax credit.

## Apportionment

Where a business makes both taxable and exempt supplies the business may need to restrict its input GST recovery. The rules here are complex and restrictions are subject to certain exceptions and de minimis limits.

Put simply, a business may take credit for GST incurred that relates directly to taxable supplies. The business may not take credit for GST incurred that is directly attributable to exempt supplies or supplies which are not to be used for the business. Any GST incurred that cannot be directly attributed must be apportioned. The standard method of apportionment is to claim based on the ratio of taxable supplies to total supplies. There are special input tax recovery rates for financial institutions.

Each quarterly return is a provisional claim, and is based on the ratio of taxable to total supplies in that period. The annual, or longer period adjustment is designed to average the recovery rate over a 12 month period. The longer period is generally the four quarters ending March, April or May (depending upon the normal return periods).

# Singapore

The annual adjustment takes the ratio of supplies made in that period and applies it to the total GST to be apportioned for the same period. The result is compared to the 4 provisional claims made so far. Any difference is either paid or claimed (as the case may be) on the next GST return.

## Blocked GST

There is also a list of certain types of purchase where the GST cannot be recovered. These are:

- Club subscription fees
- Medical and accident insurance premiums
- Medical expenses
- Motor car expenses
- Family benefits
- Any transaction involving betting, sweepstakes, lotteries, fruit machines, or games of chance.

## Pre-registration claims

GST incurred by a business prior to its registration can be recovered subject to certain rules which include, amongst others:

- For goods, they must still be held by the business and not have been consumed or sold as at the date of GST registration.
- For services, the GST can only be recovered if it was incurred in the period of 6 months before registration and the services have not been on-supplied by the business prior to registration.

## Post-registration claims

Generally GST directly related to the winding up of a business can be recovered. It should be noted that the tax authorities take a stringent view of the recoverability of such input tax credits and it is necessary to demonstrate that the tax was incurred in connection with the business operations prior to the cessation of the registration.

## Change of use/capital items adjustments

Apart from the partial exemption annual adjustment, there are no rules to cover situations where the use of an asset changes over a period of time. If the usage of an asset changes after the first year, say from fully taxable to partly exempt (or vice versa), there is no mechanism for an adjustment of the GST originally claimed.

However, if input GST is claimed based on an intention to make taxable supplies, but before these supplies are made the intention changes and exempt supplies are made, the GST claimed must be repaid.

## Compliance/obligations

### Registration

A person is liable to be registered if at any time there are reasonable grounds for believing that the total value of his taxable supplies in the next 12 months will exceed S\$1 million.

A person is also liable to register, if at the end of any quarter the total value of his taxable supplies made in that quarter plus the 3 immediately preceding quarters exceeds S\$1 million. This applies to periods prior to 1 January 2019. For periods on or after 1 January 2019, the value of taxable supplies will be computed on a calendar year basis for the purpose of determining the registration liability.

A person must apply to be registered within 30 days of the date when his registration liability arises.

It is possible to apply not to be registered if a person makes only or substantially zero rated supplies, and to apply for voluntary registration if the value of taxable supplies is below the registration limit.

With effect from 1 January 2020, non-registered businesses that are not entitled to full input tax credit will have to register for GST to account for the reverse charge if the value of the imported services exceeds S\$1 million in a 12-month period. Please refer to the section on Digital economy.

### Registration number

Each GST registered person is issued with an identifying number. It will either be a number issued by the tax authority (and has the structure – M9-9999999-9) or the Unique Entity Number that is issued by the Singapore Government to all entities in Singapore (999999999X), which will double up as the GST registration number.

### Group registration

Group registrations are allowed subject to all of the companies in the group being under common control by one person or company. The controlling person does not need to be included in the group registration.

In order to apply for a group registration it is first necessary to individually register the companies. An application can then be made for a group registration, and the Inland Revenue Authority of Singapore (IRAS) normally insists on 90 days' notice for all applications.

It should be noted that while supplies between group members are ignored for GST purposes, all members will become jointly and severally liable for any debts relating to GST.

# Singapore

## Invoices, including e-invoicing

When a registered person makes a standard-rated supply to another registered person, he must issue a tax invoice within 30 days. The details that must be shown on that invoice are:

- a. The words “tax invoice” in a prominent place
- b. An identifying number
- c. The date of issue of the invoice
- d. The name, address and GST registration number of the supplier
- e. The name and address of the purchaser
- f. A description sufficient to identify the goods or services supplied.
- g. For each description, the quantity of goods or extent of services
- h. Any cash discount offered
- i. Total amount payable excluding tax and the rate of tax to be applied
- j. The total tax due as a separate amount
- k. The total payable including tax
- l. The amounts in i), j) and k) to be shown in Singapore dollars
- m. If more than one type of supply is made to the same customer, the type of supply should be indicated (e.g. standard-rated or exempt) and a breakdown stating separately the gross amount payable in respect of each supply should be provided.

If the value of the supply is less than S\$ 1,000, a simplified invoice can be issued. This will show:

- Name, address and GST registration number of supplier
- An identification number, e.g. invoice number
- Date of issue of invoice
- Description of the goods or services
- Total amount payable including tax.
- The word “Price Payable includes GST”

E-invoicing is allowed as long as the processes and records conform to published standards. There is no prescribed format that must be used and a business is free to use whatever system they wish. Further, there is no need to seek prior permission for e-invoicing. However, businesses adopting e-invoicing must ensure that their processes meet the standards required.

# Singapore

## Records

Every taxable person must keep the following records:

- Business and accounting records
- Accounts
- Copies of all tax invoices
- Tax invoices received
- Documentation relating to imports and exports
- All credit notes, debit notes and other similar documents
- Such other records as may be prescribed.

### Retention period

The records described above must be kept for not less than 5 years. Records can be kept in electronic format. There is no particular method that must be used but the business must ensure that they are kept to the published performance standards.

## Returns

### Period

Every registered person must furnish a GST return every 3 months. The return must be electronically submitted to the Comptroller not later than one month after the end of the prescribed accounting period.

The Comptroller can allow monthly returns, but again they must be furnished within 1 month of the period end.

### Payment

The payment due with a return must be made no later than the last day that the return is due to be made.

### Refunds

When a refund is due from the Comptroller, it must be made within a period of 3 months (for quarterly returns) from its date of receipt. For monthly returns, the refund period is 1 month. Assuming there are no outstanding returns or information or taxes in arrears, late refunds may be eligible for an interest payment.

# Singapore

## Content of forms

The key fields in the GST return are as follows:

- Total value of standard rated supplies
- Total value of zero rated supplies
- Total value of exempt supplies
- Total value of the above 3 amounts
- Total value of taxable purchases
- Output tax due
- Less Input tax and refunds claimed
- Net GST due payable or claimable
- Total value of revenue per financial records
- Name and identification number of person submitting the GST return.

Additional fields will be introduced with effect from 1 January 2020 arising from the reverse charge requirements.

There are also declarations required on the GST return for certain transactions such as the value of goods imported by a GST registered person under certain GST import suspension scheme.

## Bad debts

A GST registered business can claim relief (credit) for the GST paid on bad debts. The bad debt must be over a year old and all reasonable efforts must have been made to collect it. Subject to complying with certain requirements, a claim can be made for the GST element of the unpaid debt in the GST return.

## Non-residents

A non-resident is allowed to register for GST in Singapore if the non-resident makes taxable supplies of goods in Singapore or he has a fixed or business establishment in Singapore from which he makes supplies of services.

A non-resident making supplies of goods in Singapore would need to appoint an agent to fulfill his GST obligations in Singapore.

The registration of the non-resident for GST purposes does not necessarily give rise to a permanent establishment in Singapore as that is dependent on the types of activities carried out in Singapore.

Please refer to the section on Digital economy for GST registration requirements for overseas businesses due to the supply of digital services.

## Refunds to foreign business

There are no provisions to allow a business that is not registered in Singapore to recover GST.

## Refunds to tourists

Refunds are allowed for tourists. The tourist needs to prove that he has paid GST and that he is taking the goods out of Singapore by showing the goods to Singapore Customs at the time of departure at the international airports (Changi or Seletar).

Refunds do not apply to services.

## Penalties

There are penalties for many offences and errors. The majority are only incurred on conviction with penalties ranging from 100% to 300% of the tax, plus potential jail sentences. The IRAS has the power to compound offences or effectively reach out of court settlements. This power is used quite frequently.

There are penalties for:

- Failure to register
- Submitting a late return
- Paying a return late
- Incorrect returns
- Incorrect information
- Evading GST
- Knowingly obtaining a false refund
- Issuing an invoice with GST while not registered
- Failing to keep records
- Obstruction of an officer.

A late payment penalty of 5% of the tax due can be applied to all late payments. This penalty is applied at the discretion of the IRAS. It can be applied to all errors on returns and is in addition to any of the above penalties.



# Singapore

## Digital economy

### Goods

There is import relief for the postal import of non-dutiable goods valued not more than S\$400 (also referred to as low value imports), where no import GST is payable to the Singapore Customs.

### Services

In a move to tax imported services, the Singapore Budget 2018 announced that an Overseas Vendor Registration regime will be introduced in Singapore for imported Business-to-Consumer (“B2C”) digital services with effect from 1 January 2020. At the same time, the reverse charge regime will be introduced to tax imported Business-to-Business (“B2B”) services from the same date of 1 January 2020.

### Scope

Under the Overseas Vendor Registration regime, digital services are defined as services which are supplied over the Internet or an electronic network and the nature of which renders their supply essentially automated with minimal or no human intervention, and impossible without the use of information technology. For this purpose, B2C would refer to services that are made to a non-GST registered customer which means that it can apply to both individuals and businesses which are not registered for GST in Singapore.

Under the reverse charge regime, imported B2B digital services would generally fall within the scope of services that is subject to reverse charge. The exception are where the services qualify for exemption or zero-rating under the Singapore GST rules or the services are directly attributable to taxable supplies (not applicable to partially exempt person which has a fixed input tax recovery rate or a special input tax recovery formula) or the services are non-taxable government supplies.

### Affected businesses

The Overseas Vendor Registration regime affects an overseas supplier making sales of digital services to customers in Singapore. Under certain conditions, a local or overseas operator of electronic marketplaces (i.e. the intermediaries), may be regarded as the supplier of the services made by the suppliers through these marketplaces.

The requirement to account for reverse charge on imported B2B digital services would affect businesses which are not able to claim GST input tax in full, including businesses that are currently not registered for GST.

# Singapore

## Registration

Under the Overseas Vendor Registration regime, a person is liable to be registered if its annual global turnover exceeds S\$1 million and the value of supplies of digital services to non-GST registered customers in Singapore exceed S\$100,000. The overseas business is not required to appoint a local agent to fulfill his GST obligations in Singapore.

Under the reverse charge regime, a non-GST registered person who procures services (including digital services) from overseas suppliers would be liable for GST registration if:

- At any time there are reasonable grounds for believing that the total value of its imported services in the next 12 months will exceed S\$1 million, or the value of its imported services has exceeded S\$1 million on a calendar year basis; and
- It is not entitled to full input tax credit should it be registered for GST

## Returns

Please refer to the earlier section for GST reporting obligations which apply to all other GST-registered businesses, including overseas vendors which are registered under the Overseas Vendor Registration regime.

## Period

Every registered person must furnish a GST return every 3 months. The return must be electronically submitted to the Comptroller not later than one month after the end of the prescribed accounting period.

## Payment

The payment due with a return must be made no later than the last day that the return is due to be made.

# Singapore

## Refunds

No input tax claims on expenses in Singapore or refunds are available as the overseas suppliers and overseas electronic marketplace operators will be registered under a pay-only regime.

## Contents of forms

The quarterly GST return under the Overseas Vendor Registration regime is a simplified form where only the value of supplies made and the GST collected in the relevant accounting period is to be reported.

## Penalties

The current penalty regime applies to the overseas suppliers and electronic marketplace operators.

## Other indirect taxes

Excise Duties are applied to intoxicating liquors, tobacco products, petroleum products and motor vehicles.

Taxes on motor vehicles are applied to control the numbers on the roads. The tax burden can approach as much as 120% of the import value.

# Singapore

## Useful contacts

For help and advice regarding GST in Singapore, please contact:

### **PricewaterhouseCoopers Singapore Pte. Ltd.**

#### **Kor Bing Keong**

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Tel : + 65 6592 4795

#### **Seow Seok Hong**

Director

Email : [seok.hong.seow@sg.pwc.com](mailto:seok.hong.seow@sg.pwc.com)

Tel : + 65 9816 0634

## **Tax authority**

GST is administered by the **Inland Revenue Authority of Singapore** (IRAS), [www.iras.gov.sg](http://www.iras.gov.sg). They are based at:

Inland Revenue Authority of Singapore  
55 Newton Road  
Revenue House  
Singapore 307987.

The collection of GST and customs duties at import is administered by **Singapore Customs**, [www.customs.gov.sg](http://www.customs.gov.sg). They are based at:

Singapore Customs  
55 Newton Road, #10-01  
Revenue House  
Singapore 307987.



# South Korea

# South Korea

## Scope

The tax is known as Value Added Tax (VAT) and it was introduced on 22nd December 1976. A supply of goods or services, and the import of goods shall be subject to VAT.

## Taxable person

A taxable person is defined as one of the following:

- A person who independently supplies goods or services for his business purposes, regardless of whether the business is for-profit or not-for-profit.
- An importer of goods.

The taxable person includes any individual, legal entity (including the state or local government and association established by local governments), unincorporated association and foundation, and other organisations who meet one of the 2 conditions above.

## Goods

### Definition

Goods are defined as tangible and intangible objects that have the value of property. This includes commodities, raw materials, machinery, buildings, power, heat, light, etc. These are also deemed supplies of goods when they are used personally or given away.

Where goods or services supplied are incidental to a main supply of goods, the subsidiary or incidental supply is treated as part of the main supply.

### Place of supply

The place of supply for delivered goods is defined as the place the delivery starts.

Where goods do not need to be delivered, the place of supply is defined as where the goods are located.

# South Korea

## Time of supply

Goods are seen as supplied either when they are delivered, or made available, or where the proceeding events do not apply, when the supply is certain.

The time of supply for goods is:

- For cash or credit sales, the time the goods are delivered.
- For sales made on long-term instalment payments, the time each portion of the proceeds is stipulated as receivable.
- For supply of goods under terms of payment on percentage of work completed, or under terms of partial payments, the time each portion of the proceeds is stipulated as receivable.
- For processing that is regarded as supply of goods, the time the processed goods are delivered.
- For self-supply, personal use, or donation for business purposes, the time of consumption or use of the goods.
- For business closedown, the time of closedown.
- For goods supplied through vending machines, the time the respective business person removes money from the machines.
- For other cases, the time goods are delivered or deliverable.
- For exported goods, the date of shipping.
- In the case where a business person within a bonded area supplies goods outside the bonded area in the country, and if the respective goods fall under the category of imported goods, the time of supply of goods is the date of import license.

## Value

The value for VAT is the consideration received. If the supply is not paid in money, the value is the fair market value. If the goods are supplied to a related party for free of charge or in return for a consideration that is unduly low, fair market value can be applied.

## Services

### Definition

Services are defined as all services and actions that have the value of property, other than goods. These services include the use of goods, facilities or rights under contracts or legally binding agreements. Where goods or services supplied are incidental to a main supply of services, the subsidiary supply is treated as part of the main supply. The supply by employees of their labour to their employer is not considered a supply of services.

# South Korea

## Place of supply

Services are supplied where the services are rendered, or where the goods, facilities or rights are used. For international transportation supplied by a non-resident or foreign corporation, the services are supplied where the passengers embark or the freight is loaded.

## Time of supply

Services are supplied when they have been completely rendered, or the goods, facilities or rights have been used.

Similar to the treatment for goods, if the terms call for instalments or progress payments, the tax is due each time payment is received.

## Value

The value for VAT is the consideration received. If the supply is not paid in money, the value shall be the fair market value. In case services are provided to a related party and the consideration is considered to be unduly low, fair market value can be applied.

## Rates

### Standard rate

The standard rate of VAT is 10%.

### Zero rate

The zero rate applies to, but is not limited to:

- Exports of goods.
- Services supplied outside Korea.
- International navigation services by ships or flights.
- Other qualifying supplies which earn foreign currency including business supporting services, clinical trial services to a foreign pharmaceutical company, etc.



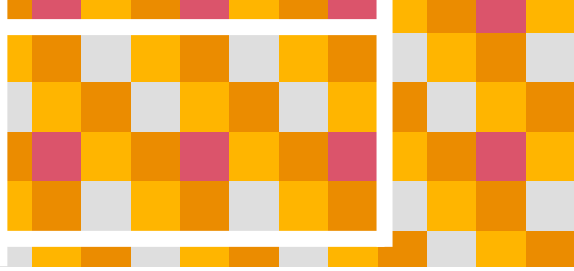
# South Korea

## Exemption

VAT exempt supplies (i.e. no VAT is charged on supplies and no credit is given for related VAT incurred as a cost.) include:

- Non-processed or non-edible foods.
- Piped water.
- Briquette and anthracite coal.
- Sanitary pad.
- Health and medical services including blood, funeral services, cremation and cemetery services, disinfection services, etc., but excluding cosmetic surgery services.
- Educational activities.
- Passenger transportation service (except aircraft, express bus, rental bus, taxi, high speed rail transportation and other special vehicles or vessels).
- Books, newspapers, magazines and broadcasting (except advertisement).
- Stamps, lottery tickets and pay phones.
- Cigarettes [which cost KRW 200 or below per pack].
- Insurance or financing services excluding safe deposit of securities certificate; investment advisory; insurance actuary and pension actuary; money trust and discretionary investment business investing in real estate and non-financial assets; and real estate trust business limited to management, disposition and parcel-out administration.
- House and attached land lease.
- Land.
- Certain personal services including writing, composition, etc.
- Cultural or art activities.
- Entrance fees to a library, science park, art gallery, museum, zoo and botanical garden.
- Goods or services supplied “by” public organisations, on religious, charitable or academic grounds.
- Goods or services supplied “by” a governmental body (central and local government).
- Goods or services supplied without charge “to” a governmental body or public organisations.
- Certain imported goods including non-processed foods, books, newspaper, etc.

# South Korea



## Imports/exports

### Import of goods

The import of goods is defined as the introduction of goods into Korea (including the introduction from bonded areas, in the case of goods passing through a bonded area).

Any of the following goods imported into Korea shall be subject to VAT:

- Goods arriving in Korea from a foreign country (including marine products gathered in high seas by foreign vessels).
- Goods for which a declaration on export is accepted. This excludes the re-import of goods which were declared for export but not shipped, from the bonded area.

### Import of services

In principle, an import of service is not subject to VAT in Korea.

When a recipient (i.e. purchaser/customer) of a service or intangible asset supplied from an offshore supplier utilises the supplied service or intangible asset for its VAT exempt business, the recipient should self-assess 10% output VAT when remitting the payment to the service or intangible asset supplier. The self-assessed output VAT is paid to the Korean tax authorities by the recipient (i.e. purchaser/customer) on behalf of the offshore service or intangible asset supplier.

### VAT on Digital Services

Effective from 1 July 2015, VAT shall be charged on the supplies of digital services to Korean individual users by a foreign company (including foreign open market operators) without a permanent establishment (PE) in Korea. The 'digital services' means selling digital content such as games, electronic documents, music, videos, software, apps, etc., advertisement, cloud computing and intermediary services.

If a digital media service provider is a foreigner, the amended law requires the offshore open marketers to undertake online procedures including a simplified VAT registration process and a VAT return filing and payment process through the homepage of the National Tax Service.

VAT payment has to be made through a foreign exchange bank account either in a foreign currency or Korean Won.

These service providers will be exempt from the requirements to issue VAT invoices and receipts.

# South Korea

## Export of goods

Zero rating is applicable to goods which are exported.

## Export of services

In case of export services, the services rendered offshore shall be subject to zero-rate VAT. Also, certain qualified services rendered in Korea for a non-resident business entity or a non-resident individual without a PE in Korea shall be subject to zero-rate VAT if the consideration is received in Korean currency converted through a foreign exchange bank.

## Recovery/offset

### Recovery

Input VAT is generally deductible in cases where the taxpayer carries on a taxable business.

However, the following supplies are specifically denied VAT deduction:

- Input VAT on non-business related expenses.
- Input VAT paid for exempt (without credit) business and land related input VAT.
- Input VAT paid on entertainment expenses.
- Input VAT levied prior to 20 days before the taxpayer registration.
- Input VAT paid without VAT invoice, or with an improper VAT invoice.
- Input VAT paid for acquiring, renting and maintaining non-business related vehicles.

### Partial exemption

If a taxpayer is engaged in both taxable and exempt (without credit) business, it is necessary to allocate input VAT between the different supplies. Where there is common input VAT, it must be apportioned based on the relative value of taxable supplies to that of exempt supplies.

### Pre-registration claims

In principle, input VAT incurred prior to the filing of the registration by the taxpayer is not deductible. However, input VAT incurred within the 20 days before the registration date can be recoverable.

# South Korea

## Post-registration claims

Generally, input VAT incurred after the winding up of a business cannot be recovered.

## Change of use/capital items adjustment

If a taxpayer's ratio of value of taxable supplies to that of exempt supplies has changed after using the partial exemption, and if the changed ratio is more than 5%, the taxpayer shall recalculate VAT payable or VAT refundable based on the changed ratio. This rule applies only to depreciable assets.

Taxpayers should monitor usage for the following periods:

- Buildings and structures: 20 return periods.
- Other depreciable assets: 4 return periods.

## Compliance/obligations

### Registration

Resident taxpayers should register within 20 days of the start of the business. Resident taxpayers should file an application accompanied by the required documents to show they have started to trade (e.g. the lease agreement for the office) to the relevant tax office. The tax office shall issue a Certificate of Taxpayer Registration containing a registration number within 3 days of the application.

### Registration number

Each VAT registered taxpayer is given a unique reference number with the format 999-99-99999.

### Group registration

Group registration is permitted, in which case a taxpayer with more than two business places would be able to make payments, and file the VAT return as a whole from its main office.

# South Korea

## Invoices, including e-invoicing

The following details should be shown on an invoice for VAT purposes:

- Registration number and the name of the supplier
- Registration number of the recipient
- Value of the supply and the VAT amount
- Date of issue of the invoice
- Address of supplier
- Name and address of recipient
- Business type (industry) and items of both supplier and recipient
- Description of the supply
- Unit price and quantity of the supply
- Date of supply
- Type of transaction

However, for an export transaction, a VAT invoice is generally not required. The exporting company should submit certain documents to apply the zero-rating treatment.

For general exports of goods, the following documents (pdf copies are accepted) need to be submitted electronically with the VAT return:

- The details of exportation
- Certificate for the payment receipt issued by a designated foreign exchange bank
- Reporting documents declared to the customs office
- Certificate of export issued by a designated foreign exchange bank.

The following is a summary of the relevant regulations for electronic VAT invoices:

- The issuance of e-invoices is compulsory for all corporate taxpayers and certain individual taxpayers [in case the individual taxpayer's value of supplies for the preceding year is more than KRW 300 million]. For the other individual taxpayers, they may elect to issue e-invoices or paper invoices.
- A taxpayer who issues e-invoice must transmit it through a security system using a password and electronic signature authorised by certified public organisations under the Korean Electronic Signature Law.
- A list of the e-invoices issued by the taxpayer should be transmitted to the National Tax Services of Korea by the day following the issuance date. Generally, invoices can be kept in any form of documentation (e.g. paper or electronic form). Where the taxpayer issues e-invoices and a list of the e-invoices has been provided to the tax office, the taxpayer is not obliged to maintain hard copies of the invoices.

# South Korea

## Records

Every taxpayer must keep the following records:

- The supplier and the receiver
- Description of supplying goods or goods being supplied
- Value of supplying goods or goods being supplied
- Input/output VAT amount
- Date of supplying or being supplied
- Such other records as may be prescribed.

### Retention period

All records must be kept at least for a period of 5 years.

## Returns

### Periods

There are two return periods each year (i.e. 1 January to 30 June, and 1 July to 31 December). However, preliminary VAT returns are required for the periods 1 January to 31 March, and 1 July to 30 September.

On the other hand, an individual taxable person is not required to file preliminary returns. Instead, the head of the relevant tax office assesses one-half the tax amount of prior return period for each preliminary VAT return to individual taxable person, which is due by the preliminary VAT return filing due date (with certain exceptions prescribed under the Korean VAT law).

Further, an importer of goods is required to file and pay VAT on imported goods for which the customs duty has been declared according to the Korean Customs Code.

### Due dates

The VAT returns should be filed within 25 days of the end of each calendar quarter.

Due dates of each return are detailed below:

- 1st return (1st preliminary return) should be filed by 25 April.
- 2nd return (1st final return) should be filed by 25 July.
- 3rd return (2nd preliminary return) should be filed by 25 October.
- 4th return (2nd final return) should be filed by 25 January of the following year.

# South Korea

## Payment

The tax due should be paid by the VAT return filing due date. Payment should be by cash or bank transfer. A taxpayer with more than two business places would be able to make payment as a whole from its main office with authorisation.

## Refunds

The tax authorities will refund overpaid VAT within 30 days from the final filing due date. There are no additional procedures required to receive a repayment.

Taxpayers may get an early refund under any of the following circumstances and in these cases, the tax authorities may refund the tax refundable to the taxpayer within 15 days from the filing due date of the preliminary and final return:

- Where the person makes zero rate supplies.
- Where a taxpayer establishes or acquires new facilities, expands, or extends existing facilities.

## Content of forms

A VAT return would show the following information:

- Details of the taxpayer, including name, address, VAT number and phone number
- The VAT payable and its calculation detail (the amount of VAT is computed by deducting the input tax amount from the output tax amount)
- The tax deductible and its calculation detail. For example: electronic filing - KRW 10,000; issuance of credit card receipt – 1% (1.3% until 31 December 2014) of the concerned amount
- Penalties (self-assessed)
- The listing of all sales and purchase invoices.

## Bad debts

If a taxpayer supplies goods or services, and the whole or part of the amount receivable becomes a bad debt due to a bankruptcy or compulsory execution, a bad debt claim can be made. The amount is computed by applying the tax fraction (i.e. 10/110) to the amount of the bad debt. The tax calculated can be deducted from the output tax for the taxable period when the bad debt becomes definite.

However, if the taxpayer recovers the whole or part of the bad debt, the bad debt tax amount must be added back into the output tax due for the relevant taxable period.

# South Korea

## Non-residents

Neither a non-resident business entity nor a non-resident individual without a permanent establishment (PE) in Korea is obliged to register for VAT purposes. If necessary, the tax authorities may give an identification number for administrative purposes.

Effective from 1 July 2015, foreign companies (including foreign open marketers), even if they are not deemed to have a PE in Korea, are required to undertake online procedures including a simplified VAT registration process and a VAT return filing and payment process for their sales of digital content to Korean customers.

In general, a non-resident business entity or a non-resident individual supplying goods to Korea would not be deemed as having a PE in Korea, if its business is wholly carried on overseas without any sales activities in Korea.

Under the Korean tax law, if a non-resident business entity or a non-resident individual provides services in Korea through its employee more than 6 months within a 12-month period or provide similar services continuously and repetitively for over 2-year period, it shall be deemed as having a PE in Korea and VAT registration would be required depending on the type of the services provided (e.g. services provided by movie or stage actors, musicians, and public entertainers, services provide by professional athletes, services provided by attorneys-at-law, certified public accountants, architects, surveyors, patent attorneys or free-lancers, services provided by persons who have professional knowledge and special skills in the fields of science, technology, and business administration using such knowledge or skills).

If an overseas person becomes VAT registered, the possibility that the tax authorities will take the view that the person has a PE in Korea will increase.

## Refunds to foreign business

When foreign companies or non-residents with no PE in Korea do business outside Korea, and purchase or receive goods or services in Korea for their business purposes, the VAT may be refundable. However, this regulation applies only where the tax refundable exceeds KRW 300,000.

The following is a list of applicable services:

- Food or lodging services.
- Advertisement services.
- Electricity and telecommunication services.
- Real estate leasing services.
- Office repair services (in Korea).
- Office equipment rental services.



# South Korea

## Refunds to tourists

Tourists who purchase goods from the duty-free shops that are designated by the government, must bring the goods out of Korea within 3 months of purchase.

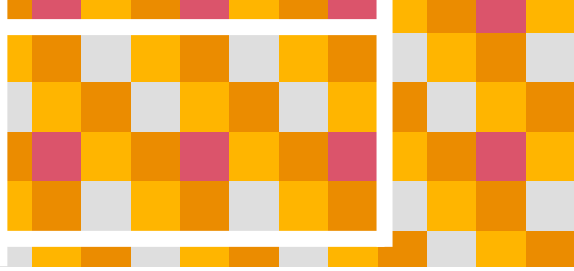
The goods can be subject to the zero rated VAT, or any VAT paid can be refunded.

## Penalties

There are a number of penalties for various omissions and offences:

- Failure to issue tax invoices is 2% of the value of supply (1% if the tax invoice is issued by the end of filing due date of final VAT return).
- Issuance of tax invoice with omitted or false information is 1% of the value of supply.
- Failure to submit the summary of input and output VAT is 0.3%~0.5% of the value of supplies.
- Failure of the VAT taxpayer to register is 1% of the value of supplies.
- Non-filing of the return is 20% (40% for fraud) of the tax due and underreporting is 10% (40% for fraud).
- Late payment of the VAT due is 0.025% of the unpaid tax per day.
- Failure to file a tax return or under-declaring the zero-rating tax base is 0.5% of the value of supply.

# South Korea



## Digital economy

### Goods

There is import relief for the goods of non-dutiable goods valued not more than USD 150 (also referred to as low value imports), where no import VAT is payable to the Korean Customs.

### Services

Since 1 July 2015, imported Business-to-Consumer (“B2C”) digital services are subject to VAT in Korea.

### Scope

According to the Simplified Business Registration regime under Korean VAT law, digital services mean selling digital content such as games, electronic documents, music, videos, software, apps, etc., advertisement, cloud computing and intermediary services which are supplied via mobile telecommunication terminal device, computer, etc. For this purpose, this does not apply to a digital services that are used for business registered customers (for its VAT-taxable or VAT-exempt business).

### Affected businesses

The Simplified Business Registration regime affects an overseas supplier making sales of digital services to individual customers in Korea. A local or overseas operator of electronic open market may be regarded as the supplier of the services made by the suppliers through these open markets.

### Registration

Under the Simplified Business Registration regime, any overseas vendors who are making B2C sales of digital services to Korea is liable to be registered.

### Returns

Please refer to the earlier section for VAT reporting obligations which apply to all other VAT-registered businesses, including overseas vendors which are registered under the Simplified Business Registration regime.

# South Korea

## Period

Every registered person must file a VAT return on a quarterly basis. The return must be electronically submitted to the National Tax Service by the 25 days after the end of the each quarter.

## Payment

The payment due with a return must be made no later than 25 days after the end of the each quarter.

## Refunds

Input VAT can be claimed to offset output VAT (any excess can be refunded).

## Contents of forms

The quarterly VAT return under the Simplified Business Registration regime shall include the value of supplies and the output VAT, and the value of purchases and the input VAT, if any.

## Penalties

No penalties apply under a Simplified Business Registration regime. However, a tax payment notice will be issued when the payment is not made by the due date. Where a taxpayer fails to make the payment by the due date, a penalty of 3% of the unpaid tax will be imposed. Where the taxpayer still fails to make the payment, 1.2% of penalty will be imposed for every one month that the tax is not paid.

# South Korea

## Other indirect taxes

Liquor Tax is imposed on the price of liquor delivered from a brewery or imported, if customs duties are applicable.

Individual Excise Tax is imposed on specific luxury goods, high-priced durable consumer goods, goods subject to consumption restraints, and certain luxury activities for the purpose of supplementing the VAT single-rate scheme. Tax rates range from 2% to 20%; in certain circumstances, a fixed amount is levied (e.g. KRW 12,000 per person for golf course green fees).

Stamp Tax is levied on a person who prepares a document certifying establishment, transfer, or change of rights to property in Korea. The stamp tax ranges from KRW 50 to KRW 350,000, depending on the type of taxable document.

Security Transaction Tax of up to 0.5% is imposed on the total value of securities at the time of transfer.

Transportation • Energy • Environment Tax is levied on manufacturers or importers of gasoline and similar products and oils in Korea.

Integrated Acquisition Tax is levied on entities acquiring real estate, motor vehicles, heavy equipment and other items. The tax rates range from 2% of the value of the acquired items to 7%. On 31 March 2010, acquisition tax and registration tax was combined into an integrated acquisition tax. The taxpayer acquiring the taxable assets or the company issuing shares shall pay the integrated acquisition tax.

Property Tax is imposed on the statutory value of land, buildings, houses, vessels, and aircraft at the date of assessment (1 June annually).

Aggregate Real Estate Tax is levied on owners of high-priced land or houses at the date of assessment (1 June annually).

Vehicle Tax is levied on owners of vehicles. The tax is levied according to the type of vehicle.

# South Korea

## Useful contacts

For help and advice on VAT in South Korea, please contact:

### **PricewaterhouseCoopers**

Changho Jo

Partner

E-mail: [changho.jo@pwc.com](mailto:changho.jo@pwc.com)

+82 2 3781 3264

### **Tax authority**

VAT is controlled by the **National Tax Service**, <http://www.nts.go.kr>.

They are located at:  
8-14, Kuksechung-ro,  
Sejong City, 30128  
Korea.



# Sri Lanka

## Scope

Value Added Tax (VAT) was introduced in Sri Lanka with effect from 1 August 2002. VAT is a tax on consumption or spending. The tax is borne by the final consumer of goods or services, because it is included in the price paid. It is not a tax on the seller of the goods or services who simply collects VAT on behalf of the Government.

Section 02 of the Value Added Tax Act. No 14 of 2002 imposes VAT-

1. At the time of supply, on every taxable supply in Sri Lanka of goods or services made in a taxable period by a registered person carrying on a taxable activity; and
2. On the importation of goods into Sri Lanka by any reason.

A taxable supply is a supply of goods or services made or deemed to be made in Sri Lanka which is chargeable with VAT including a zero-rated supply but not including an exempt supply and an excluded supply.

## Taxable person

Only supplies made in the course of carrying on or carrying out a taxable activity attract VAT. Accordingly, a person should register for VAT only if he carries on or carries out a taxable activity and the total value of his taxable supplies exceed the registration limits.

A taxable activity means –

- any activity carried on as a trade, business, profession, vocation or every adventure in the nature of trade and anything done in connection with the commencement or cessation of such activity;
- provision of facilities to its members or others by a club, association or organisation (for a subscription or other consideration) and anything done in connection with the commencement or cessation of such provision;
- hiring or leasing movable property or renting or leasing any immovable property or administration of any property;
- exploitation of any intangible property such as patent, copyright or other similar asset, where such asset is registered in Sri Lanka or the owner of such asset is domiciled in Sri Lanka.

## Rates

### Standard rate

The standard rate of VAT is 15% (tax fraction 3/23) for any taxable period commencing on 1 November 2016. It applies to the import or supply of all goods and services other than supplies that are zero-rated, exempt or excluded supplies.

Prior to 1 November 2016, the standard rate was 11%.

### Lower rate

A lower rate of 5% applies to the supply or import of wood sawn or chipped lengthwise, sliced or peeled (HS code 4407) and sheets for veneering (including those obtained by slicing laminated wood) for plywood or for similar laminated wood; and other wood (HS code 4408) for any period commencing on 1 November 2018 as per the extraordinary gazette notification No 2095/19 of 1 November 2018.

Any input tax paid which is attributable to such supply on which VAT is charged at 5% shall not be allowed.

### Zero rate

Zero-rating applies to the export of goods, services connected with international transportation, any service provided to a person outside Sri Lanka to be consumed outside Sri Lanka, provided the payment for such service is received from outside Sri Lanka through a bank in Sri Lanka; and also services provided to overseas buyers by garment buying houses for which payment is received in foreign currency.

### Exemption

Exemption applies to a limited range of supplies of goods or services and importation of specified goods.

Some examples of exempt goods are wheat, wheat flour, infant milk powder, agricultural tractors and fertiliser, certain agricultural tools and implements, drugs and medicines, aids used by disabled persons, books, periodicals (other than newspapers) and journals, certain petroleum and oil products, machinery for the construction industry, manufacture of bags, and locally developed software.

Exempt services include certain financial services, insurance, the supply of certain management services to a unit trust, education, electricity including distribution.



A person (other than an exporter) supplying exempt goods or services is not eligible to register for VAT and must not charge his customers any output VAT. As such person is out of the VAT system, he is unable to recover VAT charged on inputs used by him to make exempt supplies.

If any VAT-registered person makes exempt supplies, he is required to display a list of such exempt supplies of each business.

## Good and services

### Place of supply

The place of supply for a supply of goods or services is considered to be in Sri Lanka when the supplier carries on a taxable activity in Sri Lanka and the goods are in Sri Lanka at the time of supply, or when the supplier or his agent has performed the services in Sri Lanka.

### Time of supply

The time at which a supply of goods or services is treated as taking place and hence, the date on which the VAT on the supply becomes chargeable is called the tax point. The supply must be accounted for in the taxable period in which the tax point occurs.

## Basic Tax Point

The time of supply is the Basic Tax Point which applies as follows:

- For goods, the Basic Tax Point is the time of the occurrence of any one of the following, whichever occurs earlier:
  - Issue of an invoice by the supplier;
  - A payment for the goods including any advance received by the supplier;
  - A payment for the goods due to the supplier;
  - Delivery of goods to customer or customer removes the goods.
  
- For services, the Basic Tax Point is the time of occurrence of any one of the following, whichever occurs earlier:
  - The service was performed (i.e. when all work is completed other than invoicing);
  - A payment is received for the services rendered or for future services;
  - A payment is due for the services rendered or for future services;
  - An invoice is issued in respect of the services rendered.

## Actual Tax Point

Where an invoice is issued within 10 days from the date of delivery of the goods or date of performance of the service, as the case may be, the time of supply is deemed to be the time at which the invoice was issued. If a tax invoice is issued 10 days after the date of delivery of the goods or the date of performance of the service, as the case may be, VAT has to be accounted for at the time at which the delivery of the goods has been effected or at the date of performance of the service.

## Special rules

Special rules apply to supplies made for:

- Agreement for periodic payments - when payment is due or when payment is made, whichever is earlier
- Hire purchase agreements - when the agreement is entered into

Please note:

- Where the Payment Basis (Cash Basis) of accounting is adopted (subject to approval by the Commissioner-General of Inland Revenue (CGIR), the time of supply is the date of receipt of payment.
- Where a deposit (non-refundable) is made on goods or services to be supplied, a tax point is created.

## Value of supply

The value of supply is the tax base on which VAT is calculated.

It is normally the total consideration received from the purchaser and/or third party, net of any discount and less any VAT chargeable (i.e. the amount of money, excluding VAT itself which the customer has to pay in order to obtain the goods or services).

The value (tax base) on which VAT is charged is as follows:

## **Import**

(Value for Customs Duty x 110%) + Customs Duty + Surcharge + Cess + Excise (Special Provisions) Duty + Ports and Airports Development Levy

## **Supply**

Total Consideration chargeable (including Excise (Special Provisions) Duty less VAT charged)

VAT will normally be charged on the invoice value of goods or services. This value should not be less than the open market value of such supply.

## **Recovery/offset**

### **Recovery**

Input tax is the VAT that a VAT registered person has paid (including VAT deferred) on inputs (whether imports or purchases, capital or revenue) used or to be used in his business of making taxable supplies.

Output tax is the VAT that a VAT registered person charges on his outputs i.e. on his taxable supplies of goods or services.

The basic formula for Tax payable or refundable = Output tax – Input tax

The amount of VAT payable should be calculated by deducting the allowable input tax from the output tax that a supplier has charged on the goods and services so supplied. If the input tax exceeds the output tax, the excess should be carried forward.

Adjustments to output tax and input tax may arise on account of the following:

- Taxable fringe benefits to employees;
- Bad debt recoveries;
- Compensation received in relation to taxable items;
- Non-taxable use of goods/services;
- Other disallowable inputs e.g. input tax on motor cars or jeeps used for travelling;
- Tax credit notes issued/received;
- Tax debit notes received/issued.

## Apportionment

If all the supplies are taxable, all the input tax is deductible, other than what is disallowable (e.g. inputs on motor cars). If some but not all supplies are taxable, the common input tax must be apportioned so that only so much as is attributable to the taxable supplies is deductible. This would apply to businesses making mixed supplies (i.e. both tax-exempt or excluded and taxable items.)

The amount of common input tax deductible is normally calculated on a pro rata basis applying the following fraction to the residual input tax charged to the business in each taxable period.

Taxable supplies (including zero rated items)/Total supplies (i.e. taxable plus exempt/excluded supplies) x Residual Input Tax

Non-deductible inputs (e.g. inputs on motor cars) are excluded from the calculation.

## Compliance/obligations

### Registration

Every person (individual, company, partnership, joint venture, club association, government institution, local government institution, provincial council etc.) must register for VAT if the value of total taxable supplies from his taxable activities -

- exceeds Rs 3 million for any taxable period (one month or quarter), or
- exceeds Rs 12 million for any twelve-month period, or
- is likely to exceed Rs 3 million in the succeeding one month or 3 month taxable period or Rs 12 million in the succeeding 12 month taxable period.

However, the value of supplies should be excluded in respect of any supply of -

- goods relating to a private transaction (e.g. domestic or household articles),
- exempted goods or services,
- goods purchased locally without any process in a wholesale or retail activity unless the value of total supplies for a period of 3 months in one calendar year including the supplies excluded under section 2 or exempted under Part II of the 1st schedule to the Act is not less than Rs 12.5 million.

Unregistered persons cannot charge VAT on supplies made and are unable to recover VAT paid on imports and local purchases.

## Wholesale and Retail Business

The threshold with respect to the “value of supplies” applicable to any consecutive period of three months in any calendar year of any person or partnership carrying on a business of wholesale or retail trade, for the registration to VAT, is Rs 12.5 million commencing on or after 1 November 2016.

With regard to any subsidiary or associate company of a Group of Companies, the “value of supplies” means aggregate value of supplies of each company of the Group other than any company not engaged in the wholesale or retail business.

## Importers

Importers, who do not have permanent VAT registration numbers, are required to apply and obtain temporary VAT registration numbers, if the value of the respective supplies is below the VAT registration threshold, or if the import is a private and occasional one.

A temporary importer’s registration does not allow a person to charge VAT on his sale. If his sales exceed the VAT registration threshold, he should apply for permanent VAT registration.

## De-registration

A registered person may apply to cancel his registration after the lapse of 12 months following his date of registration provided:

- he has ceased to carry on his taxable activity, or
- the total value of his taxable supplies in any taxable period does not exceed the registration threshold.

Upon cancellation of the registration or upon such registration been listed as an inactive registration, he should return the certificate of registration to the CGIR and should not issue any tax invoice.

Where the CGIR cancels any registration, he shall cause a list of names and the registration numbers of such registered persons to be published in three daily newspapers in Sinhala, Tamil and English languages having a wide circulation or where the CGIR decides such registration as inactive, he shall publish the names and registration numbers of the persons whose registration has been decided as inactive in the official Web Site of the Department and the list so published shall be updated on a monthly basis.

## Registration number

Once the application of registration has been made and the Commissioner General is satisfied that the person is to be registered, the person will be notified by issuing a certificate of registration. The certificate of registration will carry the name, address, registration number and the date from which registration takes effect.

Such registration number is based on the person's Tax Payer identification number (TIN) which is a unique number allocated to each tax payer and carries 9 digits. In addition to TIN, VAT registration carries a sub code of 7000. The format of the VAT registration carries is TIN (9 digits) – 7000.

## Group registration

Group registration is not permitted.

## Invoices, including e-invoicing

Tax invoice should be issued within 28 days from the time of supply and needs to show the following specific details to be a valid tax invoice.

1. Date of invoice and serial number of the invoice which does not exceed 40 characters without space;
2. Supplier's name,
3. Customer's name, address and the VAT registration number;
4. Date of supply, quantity and description of goods or services supplies;
5. Value of the supply;
6. Amount of VAT charged and the total consideration;
7. Words "Tax Invoice" at a prominent place on the invoice.

## Records

Every registered person should keep and maintain records in respect of the taxable activity carried by him. He should account for VAT on an invoice (accrual) basis unless special written permission has been obtained from the CGIR to adopt a payment (cash) basis.

“Records” includes-

- a. Books of account (whether contained in a manual, mechanical or electronic format or combination thereof) recording receipts of payment or income or expenditure and also includes vouchers, bank statement, invoice tax invoices, tax credit notes, tax debit notes, receipts and such other document as are necessary to verify the entries in any such books of account;
- b. Details of any warehouse, go-down or any other place where stock of goods are kept and the stock of goods kept in such warehouse, go-down or any other place as the case may be;
- c. Any list or record required to be maintained or kept in accordance with the provisions of the Act or under any regulation made thereunder.

These records are to be retained by the registered person for a period of five years after expiry of the taxable period in which such records were prepared.

## Returns

VAT registrants must file a prescribed return, either in writing or by electronic means, for each taxable period.

A taxable period means a period of one month –

- where any person registered under the Simplified Value Added (SVAT) scheme and accorded Registered Identified Purchaser (RIP) status as specified in the Guidelines issued and published in the Gazette.
- where any person has commenced a business or started a project and undertakes to comply with the requirements of Section 22(7) of the Value Added Tax Act No 14 of 2002; and
- a period of three months commencing on the first day of January, April, July and October for all others or who has opted to submit quarterly returns on the approval by the CGIR.

There are 2 taxable periods, being monthly and quarterly.

Monthly returns should be filed by a registered person who is –

- registered with the Simplified Value Added Tax (SVAT) Scheme and accorded Registered Identified Purchaser status as specified in the guidelines issued and published in the Gazette by the CGIR for that purpose;
- has commenced a business or started a project and undertakes to comply with the requirements of subsection (7) of section 22 of the Value Added Tax Act, No. 14 of 2002

All other registered persons need to submit only quarterly returns.

## Due dates

Returns should be filed not later than the last day of the month following the end of each taxable period (monthly or quarterly).

## Content of forms

The information that is required to be completed on the VAT return is as follows:

1. Output tax  
Value of taxable supplies and tax value of zero rated supplies, exempt supplies and excluded supplies.
2. Input tax  
Value of the purchases and input tax
3. Allowable input tax  
Excluding disallowable tax restriction on input tax credit and including carried forward input tax.
4. Tax payable/refundable  
Including unabsorbed balance of input tax to be C/F
5. Declaration  
Full name of the declarant  
Designation  
Telephone Number/Email  
Signature of declarant  
Date

## Assessments

While VAT operates as a self-assessed tax, the Assistant Commissioner is empowered to issue an assessment of the tax payable if –

- a registered person chargeable with tax fails to file a return;
- a registered person files the return for a taxable period without payment or part payment;
- a person who files a return requests, in writing or by electronic means, that the return be altered;
- a person who has failed to file a return for any taxable period has paid for any taxable period tax which, in the opinion of the Assistant Commissioner is less than the amount payable by that person for that period;
- a person chargeable with tax has, for any taxable period, paid as tax an amount, which appears to the Assistant Commissioner, to be less than the amount payable by him for that taxable period.





The Assistant Commissioner is required to communicate to such person by registered letter, when making an assessment or an additional assessment upon rejecting a return, why the return filed is not accepted.

Where a registered person has filed a return or has been assessed for tax in respect of any taxable period, an assessment or additional assessment can be made only within 3 years of the end of that taxable period. If the Assistant Commissioner is of opinion that the person has wilfully or fraudulently failed to disclose material facts necessary to determine liability for any taxable period, an assessment may be issued at any time.

## Payment

VAT is payable on a self-assessment basis. The tax in respect of any taxable period, commencing on or after 1 January 2013, is payable as follows:

### a. Registered Manufacturer:

Period	Due Date
Tax payable for the first month of the quarter	not later than the 20th day of the 2nd month of that quarter.
Tax payable for the 2nd month of the quarter	not later than the 20th day of the 3rd month of that quarter.
Tax payable for the quarter after making deductions for the amount paid for the 1st month and the 2nd month of that quarter	not later than the 20th day of the month following the end of the taxable period.

### b. Other (registered importer, service provider and registered wholesale and retail trader)

Period	Due Date
Tax payable from the 1st day to the 15th of the month	on or before the end of that month.
Tax payable from the 16th day to the end of the month	on or before the 15th day of the subsequent month.
Any balance, subject to the making of any adjustments	with the submission of the return. Due on the last day of the month after the expiry of each taxable period.

## Bad debts

In ascertaining the amount of tax payable in any taxable period, there shall be deducted an amount of tax corresponding to any bad debts incurred in the taxable activity on debts which have become bad during such taxable period.

The amount of tax deductible shall not exceed the amount paid as tax in a previous taxable period in respect of the debt, which is to be written off.

If any amount written off as bad debt is received in any taxable period on account of the bad debt so written off, the amount received shall be treated as a taxable supply during the taxable period and shall be liable to tax.

## Refunds

Pursuant to the implementation of the simplified (SVAT) Scheme, refunds will not be made other than any refunds arising from any input relating to invoices received up to 31 March 2011, upfront payment made after 1 April 2011 to the Director General of Customs and any excess of input claimed by a person, registered under the simplified VAT scheme where such person is unable to obtain simplified VAT credit vouchers. This is as per Guidelines issued by CGIR under SVAT Scheme.

The input tax set off against the output tax is now subject to the 100% restriction. Therefore, refunds may not arise to registered persons other than under the special cases referred to above. The CGIR will credit the amount refundable only to the bank account assigned to a registered person for such purpose.

## Refunds to tourists

Where a tourist has purchased any specified goods from an authorised retailer and paid VAT on such purchases as per the tax invoice issued by such authorised retailer, such tourist can claim such VAT amount as a refund in writing in the specified form, from the Commissioner General or any person authorised by him at the point of departure, if such goods are being removed from Sri Lanka.

Once the Commissioner General or the authorised person may on being satisfied with the facts given, refund such amount of VAT to such tourist.

An “authorised retailer” means any registered person who has been issued with a certificate of registration as an authorised retailer by the Commissioner General on the application made to him or any person authorised by the Commissioner General.

## Penalties

Every person must comply with numerous requirements imposed under the VAT Law. Failure to do so will result in the imposition of a range of penalties including the following:

### Fines imposed by a Magistrate on conviction after summary trial

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Failure to apply for registration

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Failure to file VAT return

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Failure to issue an invoice/ tax invoice

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Issue of more than one invoice for each taxable supply

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Incorrect Returns

A fine not exceeding Rs 25,000 and/or term of imprisonment not exceeding 6 months.

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Twice the amount of tax deficiency plus Rs 25,000, and/or term of imprisonment not exceeding 6 months.

### Penalties imposed by the CGIR

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Failure to file VAT return

Penalty not exceeding Rs 50,000

---

Failure to pay tax on due dates

10% of unpaid tax plus 2% for each succeeding month subject to 100% of unpaid tax

## Appeals

There is a three-stage appeal process:

- The first level of appeal is to the CGIR.
- The determination of the CGIR can be appealed to the Appeal Commission.
- Final stage is the appeal to the Court of Appeal/Supreme Court.



An appeal from the determination of the CGIR must be made within 30 days of the decision.

An appeal, in writing or by electronic means, will be admitted only if the appellant has:

- stated precisely the grounds of appeal,
- filed the return,
- paid the full amount of tax shown in his return together with any penalty thereon accrued up to the date of such notice of assessment, and a receipt in proof of such payment is attached to the petition of appeal, and
- filed the appeal within 30 days after the service of the notice of assessment.

On an appeal lodged against the assessment, the CGIR may defer the due date for payment of the tax assessed, if the appellant can prove that the tax due on the alleged supplies on which the assessment has been made has not been charged by him.

Every appeal should be settled by the Assessor other than the Assessor who made such assessment, or determined by the CGIR within 2 years from the date on which such appeal is received, unless the agreement or determination of such appeal depends on the furnishing of any documents or the taking of any action by any person other than the appellant or Assessor or CGIR. Where the appeal is not agreed or determined within such 2 year period, the appeal shall be deemed to be allowed and the tax charged should, accordingly, be amended.

If an appeal is disallowed or partly allowed by the CGIR, the appellant can further appeal against the determination of the CGIR to the Board of Review or the Appeal Commission. CGIR may also refer any valid appeal made to him to the Board of Review or the Appeal Commission.

## Digital economy

Currently, there are no special rules for taxing the digital economy.

## Other indirect taxes

Customs duty is levied on the value for customs duty (i.e. transaction value). World Trade Organization (WTO) rules on customs valuations are implemented. Sri Lanka has a simplified three-tier tariff structure. The rates are published in the government gazettes. The current rates are 15%, 30%, and 0% (applies to few goods).

Special Commodity Levy is imposed on certain commodity items at the rate specified by the Minister by order published in the gazette at the point of importation of such commodities. Special Commodity Levy is a composite levy, and no other tax, duty, levy, cess, or other charge is imposed in terms of any other laws specified as applicable in respect of the commodities specified in any such order.

The collection of Special Commodity Levy is undertaken by the Director General of Customs.

Excise duties and special excise levies are charged on tobacco, cigarettes, liquor, motor vehicles, selected petroleum products, paints, air conditioners, dishwashers, household washing machines, and other products at various rates and at unit rates.

Stamp duty is payable on specified instruments and documents at rates prescribed in the Gazette.

Share transaction levy at the rate of 0.3% is chargeable from both the buyer and the seller on the sale value of listed shares transacted through the Colombo Stock Exchange (CSE).

Economic Service Charge (ESC) is payable quarterly by all businesses at 0.5% of the aggregate turnover of the trade, business, profession, or vocation if the total turnover exceeds Rs 12.5 million for that quarter. ESC so paid is deductible from the Corporate Income Tax (CIT) payable for that tax year. ESC is not refundable but can be carried forward for two immediately succeeding tax years to be set off against CIT payable.

Nation Building Tax (NBT) is chargeable at 2% on every person (a person includes a company) who imports any article on the 'liable turnover' from such importation, and carries on the business of manufacture of any article, and provides a service of any description, or on the wholesale or retail sale of any article (other than such sale by the manufacturer of that article) on the liable turnover of the relevant quarter. Certain specified articles or services are exempt from NBT.

Tourism development levy is payable by tourist hotels and institutions licensed under the Tourist Development Act on the turnover of such institutions at the rate of 1%.



## Useful contacts

For help and advice regarding VAT in Sri Lanka, please contact:

### **PricewaterhouseCoopers (Pvt) Ltd**

**Charmaine Tillekeratne**

Director

Email: [charmaine.tillekeratne@lk.pwc.com](mailto:charmaine.tillekeratne@lk.pwc.com)

Office: +94 11 7719700 / 7719838

**Nissanka Perera**

Manager

Email: [nissanka.perera@lk.pwc.com](mailto:nissanka.perera@lk.pwc.com)

Office: +94 11 4719838 ext.4602

### **Tax authority**

#### **Department Of Inland Revenue**

Sir Chittampalam A Gardiner Mawatha,  
Colombo 02.

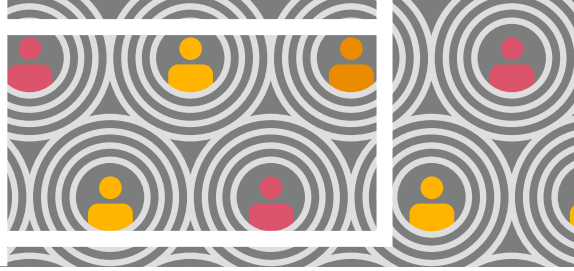
Email: [cgjr@ird.gov.lk](mailto:cgjr@ird.gov.lk)

General Number +94 11 213 5135



# Taiwan

# Taiwan



## Scope

The tax is known as Value-added and Non-Value-added Business Tax and was introduced on 15 November 1985.

Business Tax is levied on the sale of goods and services within the territory of Taiwan, as well as on imported goods. Business Tax is divided into Value-added Business Tax or Non-value-added Business Tax.

**Value-added Business Tax (“VAT”)** is applied to the majority of sales made in Taiwan. The tax is calculated on the value added, at the prescribed rate for that type of sale.

**Non-value-added Business Tax (“Non-VAT”)** is applied to sales made by certain defined types of businesses (e.g. banking, insurance, investment trust, securities, futures, commercial paper, pawnshops, specific food and beverage service, consignees of agricultural wholesalers, small businesses which sell agricultural products, small businesses etc.). Put simply, for these types of businesses, tax is applied to the sales amounts of the businesses.

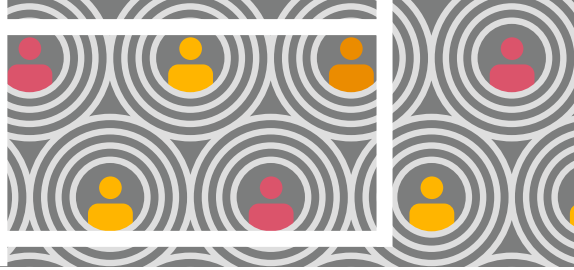
## Taxable person

Taxpayers of Business Tax (taxable persons) shall be as follows:

- Business entities that sell goods or services
- The receivers or holders of imported goods
- The purchasers of services provided by foreign enterprises, institutions, groups, or organisations that have no fixed place of business within the territory of the R.O.C.; however, in the case of foreign international transport enterprises that have no fixed place of business within the territory of the R.O.C but have agents in the ROC, the taxpayers are the agents.
- In the event tax-exempt agricultural or fishery fuel oil loses tax-exempt status due to a transfer or change in purpose of use, the taxpayer is the transferring party or the party that changes the purpose of use; however, if the transferring party or the party that changes the purpose of use is unknown, the taxpayer is the holder of the goods.



# Taiwan



## Goods

### Defenition

A sale of goods is generally defined as the transfer of ownership of goods to others for a consideration.

Consideration is not limited to goods in exchange for money. Any of the following circumstances are also deemed to be a sale of goods:

- The production, importation or purchase of goods by a business entity, which were initially meant for sale, but are in fact used by the business itself or transferred to others for no consideration
- Goods used to redeem debt or for distribution to shareholders or investors, and stock left over when a business entity is dissolved or shut-down
- Where a business entity purchases goods under its own name on behalf of a third party and subsequently supplies the goods to the third party
- Where a business entity consigns goods to others for sale
- Where a business entity sells consigned goods.

### Place of supply

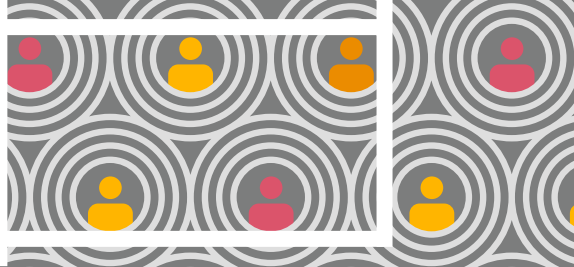
A sale of goods takes place within the territory of Taiwan:

- Where goods sold are required to be transported in order to effectuate delivery and the origin of shipment is within the territory of Taiwan.
- Where goods sold are not required to be transported in order to effectuate delivery and the goods are located within the territory of Taiwan

### Time of supply

Generally, by the time goods are sent to customers, a Government Uniform Invoice (“GUI”) which is a standardised VAT document, will have to be issued to the customer. If payment is received in advance, GUIs will have to be issued when the said advance payment is received. In addition, there are other specific rules which are applicable to particular circumstances (e.g. installment payments).

# Taiwan



## Value

The value of a sale is defined as the amount upon which the Business Tax is charged. The value refers to the total consideration received from a sale of goods, including any fees collected aside from the sales amount of the goods sold. However, the Business Tax incurred on a sale is not included in the value of that sale. For example, if the sale price is NTD 105, the tax is NTD 5 and the value of the sale is NTD 100.

If the goods are subject to commodity tax, tobacco and alcohol tax, or health and welfare surcharge on tobacco, the sales amount must include the amount of commodity tax, the tobacco and alcohol tax, or the health and welfare surcharge on tobacco.

If the sale is not for a consideration in money, or not wholly for money, then the value will be the market value of the sold good or the goods/services received in return, whichever is higher. Market value is defined as the local selling price during the time of sale.

## Services

### Definition

A sale of services is defined as a supply of services to others or provision of goods for the use of others for a consideration.

However, such sales of services do not include professional services supplied by professional practitioners and services rendered by individuals in employment.

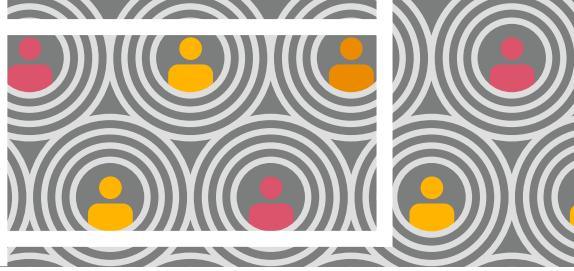
The circumstances that can be deemed a sale of goods (mentioned in the “Goods” section) are also applicable to sales of services.

### Place of supply

Services are seen as sold in Taiwan where:

- Services are sold or utilised within the territory of Taiwan
- An international transport business carries outbound passengers and cargo from the territory of Taiwan
- A non-resident insurance business accepts reinsurance policies from an insurance company within the territory of Taiwan.

# Taiwan



## Time of supply

In general, GUIs need to be issued by the time payment is received. There are some specific rules for particular circumstances where this does not apply. However, a GUI must be issued when advance payment is received.

## Value

The value of a sale is defined as the amount upon which Business Tax is charged. The value refers to the total consideration received from a sale of services, including any fees collected aside from the sales amount of the services sold. However, the Business Tax incurred on a sale is not included in the value of that sale. For example, if the sale price is NTD 105, the tax is NTD 5 and the value of the sale is NTD 100

If the supply is not for a consideration in money, or not wholly for money, then the value will be the market value of the sold service or the goods/services received in return, whichever is higher. Market value is defined as the local selling price during the time of sale.

## Rates

### VAT standard rate

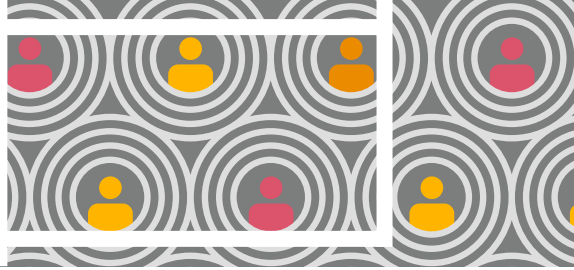
The standard rate of VAT is 5%. This applies to sales of goods and services within Taiwan not qualifying for another rate or exemption.

### VAT zero rate

A zero rate applies to:

- Export of goods
- Services related to exports or services provided within the territory of Taiwan but used in foreign countries
- Goods sold to outbound or transit passengers by the duty-free shops established under applicable law
- Goods or services sold to a bonded zone business entity for its operational use
- International transportation; however, foreign transport enterprises engaging in international transport within the territory of Taiwan shall qualify for zero tax rate only if reciprocal treatment, or exemption from similar taxes, is given to international transport enterprises of Taiwan by the foreign country in which the foreign enterprise is incorporated
- Vessels and aircraft used in international transportation and deep sea fishing boats
- Sales of goods and maintenance services to vessels and aircraft used for international transportation and deep sea fishing boats

# Taiwan



- Goods sold by a bonded zone business entity to a taxable zone business entity and exported directly without being transported to the taxable zone
- Goods sold by a bonded zone business entity to a taxable zone business entity for export and placed in a bonded warehouse or logistics center administered by an enterprise inside a free trade zone or by Customs.

## Non-VAT high rates

There are high rates of 15% and 25%.

The 15% rate applies to night clubs and restaurants providing entertainment programs.

The 25% rate applies to saloons, tea rooms, coffee shops and bars providing hostesses to entertain customers.

## Non-VAT standard/reduced rates

The rates vary for different types of services.

A standard rate of 5% applies to the exclusive authorised businesses of:

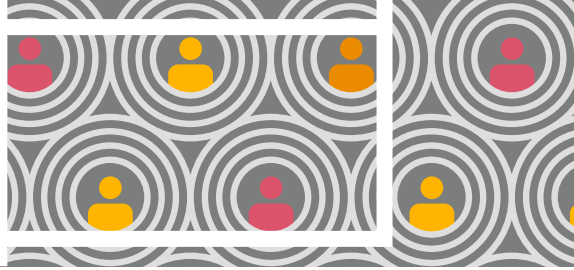
- banks
- insurance companies

A reduced rate of 1% applies to the operations of reinsurance businesses of insurance companies.

A reduced rate of 2% applies to the operations of exclusive authorised businesses of the following industries:

- Investments trusts
- Securities
- Futures
- Short-term commercial papers
- Pawnshops

The operations that are not within the scope of the aforementioned exclusive authorised businesses are subject to the standard VAT rate of 5%. For these sales, there are complex rules regarding the recovery of input tax.



A reduced rate of 1% applies to small business entities, massage enterprises run by visually impaired persons who have duly obtained qualifications to engage in massage operations and that are entirely staffed with visually impaired persons to provide massage services, and other business entities exempted by the Ministry of Finance from filing sales amounts.

A reduced rate of 0.1% applies to consignees of agricultural product wholesale markets and small-scale business entities engaging in sales of agricultural products.

## Exemption

Certain defined sales are exempt from Business Tax (i.e. no tax is charged and there is no credit given for related input VAT incurred as a cost). Examples include:

- Sales of land
- The medical services, medicine, ward lodging and meals provided by hospitals, clinics and sanitariums
- Educational and cultural activities
- Sales of derivative financial products
- Charity sales.

## Imports/exports

### Imports of goods

Business Tax is imposed on imports of goods and is collected by Taiwan Customs.

Any one of the following is considered an import of goods:

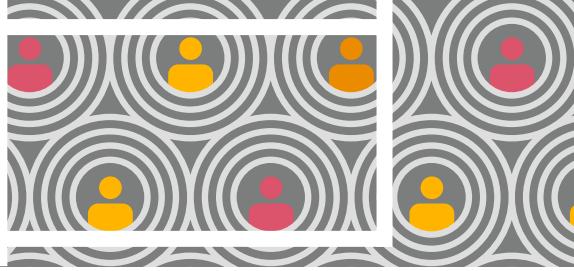
- The transport of goods into Taiwan, with the exception of the transport of bonded goods into a bonded zone.
- The transport of bonded goods from a bonded zone into any other area of Taiwan.

The person due to pay this VAT at import may be the possessor or the receiver of the goods.

### Imports of services

Business Tax is charged on imported services provided to Taiwan customers by a non-resident enterprise with no fixed place of business in Taiwan. The Business Tax due is calculated and paid by the recipient of the service (i.e. under a “reverse charge”).

However, if the Taiwan customers are entities that calculate Business Tax using the VAT method, the imported services are exempt from Business Tax. This is provided the imported services are used solely by the business to make goods or services subject to VAT.



## Export of goods

Exports of goods are subject to Business Tax at a 0% VAT rate.

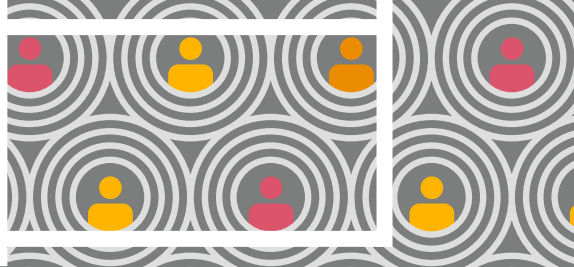
## Export of services

Exports of services (either services related to exports or services provided within the territory of Taiwan but used in foreign countries) are subject to Business Tax at a 0% VAT rate.

## Documentation

The documents required when applying for zero rates by a business entity are as follows:

- With the exception of goods declared with customs for export for which the submission of documentary evidence is not required, if the goods are exported via a postal institution or an express delivery enterprise approved by and registered with customs in accordance with “The Regulations Governing Customs Clearance Procedures for Express Consignments”, and the free on board value of the goods is not more than NTD 50,000, a photocopy of the receipt slip issued by the postal institution or the express delivery enterprise. If, however, the free on board value exceeds NTD 50,000, the goods shall still be declared with customs for export, and the submission of documentary evidence is not required.
- For services relating to export or services provided in Taiwan but used overseas, if the foreign exchange obtained has been settled for sale to or deposited into a bank designated by Taiwan’s government, the documentary evidence of the foreign exchange sale or deposit issued by the designated foreign exchange bank; if the foreign exchange obtained has not been sold and settled or deposited into a bank designated by Taiwan’s government, a photocopy of the original receipt of the foreign exchange with the amount specified therein.
- For goods sold to a transit or outbound passenger by a duty-free shop established in accordance with applicable laws and regulations, the sales slip approved by the supervising customs to be stored in electronic media and that contains the passport number or travel document number of the transit or outbound passenger. But for duty-free shops set up in an international airport or a control area of a harbor, it is not required that the passport number or travel document number of the transit or outbound passenger be recorded on the sales slip.
- For goods or services sold to a bonded zone business entity for its operational use, the deduction copy of the uniform invoice signed by the bonded zone business entity, with the exception of goods declared with customs and deemed exported, for which the submission of documentary evidence is not required.
- For operations of international transport, the “Statement of Sales Revenue Generated from Transporting Goods or Passengers Abroad”.
- For sale of a vessel or aircraft for international transport use, and for sale of a deep sea fishing boat, a photocopy of the sales contract.



- For sale of goods or provision of repair and maintenance services to a vessel or aircraft for international transport use or to a deep sea fishing boat, with the exception of the goods declared with customs for export, for which the submission of documentary evidence is not required, the documentary evidence issued by customs showing that the goods or services have been delivered for use or a photocopy of the repair and maintenance contract.
- For goods sold by a bonded zone business entity to a taxable zone business entity and exported directly without being transported to the taxable zone, the documentary evidence issued by customs with respect to the export declaration by the taxable zone business entity and a photocopy of the sales contract.
- For goods sold by a bonded zone business entity to a taxable zone business entity for export and placed in a bonded warehouse or logistics center administered by an enterprise inside a free trade zone or by customs, the documentary evidence issued by customs showing that the goods are deemed exported or imported and a photocopy of the sales contract.

Other supporting documents approved by the Ministry of Finance may be used where applicable.

## Recovery/offset

### Recovery

The input VAT incurred by a business can be offset against output VAT for sales that are subject to VAT.

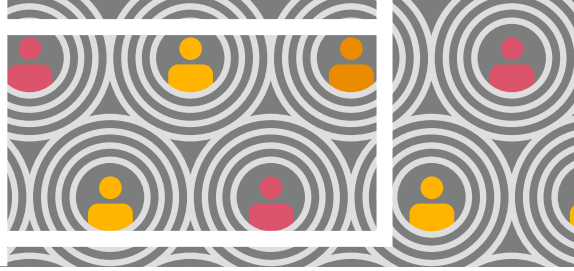
However, the following types of input VAT are specifically denied VAT deduction:

- Where the relevant supporting documents with respect to purchased goods or services are not obtained or kept
- Goods or services not used for the principal or ancillary business operations
- Goods or services used for the purpose of entertainment
- Goods or services used for rewarding individual employees
- Passenger cars that are for personal use.

For sales subject to Non-VAT, where the Business Tax is calculated based on the gross sales amount, input VAT cannot be offset against the Business Tax due.

Enterprises engaged in banking, insurance and trust investment may apply to calculate Business Tax at the standard VAT rate of 5%. This is only allowed for operations that are not within the scope of their exclusive authorised business. Where this has been allowed, these operations can calculate the Business Tax payable by offsetting their input VAT against their output VAT.

# Taiwan



## Apportionment

When a business makes a mixture of taxable and tax exempt sales, it must review the VAT it incurs on its purchases to see if it can be credited in full. The rules here are complex and specific advice is necessary.

A business making tax exempt sales cannot deduct input VAT. A business engaging in both taxable and tax exempt sales can only claim the input VAT proportionally, or apply to the tax authority for permission to adopt the direct-credit method to compute their deductible amount.

## Pre-registration claims

A business entity which has not yet commenced its operations may file an application with the tax authority in charge of issuance of identification numbers. This will allow the entity to obtain the documentary evidence required to file for recovery of the VAT incurred when it makes purchases of goods or service.

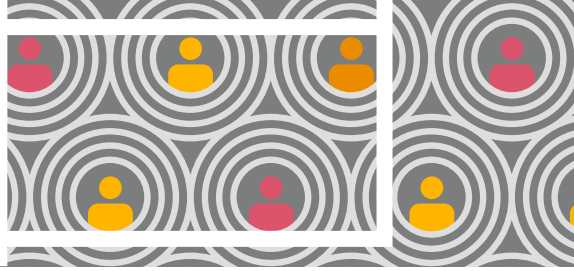
## Post-registration claims

Generally, where a business entity goes into merger, business transfer, dissolution, or cessation of business, excess paid VAT can be recovered by filing a VAT return in accordance with the regulations.

## Change of use/capital items adjustment

Apart from the partial-exemption annual adjustment, there are no rules covering situations where the use of an asset changes over a period of time. If the usage of an asset changes after the first year (e.g. from fully taxable to partly exempt or vice versa), there is no mechanism for an adjustment of the VAT originally claimed.





## Compliance/obligations

### Registration

A business needs to apply for business registration with the competent authority of its relevant jurisdiction before it commences business. If a business has branches, each branch must apply individually for registration with the local authority. However, where there are branch offices in different VAT jurisdictions, a company can apply for approval to file a consolidated return with the tax office responsible for the head office.

### Registration number

Each Business Tax registered entity is given a unique reference number with the format – 99 99 99 99.

### Group registration

VAT grouping is not permitted.

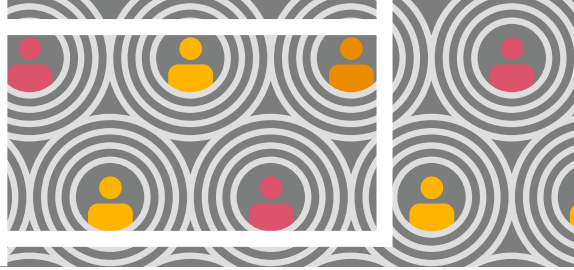
### Invoices, including e-invoicing

Government Uniform Invoices (“GUI”) should be issued for all sales of goods and services subject to VAT within the territory of Taiwan. A GUI is an official document which is printed and pre-numbered by the government. It must be issued when there is a VAT sale of goods or services in Taiwan. It also serves as an accounting receipt and as official accounting evidence for tax return purposes.

For domestic transactions, the following items should be listed in the GUI:

- Date of the transaction
- Item names, quantities, unit prices, subtotals
- Sales amount
- Type of tax applicable
- Tax amount (if the recipient is a business entity)
- Total amount

If the buyer is not a registered Business Tax entity, then the GUI shall be issued for the full amount (i.e. tax amount is not listed separately from the final amount). Moreover, certain situations may call for other information to be listed or certain information to not be listed; for instance, if triplicate format GUI and computer generated GUI are used, the name, address and government unified number of the recipient must be stated in the GUI.



Additionally, the GUI must be issued sequentially and stamped with the GUI stamp of the issuer. The GUI stamp shall be in standard format and contain the following items:

- The name of the seller
- Government unified number
- Address of the seller
- The words “Government Uniform Invoice Stamp”.

Exported goods, export related services, or services provided in Taiwan but used overseas are exempt from issuing of GUIs.

Electronic GUIs are allowed as long as the processes and records conform with regulation, and prior approval is obtained. Computerised GUIs will no longer be used after 31 December 2019; instead, they will be replaced with electronic GUIs starting 1 January 2020.

## Records

### Retention period

Accounting records and accounting documents must be kept for periods of 10 years and 5 years, respectively. Moreover, accounting records and documents must be stored at the entity’s place of business.

Accounting records and documents may be kept solely in electronic form, with the hardcopies destroyed, if prior approval is obtained.

## Returns

### Periods

Business Tax returns for all registered Business Tax entities need to be filed bi-monthly.

Businesses supplying goods or services subject to a zero tax rate can opt to file Business Tax returns on a monthly basis, with prior approval from the tax administration.

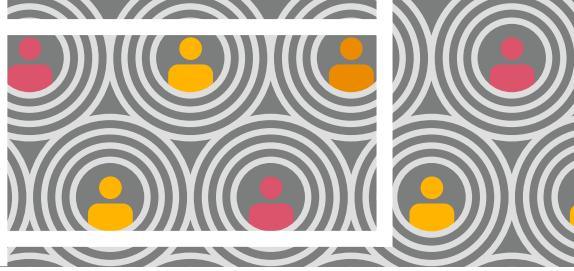
### Due dates

The return must be lodged with the tax office prior to the 15th day of the following period.

### Payment

The Business Tax is due when the Business Tax return has to be filed, with the payment receipt to be submitted together with the Business Tax return.

# Taiwan



## Refunds

The excess of input VAT over output VAT can be carried forward to offset future VAT payable. In the following situations, the overpaid Business Tax (i.e. excess of input VAT over output VAT) will be refunded:

- The amount of Business Tax overpaid is for goods or services subject to a zero rate
- The Business Tax overpaid is for the purchase of fixed assets
- The Business Tax overpaid is by a business entity who has applied for cancellation of registration due to merger or consolidation, business transfer, dissolution, or cessation of business
- Business entities with special situations may apply to obtain approval from the Ministry of Finance to receive tax refunds.

## Content of forms

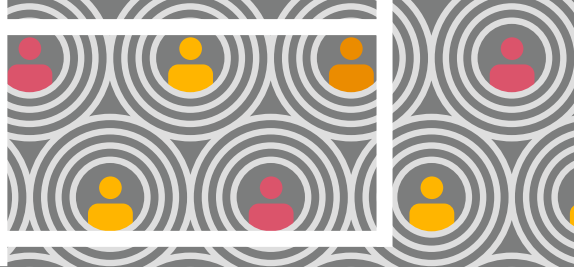
The main contents of the primary VAT return (i.e. 401 Return) are listed below:

- Total sales amount and output tax
- Total purchases and input tax
- Overpaid tax carried forward from previous period
- Net tax due
- Overpaid tax from this period to be carried forward
- Refundable tax amount
- Name and signature of designated signatory.

## Bad debts

There is no provision available to relieve companies in Taiwan from bad debts.

However, there are tax rulings for electric power companies and telecommunication companies which may relieve them from bad debts via Business Tax returns.



## Non-residents

A non-resident business, with no fixed place of business in Taiwan, is not able to become a registered Business Tax entity and therefore cannot deduct input VAT from output VAT. However, an exception to this would be foreign entities that sell electronic services to individuals in Taiwan (please see Digital Economy section).

## Refunds to foreign business

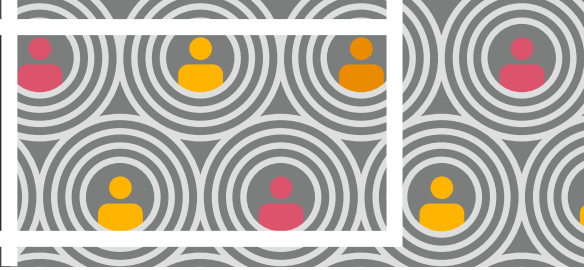
There are no provisions allowing the recovery of Business Tax by foreign businesses with no fixed place of business in Taiwan.

However, foreign business having no fixed place of business within the territory of Taiwan which purchase the goods or services on which VAT is levied of a certain amount of money or more within Taiwan for the purpose of engaging in exhibitions or temporary business activities within the period of one year, may qualify for a VAT refund on the aforesaid goods or services. Nevertheless, input VAT on expenses which are specifically denied VAT deduction under relevant tax regulation is still not applicable for tax refund.

The aforesaid institutions may qualify for VAT refund, provided that reciprocal treatment, or exemption from similar taxes, is given to the same institutions of Taiwan by the foreign country in which they are performing such activities as described above.

## Refunds to tourists

There is a tourist reclaim scheme available for goods purchased by visitors to Taiwan.

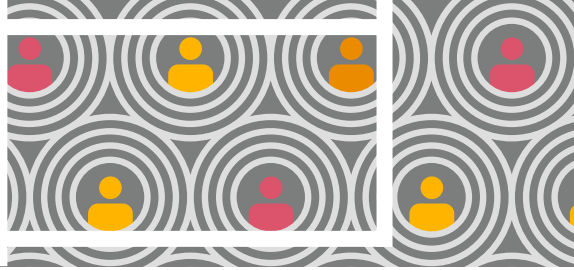


## Penalties

In any of the following circumstances, the taxpayer will be pursued for payment of unpaid taxes and be fined from 1 to 5 times of the amount of tax evaded. In addition, the taxpayer's business may be suspended.

- Where the business is conducted without the required application for business registration
- Where thirty days have elapsed since the time limit set for reporting the sales amount or detailed list of uniform invoices used, and the Business Tax due and payable has not been paid.
- Where the sales amount is not reported or under-reported
- Where the taxpayer continues to conduct business after it has applied for cancellation of registration or its business has been suspended by the tax authority
- Where the amount of input VAT has been falsely reported
- Where applicable, Business Tax has not been paid by a buyer of services sold by foreign enterprises (having no fixed place of business within the territory of Taiwan) after 30 days of the prescribed deadline
- Where tax is evaded in any other way.

# Taiwan



## Digital economy

### Scope

Taiwan has formally implemented a VAT mechanism for cross-border sales of B2C services. Under the said mechanism, sales of cross-border electronic services to individual consumers that annually exceeds NTD 480,000 by corporate sellers without fixed places of business in Taiwan require the foreign companies to register for VAT purposes in Taiwan and pay VAT.

### Returns

VAT returns will need to be submitted every two months via the tax authority's web portal. The deadline is by the 15th day after the end of each period (e.g. by March 15 for the period of January-February).

### Payment

Tax payment needs to be made prior to the filing of the tax return.

### Refunds

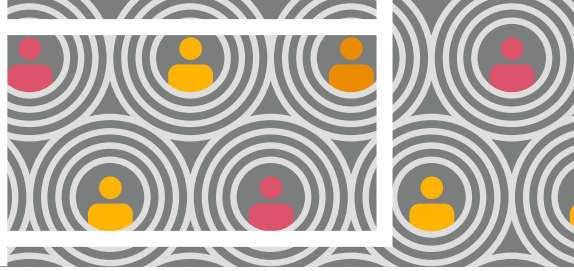
Input VAT incurred by a foreign taxpayer in order to generate its VAT sales in Taiwan can be credited as input VAT.

### Contents of forms

The VAT return to be filed is a simplified form where only the value of supplies made, the applicable VAT, and applicable input VAT is to be reported.

### Penalties

The current penalty regime also applies to overseas suppliers with cross-border sales of B2C services.



## Other indirect taxes

Stamp Tax is levied on the following types of documents:

- Monetary receipts: Tax stamps at 0.4% of the amount received, to be affixed by the person drawing up the receipt
- Receipts for deposit of bid bonds: Tax stamps at 0.1% of the money deposited by the bidder, to be affixed by the person drawing up the receipt
- Contracting agreements: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt
- Contracts for the sale, transfer, or partition of real estate: Tax stamps at 0.1% of the contract price, to be affixed by the person executing the contract or drawing up the receipt
- Contracts for the sale of movables: Tax stamps at NTD 4 per piece, to be affixed by the person executing the contract or drawing up the receipt.

Customs Duty is levied on goods imported from abroad.

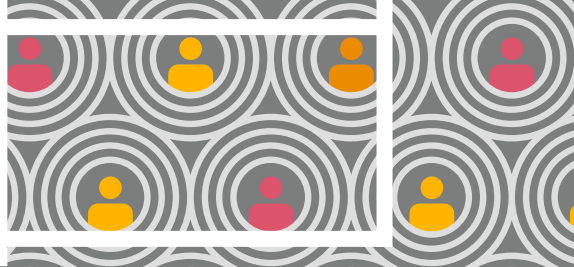
Commodity Tax is an excise tax levied at ad valorem or at specific rates on specific commodities which are locally produced or imported.

Title Deed Tax is levied on the transfer of title of real estate through sales, exchange, donation, partition or occupancy, excluding those where land value increment tax is in effect. Deed tax is payable at the time of transfer.

Land Value Tax is levied on both rural and urban land on the basis of the valuation recovered in the local land register.

Building Tax is paid by the owner of the building, and is calculated based on the building's assessed value. Different rates are used depending on the location and district of the building.

# Taiwan



## Useful contacts

For help and advice regarding VAT in Taiwan, please contact:

### **PricewaterhouseCoopers Taiwan**

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Tel: + 886 2 2729 6207

#### Li-Li Chou

Partner

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Tel: + 886 2 2729 6566

### **Tax authority**

The organisation responsible for the control of the tax is the **Ministry of Finance**,  
[www.mof.gov.tw](http://www.mof.gov.tw).

They are based at:

2, Aiguo W. Road  
Taipei, 10066  
Taiwan, ROC.





# Thailand

# Thailand



## Scope

The tax is known as Value Added Tax (VAT) and was introduced on 1 January 1992. VAT is chargeable on the following transactions that are performed in Thailand:

1. Sale of goods or provision of services by a taxable person.
2. Import of goods or service by an importer.

## Taxable person

A taxable person refers to:

- A supplier; a person or entity selling goods or providing services commercially or professionally in Thailand. In the case where the supplier resides abroad, the person responsible for carrying on the business including an employee or agent residing in Thailand who has the power to act on his behalf directly or indirectly shall be the person liable to VAT.
- An Importer; a person or entity undertaking the importation.

## Goods

### Definition

Sale is defined as disposal, distribution, or transfer of goods whether or not for benefits or a consideration and shall also include export of goods out of Thailand.

Import is defined as bringing goods into Thailand and shall include taking goods, subject to or exempt from import duties under the Custom law, out of Custom free zones but not for the purpose of exportation.

Goods are defined as all types of property, tangible or intangible.

### Place of supply

Goods are deemed to be sold in Thailand and within the VAT regime upon importation or physical delivery of the goods in Thailand.

# Thailand

## Time of supply

VAT liability for sale of goods shall take place at the time of delivery of the goods, except in the case where the following events take place before the delivery of goods, in which case the tax liability shall be at the time when such events take place whichever comes first:

- Transfer ownership of goods, or
- Payment received for good sold, or
- Issuance of tax invoice.

VAT liability for import of goods shall take place at the time of payment of import duty, depositing of security, or providing guarantee, except in the case where goods are not subject to or exempt from import duty, then the tax liability shall be at the time of passing the entry under the Custom law. There are special rules for hire purchase, installment schemes, consignment goods, export, etc.

## Value

The tax base of the sale of goods is the total value received or receivable by a supplier from the sale of the goods.

The value means money, property, consideration or any other benefits which can be expressed in terms of money. However, the value excludes the following:

- Discounts which are clearly shown on tax invoices
- Rebate or subsidy
- Output tax

The tax base of import of goods is the Cost, Insurance Freight or CIF price plus import duty.

## Services

### Definition

Services are defined as activities conducted for the benefit of a person, or entity, which do not involve the supply of goods.

### Place of supply

A service is provided in Thailand if the service is performed there, regardless of where it is utilised or enjoyed.

If a service is performed elsewhere but consumed, utilised or enjoyed in Thailand, it is treated as being supplied in Thailand.

# Thailand

## Time of supply

VAT liability for provision of service shall take place at the time of receiving payment for the services performed, except in the case where the following events take place before receiving the payment, then the tax liability shall be at the time such events take place whichever comes first:

- Issuance of tax invoice, or
- Use of services whether by himself or other persons.

## Value

The tax base of the provision of service is the total value received or receivable by a supplier from the provision of services.

The value means money, property, consideration, service fees, or any other benefits which can be expressed in terms of money. However, the value excludes the following:

- Discounts which are clearly shown on tax invoices
- Rebate or subsidy
- Output tax

## Rates

### Standard rate

The standard rate of VAT is 10%. However, the 10% was applied, but only for a very short period of time.

The current rate of 7% was applied by virtue of different Royal Decrees and intended to be temporary. However, this has been the rate for a number of years and it is currently prescribed to be effective until 30 September 2019 by virtue of the National Council for Peace and Order.

The standard rate applies to all sales of goods or provision of services, including import of goods that do not qualify for zero rating or an exemption.

# Thailand



## Zero rate

The zero rate applies to, but is not limited to, the export of goods and services, subject to certain conditions. These include:

- Provision of services performed in Thailand and used in other countries (e.g. a Thai VAT registrant providing consulting services to a recipient outside Thailand either by means of fax, e-mail or correspondence. All such consulting must be practiced outside Thailand and no part of that consulting is to be used or practiced in Thailand.)
- International transport services
- Sale of goods and provision of services to a ministry, sub-ministry, department, local government authority or state enterprise under a foreign loan or assistance project
- Sale of goods and provision of services to the United Nations and its specialised agencies, an embassy, legation, consulate-general or consulate
- Sale of goods and provision of services between one bonded warehouse and another, between a bonded warehouse and a supplier carrying on business in the Duty Free Zone, or between one supplier and another, each of whom carries on business in the Duty Free Zone.

## Exemption

VAT shall be exempt for the following businesses:

1. Sale of goods or provision of services as follows:
  - Agricultural products, either fresh or preserved, rice or rice-mill products, excluding logs, firewood, saw-mill products, canned food receptacles or packing which are manufactured on an industrial scale under the description and conditions designated by the Director-General
  - Animals, whether dead or alive, or whether sold as meat parts, eggs, milk and its by-products, excluding canned food receptacles or packing which are manufactured on an industrial scale under the description and conditions designated by the Director-General
  - Fertilizer
  - Fish meals and animal feed
  - Drugs or chemicals for use with plants or animals
  - Newspapers, magazines or textbooks
  - Educational services by government educational institutions, educational institutions under the law governing private colleges and universities, or a private school under the law governing private schools
  - Artistic and cultural services in the manner corresponding to the descriptions designated or given by the Director-General, with the approval of the Minister

# Thailand

- Practicing arts of healing which have been audited in courts, or any other liberal professions designated by the Director-General, with the approval of the Minister, only if such liberal professions are regulated by law
- Healing and nursing services by a clinic under the law governing clinics
- Research or technical services in the manner corresponding to the descriptions designated or given by the Director-General, with the approval of the Minister
- Services relating to a library, museum or zoological garden
- Services which fall under an agreement for the hire of service (e.g. employment contract)
- Provision of services towards the organizing of amateur sports contests
- Public entertainment in the manner corresponding to the description designated or given by the Director-General, with the approval of the Minister
- Domestic transport services
- International transport services, but not including transport by means of aircraft or sea-going vessels
- Lease of an immovable property
- Provision of services by a local government authority, but not including commercial services or services with the objective of seeking revenues or benefits, be it a public or private utility
- Sale of goods or provision of services by a ministry, sub-ministry or department which hands over entire gross receipts to the government without deduction of any expenses
- Sale of goods or provision of services exclusively for the benefit of a religion or a public charity in Thailand, of which the profits are not applied for other purposes
- Sale of goods or provision of services designated by a royal decree.

## 2. Importation of the following goods:

- Agricultural products, either fresh or preserved, rice or rice-mill products, excluding logs, firewood, saw-mill products, canned food receptacles or packing which are manufactured on an industrial scale under the description and conditions designated by the Director-General
- Animals, whether dead or alive, or whether sold as meat parts, eggs, milk and its by-products, excluding canned food receptacles or packing which are manufactured on an industrial scale under the description and conditions designated by the Director-General
- Fertiliser
- Fish meals and animal feed
- Drugs or chemicals for use with plants or animals
- Newspapers, magazines or textbooks
- Goods from another country that are brought into a Duty Free Zone and are exempted from import duty under the law governing industrial estates of Thailand
- Goods in the list of goods exempted from duty, under the law governing customs tariff
- Goods imported and kept under the custody of the Customs department, which are then re-exported with a refund of import duty allowed under the governing customs.

# Thailand

## Imports/exports

### Import of goods

The import of goods into Thailand is subject to VAT except for the goods listed in the exemption section above.

### Import of services

Imported services consumed in Thailand are subject to a reverse charge where the taxable recipient of the supply accounts for the tax due as output tax.

### Export of goods

Export of goods is subject to VAT at the rate of 0%. The following documents are required to support the zero rating of the exports of goods:

- VAT registration certificate specifying that the VAT operator is carrying on a business of exporting goods subject to the zero rate VAT
- Export entry
- Packing list
- Invoice
- Purchase order
- Document signifying payment of goods (e.g. L/C (Letter of Credit), T/T (Telex Transfer) or T/P (Term of Payment)), or document showing that the payment of goods was made (e.g. Bank Statement or document stating that money has been deposited) in the case where a purchaser in a foreign country appointed an agent or a branch office in Thailand to make a payment

### Export of services

Export of service performed in Thailand but used entirely outside Thailand is subject to VAT at the rate of 0%.



## Recovery/offset

The supplier shall pay VAT by deducting input tax from output tax of each tax month.

- If output tax exceeds input tax, the supplier shall pay tax equal to the difference.
- If input tax exceeds output tax, the difference shall be tax credit and the supplier shall be entitled to a tax refund.

## Recovery

VAT incurred by a business that is related to the taxable activities of the business may be recovered/offset against the output VAT due on taxable supplies.

In the following circumstances, VAT is usually not deductible:

- When a tax invoice is absent, or cannot be produced to prove that input tax has been charged, except where there is a reasonable excuse under the rules and conditions prescribed by the Director-General
- A tax invoice contains information which is incorrect or inadequate
- Input tax is not directly connected with the business
- Input tax relates to entertainment or expenses of a similar nature
- Input tax claimed on a tax invoice issued by an unauthorised person
- Input tax deemed by the Director-General, with the approval of the Minister, as not deductible.

## Apportionment

When a business makes a mixture of taxable and exempt supplies, it must review the VAT it incurs on its purchases to see if it can be recovered in full.

In general, only VAT related to taxable activities can be recovered. VAT relating to exempt supplies cannot be recovered.

Where input tax on purchases cannot be readily identified as relating to either taxable or exempt supplies, it must be apportioned.

The ratio for apportionment that must be used is the proportion of income in each category of business (i.e. value of taxable supplies: value of exempt supplies).

The regulations do not allow any other methods to be used.





## Compliance/obligations

### Registration

When a business exceeds, or expects to exceed, the registration threshold of 1.8 million Baht, it must apply for VAT registration. Application for registration for VAT must be made within 30 days of exceeding the threshold.

Some businesses (primarily service and financial services providers) are excluded from VAT but are instead subject to Specific Business Tax (SBT) - see section on other indirect taxes for more details.

### Registration number

There is a change to a 13 digit identification number (instead of the 10 digit number) with effect from 1 February 2012.

### Group registration

Group registration is not allowed in Thailand.

### Invoices, including e-invoicing

Tax invoices must be issued immediately after the supply has been made. The following data must be shown on tax invoices:

- The words "Tax invoice"
- Name, address and VAT-identification number of the supplier
- Name and address of the recipient
- Serial number of the tax invoice and the tax invoice book, if any
- Name, type, category, quantity and value of goods and service (exclusive of VAT)
- Amount of VAT computed from the value of goods and service
- Date, month and year of issuance of tax invoice
- Other details which the Director-General may prescribe.

## Records

All VAT registrants are required to maintain certain records, such as input VAT and output VAT reports, copies of tax invoices and inventory. These must be kept at the place of business and kept in Thailand.

# Thailand

## Retention period

All records must be kept for a period of at least 5 years.

## Format

Records can be kept in electronic form but certain conditions apply. Form 11, the form for reporting the preparation and storage of documentary evidence in the electronic data format, must be filled.

## Returns

### Periods

VAT returns for all businesses must be made monthly.

### Due dates

The return must be with the tax office within 15 days following the end of the tax month.

### Payment

The VAT due on a return must be paid at the same time as the VAT return is filed (i.e. by the 15th of the following month).

Payment can be in cash, cheque, or by bank transfer.

If a payment is late, the business will be charged an additional 1.5% surcharge of the tax payable per month, up to a maximum of 100% of the VAT payable.

### Reverse charge

Where a service is imported, the output tax due must be declared on a separate return form. Both the return and the payment due must be made by the 7th of the following month. When the output tax has been paid, it can be recovered as input tax in the usual way, on the normal return.

### Refunds

If there is an excess of input tax over output tax, the balance is generally carried forward to the next return/s for offset against future output tax.

A cash refund can be claimed but this will usually generate a tax audit.

# Thailand

## Content of forms

Each monthly VAT return must be filed to the Revenue Office with the following content:

- Name and address of VAT operator
- Amount of revenue together with output VAT
- Amount of expense together with input VAT
- Input VAT carried forward from previous months, if any
- VAT payable after offsetting with output VAT
- VAT to be carried forward, if any
- VAT payable.

## Bad debts

VAT accounted for supplies made which have become bad debts, can be written off against output VAT. This is subject to the rules in the regulations being met.

## Non-residents

A non-resident business may register for VAT in Thailand. However it must appoint a local agent to act on its behalf. The agent must comply with all the VAT regulations on behalf of the overseas person, including the filing of the monthly VAT returns.

A supplier residing outside Thailand and carrying on business of selling goods or providing services in Thailand for a period exceeding 3 years shall have to register itself as a VAT operator.

A foreign supplier temporarily carrying on the business of selling goods or providing services in Thailand temporarily for a period exceeding 1 year but not exceeding 3 years shall be entitled to apply for temporary VAT registration by submitting an application in the form prescribed by the Director-General of Revenue before the date of commencing business.

To register as a VAT operator, a non-resident would need an address and a letter of consent from a landlord showing that the landlord has allowed the non-resident to use its facility.

VAT registration does not necessary create a permanent establishment in Thailand if the address used for VAT registration is a not a fixed base used for carrying on the business of the non-resident in Thailand. If a non-resident hires an independent agent, it is possible for such a non-resident to be a VAT registrant without having a permanent establishment in Thailand. However, such a situation may lead to questions being raised by the Revenue officers as they may not be familiar with the facts of the case.



## Refunds to foreign business

There is no refund mechanism for a non-resident business incurring VAT in Thailand, if such non-resident is not registered as a VAT operator.

## Refunds to tourists

Tourists can claim cash refunds for VAT incurred on purchased goods from authorised shops. Claims are made at the time of departure.

## Penalties

The major offences for VAT and the consequential penalties/fines are as follows:

1. Failure to file monthly tax return within due date -
  - Maximum fine of 2,000 Baht
  - Penalty at 200% of VAT to be remitted
  - Surcharge at 1.5% per month of VAT to be remitted.
2. Tax shortfalls on monthly tax return filing -
  - Penalty at 100% of VAT shortfalls
  - Surcharge at 1.5% per month of VAT shortfalls
3. Failure to issue tax invoices -
  - Maximum fine of 5,000 Baht or 1 month imprisonment, or both
  - Penalty at 200% of VAT charge
  - Surcharge at 1.5% per month of VAT charge.
4. Other administrative penalties are subject to the following fines -
  - a. Maximum of 2,000 Baht -
    - Failure to comply with VAT reports and stock keeping requirements
    - Failure to report relocation of business or change of business
    - Tax invoices do not contain prescribed materials



- b. Maximum of 5,000 Baht -
  - Failure to report the dissolution of business
  - Failure to disclose the registration certificate
  - Failure of agent to register for the non-resident VAT operator
  - Failure to register for VAT within the prescribed time (or maximum of 1 month imprisonment, or both)
  
- c. Maximum of 6 months imprisonment, or 10,000 Baht fine, or both -
  - Unauthorised cash register usage
  - Failure of the agent for the non-resident to prepare VAT reports.
  
- d. Maximum of 3 months to 7 years imprisonment, or 2,000 to 200,000 Baht fine, or both -
  - Tax evasion
  - Issuance of illegal tax invoices.

# Thailand

## Digital economy

Currently, there are no specific rules for taxing the digital economy. However, the tax authorities are in the process of reviewing the draft laws.



## Other indirect taxes

Specific Business Tax (SBT) is applicable to certain businesses, especially service and financial service businesses, where VAT is not applicable. SBT is charged on the gross income of the registrant. Examples include commercial banking (3%), life insurance (2.5%) and sales of immovable property (3%). This SBT is also subject to 10% local tax thereon.

Customs duties are collected on both imports and selected exports. Duties are levied either on a specific or an ad valorem basis, whichever is the higher.

Duty rates are in the range of 5% to 100%. Generally, the value of imports is based on the CIF value (i.e. cost, insurance and freight).

Export duties are generally imposed on only 7 groups of commodities and an 8th group comprising rice, scrap iron, rawhide, rubber, wood, raw silk and powdered fish.

Excise tax is imposed on the sale of a selected range of commodities. It does not matter whether these are manufactured locally or imported. Tax rates are based on an ad valorem or a specific rate, whichever is higher.

The tax becomes due on locally manufactured goods when the goods leave the factory and at the time of importation for imported goods.

Taxable goods and services include fuel oil and petroleum products, beverages, electrical appliances, crystal glassware, motor vehicles, boats, perfume products and cosmetics, entertaining services, liquor, cigarettes containing tobacco, woolen carpets, motorcycles, batteries, and playing cards.

Stamp duty is applicable to certain documents which are specified in the Stamp Duty Schedule of the Revenue Code and are subjected to documentary stamps. Failure to pay the stamp duty may attract a surcharge of up to 600%.

The stamp duty payable on a service agreement is 0.1% of gross fees.

Miscellaneous tax refers to a transfer registration fee of 2% which is payable on the transfer of real property.

# Thailand



## Useful contacts

For help and advice on VAT in Thailand, you may contact:

### **PricewaterhouseCoopers Legal & Tax Consultants Ltd.**

#### **Somboon Weerawutiwong**

Lead Partner

E-mail: [somboon.weerawutiwong@pwc.com](mailto:somboon.weerawutiwong@pwc.com)

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Tel: +662 844 1253

#### **Tuttapong Kritiyutanont**

Associate Director

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Tel: +662 844 1426

### **Tax authority**

The VAT authority in Thailand is the **Revenue Department**, [www.rd.go.th](http://www.rd.go.th).

They are based at:

90 Soi Phaholyothin Road  
Bangkok 10400.





# Vietnam

# Vietnam

## Scope

The tax is known as Value Added Tax (VAT) and was implemented on 1 January 1999 to replace the Turnover Tax regime. VAT is locally referred to as “Thue Gia Tri Gia Tang” (GTGT). The current effective VAT law is Law 13/2008 as amended by Law 31/2013. Law 71/2014 provides further amendments to the VAT law and these amendments became effective from 1 January 2015.

VAT is levied on supplies of goods and services made in Vietnam by a taxable person, including the importation of goods and services into Vietnam in the course of the business.

## Taxable person

An organisation or individual that produces and trades in taxable goods and services, and any organisation or individual that imports taxable goods and services, are taxable persons and liable to register for VAT.

VAT taxpayers also include organisations/individuals in Vietnam, which purchase services from foreign organisations that do not have a permanent establishment in Vietnam, or from individuals who are non-resident in Vietnam.

This is consistent with the withholding tax (WHT) regime which applies to foreign contractors undertaking business or earning income sourced from Vietnam. Under this regime, the Vietnamese customer has to withhold VAT from payments to foreign contractors.

## Goods

### Definition

Taxable goods are goods used for production, trading and consumption in Vietnam (including goods purchased from non-residents), other than those items that are specifically exempt or stated as being outside the scope of VAT under the law.

### Place of supply

No specific definition of place of supply exists.

# Vietnam

## Time of supply

For a domestic supply of goods, VAT is determined when the right of ownership or use of the goods is transferred to the purchaser, regardless of whether or not payment is received.

In case of imported goods, VAT is determined and paid at the importation clearance stage (at the same time import duty is paid).

## Value

The selling price of the goods (net of VAT) is the value on which VAT is charged.

In case of imported goods, the value is taken to be the import price plus import duties plus special sales tax (if applicable) plus environment protection fee (if applicable).

For exchanges, gifts, donations or other similar transactions, the value will be that of similar goods (i.e. open market value).

Goods or services for internal use are not subject to output VAT, provided that they relate to the business of the company.

From 1 January 2015, if revenue/expenses are in foreign currency, the tax regulations generally require the revenue/ expenses to be converted into VND using the actual exchange rate at the time such revenue/expenses arise.

## Services

### Definition

Taxable services are those used for production, trading and consumption in Vietnam (including services purchased from non-residents), other than those that are specifically exempt under the law.

### Place of supply

No specific definition of place of supply exists.

### Time of supply

For a supply of services, VAT is determined when the provision of services is completed or when the invoice is issued regardless of whether or not payment is received.

For imported services, VAT is levied via WHT.

# Vietnam

## Value

The price charged for the service (net of VAT) is the value on which VAT is charged.

## Rates

### Standard rate

The standard VAT rate is 10%, and it applies to most types of goods and services which are not specified as not-subject to VAT, exempt or subject to 0% or 5%.

### Reduced rate

A reduced VAT rate of 5% applies generally to areas of the economy concerned with the provision of essential goods and services. These include clean water, teaching aids; books; unprocessed foodstuff; medicine and medical equipment; various agricultural products and services; technical/scientific services; rubber latex; sugar and its by-products; certain cultural, artistic, sport services/products and social housing.

### Zero rate

A zero rate applies to exported goods and services subject to certain conditions and exceptions.

Exported goods include goods processed for export, goods provided to Export Processing Zones (EPZs) and export goods “delivered in the country”. The essence of the “in-country” export rules is that it allows a Vietnamese company (“Exporting Enterprise”) to sell goods to an offshore business entity where the goods are physically delivered to another Vietnamese company (“Importing Enterprise”), as appointed by the offshore entity, for further processing. The Importing Enterprise will subsequently export the goods. It is called “in-country export” as the goods are recognised as exports while remaining physically in Vietnam.

Exported goods or services, subject to certain exceptions, will be zero-rated, provided that they are consumed outside Vietnam or in non-tariff areas.

### Exemption

There are 26 categories of goods and services exempt from VAT. This means that no output VAT is charged on the supply of such items. It also means that no VAT can be recovered on costs related to the making of these exempt supplies.

# Vietnam

Most notable exemptions include human-related insurance services (such as life insurance, health insurance, agricultural insurance and reinsurance, etc.), financial services (such as granting loans, securities trading activities, derivative financial services, capital assignment, foreign currency trading, etc.), medical and veterinary services, educational and vocational training services, and import of airplanes or vessels which cannot be domestically produced to form fixed assets of an enterprise.

## Goods or services not subject to VAT

The following supplies are not subject to output VAT, but related input VAT can be credited:

- Compensation, bonuses and subsidies, except those provided in exchange for certain services;
- Transfers of emission rights and other financial revenues;
- Certain services rendered by a foreign organisation which does not have a PE in Vietnam where the services are rendered outside of Vietnam, including repairs to means of transport, machinery or equipment, advertising, marketing, promotion of investment and trade; overseas brokerage activities for the sale of goods and services overseas, training, certain international telecommunication services;
- Sales of assets by non-business organisations or individuals who do not register for VAT;
- Transfer of investment projects;
- Sale of agricultural products that have not been processed into other products or which have just been through preliminary processing by enterprises, cooperatives;
- Capital contributions in kind;
- Certain asset transfers between a parent company and its subsidiaries or between subsidiaries of the same parent company;
- Collections of compensation/indemnities by insurance companies from third parties;
- Collections on behalf of other parties which are not involved in the provision of goods/services (e.g. if company A purchases goods/services from company B, but pays to company C and subsequently company C pays to company B, then the payment from company C to company B is not subject to VAT);
- Commissions earned by (i) agents selling services, including postal, telecommunications, lottery, airlines/bus/ship/train tickets, at prices determined by principals; and (ii) agents for international transportation, airlines and shipping services entitled to 0% VAT; and (iii) insurance agents;
- Commissions from the sale of exempt goods/services;
- Goods exported and then re-imported back to Vietnam due to sales returns by overseas customers.

# Vietnam

## Imports/exports

### Import of goods

Imported goods are subject to VAT in Vietnam, unless they are specifically exempted under the law. The scope of tax exemption for imported machinery and equipment which is not locally manufactured has been narrowed down significantly since 1 January 2009.

### Import of services

Services purchased from foreign organisations or individuals are subject to VAT in Vietnam, if they are not specifically exempted under the law. There are complex rules surrounding the VAT treatment of such services.

### Export of goods

The following documents are required to support the zero-rating of exported goods:

- Sales or processing contracts of export goods signed with foreign parties or with export agents
- Commercial invoices
- Customs declaration forms for exported goods which have been examined and certified as exported by the Customs authority
- Bank orders or other documents confirming payment made by the foreign parties via banks.

For export goods delivered “in country”, the following is required:

- A contract for processing goods between the Exporting Enterprise and the offshore entity, clearly stating the entity receiving the goods in Vietnam (“Importing Enterprise”)
- VAT invoice, clearly stating the name of the foreign party (in accordance with the contract signed with the foreign party), the name of the Importing Enterprise and the point of delivery in Vietnam
- Customs declaration forms for in country exported goods which have been examined and certified by the customs body
- Evidences of bank payment
- The in-country exported goods of a foreign invested enterprise must be in the scope of licensed business activities under its investment certificate.

# Vietnam

For example, Company A signs a processing contract with a foreign party to process shoes for export. The processing price is VND 100. The contract clearly states that shoes will be delivered to Company B in Vietnam for producing the finished shoes. In this case, Company A is the Exporting Enterprise. When preparing documents for the transfer of shoes to Company B (Importing Enterprise), Company A clearly states the quantity, types and specifications of products delivered. The total revenue derived from the processing of shoes is subject to zero-rating VAT. When Company B exports the finished shoes to the offshore entity, the finished shoes are also subject to zero rating VAT.

## Export of services

Exported services are zero-rated i.e. no VAT is charged on such services, but the service provider can claim input VAT on its related purchases. A major change to the previous VAT regulations from 1 January 2014 is the re-introduction of the requirement that the exported services must be consumed outside Vietnam in order for them to qualify for zero rating.

The following documents are required to support the zero-rating of exported services:

- Service contract for exported services signed with foreign customer
- VAT invoice
- Bank orders or other documents confirming payment made by the foreign customer via a bank.

There are various services provided in Vietnam to foreign customers which are not entitled to 0% VAT, including in particular advertising, hotel services, training, entertainment, tourism provided in Vietnam to foreign customers; and various services provided to non-tariff areas (including inter alia leasing of houses, transport services for employees to and from their work place, certain catering services).

## Recovery/offset

### Recovery

A business may deduct input tax on supplies used to make taxable supplies. If a business sells exempt goods or services it cannot recover any input VAT charged on its purchases. This contrasts with supplies entitled to 0% VAT or not subject to VAT, where the input VAT can be recovered. Where a business generates both VATable and VAT exempt sales, it can only claim an input VAT credit for the portion of inputs used for the VATable activities.

Enterprises can claim input VAT credits any time before the tax authorities announce the decision of a tax audit/ inspection.

# Vietnam

Another notable point is that input VAT corresponding to the value in excess of VND 1.6 billion of certain kinds of cars is not creditable.

One of the conditions for claiming input VAT is that the evidence of non-cash payment must be available, except for purchases of less than VND 20 million (inclusive of VAT).

## Apportionment

To the extent that a business keeps separate records of expenses associated with its taxable and exempt activities, it can claim credit for input VAT for those expenses directly attributed to the taxable activities.

If separate accounting records are not kept by a business, or where expenses cannot be directly attributed (e.g. general overhead expenses), the business is required to use the following pro-rating formula to allocate input VAT between the taxable and exempt activities:

Allowable input credits = Total Input VAT x VAT-able sales (excluding VAT)/  
VAT-able sales plus exempt sales

There is no provision dealing with input VAT on overheads. However, in practice, if a company can prove that input VAT on certain expenses can be directly allocated, the pro-rata will only apply to the overhead input VAT.

## Pre-registration claims

VAT incurred before registration of a company from the purchases of goods, materials can be claimed provided proper supporting documents in place and subject to certain limitation.

## Post-registration claims

VAT incurred after registration of a company but the investment project is cancelled while not yet deriving any output VAT cannot be claimed.

## Change of use/capital items adjustment

VAT clawback provision applies to the change of use of imported fixed assets.



# Vietnam

## Compliance/obligations

### Registration

All organisations, households and individuals carrying out business and production activities and providing services must have a tax registration.

For certain types of enterprises (such as limited liability, partnership and private enterprises), the tax and enterprise registration has been combined and must be made with the licensing authorities.

In other words, no separate tax registration is required for these enterprises.

For other types of economic organisations (such as enterprises operating in securities, insurance, accounting, auditing, lawyers, notarisation or other specialised sectors which do not register tax with licensing authorities), a separate tax registration to the tax authorities is still required.

The requirement of VAT declaration method registration has been removed since 2017.

### Registration number

A VAT registration number has the format – 00-00000000-000.

The VAT registration number is also the general tax code of an entity which is used for corporate income tax, employer's withholding tax, social insurance contributions, etc.).

### Group registration

Group registration is not allowed.

### Invoices, including e-invoicing

The following details must be shown on invoices:

- Type of invoice (such as VAT invoice, sales invoice)
- Serial number of invoice
- Copy number of invoice
- Date of invoice
- Seller's name, address and VAT code
- Buyer's name, address and VAT code

# Vietnam

- Seller's and buyer's signature and seal (if any)
- Description of goods or services supplied, quantity, unit price and total value thereof in word and number
- The name of the printing house, which prints the invoice.

## E-invoices

The Government released a decree on e-invoicing in September 2018 which became effective on 1 November 2018. The Decree makes e-invoices compulsory for all enterprises from 1 November 2020.

There are two types of e-invoices as follows:

- E-invoices without a verification code from the tax authorities are acceptable for enterprises in certain industries, such as electricity, petroleum, telecommunication, transportation, financial services, insurance, medicals, e-commerce, supermarkets, trading etc., and companies which deal with the tax authorities electronically and maintain technology infrastructure, accounting software, e-invoice software as regulated.
- E-invoices with a verification code from the tax authorities are applicable to enterprises other than the above and high-risk enterprises.

Before using e-invoices (either with or without verification code), enterprises must register and obtain approval from the tax authorities via the web portal of the GDT.

In the transitional period up to 31 October 2020, enterprises already using e-invoices with/without verification codes can continue using such e-invoices.

Whereas enterprises using self-printed invoices, pre-printed invoices or invoices purchased from the tax authorities before the effective date of the Decree will be allowed to continue using such invoices until 31 October 2020.

From 1 November 2020, e-invoices must be used.

# Vietnam

## Records

Records cannot be kept solely in electronic form, except e-invoices and certain e-tax documents as specified in Circular 110/2015. Paper copies must still be kept.

### Retention period

Daily accounting records (e.g. payment vouchers, receipt vouchers, etc.) have to be kept for at least 5 years. Audit reports and financial statements (monthly/quarterly/annual) have to be kept for at least 10 years. Documents, which the entity deems to be of importance, have to be kept perpetually and cannot be discarded.

## Returns

### Periods

Businesses must make monthly or quarterly returns. There is no final annual return required.

### Due dates

The monthly return is due by the 20th of the following month. The quarterly return is due by the 30th of the month following the end of the quarter.

### Payments

The monthly VAT payment must be paid by the 20th of the following month based on the monthly declaration. The quarterly VAT payment must be paid by the 30th of the month following the end of the quarter.

### Refunds

VAT refunds are only granted in certain cases, including:

- Exporters having excess input VAT credits over VND 300 million. The refunds are provided on a monthly or quarterly basis, in line with the VAT declaration period of the taxpayer. The amount of input VAT relating to export sales (meeting the criteria for VAT refunds) that can be refunded to a taxpayer must not exceed 10% of its export revenue. VAT refunds are available to companies which import goods and then export them without further processing subject to various conditions;

# Vietnam

- New projects of companies adopting VAT deduction method which are in the pre-operation investment phase and have accumulated VAT credits over VND 300 million. Exceptions include conditional investment projects which do not satisfy the regulated investment conditions, or investment projects of companies whose charter capital has not yet been contributed as regulated;
- Certain ODA projects, diplomatic exemption, foreigners buying goods in Vietnam for consumption overseas.

In other cases where a taxpayer's input VAT for a period exceeds its output VAT, it will have to carry the excess forward to offset future output VAT.

## Content of forms

A return form will require the following information:

- Name, address and district of the organisation
- VAT credits carried over from the previous period
- Declaration of VAT paid to the State Budget
- The value of goods and services purchased in the period
- Total VAT of goods and services purchased
- Total VAT creditable in the period
- The value of goods and services provided which are exempt from VAT
- The value and VAT of goods and services provided which are subject to VAT
- The value of goods and services which are zero-rated
- The value and VAT of goods and services provided which are subject to the reduced tax rate of 5%
- The value and VAT of goods and services provided which are subject to the tax rate of 10%
- The value of goods and services where VAT declaration and payment are not required
- Total net VAT incurred in the period
- VAT adjustments for previous periods
- VAT liabilities in the period
- Outstanding VAT credit in the period
- VAT refunds to be claimed
- VAT credit to be carried forward to the next period

## Bad debts

There is no provision to allow businesses that have charged and accounted for VAT on a return to obtain credit for that VAT if the customer fails to pay the invoice.

# Vietnam

## Non residents

Foreign businesses (i.e. those operating in Vietnam without being licensed as a Vietnamese entity) carrying out business in Vietnam or earning income in Vietnam are not specifically required to register for VAT.

They may elect to register for the conventional input VAT deduction method provided that the following requirements are met:

- having a permanent establishment in Vietnam, or being residents of Vietnam;
- having a business period of 183 days or more in Vietnam under a contractor or subcontractor agreement from the date when the contractor or subcontractor agreement takes effect.
- applying the Vietnamese accounting system.

If the foreign business registers for VAT, it has to issue VAT invoices and can recover input VAT.

Alternatively, if the foreign business does not register for VAT, a deemed VAT will be paid via the withholding method.

The Vietnamese customer will withhold the tax, file the tax declaration and remit the tax to the tax authorities.

## Refunds to tourists

Foreigners and overseas Vietnamese (with certain exceptions for flight crews/ship crews) are allowed to claim VAT refund for goods purchased in Vietnam and brought out of Vietnam through the tax refund border checkpoints.

The refund only applies to goods purchased from registered retailers which are entitled to sell VAT-free goods.

Foreigners claiming VAT refund will be charged a fee (not exceeding 15% of the refunded amount).

# Vietnam

## Penalties

that the following requirements are met:

- Penalty for late payment:
  - 0.05% per day of the VAT amount for the period up to 30 June 2013;
  - 0.05% per day of the VAT amount up to 90 days and 0.07%/day for late payment exceeding 90 days for the period from 1 July 2013 to 31 December 2014;
  - 0.05% per day of the VAT amount for the period from 1 January 2015 to 30 June 2016;
  - 0.03% per day of the VAT amount for the period from 1 July 2016 onwards;
- Penalty for late submission of VAT return - depending on the time limit of the late submission, the penalties range from VND 400,000 to VND 5 million.
- Penalty for wrong declaration - 20% of the under-declaration (prior to 1 July 2013 it was 10%).
- Tax avoidance/evasion penalties – penalties for tax avoidance/evasion can go up to 3 times of the tax amount evaded.

# Vietnam

## Digital economy

At this stage, Vietnam does not have a separate taxation regime for the digital economy. The Vietnam Government has indicated its intention to review the OECD BEPS Action 1 on the digital economy to develop a set of rules to deal with income derived from/in Vietnam by digital companies.

In the recent two years, there have been various efforts of the Government to reinforce its current WHT regime to protect its taxing right on Vietnam-sourced income derived from certain e-commerce businesses (notably confirming the tax obligation of overseas-based online hotel booking service providers with Vietnam-sourced income, imposition of tax on ride hailing services). These efforts indicate that Vietnam is assessing its options of extending taxation to the digital economy in practice; while a separate tax law on the digital economy has not yet been proposed/discussed.

# Vietnam

## Other indirect taxes

Customs Duty is imposed on goods imported into or exported out of Vietnam.

### Special Sales Tax (SST)

The following goods and services are subject to the SST, which ranges currently between 7% to 150%:

- Cigarettes and cigars
- Alcohol, including beer
- Automobiles with less than 24 seats
- Motorcycles of cylinder capacity above 125cm<sup>3</sup>
- Airplanes
- Boats
- Petrol
- Air conditioners with the capacity of 90,000 BTU or less
- Playing cards
- Votive papers
- Dancing halls, massage parlours and karaoke bars
- Casino and jackpot games
- Entertainment activities with betting
- Golf
- Lotteries

A draft law has been proposed which would inter alia, bring new supplies/ products within the scope of SST, and amend applicable rates.

### Land Tax

Foreign investors generally pay rental fees for land use rights. The range of rates is wide depending upon the location, infrastructure and the industrial sector in which the business is operating.

In addition, owners of houses and apartments have to pay land tax under the law on non-agricultural land use tax. The tax is charged on the specific land area used based on the prescribed price per square meter and progressive tax rates ranging from 0.03% to 0.15%.

Environment Protection Tax is an indirect tax, which is applicable to the production and importation of a number of goods whose use is considered to negatively affect the environment such as oil, petrol, grease, coal, hydrochloroflourocarbons (HCFCs), plastic bags, and some restricted use chemicals.



# Vietnam

## Useful contacts

For help and advice regarding VAT in Vietnam, please contact:

### **PwC (Vietnam) Limited**

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### **Tax authority**

The relevant tax authority is the **General Department of Taxation** under the Ministry of Finance, [www.mof.gov.vn](http://www.mof.gov.vn).

They are based at:

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Globalisation and the increase in e-business have contributed to a massive growth in international business transactions. Indirect Tax requirements are very complex and rules are not only subject to change, but also vary from country to country. Failure to manage these taxes properly can result in compliance problems, which will expose the company to increased risks and costs.

## The PricewaterhouseCoopers solution

We understand and appreciate the VAT issues that are facing your business today and in the future. GlobalVATOnline is the first truly global website that provides a comprehensive guide to global VAT information from over 80 countries worldwide. The information listed is fully up to date, and is quality controlled by VAT specialists resident in the countries involved. GlobalVATOnline can keep you up to date on all VAT issues and developments as they unfold.

## Key benefits of our service

- Provides you with an in depth search facility for key VAT information, including VAT rates, invoicing, exemptions, reverse charge and record keeping requirements through GlobeSearch.
- Access PwC tools and techniques to help achieve efficiencies in the VAT/GST function
- A premium VAT returns module featuring VAT return forms and related declarations for all EU Member States plus a selected number of other territories including Norway, Switzerland, China and Japan.
- You can read VAT related news articles and commentary by our VAT specialists.
- Allows you the option to receive a weekly summary of VAT news by e-mail.
- Provides you with links to relevant online sources of Indirect Tax information.
- Allows you quick access to your topic of interest through the QuickSearch function.
- Provides you with information on special Indirect Tax events such as conferences, seminars and courses.
- Allows you access to PricewaterhouseCoopers VAT specialists in over 130 countries.
- Provides you with detailed information about the latest PricewaterhouseCoopers VAT publications.
- A mobile version of our website for iPhone and iPad, so you can now access a selection of our latest news and GlobeSearch information on the go via your mobile device.

## How to register

Registering to use this service is very easy. Visit [www.globalvatonline.com](http://www.globalvatonline.com) and click on Register.

There are a number of annual subscription options for you to choose from. Submitting the registration form will activate your registration, giving you full access to all the features and benefits of the service.

## Online demonstration

To see how this service can benefit your company, you are invited to attend an on-line demonstration, during which members of the GVO team will take you on a guided tour of the website, highlighting the various features and functions which GVO has to offer.

Invoicing

Record  
keeping

VAT rates and  
application

Deduction  
of VAT

Exemptions

Registration