AOTCA CONFERENCE 2023 IN TOKYO

PROGRAM

2023.10.31 - 11.03

HILTON HOTEL & RESORTS, Tokyo Odaiba

AOTCA

日本税理士会連合会
Japan Federation of Certified Public Tax Accountants' Associations

AOTCA CONFERENCE 2023 IN TOKYO

PROGRAM

CONTENTS

AOTCA TOKYO 2023

OPENING CEREMONY

Opening address

Jeremy Choi

President of AOTCA

It is the great pleasure for us, the members of the AOTCA to get together here in Tokyo on the occasion of AOTCA Conference 2023.

On behalf of the AOTCA, I would like to extend my heartfelt appreciation to the Japan Federation of Certified Public Tax Accountants' Associations for graciously hosting the AOTCA Conference 2023. The Federation has prepared very informative and attractive programs of the Conference, which would surely provide us a precious experiences.

AOTCA was established in 1992 with the initiative and leadership taken by the Japan Federation. Since then up to today, they have been contributing and supporting AOTCA in many ways. Thanks to their endeavor, AOTCA has developed to the international organization of tax professionals which is now well recognized not only in the region but more widely and globally.

Recently, the circumstances around the taxation and tax profession are changing rapidly. We are facing various issues on digitalization, technology, impact of AI and their related matters. In this context, I believe that all the members of AOTCA could learn the latest trends of taxation and share the knowledge and experiences among ourselves at this Conference.

I thank you again for utmost effort and cooperation rendered by the Japan Federation and wish all the participants fruitful and enjoyable stay in Tokyo.

Welcoming address

Naoki Ota

President, Japan Federation of Certified Public Tax Accountants' Associations

On behalf of the Japan Federation of Certified Public Tax

Accountants' Associations, it is my great pleasure and honor to express my heartfelt welcome to the representatives and members of AOTCA member organizations as well as distinguished guests from our counterpart organizations despite your busy schedules to come to Tokyo.

We are very pleased and honored to have this precious opportunity to host the AOTCA Meeting 2023 and International Tax Conference in Tokyo, Japan.

At the International Tax conference, we offers an informative and attractive program which will not only to learn the latest developments on international taxation, but also to provide you with a valuable opportunity to exchange views and opinions with the delegates from various countries and regions.

We must extend our sincere gratitude to the AOTCA officers and all those people and organizations involved for their invaluable support from the initial stages of planning and preparation for the Tokyo Conference.
We wish all participants a fruitful and enjoyable stay in Tokyo during the conference.

PROGRAM

AOTCA TOKYO 2023

11.1 Wed

OPENING CEREMONY

14:00 - 14:30	**Opening address** Mr. Jeremy Choi, AOTCA President **Welcoming address** Mr. Naoki Ota, JFCPTAA President **Address by the guest of honor** Minister of Finance, Japan
14:35 - 14:45	**Keynote speech** **"Common Features of Today's Four Topics:Their Impact on the Future of Tax Policy"** Prof. Dr. Minoru Nakazato Professor Emeritus, University of Tokyo Law School Former Visiting Professor, Harvard Law School
14:50 - 15:15	**Keynote speech** Mr. Shuichi Hosoda, Deputy Vice Minister for International Tax Policy, Ministry of Finance

Session 1: Digital tax, Pillar 2

15:20 - 17:10	**Introductory remarks** Moderator: Atty. Carina C. Laforteza (Philippines) **Presentation 1** Speaker: Mr. Kazushige Koide (Japan) **Presentation 2** Speaker: Mr. Paul Lau (Singapore) **Presentation 3** Speaker: Mr. Leo Luan (China) **Presentation 4** Speaker: Lam Le (Vietnam) **Q&A**

Suggestion Speeches

17:10 - 17:30	**Speech 1** **" AI and Tax Strategy – Overview of Tax Advisers Priorities and Tax Technology Trends"** Prof. Piergiorgio Valente, Chair of GTAP

11.2 Thu

09:00 - 09:10	**Address by the guest of honor** Mr. Hitoshi Sumisawa, Commissioner, National Tax Agency

Session 2: Enhancing tax compliance

09:15 - 10:20	**Introductory remarks** Moderator: Prof. Shuji Sato, Graduate School of Law, Hokkaido University **Presentation 1** Speaker: Mr. Hiroki Sasao (Japan) **Presentation 2** Speaker: Ms. EunJa Lee (Korea)
10:20 - 10:35	Coffee Break
10:35 - 11:50	**Presentation 3** Speaker: Enkhmend Magsarjav, Galmandakh Urlee (Mongolia) **Presentation 4** Speaker: Mr. Prabin Raj Kafle (Nepal) **Presentation 5** Speaker: Mr. Chow Chee Yen (Malaysia) **Q&A**
11:50 - 13:30	Lunch

Session 3: Taxation connected with environmental issues

13:30 - 14:55	**Introductory remarks** Moderator: Mr. Desmond Wong (Hong Kong) **Presentation 1** Speaker: Mr. Takaaki Hirai (Japan) **Presentation 2** Speaker: Mr. Thenesh Kannaa (Malaysia) **Presentation 3** Speaker: Mr. Anthony Greco (Australia) **Q&A**
14:55 - 15:10	Coffee Break

Suggestion Speeches

15:10 - 15:50	**Speech 2 "Withholding tax on international transactions"** Speaker: Ms. Noriko Fujimoto (Japan) **Speech 3 "(Future) Tax Treatment on Cross-Border Permanent Establishment and Subsidiary in Indonesia"** Speaker: Mr. T. Arsono (Indonesia)
15:50 - 16:40	**Speech 4 "An International Comparative Study on VAT System"** Speaker: Ms. Masami Kondo (Japan) **Speech 5 "Accounting and Tax treatments of Virtual Assets"** Speaker: Mr. Desmond Wong (Hong Kong)
16:40 - 17:00	**Closing address by Organizing Committee of JFCPTAA**

11.3 Fri

09:00 - 12:00	**Excursion: Tour to Asakusa, Tokyo**

Venue Information

Hilton Hotel & Resorts, Tokyo Odaiba

1-9-1, Daiba, Minato-ku, Tokyo, 135-8625, Japan

https://www.hilton.com/en/hotels/tyotohi-hilton-tokyo-odaiba/

+81 3-5500-5500

TYOTO_RES@hilton.com

Rainbow Bridge views on Tokyo Bay

Our waterfront hotel towers 15 stories over Tokyo Bay, with views of the skyline and Rainbow Bridge. As a Tokyo Disney Resort® Good Neighbor Hotel, we offer free shuttle service to and from the park. Stay active on the jogging track and hiking trail, and relax in our rooftop whirlpools. We're next to Aqua City and city links on the Yurikamome line.

Dining and drinks

Explore Japanese, Cantonese, and European cuisines across our restaurants and bars. From buffet breakfast to evening room service or private dining, we have options to suit your style.

•Choryumon

Enjoy superb Chinese food at this renowned Chinese restaurant, where our accomplished chef serves the best flavors.

•Executive Lounge

The Executive Lounge is well-appointed with large windows that offer a stunning and expansive view of Tokyo Bay and Rainbow Bridge set against the Tokyo City skyline. The Executive Lounge presents its exclusive guests with a daily breakfast in the morning and a choice selection of alcoholic beverages, hot and cold drinks throughout the day. All Executive Room, Premium Executive Room, and Suite Room guests, as well as staying guests who are Hilton Honors Diamond members are invited to come visit the Executive Lounge to enjoy these special services.

•Grillogy Bar and Grill

A grill by definition, is food at its simplest. Tempered only by heat and fire, brought to life with a little spice, grill cooking has limitless possibilities. We invite you to experience the energy of our open kitchen and taste how we have redefined what a meat and seafood grill should be. Start your meal with a signature cocktail at the bar.

•In Room Dining

Treat yourself and order room service. Enjoy a wide variety of local flavors sure to entice your senses - all in the comfort of your guest room.

Main Bar: CAPTAIN'S BAR

A classic bar for both the true connoisseur and the guest looking for something a little different to the usual Tokyo haunts. CAPTAIN'S BAR is reminiscent of the cabins in ocean liners of old features plush and intimate surroundings in which to entertain or enjoy the company of good friends. A bar to relax the sophisticated sounds of the cocktail shaker and clink of ice against crystal.

•Sakura

Experience a hint of the history blended with unique contemporary Japanese style at SAKURA featuring Sushi Counter, Teppanyaki and Tempura counter. The traditional Japanese design of the interior and garden terrace overlooking the water create the perfect atmosphere for a sumptuous array of beautifully presented Japanese delicacies and skillfully prepared sushi. SAKURA is a premier dining venue for those with a taste for exquisite food. Open for lunch and dinner

•Seascape

Fresh, beauty, healthy, power. At SEASCAPE on the Lobby Floor, we invite you to enjoy a rich variety of buffet-style cuisine, as you bask in the dazzling sunlight that streams through during the day, turning into a spectacular night view of Tokyo city from the evening. SEASCAPE, overlooking Tokyo Bay, takes its dining concepts from the keywords “fresh”, “beauty”, “healthy” and “power”. We invite you to come and experience a different kind of Tokyo dining. SEASCAPE Sweets & Coffee offers light meals, sweets and coffee to-go.

Fitness Center

Open-air fitness center with a terrace overlooking the sea. Equipped with a variety of machines, guests can use it 24 hours a day free of charge.Wear (for a fee) and shoes (for a fee) can be rented, so feel free to stop by.

Location | 5F

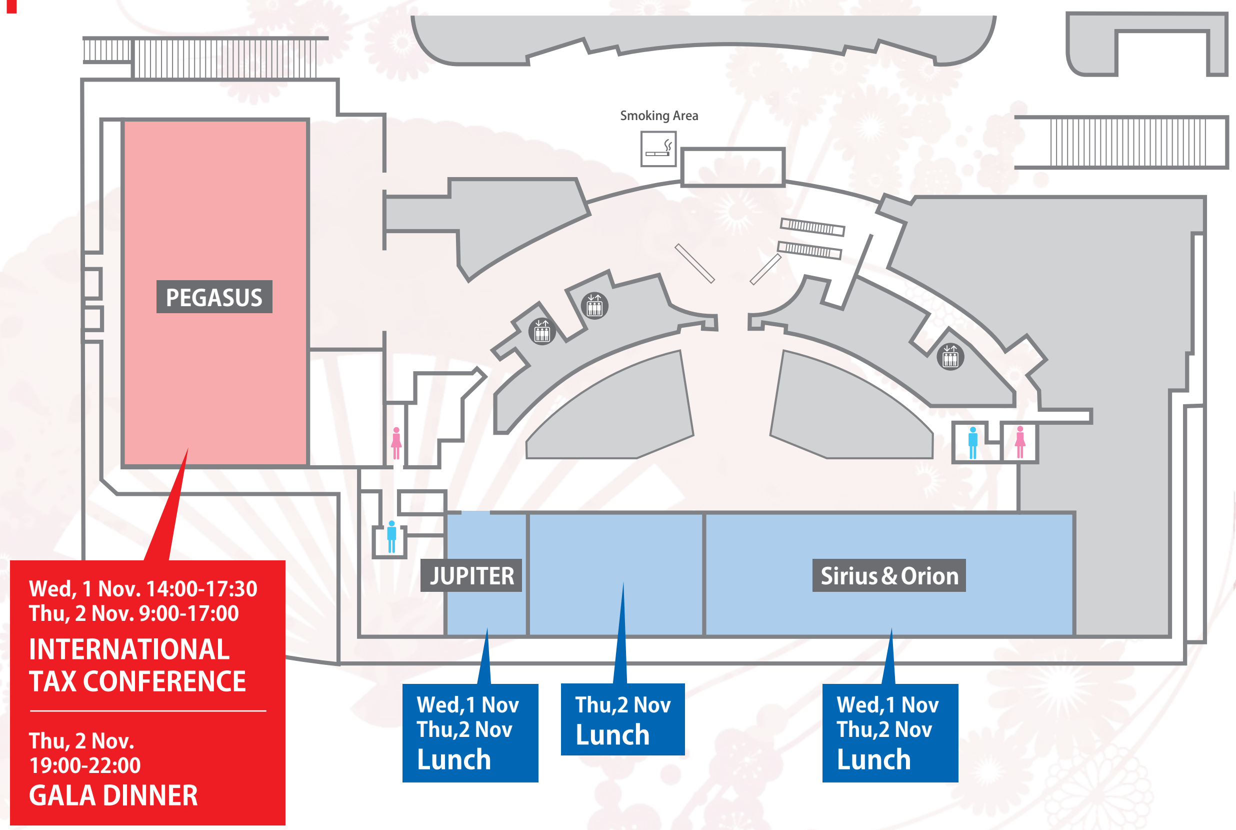
Opening Hours | Guests 24 hours (no staff on duty between 21:00 and 10:00)Iori Spa Members 10:00-23:00 (last admission 22:00)
Fees | Guests staying at the hotel free of charge *Pool usage fee: Adult 3,750 yen
Note | *Taxes and service charges are included in the prices shown.
*Guests must be 16 years of age or older to use the fitness center.
*Please inquire for details on rental rates. Inquiries 03-5500-5520 (5F Iori Spa TOKYO)

- **Smoking area:**
  1F entrance side only
- **Wifi:**
  Public space on the 2nd floor is free of charge

Floor Map

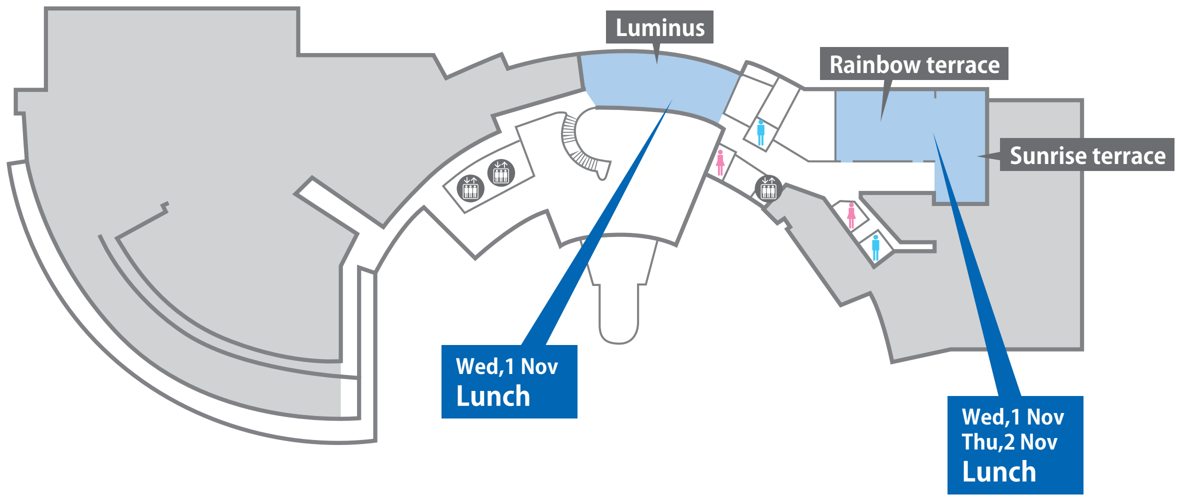
Hilton Hotel & Resorts, Tokyo Odaiba

1F



Hilton Hotel & Resorts, Tokyo Odaiba

3F



SIGHTSEEING TOUR

Excursion: Tour to Asakusa, Tokyo

11.3 Fri

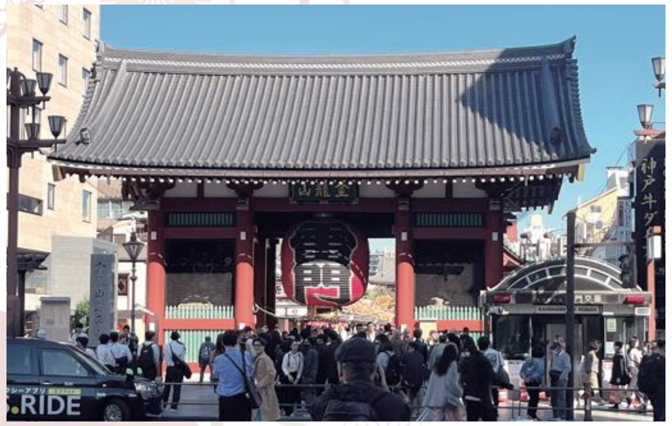
9:00	Depart Hilton
9:30-10:45	Asakusa, Nakamise Street sightseeing
11:00-12:30	Sky Tree Observation Deck + sightseeing in the area
13:00	Arrive at Hilton and disband

* The Skytree Observation Deck is booked in three groups.Therefore, the departure time will be different for each group (and the arrival time will also change) around 9:00 a.m.

* Arrival time may vary slightly depending on conditions on the day.

ASAKUSA

Asakusa is a town located in Taito Ward, Tokyo, and is prosperous as a downtown area and a tourist destination as the temple town of Sensoji Temple.
Asakusa retains the atmosphere of the old townscape of Tokyo, and Nakamise-dori in front of Sensoji Temple has many traditional crafts and Japanese sweets shops.
Asakusa is famous as a city where you can enjoy shopping, eating and drinking while enjoying Japanese traditions.



Kaminarimon

Sensoji Temple is the oldest temple in Tokyo.

It is known as the "Asakusa Kannon" because the Bodhisattva Kannon is the main deity.
There is "Kaminarimon" at the entrance of Sensoji Temple, and when you enter from there, you will find "Nakamise Road".
Sensoji Temple is one of the most popular tourist destinations in Japan, and the number of visitors is one of the top 10 in Japan.


Nakamise-dori


Sensoji Temple

TOKYO SKYTREE

TOKYO SKYTREE is a tower for broadcasting and observation, and opened in May 2012.
The surrounding facilities, including TOKYO SKYTREE, are called "TOKYO SKYTREE Town," and are equipped with tourist facilities, commercial facilities, and office buildings.
The height of the tower is 634 m, which is the tallest in the world as an existing tower.
On November 17, 2011, it was certified as the Guinness World Record as the tallest tower in the world.
TOKYO SKYTREE is a famous tourist destination with an observatory and entertainment facilities as well as a role as a broadcasting tower.
From the observation deck of TOKYO SKYTREE, you can enjoy a wonderful view.

11.1 [Wed]

14:35 - 15:15

Keynote Speeches

14:35 - 14:45 Keynote speech

Prof. Dr. Minoru NAKAZATO

Professor Emeritus, University of Tokyo Law School

Former Visiting Professor, Harvard Law School

UALI

PROFESSIONAL:

Professor Emeritus, University of Tokyo
Governor, Nishimura Institute of Advanced Legal Studies
President, Harvard Law School Association of Japan
Senior Advisor, National Tax College, National Tax Agency of Japan

OTHER PROFESSIONAL APPOINTMENTS:

Research & Teaching
Visiting Professor, Harvard Law School, 2004 Aug.-2005 Mar.
Visiting Professor, Columbia Law School.
2020 Feb., 2019 Feb., 2018 Feb., 2017 Feb., 2006 Mar., 2000 Mar.-Apr.
Visiting Professor, Univ. Michigan Law School 2001 Mar.-Apr.
Visiting Scholar, Institute for Monetary and Economic Studies, Bank of Japan, 1995-1996
Visiting Professor, UCLA School of Law, 1989 Jan.-June
Visiting Scholar, Harvard Law School, 1987 Jul.-1988 Dec.

Advisory Committee Service, etc.
2013-2023 Chairman, Tax Commission of the Japanese Government (advisory committee on Taxation to the Prime Minister)
2012-2018 President, Japanese Society for Tax Law
2015-2019 Chairman, Customs Dissatisfaction Review Committee of the Ministry of Finance of the Japanese Government

EDUCATION: University of Tokyo, Faculty of Law, LL.B.
University of Tokyo, Dr. jur.

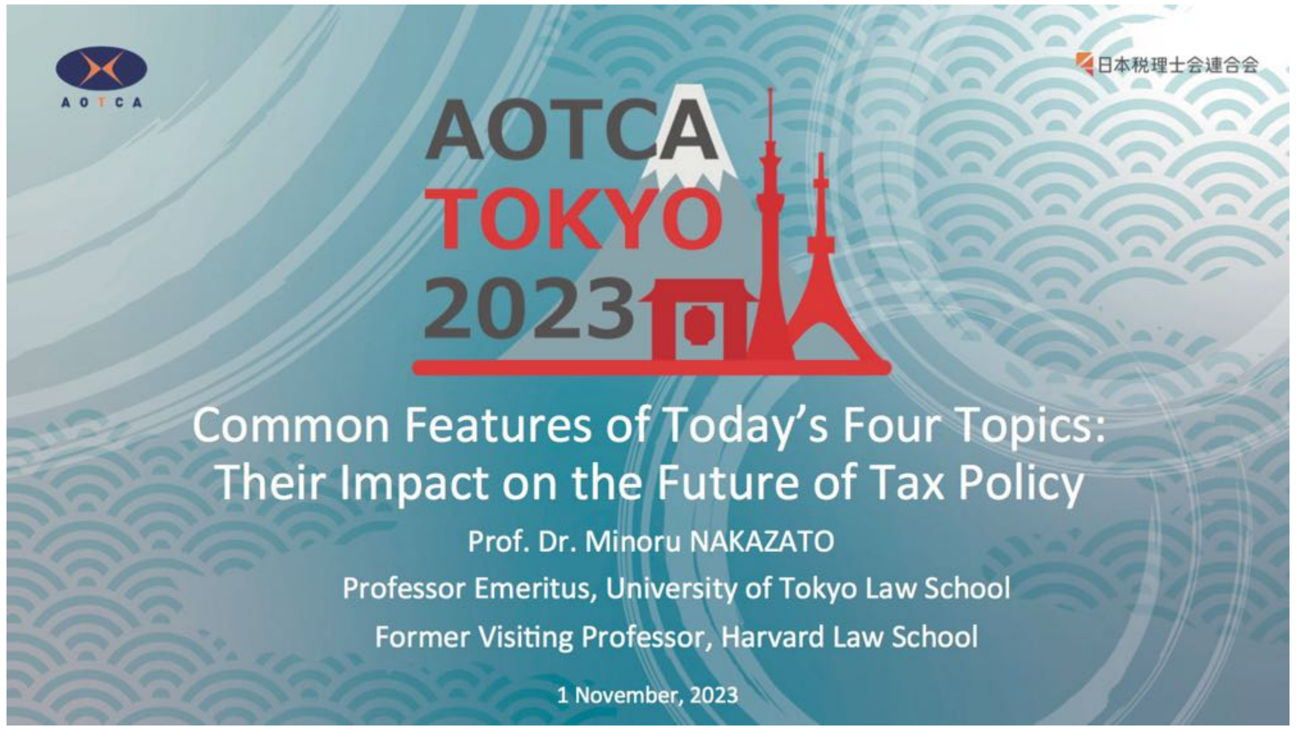
LANGUAGES: In order of proficiency -- English, French, German

AWARDS: Medal with Purple Ribbon (for academic achievements in tax law) from the Emperor of Japan, 2017

MAJOR PUBLICATIONS IN ENGLISH:

1989 With Mark Ramseyer, "The Rational Litigant: Settlement Amounts and Verdict Rates in Japan," 18 Journal of Legal Studies 263-290 (1989).
1989 With Mark Ramseyer, "Tax Transition and the Protection Racket: A Reply to Professors Graetz and Kaplow," 75 Virginia Law Review 1155-1175 (1989).
1993 "National Report for Japan on Interpretation of Double Taxation Conventions" 78a Cahiers de droit fiscal international.
1993 With IMF Legal Dept., "People's Republic of China: Taxation and the Rule of Law."
1997 "Comparative Income Taxation: A Structural Analysis" (co-authored Book), 2nd ed. 2004, 3rd ed. 2010, 4th ed. 2019.
1997 "Tax Accounting in Japan," in "The Influence of Corporate Law and Accounting Principles in Determining Taxable Income" (IFA Congress Seminar Series, vol. 21b).
1997 "Tax Reform in the Republic of Uzbekistan: Proposals by the Japanese Tax Mission" (co-authored).
1998 "Transfer Pricing: The Japanese Perspective" in Klaus Vogel, ed., "Interpretation of Tax Law and Treaties and Transfer Pricing in Japan and Germany."
1999 With Mark Ramseyer (Professor of Harvard Law School), "Japanese Law: An Economic Approach" (Chicago University Press, 1999, co-authored Book).
2000 With Mark Ramseyer, "The Tax Incentives That Destroyed the Government: An Economic Analysis of Japanese Fiscal Policy, 645-1192" 51-3 Shakai Kagaku Kenkyu 3-12, 2000
2006 With Mark Ramseyer and Eric Rasmusen, "Executive Compensation in Japan: Estimating Levels and Determinants from Tax Records" (Harvard Law and Economics Discussion Paper No. 567, 2006). Published in : Journal of Economics and Management Strategy, vol. 20, issue 3 (fall 2011) pp. 843-885
2006 With Mark Ramseyer and Eric Rasmusen, "The Industrial Organization of the Japanese Bar: Levels and Determinants of Attorney Incomes" (Harvard Law and Economics Discussion Paper No. 559, 2006). Published in : Journal of Empirical Legal Studies, Volume 7, Issue 3, September, 460–489 (2010)
2007 With Mark Ramseyer, "Bonuses and Biases in Japanese Baseball" (Harvard Law and Economics Discussion Paper No. 589, 2007). Published as "Bidding for Ballplayers: A Research Note," 26 Zeitschrift für Japanisches Recht/Journal of Japanese Law 85 (2008)
2009 With Mark Ramseyer, "In Memoriam: Oliver Oldman", 122 Harvard Law Review 1296-1298
2009 With Mark Ramseyer and Eric Rasmusen, "Public and Private Firm Compensation Compared: Evidence from Japanese Tax Returns" (Harvard Law and Economics Discussion Paper No. 628, 2009). Published in :Korean Economic Review, 25(1), 5-34 (Summer 2009)
2011 An Optimal Tax That Destroyed the Government: An Economic Analysis of the Decline of Tang (唐) Dynasty, 6 University of Tokyo Law Review, 2011

Articles in Japanese: There are about three hundred articles, essays and case notes, published in Japanese, which are omitted here.



Outlines:

Today I will be discussing the common features of four important topics in tax law and their impact on the future of tax policy worldwide.

- These topics are:
  - withholding tax on international transactions,
  - taxation and environmental issues,
  - enhancing tax compliance,
  - digital tax, Pillar 2.

I. Introduction

- Briefly introduce the four topics to be discussed
- Explain the significance of these topics in the context of tax policy

II. Withholding tax on international transactions

- Define withholding tax and its purpose
- Discuss the current state of withholding taxes worldwide
- Analyze the future direction of withholding taxes, including an increase in their implementation and greater international cooperation to prevent tax evasion
- Highlight the role of digital transactions in shaping the future of withholding taxes

III. Taxation and environmental issues

- Discuss the link between taxation and environmental issues
- Provide examples of environmental taxation policies, such as carbon taxes
- Analyze the future direction of environmental taxation, including an expansion of policies and greater collaboration between countries to address global environmental challenges
- Discuss the use of tax incentives to encourage the adoption of sustainable technologies

IV. Enhancing tax compliance

- Explain the importance of enhancing tax compliance
- Discuss strategies for enhancing tax compliance, such as education, enforcement, and technological advancements
- Analyze the future direction of tax compliance, including an increasing use of technology to streamline the process and reduce the risk of non-compliance
- Highlight the role of artificial intelligence and blockchain in shaping the future of tax compliance

V. Digital tax, Pillar 2

- Define digital tax, Pillar 2, and its purpose
- Discuss the current state of digital taxation policies worldwide
- Analyze the future direction of digital tax, including an expansion of its scope and greater international cooperation to prevent tax avoidance by digital multinationals
- Discuss the development of global minimum tax rates and the adoption of a multilateral approach to digital taxation

VI. Conclusion

- Summarize the main points of the presentation
- Highlight the significance of these topics for the future of tax policy worldwide

Concluding remarks: Overview of topics

- In short, we are now witnessing the true internationalization of international tax law. In the past, international tax law was largely focused on the taxation of foreign corporations, and was therefore quite domestic in nature.
- However, we are now seeing passionate and widespread involvement from international organizations and professionals around the world. No country is isolated in this field any longer.


I made my presentation in French at the Osaka conference in 2015.
However, today I would like to conclude my presentation in French
Voici le résumé de ce que je voudrais exprimer au début de cette conférence. J'espère que tous les rapporteurs et les panélistes engageront des discussions fructueuses sur les quatre sujets énumérés aujourd'hui.
Ayons des discussions animées et passionnées.
(This is a summary of what I would like to express at the start of this conference. I hope that all the reporters and panelists will engage in productive discussions on the four topics listed today.
Let 's have active and passionate discussions.)

14:50 - 15:15 Keynote speech

Mr. Shuichi Hosoda

Deputy Vice Minister for International Tax Policy, Ministry of Finance

Education:

1993 BA from the Faculty of Economics, University of Tokyo
1996 Master degree in economics from Boston University

Career:

1993 Joined Ministry of Finance (MOF), Japan
2008 Chief Advisor to the President at the Asian Development Bank.
2011 Deputy Director for Planning and Administration Division in the International Bureau, MOF
2012 Director, Office of Foreign Exchange Reserve Management in the International Bureau, MOF
2014 Director for Development Issues, Multilateral Development Banks Division in the International Bureau, MOF
2015 Director, Office of the Vice Minister of Finance for International Affairs, MOF
2016 Director for Property Tax Policy in the Tax Bureau, MOF
2017 Director, International Tax Policy in Tax Bureau, MOF
2019 Director, Development Policy Division in the International Bureau, MOF
2020 Director, Administration and Legal Division in Commissioner's Secretariat, National Tax Agency (NTA)
2022 Regional Commissioner for Hiroshima Regional Taxation Bureau, NTA
2023 Deputy Vice Minister for International Tax Policy, MOF

11.1 [Wed]

15:20 - 17:10

Session 1:
Digital tax, Pillar 2

15:20 - 15:40 Introductory remarks

Moderator

Atty. Carina C. Laforteza

(Philippines)

Ms. Laforteza has been a professorial lecturer in taxation at the University of the Philippines since 2009. She served as an examiner in Taxation in the 2020/2021 Bar Examination administered by the Philippine Supreme Court. She has also taught business law at the University of the Philippines School of Economics. She was an accredited Mandatory Continuing Legal Education (MCLE) lecturer in taxation. She is currently a member of the Board of Directors and Vice President for External Affairs of the Tax Management Association of the Philippines and is a fellow of the Institute of Corporate Directors.

She previously edited the Tax Chapter of Doing Business in Asia and authored the latest Philippine Chapter of VAT Navigator, a country-by-country guide on tax laws and practices published by Bloomberg Tax. She regularly contributes articles as a featured Philippine expert to Lexology – International Law Office's Corporate Tax newsletter that is distributed globally. She is also a regular contributor to Corporate Tax Global Practice Guide of Chambers and Partners. Ms. Laforteza co-wrote the Philippine Chapter in the 2017 edition of The Tax Disputes and Litigation Review. Ms. Laforteza is also co-author of the Philippine Chapter of Getting the Deal Through: Aviation Finance & Leasing 2017 and the Philippine Chapter of Lexology Aviation Navigator 2018.

Ms. Laforteza received her Bachelor of Laws (1992, cum laude, class valedictorian) and Bachelor of Science in Business Administration and Accountancy (1986, cum laude) from the University of the Philippines. She placed third in the Philippine Bar Examinations and second in the Certified Public Accountancy Board Examinations.

15:40 - 16:00 Presentation 1

Speaker

Mr. Kazushige Koide
(Japan)
Email: Kazushige.Koide@jp.kpmg.com

QUALIFICATIONS

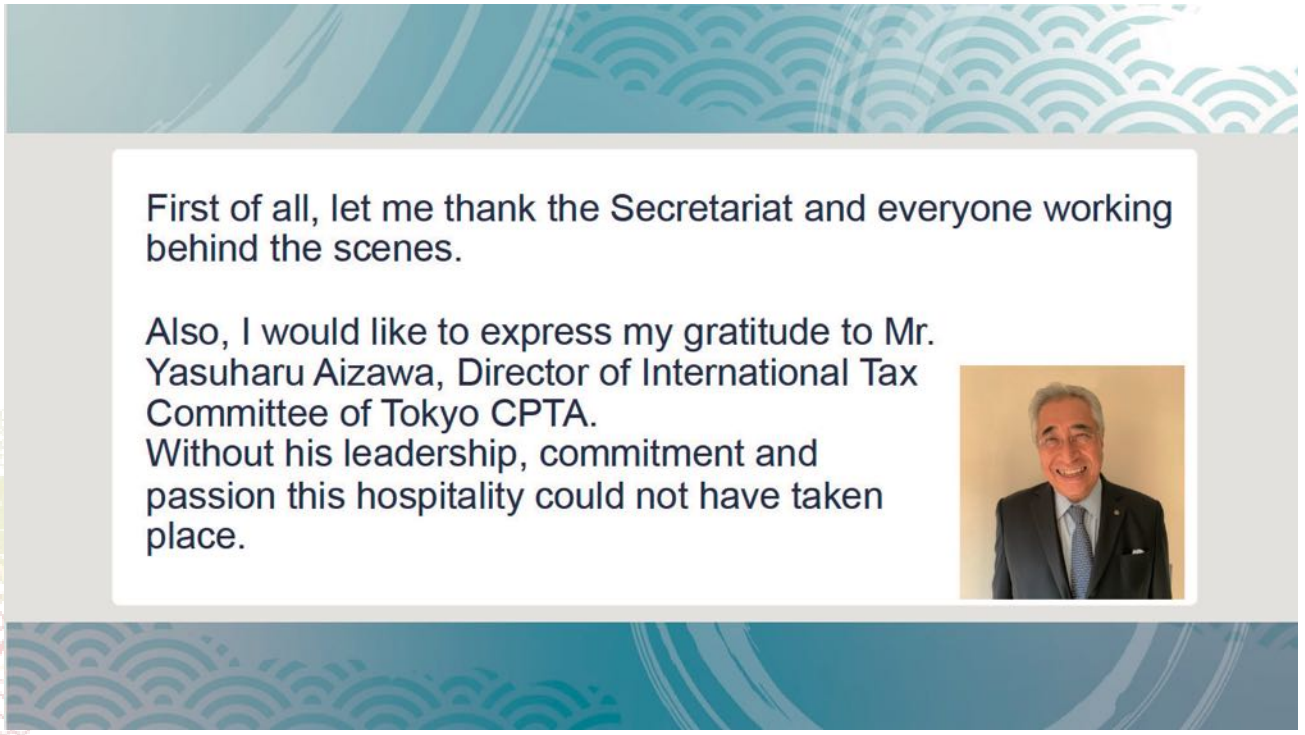
- 2007 January Certified Public Tax Accountant

Professional EXPERIENCE
KPMG Tax Corporation 2000-present
Partner, Financial Service, 2012-Present
Partner Head of Fin Tech, Finance & Technology, 2022-Present
Head of Clients & Markets, Tax
Lead Partner of KPMG BEPS 2.0 project

EXPERIENCE (CPTA Association)
Member, Research Committee on International Taxation, JFCPTAA 2019-Present
Member, International Tax Committee of Tokyo CPTA 2012-2018, 2020-Present
Member, Advisory Committee of Tokyo CPTA 2016-Present

EDUCATION
Master of Political science and Economics
(Meiji University, Toyo Japan)
INSEAD Singapore, KPMG executive class of 2017

PROFILE
Member of Tax Reform Committee, Ministry of Economic Trade and Industry of Japan
Member of Tax Reform Committee, Ministry of Finance



Introduction : Today's topics

1. What is the importance of the BEPS 2.0 Pillar 2
2. The tax environment post-BEPS 2.0 Pillar 2 implementation

There will be 3 major changes

1. **Constructing a Tax Governance structure will be necessary**
2. **M&A practices will evolve and SPA will become much more important than before**
3. **The importance of Tax Digitalization and Tax Data Management will increase dramatically.**

Importance of BEPS 2.0 Pillar 2

Japan Federation of Certified Public Tax Accountants' Associations

Kazushige Koide

AOTCA
TOKYO
2023

What is significant about BEPS 2.0 Pillar 2?

- **What does the BEPS 2.0 mean to you? Do you consider it a challenge or threat? I personally think that BEPS 2.0 is all about "Compliance".**
- **Under BEPS 1.0, tax advisory mainly focused on transfer pricing documentation and timely Master File/Local File/Country-by-Country Reports filing, with a focus on information exchange between tax authorities.**
- **Until now, there were no cross-border taxes in the field of international taxation. However, after the introduction of BEPS 2.0, tax authorities will no longer exercise taxing rights based on companies' voluntary corporate tax filings and Country-by-Country Reports. Instead, we will see the exercise of tax collection rights based on unprecedented global standards.**
- **Pillar 2 (Income Inclusion Rule) will be effective in Japan as of 1 April 2024.**

What do you think the Role of Tax Professionals will be for BEPS 2.0 Pillar 2 Challenges?

- **The OECD and national legislators around the world face challenges in practical feasibility and enforcement in using accounting figures to conduct uniform taxation in each jurisdiction where the companies are established, without having extensive knowledge in accounting audits and the information disclosure process.**
- **Calculating the BEPS 2.0 effective tax rates for each country is so complex that companies must rely on tax professionals to complete the Pillar 2 tax calculations. This is an important agenda not only for a company's CFO, but also for its potential possibility to affect confidence in the stock market.**

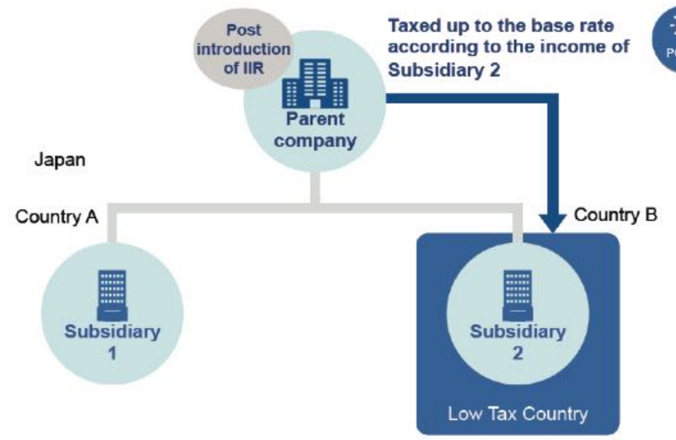
Our role as tax professionals is very important in this project and it is no exaggeration to say that its success rests on "our shoulders". Let's work together with companies and legislators to ensure the successful implementation of BEPS 2.0 Pillar 2.

Enactment of BEPS 2.0 Pillar 2 legislation

BEPS 2.0 Pillar 2 (Income Inclusion Rule "IIR") is scheduled to become effective for fiscal years beginning on or after 1 April 2024, following the enactment of IIR in the 2023 tax reform. In the future, IIR legislation will be enacted across global jurisdictions.

		2022	2023	2024	2025	2026
IIR Income Inclusion Rule	Taxation on income earned by corporations abroad		Tax Reform & Legislation March 2023	Applies to fiscal years starting on or after April 1, 2024		
UTPR Undertaxed Profits Rule				Tax reform and legislation March 2024 (at earliest)		
QDMTT Qualified Domestic Minimum Top-up Tax	Taxation on income earned by domestic corporations		• Exemption tax rate 30 ➡ 27% • Attached requirements loosen	Tax reform and legislation March 2024 (at earliest)		
JCFC	Combined taxation on foreign subsidiaries		Tax Reform & Legislation March 2023	Applies to fiscal years starting on or after April 1, 2024		

IIR is applied to the parent company when its effective tax rate in a jurisdiction is lower than 15%



POINT

- The taxpayer is a parent company that belongs to a specified multinational enterprise group
- Applicable to consolidated subsidiaries in the consolidated financial statements of the ultimate parent entity (including non-consolidated subsidiaries and branches)
- Effective tax rate calculated by jurisdiction
- "Low tax" refers to cases where the base tax rate is less than 15%
- There is a substance based income exclusion when calculating income in low tax jurisdictions

There are 3 universal points in GloBE rules that apply to all domestic tax legislation

01 IIR Income Inclusion Rule

International minimum tax equal to the difference between the effective tax rate for subsidiaries in low-tax jurisdictions and the base rate of 15%. Levied as corporate income tax and local corporate income tax.

02 UTPR Undertaxed Profits Rule

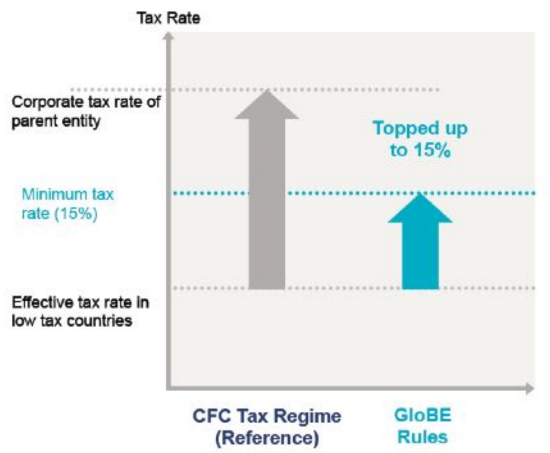
If taxation under the IIR cannot be fully implemented, taxation is imposed in the country where the affiliated company with economic substance is located.

03 QDMT Qualified Domestic Minimum Top-Up Tax

The difference between the effective tax rate in the country and the 15% base rate is taxed in Japan based on the income earned by the domestic corporation, etc.

FY2023 Tax Reform (01) | Post-FY2024 Tax Reform (02, 03)

The following is an example of tax calculation under the IIR. This is applied to multinational groups with a consolidated turnover of more than 750 million EUR



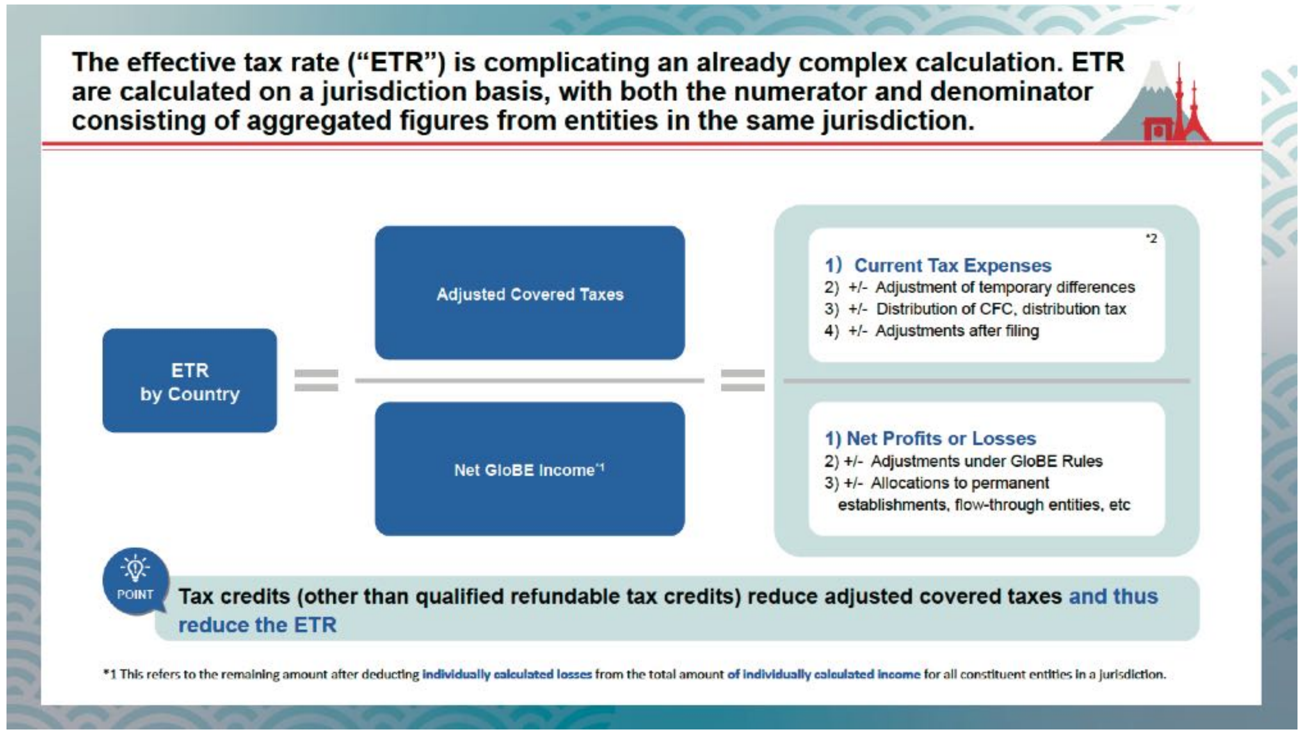
Calculation example

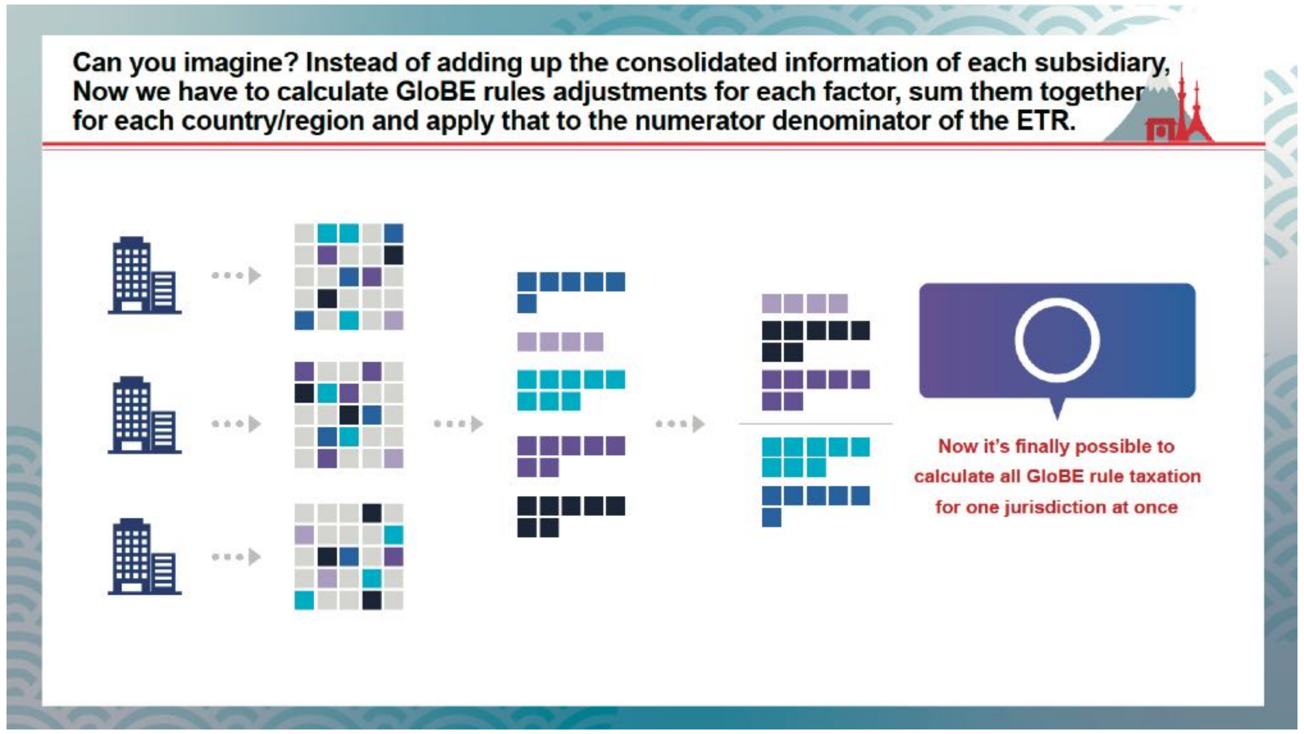
01 Calculate ETR for each country and the top-up tax rate (the difference between tax rates and the minimum rate of 15%)

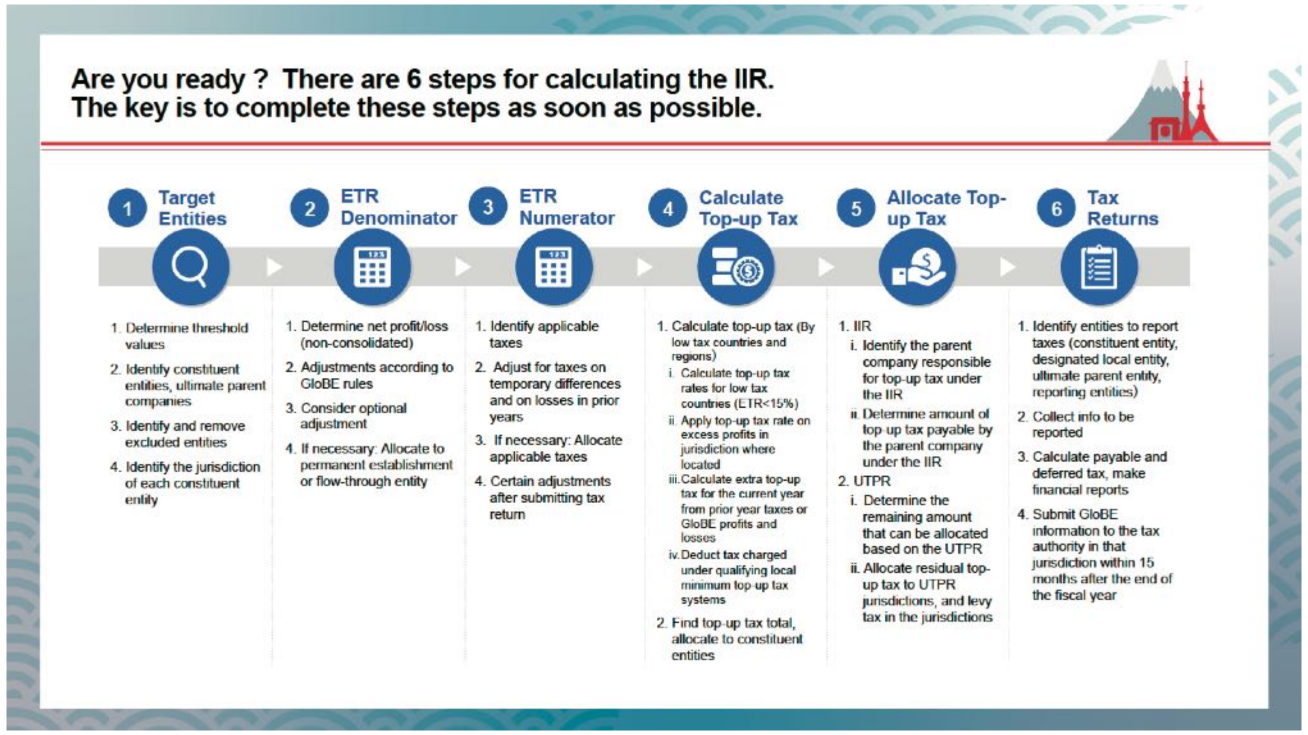
02 Multiply country-specific income* by the top-up tax rate to calculate the top-up tax amount

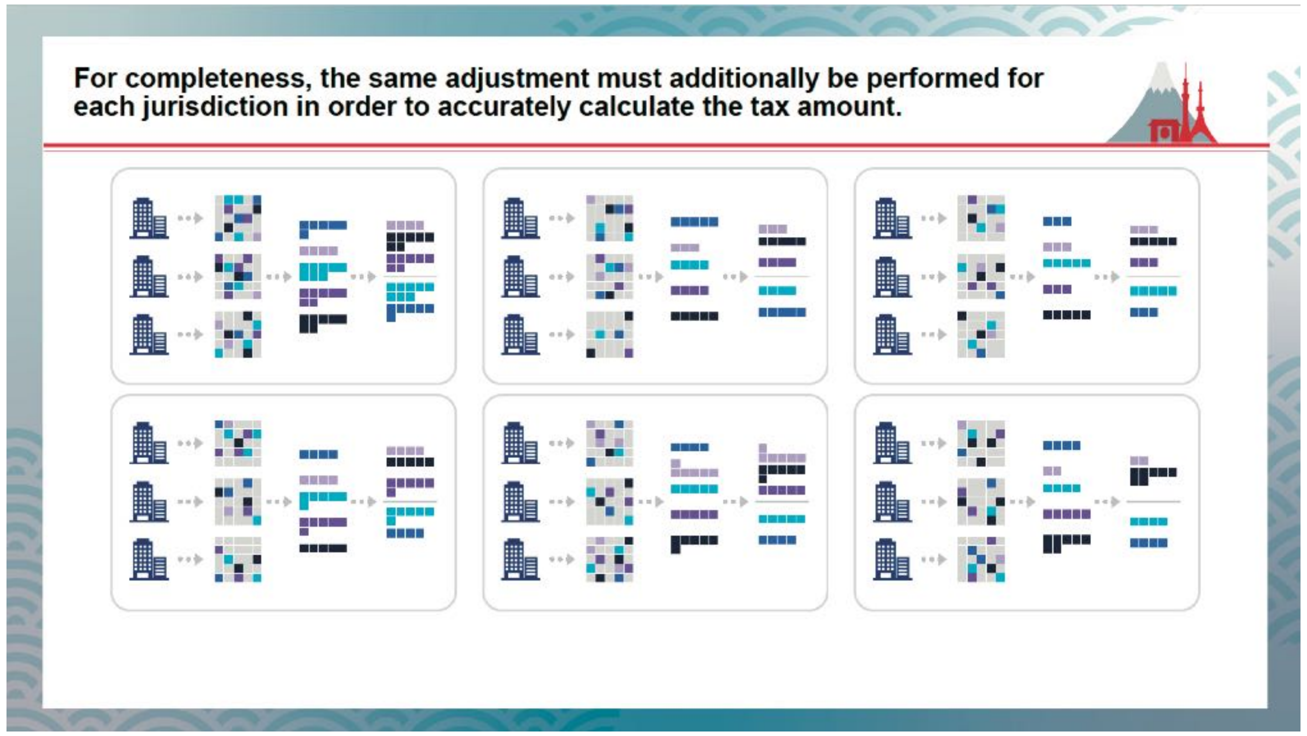
03 Allocate the top-up tax amount to each Constituent Entity and pay taxes according to IIR and UTPR

* the residual amount of income from the combined profits and losses of group companies located in low tax countries after deducting the carve-out amount on a substance basis, also called excess profit.

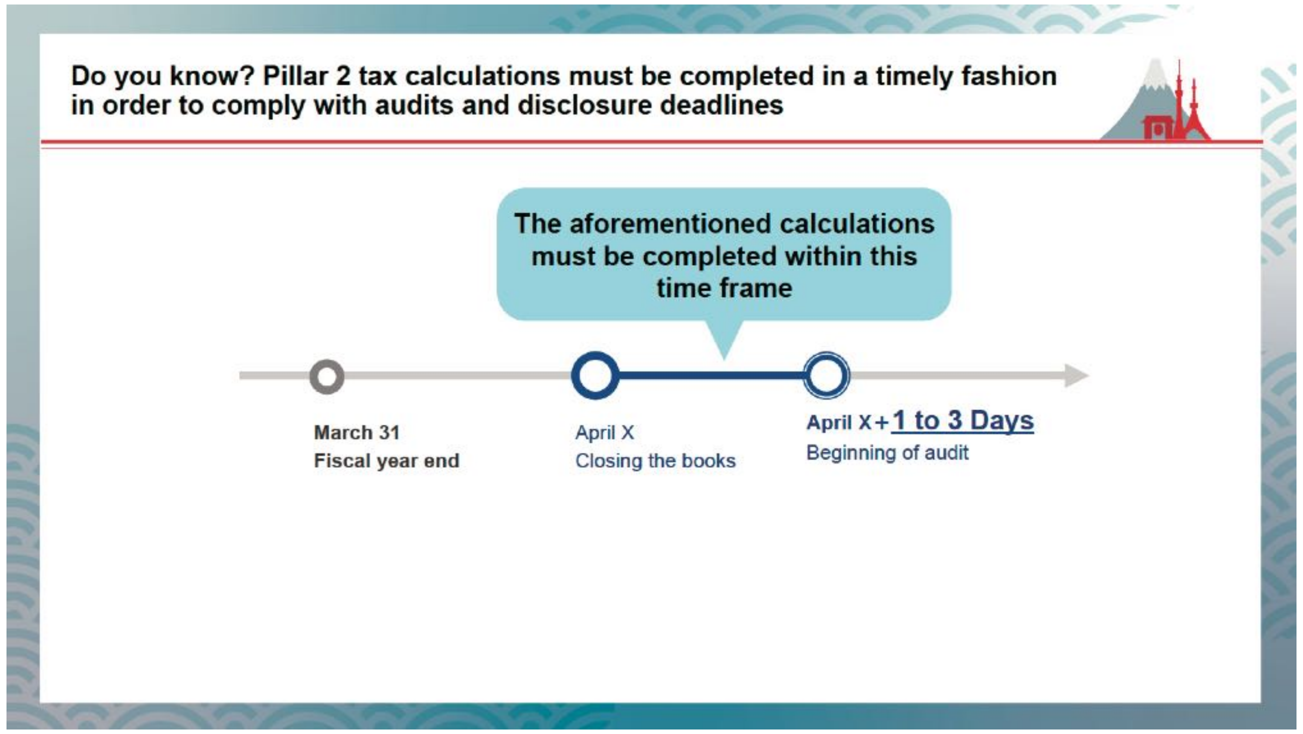

The effective tax rate ("ETR") is complicating an already complex calculation. ETR are calculated on a jurisdiction basis, with both the numerator and denominator consisting of aggregated figures from entities in the same jurisdiction.
ETR by Country
Adjusted Covered Taxes
Net GloBE Income*1
*2
1) Current Tax Expenses
2) +/- Adjustment of temporary differences
3) +/- Distribution of CFC, distribution tax
4) +/- Adjustments after filing
1) Net Profits or Losses
2) +/- Adjustments under GloBE Rules
3) +/- Allocations to permanent establishments, flow-through entities, etc
POINT
Tax credits (other than qualified refundable tax credits) reduce adjusted covered taxes and thus reduce the ETR
*1 This refers to the remaining amount after deducting individually calculated losses from the total amount of individually calculated income for all constituent entities in a jurisdiction.

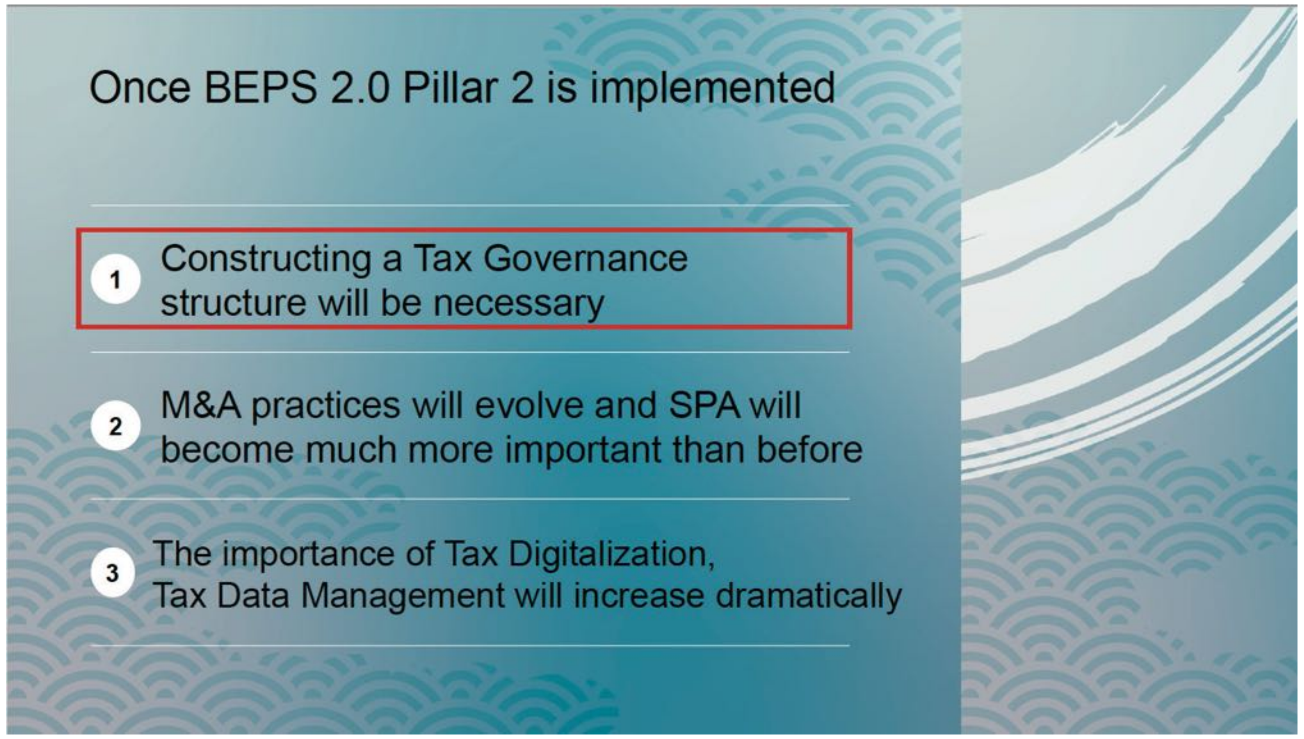

Can you imagine? Instead of adding up the consolidated information of each subsidiary, Now we have to calculate GloBE rules adjustments for each factor, sum them together for each country/region and apply that to the numerator denominator of the ETR.
Now it's finally possible to calculate all GloBE rule taxation for one jurisdiction at once

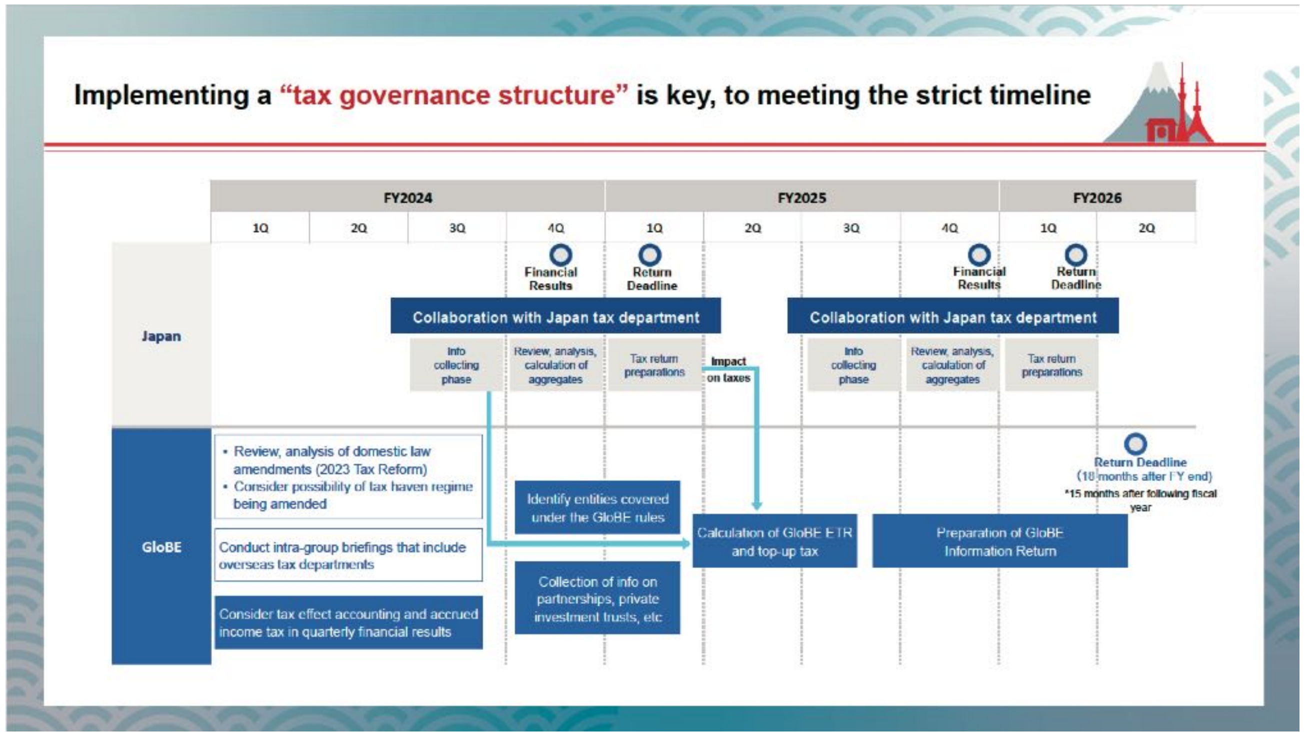

Are you ready ? There are 6 steps for calculating the IIR.
The key is to complete these steps as soon as possible.
1 Target Entities
1. Determine threshold values
2. Identify constituent entities, ultimate parent companies
3. Identify and remove excluded entities
4. Identify the jurisdiction of each constituent entity
2 ETR Denominator
1. Determine net profit/loss (non-consolidated)
2. Adjustments according to GloBE rules
3. Consider optional adjustment
4. If necessary: Allocate to permanent establishment or flow-through entity
3 ETR Numerator
1. Identify applicable taxes
2. Adjust for taxes on temporary differences and on losses in prior years
3. If necessary: Allocate applicable taxes
4. Certain adjustments after submitting tax return
4 Calculate Top-up Tax
1. Calculate top-up tax (By low tax countries and regions)
i. Calculate top-up tax rates for low tax countries (ETR<15%)
ii. Apply top-up tax rate on excess profits in jurisdiction where located
iii. Calculate extra top-up tax for the current year from prior year taxes or GloBE profits and losses
iv. Deduct tax charged under qualifying local minimum top-up tax systems
2. Find top-up tax total, allocate to constituent entities
5 Allocate Top-up Tax
1. IIR
i. Identify the parent company responsible for top-up tax under the IIR
ii. Determine amount of top-up tax payable by the parent company under the IIR
2. UTPR
i. Determine the remaining amount that can be allocated based on the UTPR
ii. Allocate residual top-up tax to UTPR jurisdictions, and levy tax in the jurisdictions
6 Tax Returns
1. Identify entities to report taxes (constituent entity, designated local entity, ultimate parent entity, reporting entities)
2. Collect info to be reported
3. Calculate payable and deferred tax, make financial reports
4. Submit GloBE information to the tax authority in that jurisdiction within 15 months after the end of the fiscal year

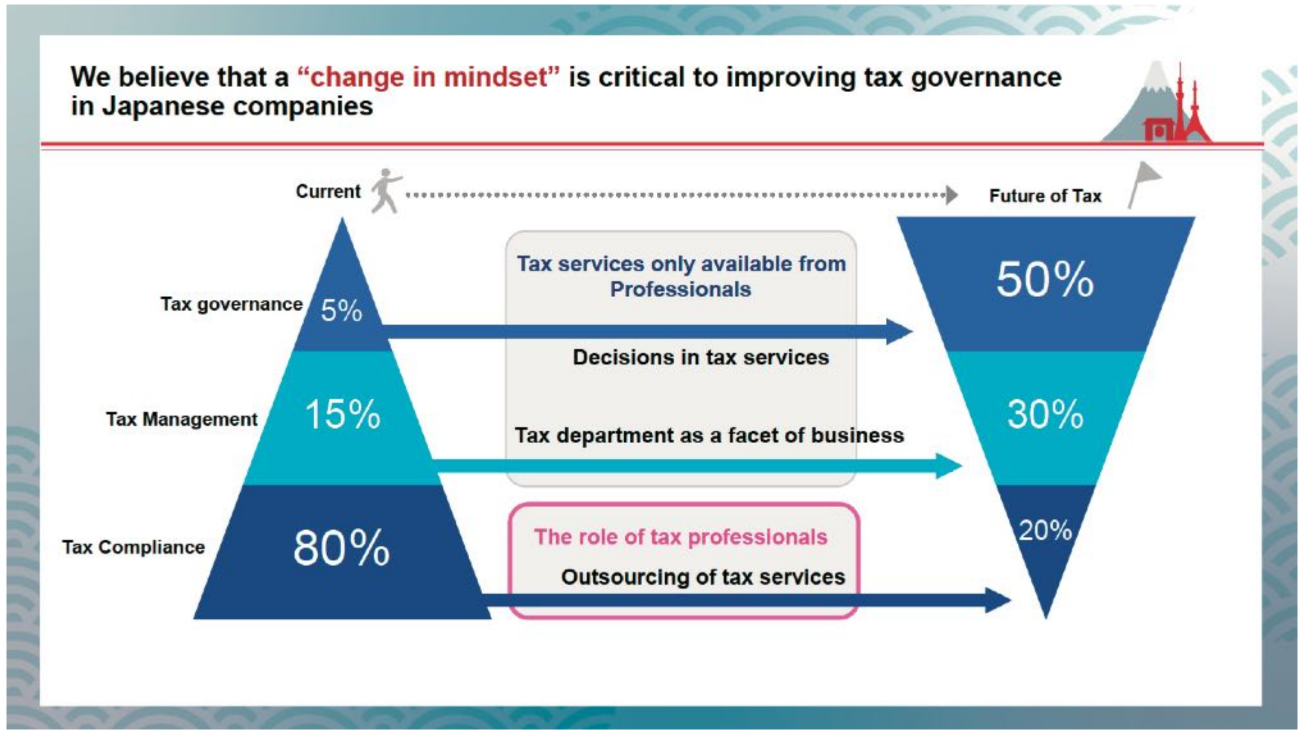

For completeness, the same adjustment must additionally be performed for each jurisdiction in order to accurately calculate the tax amount.


The tax environment post-BEPS 2.0
Pillar 2 implementation
Japan Federation of Certified Public Tax Accountants' Associations
Kazushige Koide
AOTCA
TOKYO
2023

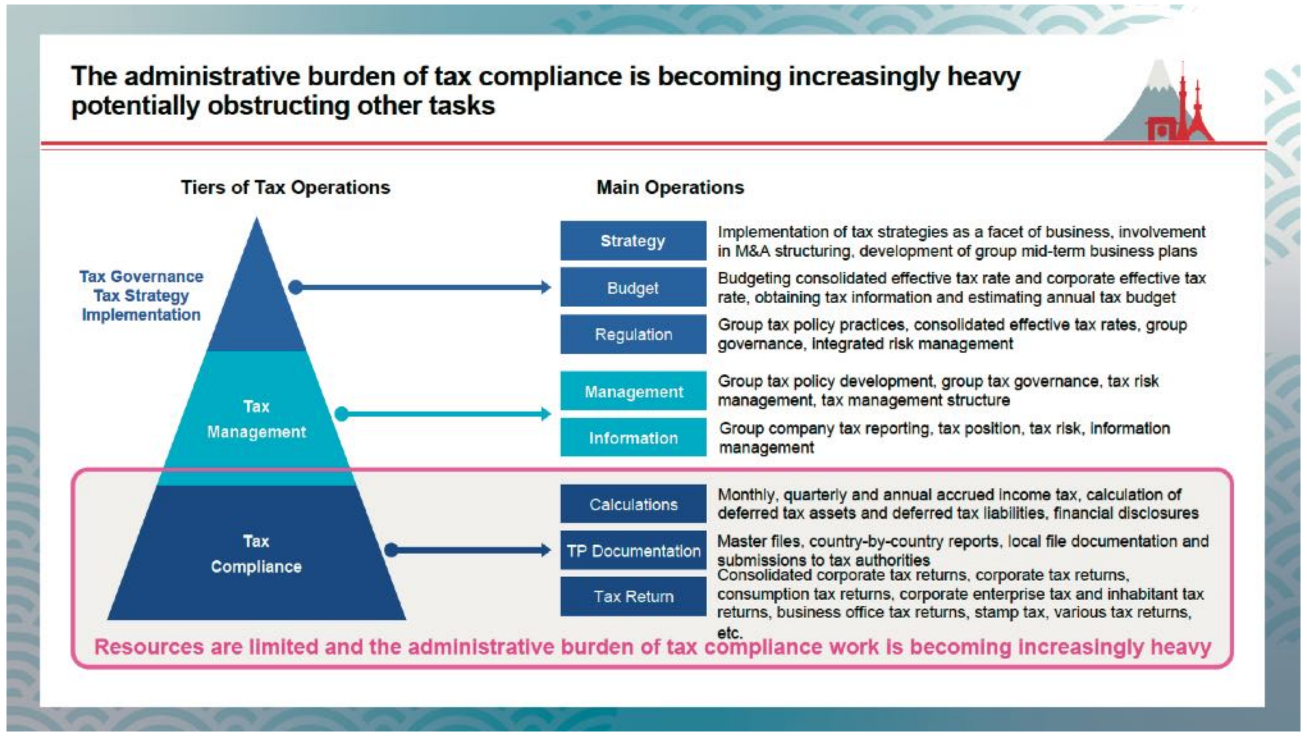

Do you know? Pillar 2 tax calculations must be completed in a timely fashion in order to comply with audits and disclosure deadlines
The aforementioned calculations must be completed within this time frame
March 31
Fiscal year end
April X
Closing the books
April X+1 to 3 Days
Beginning of audit


Once BEPS 2.0 Pillar 2 is implemented
1 Constructing a Tax Governance structure will be necessary
2 M&A practices will evolve and SPA will become much more important than before
3 The importance of Tax Digitalization, Tax Data Management will increase dramatically

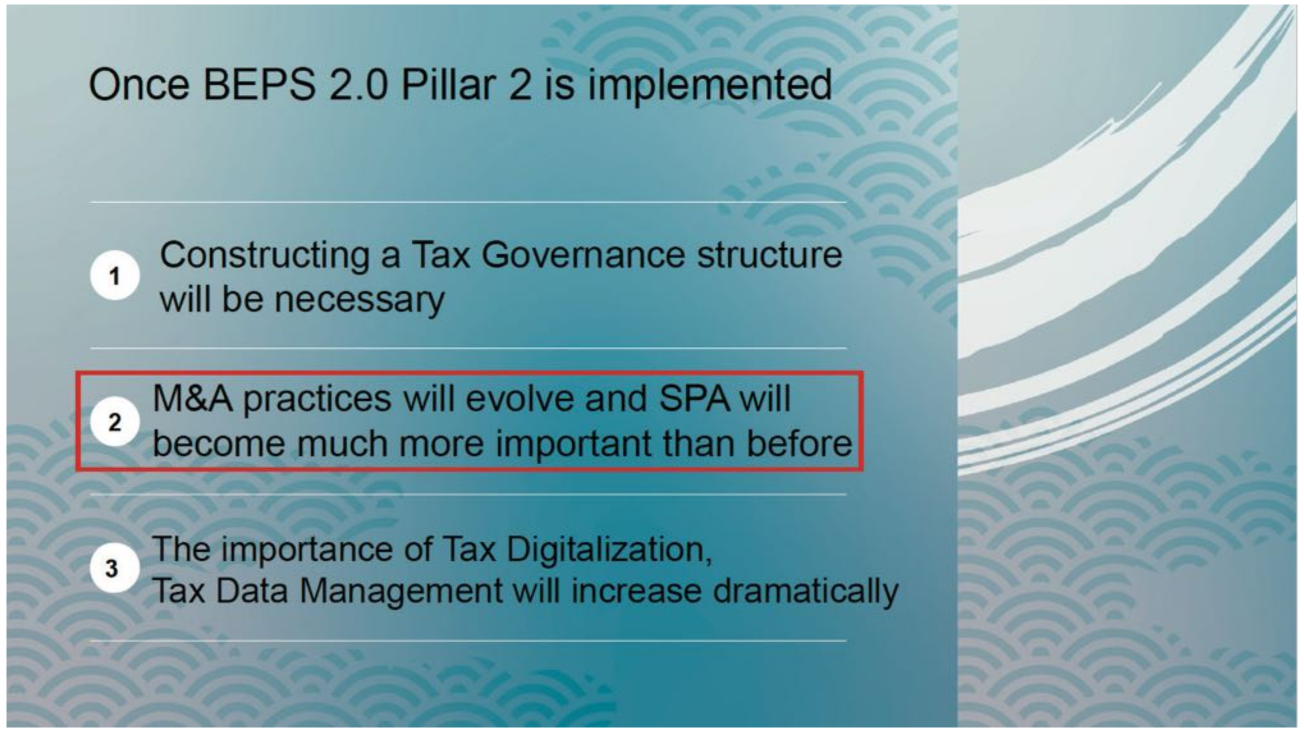

Implementing a "tax governance structure" is key, to meeting the strict timeline
FY2024
FY2025
FY2026
1Q
2Q
3Q
4Q
1Q
2Q
3Q
4Q
1Q
2Q
Japan
Financial Results
Return Deadline
Collaboration with Japan tax department
Info collecting phase
Review, analysis, calculation of aggregates
Tax return preparations
Impact on taxes
Financial Results
Return Deadline
Collaboration with Japan tax department
Info collecting phase
Review, analysis, calculation of aggregates
Tax return preparations
GloBE
• Review, analysis of domestic law amendments (2023 Tax Reform)
• Consider possibility of tax haven regime being amended
Conduct intra-group briefings that include overseas tax departments
Consider tax effect accounting and accrued income tax in quarterly financial results
Identify entities covered under the GloBE rules
Collection of info on partnerships, private investment trusts, etc
Calculation of GloBE ETR and top-up tax
Preparation of GloBE Information Return
Return Deadline
(18 months after FY end)
*15 months after following fiscal year



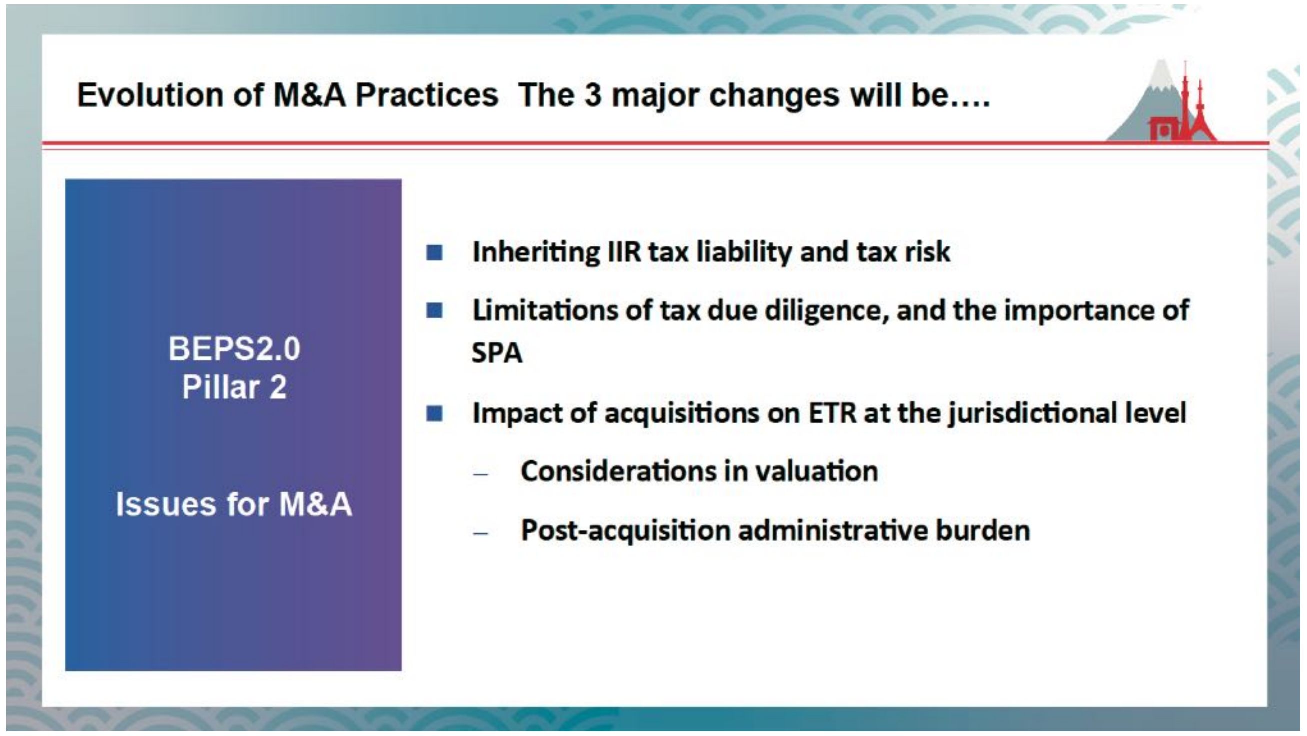
We believe that a "change in mindset" is critical to improving tax governance in Japanese companies
Current
Future of Tax
Tax governance
5%
Tax Management
15%
Tax Compliance
80%
Tax services only available from Professionals
Decisions in tax services
Tax department as a facet of business
The role of tax professionals
Outsourcing of tax services
50%
30%
20%



The administrative burden of tax compliance is becoming increasingly heavy potentially obstructing other tasks
Tiers of Tax Operations
Main Operations
Tax Governance
Tax Strategy
Implementation
Tax
Management
Tax
Compliance
Strategy
Implementation of tax strategies as a facet of business, involvement in M&A structuring, development of group mid-term business plans
Budget
Budgeting consolidated effective tax rate and corporate effective tax rate, obtaining tax information and estimating annual tax budget
Regulation
Group tax policy practices, consolidated effective tax rates, group governance, integrated risk management
Management
Group tax policy development, group tax governance, tax risk management, tax management structure
Information
Group company tax reporting, tax position, tax risk, information management
Calculations
Monthly, quarterly and annual accrued income tax, calculation of deferred tax assets and deferred tax liabilities, financial disclosures
TP Documentation
Master files, country-by-country reports, local file documentation and submissions to tax authorities
Tax Return
Consolidated corporate tax returns, corporate tax returns, consumption tax returns, corporate enterprise tax and inhabitant tax returns, business office tax returns, stamp tax, various tax returns, etc.
Resources are limited and the administrative burden of tax compliance work is becoming increasingly heavy

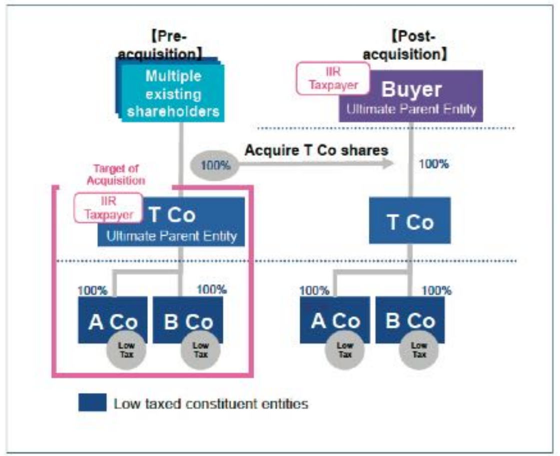


Once BEPS 2.0 Pillar 2 is implemented
1
Constructing a Tax Governance structure will be necessary
2
M&A practices will evolve and SPA will become much more important than before
3
The importance of Tax Digitalization, Tax Data Management will increase dramatically



Evolution of M&A Practices The 3 major changes will be....
BEPS2.0 Pillar 2
Issues for M&A
Inheriting IIR tax liability and tax risk
Limitations of tax due diligence, and the importance of SPA
Impact of acquisitions on ETR at the jurisdictional level
Considerations in valuation
Post-acquisition administrative burden

Evolution of M&A Practices Inheriting tax liability and tax risk



Issue

- The acquired company (ex. T Co) remains liable for **top-up tax** incurred in the fiscal year prior to the acquisition.
- The acquired company may also be liable for Qualified Domestic Minimum Top Up Tax (QDMTT)

POINT

- Have IIR/QDMTT returns **prior to the acquisition** been properly filed?
- Are top-up taxes for the year immediately preceding the acquisition properly reflected in the **financial statements**?
- QDMTT for the year immediately preceding acquisition will be **calculated by A Hold Co after acquisition**
- **Cooperation during tax audits**

Limitations of tax due diligence, and the importance of SPA

Limitations of tax due diligence

- How much due diligence can be accomplished during the limited timeframe of M&A?
- Whether information will be available in the first place

SPA will become more important

Evolution of M&A Practices Post-acquisition impact on ETR

Pre-acquisition: Buying Group (Country X Total)

	Forecast for following fiscal year
Income	300
Tax Expense	60
ETR	20%
Top-up Tax	No tax (Over 15%)

Post-acquisition: Buying Group (Country X Total)

	Post-acquisition total
Income	900
Tax Expense	90
ETR	10%
Top-up Tax	45 (900× (15%-10%))

Pre-acquisition: Target of acquisition (Country X Total)

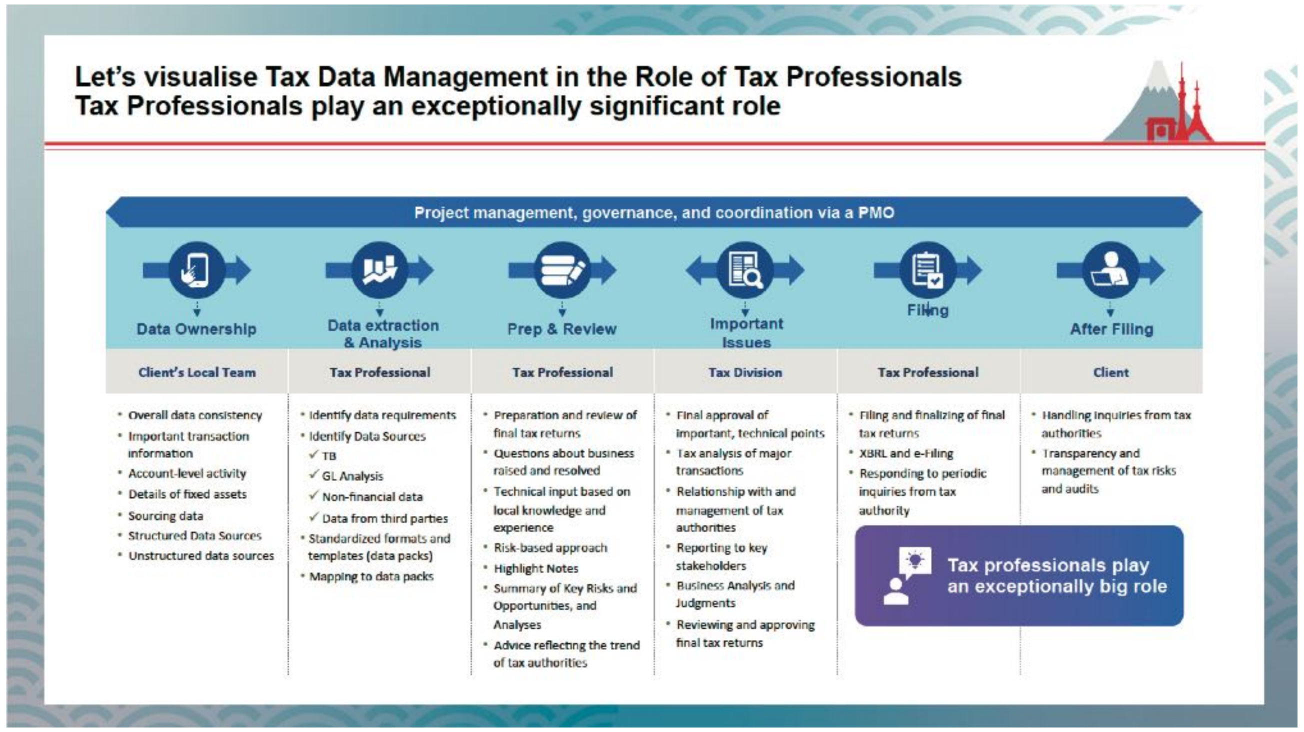
	Forecast for following fiscal year
Income	600
Tax Expense	30
ETR	5%
Top-up Tax	No tax (Not applicable to MNEs)

POINT

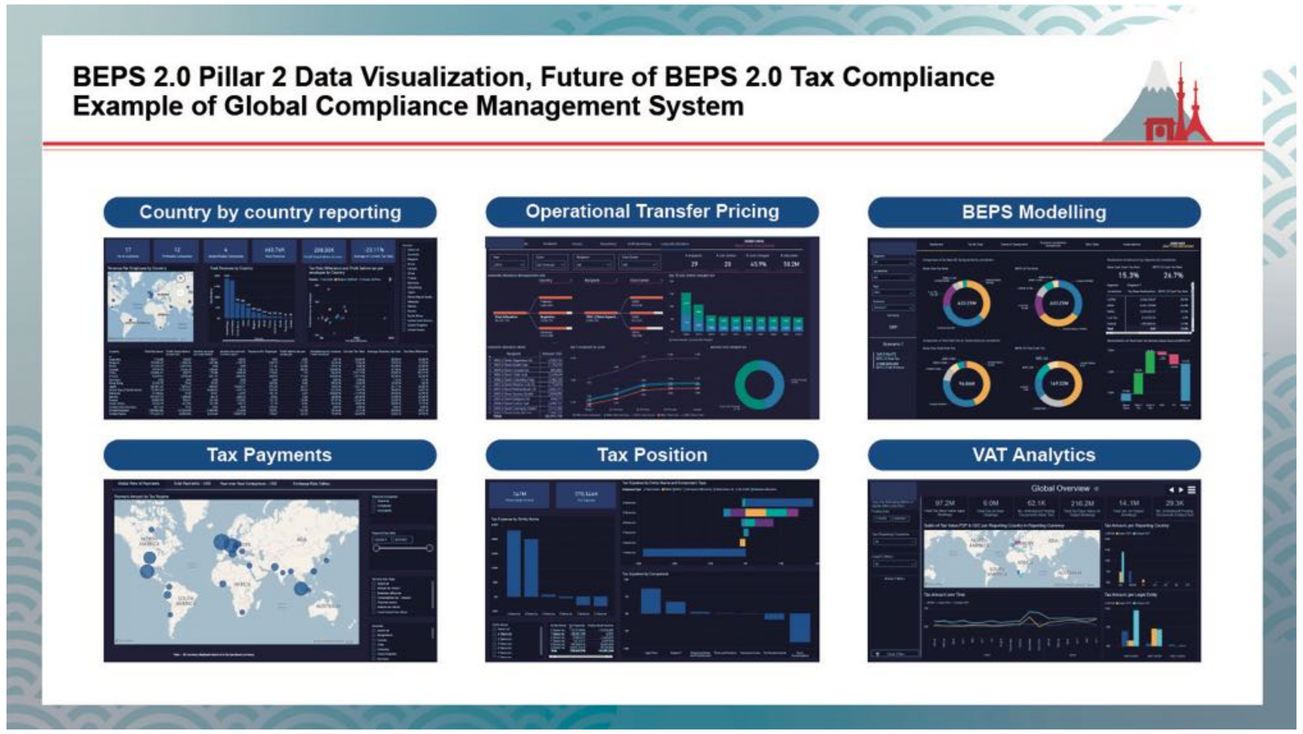
- The buyer must factor any **top-up tax** that may arise from the acquisition into the valuation.
- Top-up tax will reduce acquisition benefits for the buying group.

Once BEPS 2.0 Pillar 2 is implemented

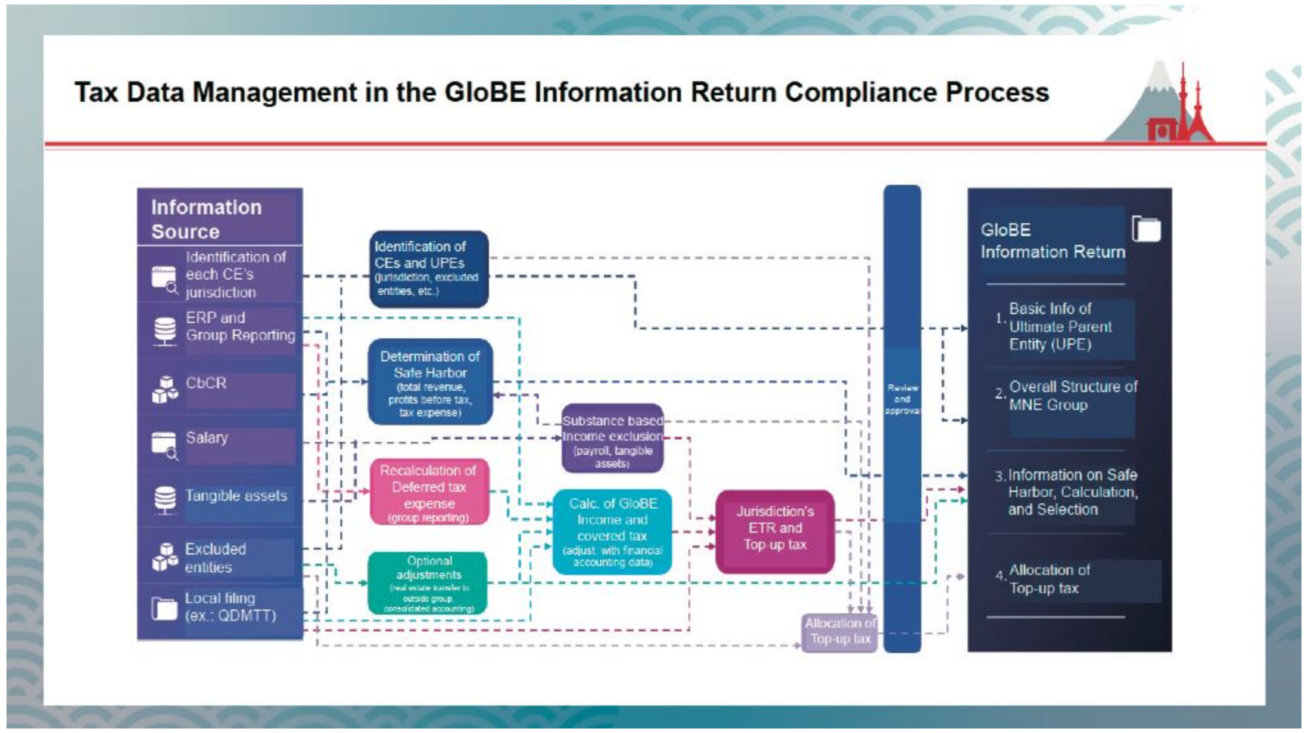
1. Constructing a tax governance structure will be necessary
2. M&A practices will evolve and SPA will become much more important than before
3. The importance of Tax Digitalization, Tax Data Management will increase dramatically



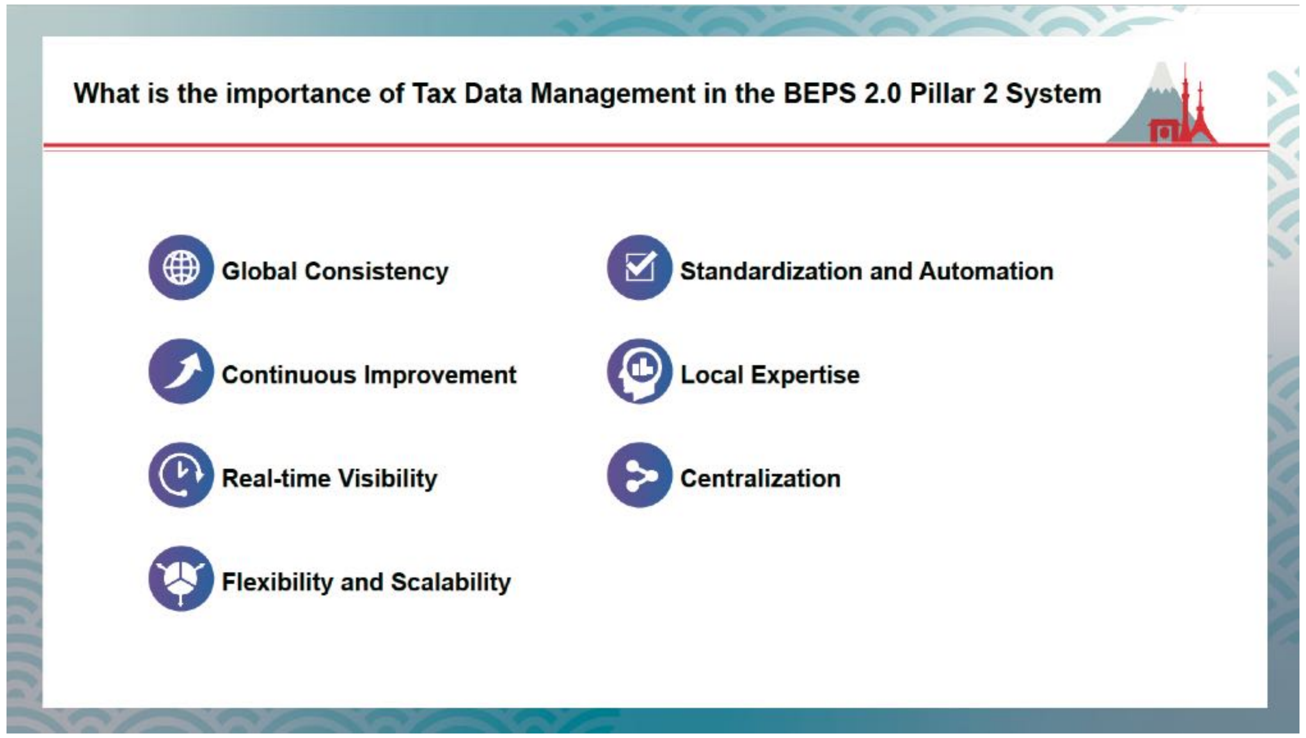
Let's visualise Tax Data Management in the Role of Tax Professionals
Tax Professionals play an exceptionally significant role
Project management, governance, and coordination via a PMO
Data Ownership
Data extraction & Analysis
Prep & Review
Important Issues
Filing
After Filing
Client's Local Team
Tax Professional
Tax Professional
Tax Division
Tax Professional
Client
• Overall data consistency
• Important transaction information
• Account-level activity
• Details of fixed assets
• Sourcing data
• Structured Data Sources
• Unstructured data sources
• Identify data requirements
• Identify Data Sources
✓ TB
✓ GL Analysis
✓ Non-financial data
✓ Data from third parties
• Standardized formats and templates (data packs)
• Mapping to data packs
• Preparation and review of final tax returns
• Questions about business raised and resolved
• Technical input based on local knowledge and experience
• Risk-based approach
• Highlight Notes
• Summary of Key Risks and Opportunities, and Analyses
• Advice reflecting the trend of tax authorities
• Final approval of important, technical points
• Tax analysis of major transactions
• Relationship with and management of tax authorities
• Reporting to key stakeholders
• Business Analysis and Judgments
• Reviewing and approving final tax returns
• Filing and finalizing of final tax returns
• XBRL and e-Filing
• Responding to periodic inquiries from tax authority
• Handling inquiries from tax authorities
• Transparency and management of tax risks and audits
Tax professionals play an exceptionally big role



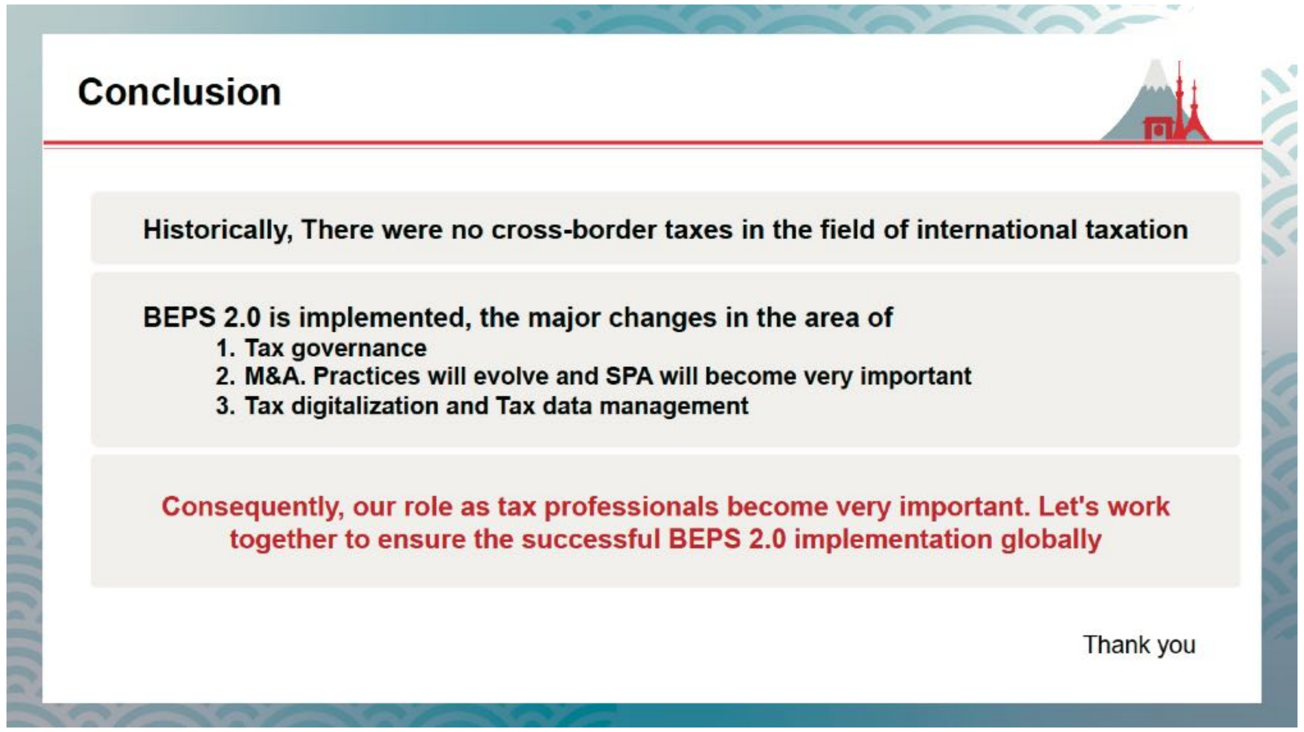
BEPS 2.0 Pillar 2 Data Visualization, Future of BEPS 2.0 Tax Compliance
Example of Global Compliance Management System
Country by country reporting
Operational Transfer Pricing
BEPS Modelling
Tax Payments
Tax Position
VAT Analytics



Tax Data Management in the GloBE Information Return Compliance Process
Information Source
Identification of each CE's jurisdiction
ERP and Group Reporting
CbCR
Salary
Tangible assets
Excluded entities
Local filing (ex.: QDMTT)
Identification of CEs and UPEs (jurisdiction, excluded entities, etc.)
Determination of Safe Harbor (total revenue, profits before tax, tax expense)
Recalculation of Deferred tax expense (group reporting)
Optional adjustments
Substance based Income exclusion (payroll, tangible assets)
Calc. of GloBE Income and covered tax (adjust. with financial accounting data)
Jurisdiction's ETR and Top-up tax
Allocation of Top-up tax
Review and approval
GloBE Information Return
1. Basic Info of Ultimate Parent Entity (UPE)
2. Overall Structure of MNE Group
3. Information on Safe Harbor, Calculation, and Selection
4. Allocation of Top-up tax



What is the importance of Tax Data Management in the BEPS 2.0 Pillar 2 System
Global Consistency
Standardization and Automation
Continuous Improvement
Local Expertise
Real-time Visibility
Centralization
Flexibility and Scalability


Conclusion
Historically, There were no cross-border taxes in the field of international taxation
BEPS 2.0 is implemented, the major changes in the area of
1. Tax governance
2. M&A. Practices will evolve and SPA will become very important
3. Tax digitalization and Tax data management
Consequently, our role as tax professionals become very important. Let's work together to ensure the successful BEPS 2.0 implementation globally
Thank you


AOTCA
AOTCA TOKYO 2023
日本税理士会連合会

16:00 - 16:20

Presentation 2

Speaker

Mr. Paul Lau

Accredited Tax Advisor (Income Tax)
Singapore Chartered Tax Professionals

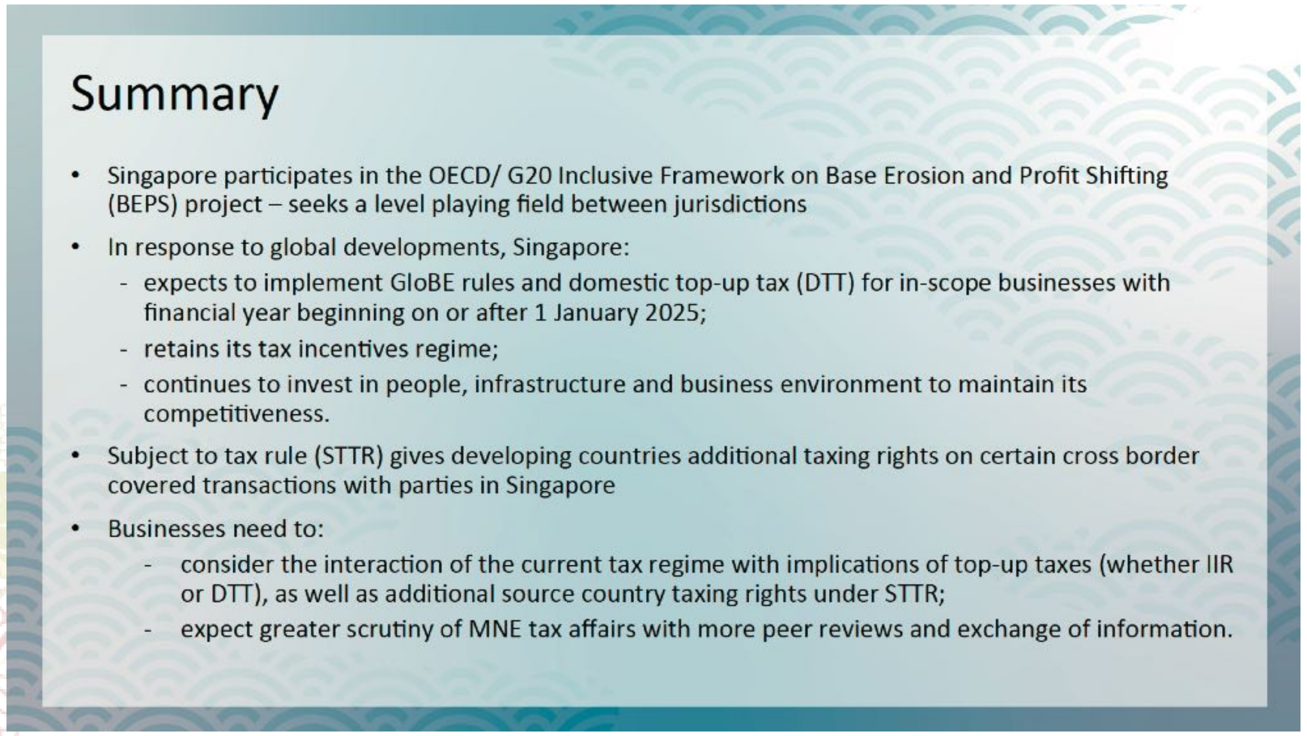
With over 28 years of tax experience, Paul Lau is a tax partner at PricewaterhouseCoopers (PwC) Singapore and he also chairs the Tax and Levies Committee at the Singapore Chartered Tax Professionals.

His in-depth tax experience includes having advised clients on tax risk management and governance framework, mergers and acquisitions, corporate restructuring, asset securitisation, capital market instruments, tax sparing, real estate finance and transfer pricing.

At PwC Singapore, besides being a financial services tax partner, Paul heads up the Tax Technical and Policy unit where he provides guidance on interpretation of tax laws for the firm. He is also a member of PwC's global financial services transfer pricing network where he is involved in rendering tax and transfer pricing advice to banks, investment funds and treasury centres in structuring cross border transactions.

Paul served on the editorial board for Derivatives and Financial Instruments, a publication by the International Bureau of Fiscal Documentation based in the Netherlands, as well as on The Study of the Tax Ecosystem and Practices in Singapore Implementation Committee, an industry-led group formed to review the measures for building a robust and vibrant tax ecosystem in Singapore. He is also an independent assessor for Singapore Accountancy Commission in relation to the Singapore Chartered Accountant Qualification Tax Module Exemption, and is one of the authors of The Law and Practice of Singapore Income Tax, a reference text now in its 3rd edition.

Paul holds a bachelor degree in accountancy from Nanyang Technological University in Singapore and a master degree in taxation law from University of Sydney, Australia.



Singapore Updates on Pillar 2

Recent Developments and Challenges

AOTCA TOKYO 2023

Singapore's position

- Singapore's position:
  - abide by internationally agreed standards;
  - safeguard its taxing rights;
  - minimise compliance burden for businesses.
- Singapore is a member of the OECD/ G20 Inclusive Framework on BEPS project:
  - supports a multilateral consensus-based approach and global cooperation;
  - seeks a level playing field between jurisdictions.
- To avoid excessive compliance burden for businesses, Singapore is expected to:
  - take close reference to model rules and administrative guidance in design of its GloBE rules and DTT;
  - implement DTT in a manner that meets QDMTT Safe Harbour.

OECD/ G20 Inclusive Framework on Base Erosion and Profit Shifting

Pillar 1		Pillar 2	
Amount A	**Amount B**	**GloBE**	**STTR**
• New taxing right in market locations • With effect from 1/1/25 for MNCs > €20bn (7+ 1 years then > €10bn) • Applies in addition to transfer pricing (TP) • Allocates 25% of profit over 10% threshold to market locations • To be applied via multilateral convention (MLC); DST moratorium if supported by critical mass of countries	• New TP rules • Mandated returns for routine 3rd party distribution of non-commodity products • With effect from 1/1/24 • To be applied via updated OECD Transfer Pricing Guidelines • Consultation closed 1 September 2023	• Global minimum tax • Applies on excess profits (as defined) where jurisdictional blended effective tax rate is less than 15% • IIR from 1/1/24 (some countries have different start dates) • UTPR from 1/1/25 • Transitional safe harbour rules apply (including for UTPR) • Domestic top-up tax	• Extension of sources of income subject to source country tax • Applies where recipient entity is taxed at less than 9% nominal rate • Applies in priority to GloBE and treated as a covered tax • Bi-lateral treaty implementation or via MLC

9

Singapore's position

- Singapore will retain its tax incentives regime and continue to invest in people, infrastructure and business environment to stay competitive
- 'Additional corporate tax revenues that can be generated from BEPS 2.0... will need to be reinvested to enhance our competitiveness' – MOF Budget 2022 BEPS Explained (https://www.mof.gov.sg/docs/default-source/policies/beps-2-infographic.pdf)
- Topping up and expanding the scope of National Productivity Fund to include investment promotion – Budget 2023 (https://www.mof.gov.sg/docs/librariesprovider3/budget2023/download/pdf/fy2023_budget_statement.pdf)

Some recent developments

- It was announced in 2022 Budget that Singapore will:
  - adjust its tax system in response to Pillar 2 GloBE rules;
  - explore a top-up tax (minimum effective tax rate (METR) regime).
- Formation of a joint study group between IRAS and the profession, including Singapore Chartered Tax Professionals (SCTP), to study METR (now known as DTT) design.
- Consultations with affected businesses and industry associations.

Some recent developments

- As noted in 2023 Budget, Singapore:
  - expects to implement GloBE Rules and domestic top-up tax (DTT) for in-scope businesses with financial year beginning on or after 1 January 2025;
  - will retain its tax incentives regime;
  - will adjust certain concessionary tax rates, e.g. certain awards the financial sector incentive scheme.
- Public outreach by the authorities – partnering industry (including SCTP) to conduct tax updates for businesses
- Draft legislation expected for public consultation

Subject To Tax Rule

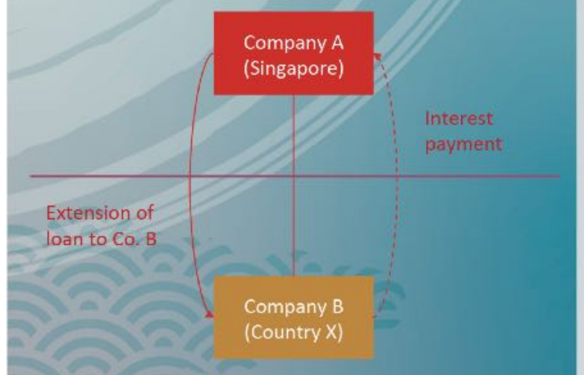
- Allows source countries to impose an additional tax liability on certain intra-group payments in case the recipient is subject to a **nominal tax rate of less than 9%**
- Covered Income - type of intra-group / "connected persons" payments include interest, royalties and service fees (but not dividends).
- Treaty-based rule - implementation is planned to start in October 2023 via a multilateral convention or updating of bilateral tax treaties.

Subject To Tax Rule – Exclusions and Thresholds

- Exclusions for certain specified parties – e.g. entity or arrangement designed to invest funds from unconnected persons primarily to generate investment income, provided entity/ arrangement or its manager is regulated.
- Materiality threshold – sum of Covered Income paid in a fiscal year is less than €1m (or €250k if the smaller of the two jurisdictions has GDP below €40 billion).
- Markup threshold – for payments other than interest and royalties, STTR does not apply if the Covered Income does not exceed cost plus 8.5% markup.

Subject To Tax Rule – Interaction with Tax Incentive

Example 1: Additional taxing right for source state



Assumptions

- Tax treaty between Singapore and Country X includes STTR and materiality threshold is crossed.
- Companies A and B are "connected persons"
- Company A holds a **finance and treasury centre** incentive which provides for concessionary tax rate of 8% on qualifying income

Operation of STTR

If the treaty between Singapore and Country X provides for no interest withholding tax deducted at source; and

Company A pays tax on interest at 8%;

Company A is required to file STTR return and pay the difference (up to 1%) in Country X.

Singapore specific challenges

- Holding structures and minority interest
- Tax incentives and economic commitments
- Interaction with corporate income tax regime, e.g. capital gains and foreign income
- Multiple sets of records to meet different filing requirements
- 2025 expected start date – GIR filing considerations for MNEs with operations in countries' whose rules will operate from 2024
- Competition for foreign direct investments (FDI):
  - financial benefit from tax incentives curtailed, but competition for FDI remains;
  - competitiveness of treaty network and interaction with local tax incentives in the light of STTR.

Challenges – some recurring themes

- Data requirements and timing of ERP upgrades
- Complexity of rules and need to account for new administrative guidance
- Impact on mergers and acquisitions
- Differences in interpretation / implementation across jurisdictions despite common approach
- Inter-relationships with:
  - transfer pricing and permanent establishments
  - Pillar 1, and Amount A; and
  - STTR.

Thank you

AOTCA | AOTCA TOKYO 2023 | 日本税理士会連合会

16:20 - 16:40 Presentation 3

Speaker

Mr. Leo (Wanbo) Luan

Partner – SW Accountants & Advisors
T +61 2 8059 6818
M +61 430 102 101
E lluan@shinewing.com.au

Experience

Leo has over 15 years' experience in providing tax advisory services to multinational and publicly listed companies.

He is graduated from Macquarie University in Australia with a dual master's degree in Accounting and Finance. He is also a member of the CAANZ.

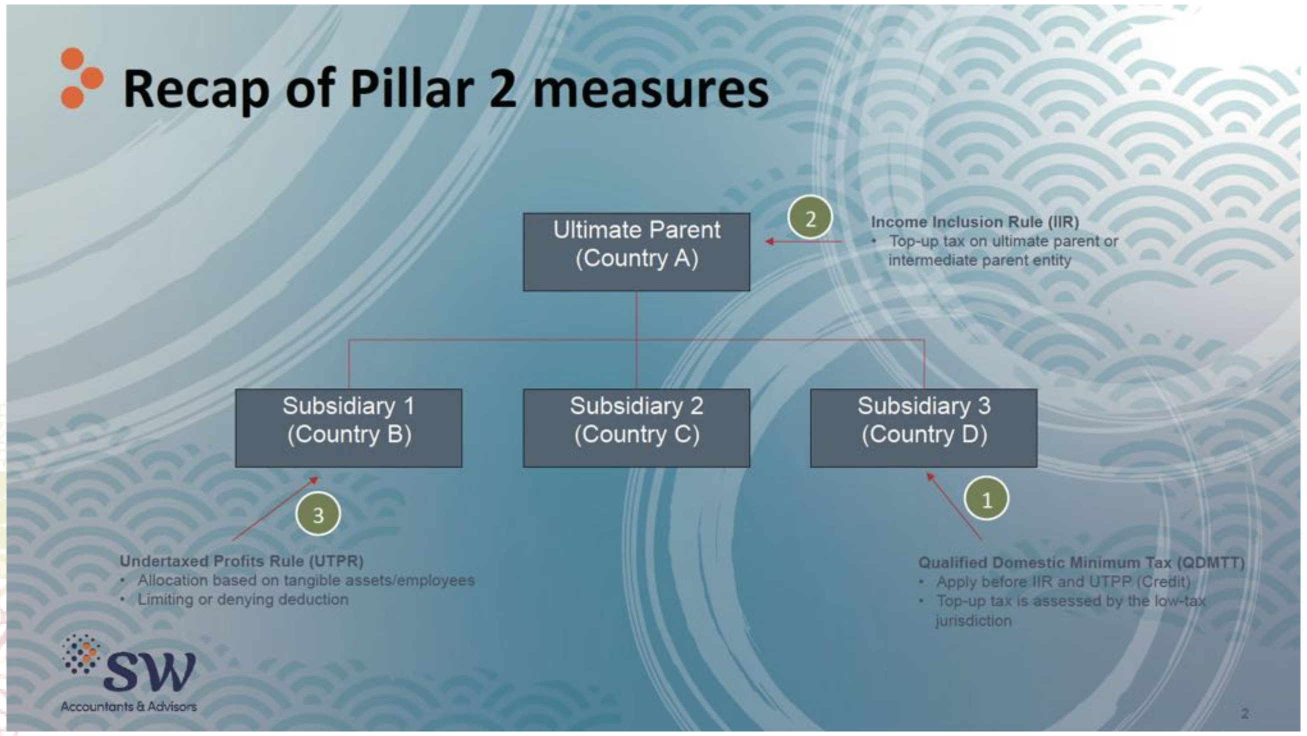
Leo started his career with PwC and currently working at SW Accountants & Advisors.

Leo has experience in a variety of tax services, including Mergers & Acquisitions, international and local group restructures, tax consolidation and cross border financing in a number of industries including natural resources, property, agriculture and consumer and industrial products.

As a native Mandarin speaker he has worked with many inbound Chinese companies, both SOEs and POEs.

Leo's experience primarily encompasses the following:

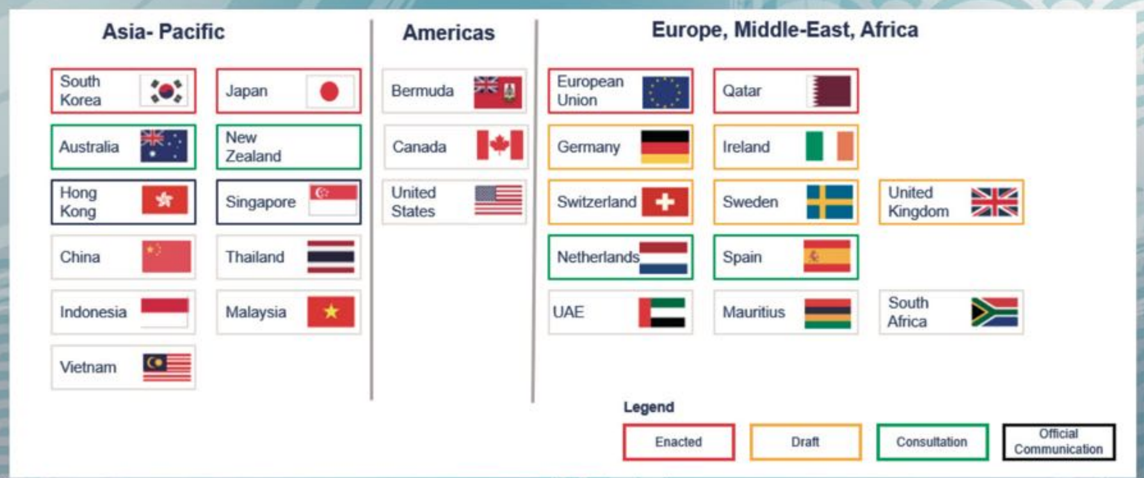
- Participating in consultation/discussion of major international taxation policy (or guidance) as well as potential implications to multinational corporates, such as BEPS 2.0.
- Delivering regular local and international tax updates seminars.
- Participating in discussions and drafting of tax law consultation drafts.
- Providing strategic tax advisory services for local and multinational corporate clients.
- Implementation of international structure establishment for corporates.
- Providing comprehensive tax due diligence services for mergers and acquisitions.
- Representing clients in communication with local tax authorities on complex international tax matters, such as Transfer Pricing, Thin Capitalisation, withholding tax and Significant Global Entity matters.
- Local tax compliance.



Implementation timeline

SW Accountants & Advisors

Implementation status



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Implementation of Pillar 2 in China

Current status

- China's fiscal and tax departments have been deeply involved in the BEPS project.
- Have not published legislative drafts or released of an implementation timeline.
- President Xi emphasized the need to

  "actively participate in international cooperation in the digital economy. Closely observe and take proactive initiatives, actively engage in negotiations on digital economic issues within international organizations, conduct bilateral and multilateral cooperation on digital governance, uphold and improve the multilateral digital economic governance mechanisms, and timely propose Chinese solutions to make China's voice heard."
- On 9 March 2023, on "Review Report of the Finance and Economic Committee of the Fourteenth National People's Congress on the Implementation of the Central and Local Budgets for 2022 and the Draft Central and Local Budgets for 2023". In the fourth part of this review report, under recommendation (6) for advancing the 2023 budget implementation and fiscal work, it specifically suggests adapting to the needs of digital economic development, researching and improving relevant tax systems, and optimizing tax collection and management mechanisms.

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Implementation of Pillar 2 in China

Tax incentives

- **Industry based incentives**
  - Zero tax for fixed period and reduced tax rate follow the tax free period;
  - Tax incentives in relation to infrastructure, semi-conductor and software industry;
  - Other permanent tax benefits.
- **Activity based incentives**
  - Reduced tax rate for the activities such as financing/regional hub, IP, insurance and charter lease etc.
- **R&D related incentive**
  - Accelerated depreciation;
  - Super deduction;
  - Offsets and rebates.
- **Revenue based incentive**
  - Foreign source income;
  - Government bonds, venture capital income, etc.

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Implementation of Pillar 2 in China
Inbound investments

- Chinese preferential tax rate
  - High-tech enterprise;
  - Western regions enterprise
  - Pilot free trade zone
  - Lingang New Area
  - Pingtan experimental zone
- 10% rate of software and circuit design enterprise
- Accelerated depreciation and other tax incentives.

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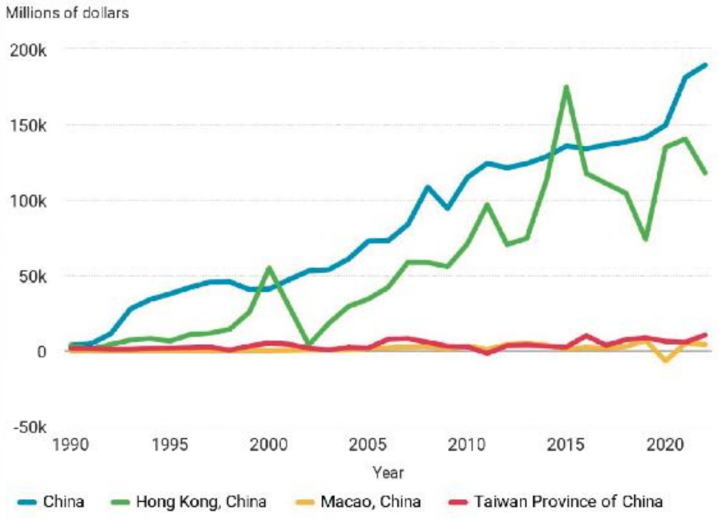
UNITED NATIONS UNCTAD

Foreign direct investment flows

By selected region or economy in selected time period



Source: UNCTAD World Investment Report 2022

Implementation of Pillar Two in China
Amendments to IAS 12

- Exposure Draft issued in January and amendments finalized in April 2023
- Amendment published in May 2023 to introduce:
  - Temporary exception to the accounting for Pillar Two deferred taxes
  - Disclosure requirements which may include: Jurisdictions where accounting ETR (under IAS 12 principles) is below 15%
    - Jurisdictions whose treatment from a Pillar Two perspective is different from the accounting position - e.g. either: Jurisdictions whose accounting ETR > 15% but Pillar Two ETR < 15%
    - Jurisdictions whose accounting ETR < 15% but Pillar Two ETR > 15%
- Once the Pillar Two rules are in effect, there will be a requirement to separately identify Current Tax Expense related to Pillar Two top-up tax
- Based on Feedback from the Chinese Ministry of Finance on the IAS 12 Amendment Draft published by IASB on March 2023, in principle, China agrees with the amendment.

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9

Implementation of Pillar 2 in China
Outbound investment

- Chinese entities' outbound investment structure
- Interaction with Hong Kong's Pillar Two implementation
- UTPR and transactional safe harbor rules
- Substance Based Income Exclusion amount
- Future alternative tax incentives:
  - Value added tax
  - Other fees reduction and allowance

Industry	Number
Technology & Service	42
Manufacturing	32
Real estate	30
Healthcare and pharmaceutical	21
Construction	19
Education	10
Finance	8
Retail	8
Automotive	4
Other industries	25
Total	199

Entity with subsidiary/interposing structures in low or no tax jurisdiction (with group turnover of more than 750 million Euro)

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8

Implementation of Pillar 2 in China
Challenges

- **Data intensive** – over 150 data points per legal entity
- Input required from **multiple parts of the organization**
- Consequences of applying **Transitional Safe Harbor**
- **Staggered implementation dates** across jurisdictions
- Interaction with **Domestic tax rules**
- **Detailed disclosures** in Financial Statements prior to effective date
- **Communication strategy** for relevant stakeholders
- Budget for **system changes and additional resources**

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10


Thank you
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2023

16:40 - 17:00 **Presentation 4**

Speaker

Mr. Lam Le

Executive Committee's Member of Vietnam Tax Consultants Association ("VTCA")
Chairman & Senior Partner, RSM Vietnam

Current role
Lam is the Executive Committee's Member of Vietnam Tax Consultants Association ("VTCA"). He is also the Chairman and Senior Partner of RSM Vietnam. He heads RSM Vietnam's Tax and Consulting practice and provides local tax and customs compliance, outsourcing and advisory services to foreign investors entering and operating in Vietnam.

Before joining RSM Vietnam in 2003, Lam worked for Ernst & Young in Vietnam, Malaysia and Australia. Over 11 years with Ernst & Young, he assisted many multi-national com¬panies with investment structuring, entry strategies, foreign investment regulations, international and local tax planning and, compliance.

Current service skills/ experience
Lam has over 30 years of experience providing clients with inbound investment, mergers & acquisitions (M&A) advisory, local tax advice, custom duty reviews and other compliance issues relating to inbound investment. He has also represented companies and industries at local authorities regarding foreign investment, taxation policies and interpretations.

Lam's tax and consulting expertise is diverse and includes tax planning for inbound investment, tax consulting, and transfer pricing advisory. He is also skilled in risk advisory, internal audit, internal control, enterprise risk management and corporate governance. Moreover, Lam is adept in transaction advisory, including financial & tax due diligence and M&A advisory.

He has significant experience in tax planning services for many multi-national companies' inbound investments, providing internal audit services for a wide range of sectors and tax structuring and advisory services to sellers and buyers in many M&A deals.

Current sectors or industries
Lam provides services to clients from various sectors, as well as multi-nationals. He takes a client-focused approach and has the technical skills, knowledge and ideas to provide clients value in most industries. He has also served clients from Consumer Products/ FMCG, Agriculture & Environment, Business & Professional Services, Energy & Utilities, Financial Services, Government & Not for Profit, Hospitality & Leisure, Industrial Products, Medical & Healthcare, Mining & Drilling, Real Estate, Housing & Construction, Telecommunications & Technology, Transportation & Logistics.

Approach to service delivery and other information
Lam's expertise in the local market, alongside his vast global reach, allows him to tailor a designated team to each client with expert advisors striving to understand clients' challenges and opportunities. He ensures his clients stay at the forefront of the world's best practices within a rapidly changing global economy.

Apart from being the Executive Committee's Member of Vietnam Tax Consultants' Association ("VTCA"). Lam is Executive Member of Vietnam Independent Directors Association ("VNIDA"), the Vice Chairman of CFO Vietnam Club, the Vice Chairman of Ho Chi Minh City Tax Consultants and Agents Association ("HTCAA"). He is holding FCPA status of CPA Australia and VACPA. He is lecturing in Accounting, Tax, Risk and Business Management for professional associations (CPA Australia, ACCA, VTCA, VACPA, VICA) and universities (Bolton University, University of Economics Ho Chi Minh City and Open University).

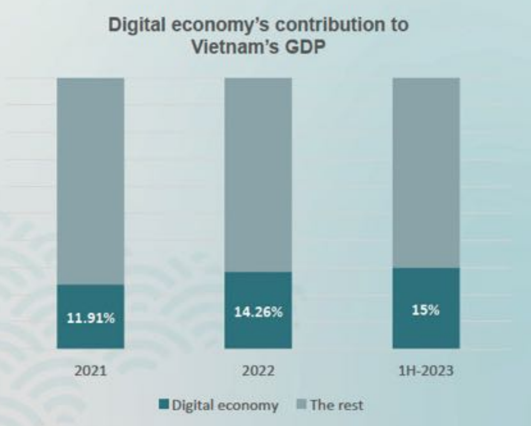
Taxation on Digital Commerce in Vietnam

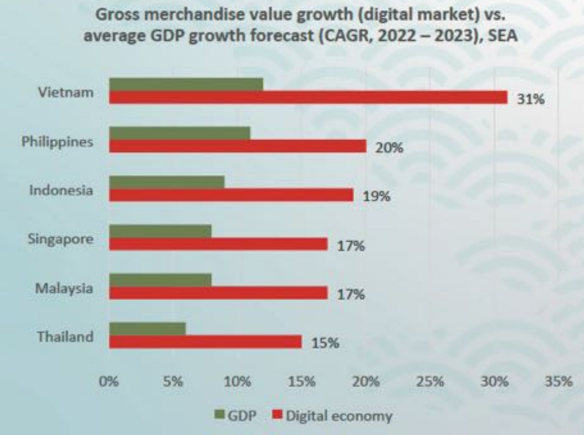
Vietnam's digital economy

Global/ regional e-commerce players

Grab, gojek, Google, Netflix, Shopee, Laz, TikTok Shop, amazon

Vietnam's digital economy





Source: Vietnam's MOIT, Google, Temasek, Bain & Company

Challenges in tax administration

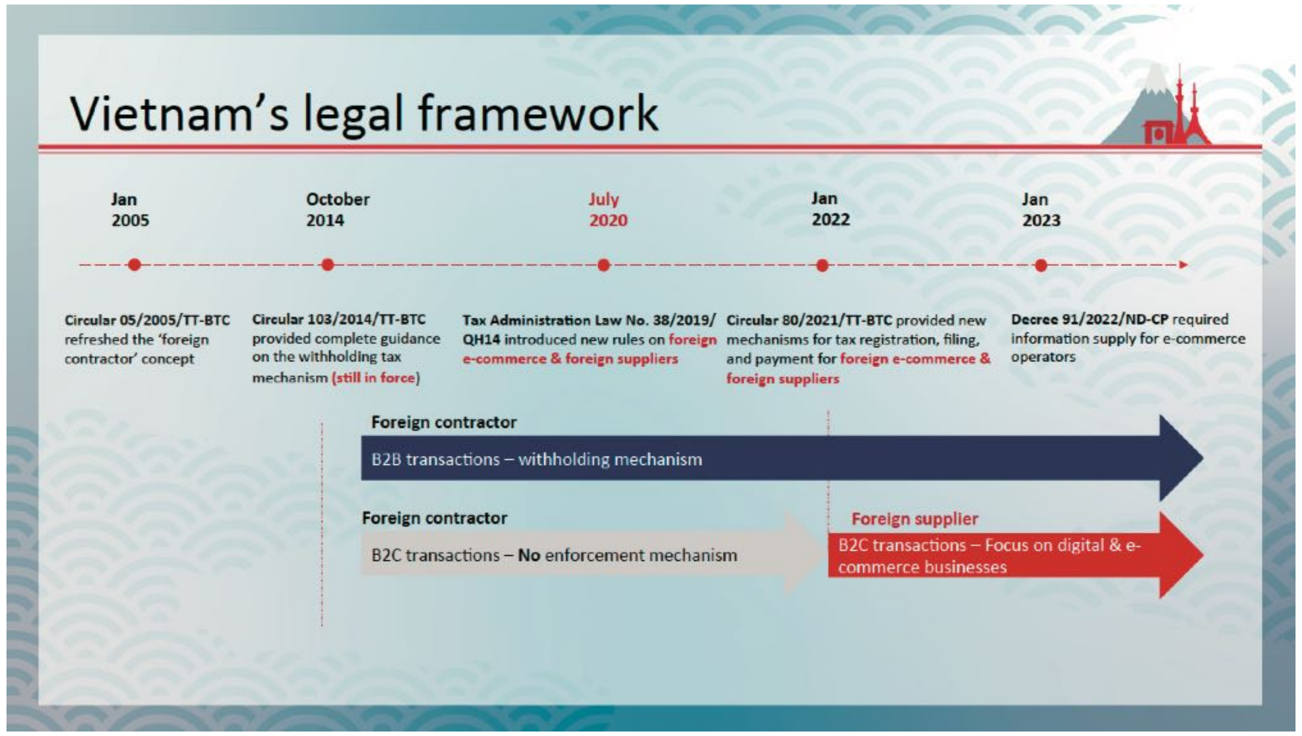
Tax administration challenges in a digital economy

Cross-border activities

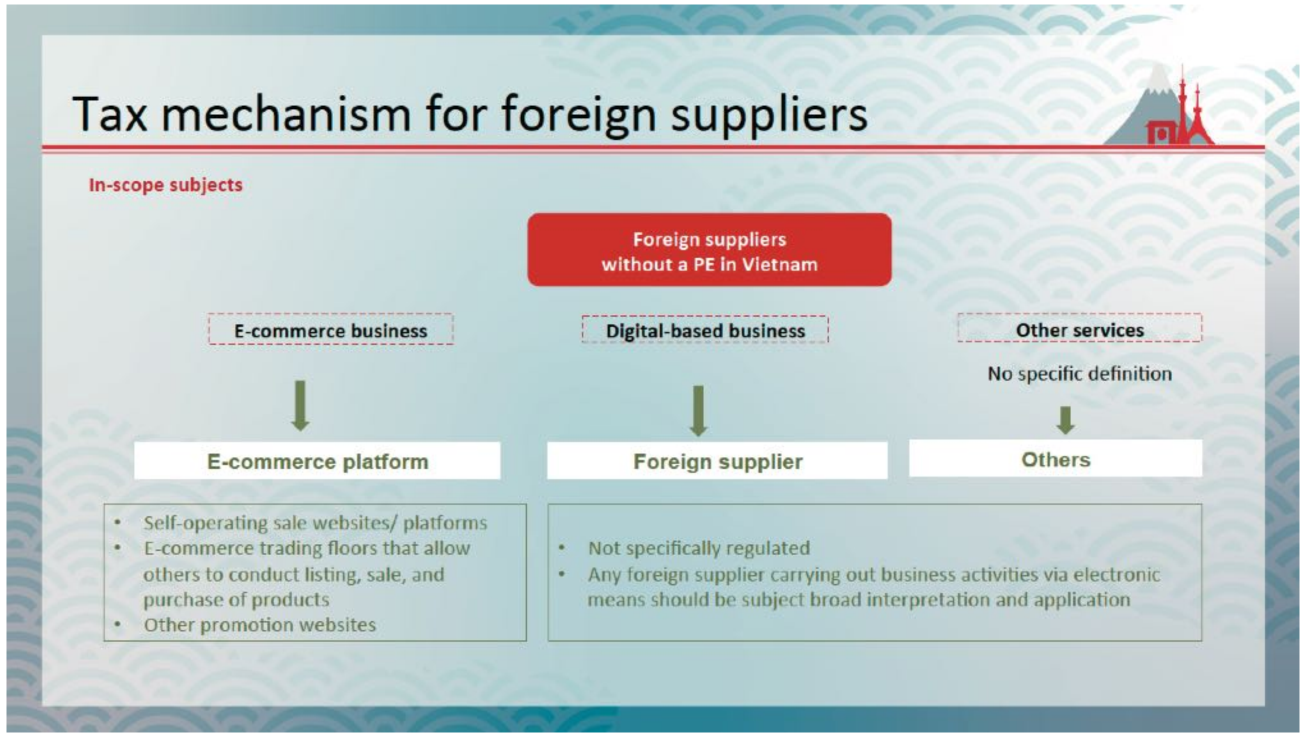
Effective administration of foreign suppliers without physical presence
- Tax registration
- Tax filing & payment
- Tax audit
- Taxpayer's data/ information exchange

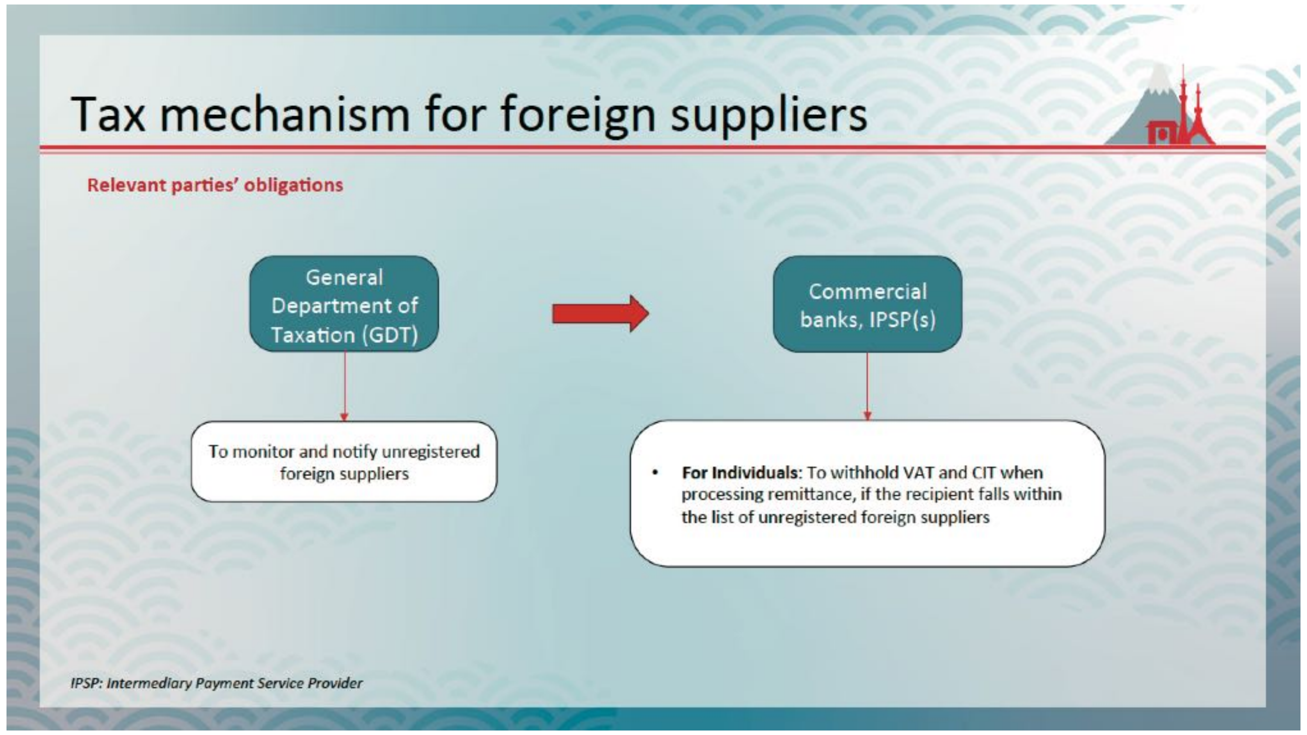
Intangibility of business

Proper understanding and assessment of business nature
- Intangible assets-relied business activities
- Vague nature of income
- Complex business model
- New business concepts


Vietnam's legal framework
Jan 2005
October 2014
July 2020
Jan 2022
Jan 2023
Circular 05/2005/TT-BTC refreshed the 'foreign contractor' concept
Circular 103/2014/TT-BTC provided complete guidance on the withholding tax mechanism (still in force)
Tax Administration Law No. 38/2019/QH14 introduced new rules on foreign e-commerce & foreign suppliers
Circular 80/2021/TT-BTC provided new mechanisms for tax registration, filing, and payment for foreign e-commerce & foreign suppliers
Decree 91/2022/ND-CP required information supply for e-commerce operators
Foreign contractor
B2B transactions – withholding mechanism
Foreign contractor
B2C transactions – No enforcement mechanism
Foreign supplier
B2C transactions – Focus on digital & e-commerce businesses


Tax mechanism for foreign suppliers
In-scope taxpayers' obligations
Tax registration
Foreign suppliers to directly register for tax in Vietnam via General Department of Taxation (GDT) online portal; or
Authorize a Vietnamese entity to register on their behalf
Tax computation and filing
Direct method (comprising deemed VAT and deemed CIT)
Filing electronic tax returns on a quarterly basis via GDT's online portal
Taxable income determination
Based on at least two evidences of payer's information to determine recipient's taxable income in Vietnam, including (1) payment information; (2) residence location; and (3) access location
Tax treaty relief
Applicable for B2B, less guidance for B2C transactions
Tax audit
Applicable, not tested in practice


Tax mechanism for foreign suppliers
In-scope subjects
Foreign suppliers without a PE in Vietnam
E-commerce business
Digital-based business
Other services
No specific definition
E-commerce platform
Foreign supplier
Others
Self-operating sale websites/ platforms
E-commerce trading floors that allow others to conduct listing, sale, and purchase of products
Other promotion websites
Not specifically regulated
Any foreign supplier carrying out business activities via electronic means should be subject broad interpretation and application


Tax mechanism for foreign suppliers
Relevant parties' obligations
General Department of Taxation (GDT)
Commercial banks, IPSP(s)
To monitor and notify unregistered foreign suppliers
For Individuals: To withhold VAT and CIT when processing remittance, if the recipient falls within the list of unregistered foreign suppliers
IPSP: Intermediary Payment Service Provider

Results until May 2023

+40 taxpayers

Foreign suppliers registered for tax under the new mechanism

USD 300 million

Additional tax collected after one year implementation

***Notable big corporates registered:** Meta (Facebook), Microsoft, TikTok, Netflix, Blizzard, LinkedIn*

Global minimum tax in Vietnam

Challenges in Vietnam

Parties	Concerns
Foreign suppliers	• Need separate procedures in DTA application (the current ones are only applicable to B2B transactions, not for B2C) • Need further guidance in in determining the in-scope subjects for tax registration requirements, given the broad definitions (e.g., minimum threshold of sale volume)
Vietnamese corporate buyers (B2B)	• Difficulty in determining whether foreign suppliers have been registered for tax in Vietnam, and potential obligations if they do not pay taxes on their full income? → The withholding mechanism is not clear-cut for Vietnamese buyers • Need strong legal basis to claim tax credits if foreign suppliers transfer their tax burdens to Vietnamese buyers (e.g., contract price net of Vietnam taxes)
Commercial banks, IPSP(s)	• When the withholding obligation falls to them, how they can assess the income nature to properly determine the withholding tax rates? → *Notably, current regulations allow commercial banks/ IPSP to withhold taxes at the highest rates when the nature of the income cannot be determined*
Vietnamese Tax Authorities	• Practical approaches for carrying out a tax audit to check foreign suppliers' compliance status • Any implications when rules under Pillar 2 will take effect

Vietnam application

2022
Vietnam studied GMT impact on its economy and businesses

Early 2023
Ministry of Finance started drafting proposal for GMT

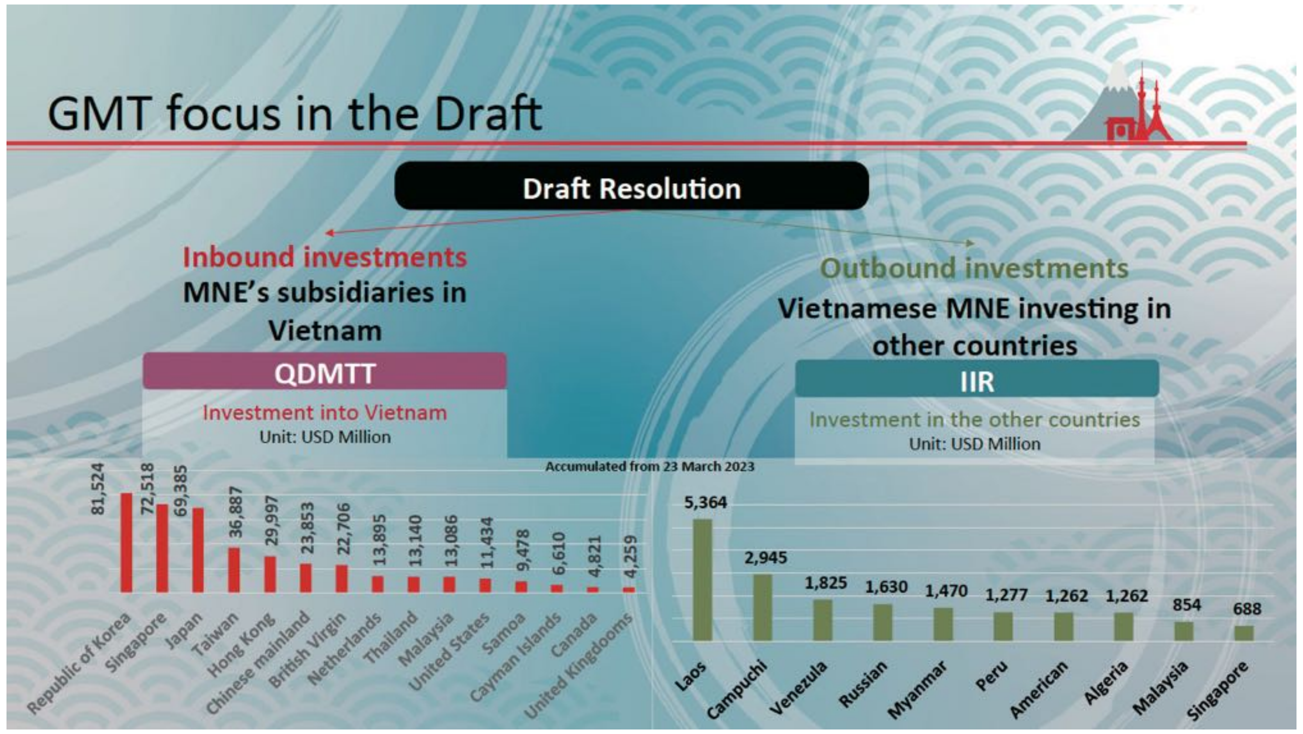
19 July 2023
Prime Minister led discussions on GMT application

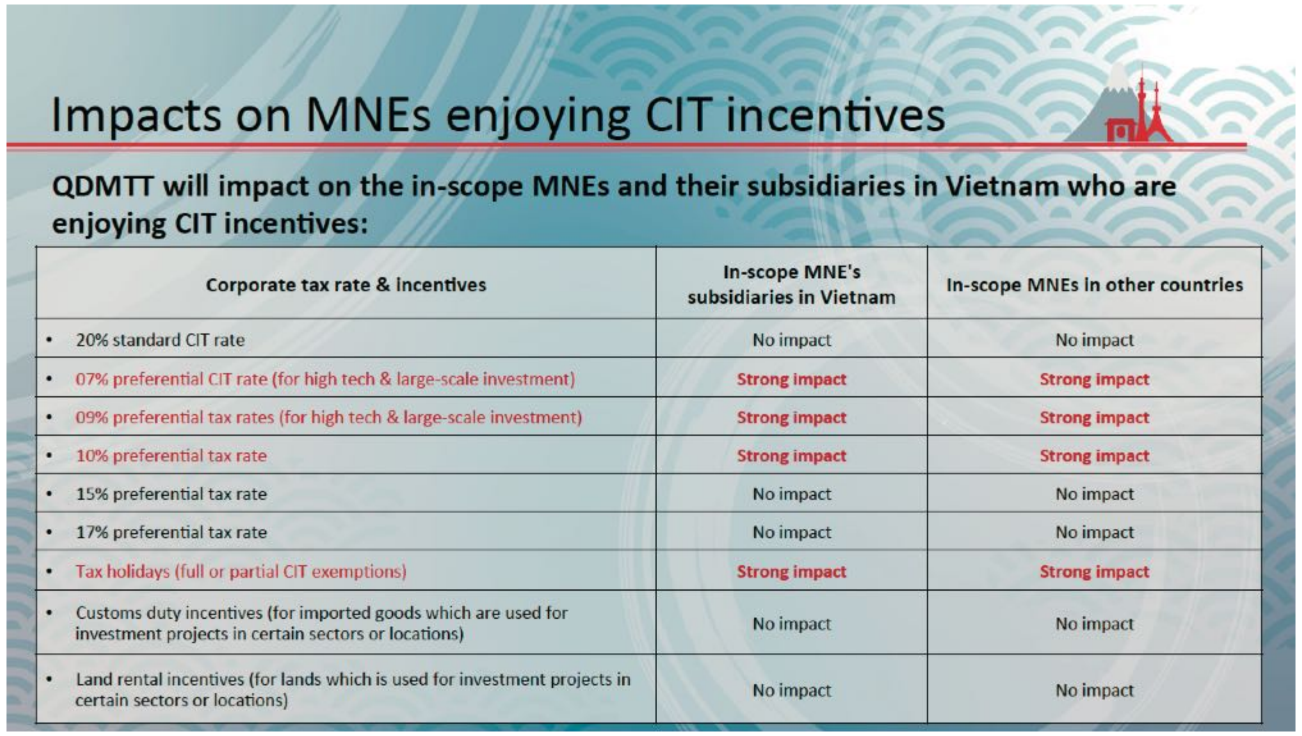
28 July 2023
Government completed the Draft for GMT

28 September 2023
Government submitted Draft for GMT to National Assembly

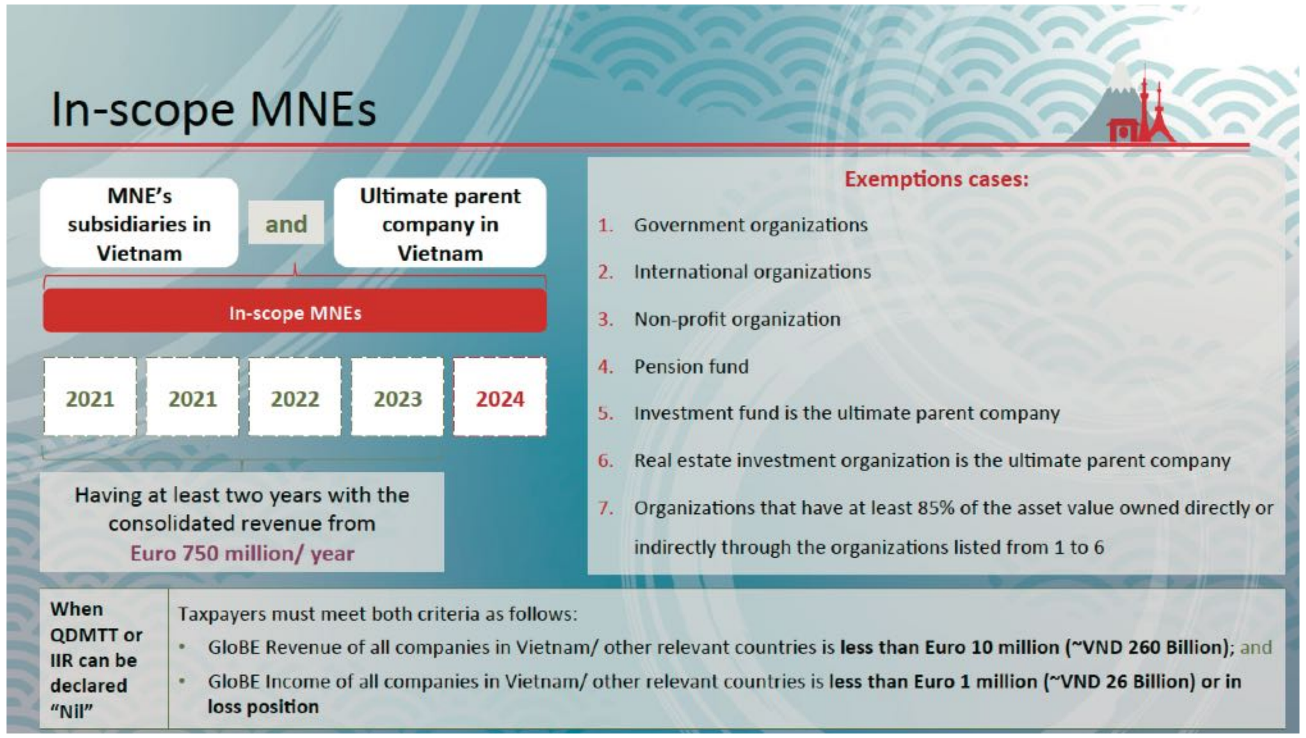
Early October 2023
National Assembly's Standing Committee reviewed & commented the Draft

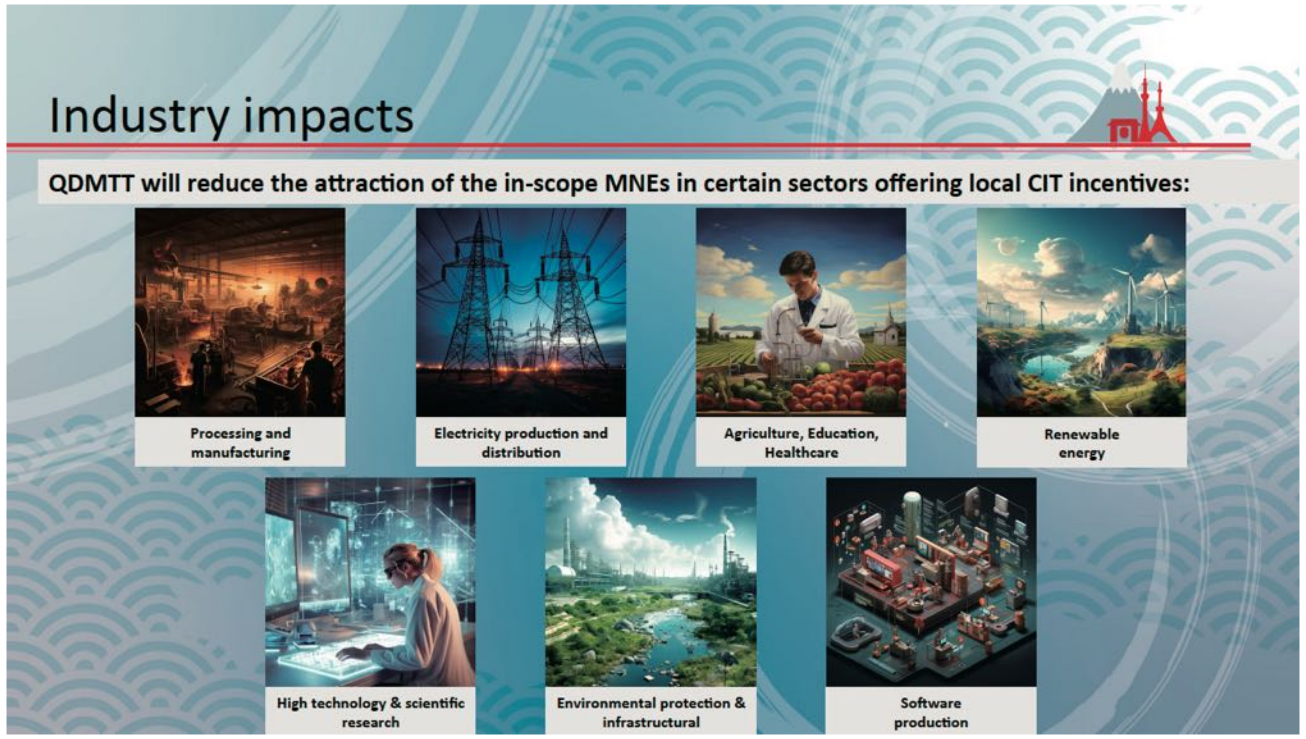
2024
GMT will be implemented in Vietnam
(01 January 2024)





Corporate tax rate & incentives	In-scope MNE's subsidiaries in Vietnam	In-scope MNEs in other countries
• 20% standard CIT rate	No impact	No impact
• 07% preferential CIT rate (for high tech & large-scale investment)	Strong impact	Strong impact
• 09% preferential tax rates (for high tech & large-scale investment)	Strong impact	Strong impact
• 10% preferential tax rate	Strong impact	Strong impact
• 15% preferential tax rate	No impact	No impact
• 17% preferential tax rate	No impact	No impact
• Tax holidays (full or partial CIT exemptions)	Strong impact	Strong impact
• Customs duty incentives (for imported goods which are used for investment projects in certain sectors or locations)	No impact	No impact
• Land rental incentives (for lands which is used for investment projects in certain sectors or locations)	No impact	No impact





FDI attraction factors in Vietnam

GMT will affect Government efforts to attract FDI by using tax incentives

Factors	GMT impacts
Labour costs	No impact
Location	No impact
Natural resources	No impact
Free trade agreements (FTAs)	No impact
Government supports	
• Administrative procedures	No impact
• Lower tax rates & tax incentives	Yes
• Being-improved infrastructure	No impact
• Investment protection	Yes (on tax)
• Innovation supports	No impact

Latest GMT update in Vietnam

National Assembly's Standing Committee reviewed & commented on the following:

Timeline

1

Global Minimum Tax policy (GloBE) will be implemented from 2024

Objectives

2

GMT application should focus on:

- Building trust between businesses and the government
- Demonstrating transparency in tax management
- Maintaining current incentives for non-scope MNEs

Details

3

Government should consider:

- Create mechanisms for additional tax adjustments through tax audits
- Make clear tax treatments for entities below the minimum threshold

Recent investments in Vietnam

Source: *GSO (updated on 20 August 2023)*

Government supports

Date: 14 August 2023

Ministry of Planning and Investment (MPI) issued Official Letter No. 6572/BKHĐT-ĐTNN

Purpose:
Soliciting feedback on draft resolution for pilot investment support policies in high technology sector

Significance:
Aims to significantly boost high-tech sector development in Vietnam

The draft resolution outlines 04 types of investment support for impact assessment:

- **Support for investment in fixed assets and social infrastructure systems**
- **Support for high-tech production costs**
- **Support for training expenses and human resources development costs**
- **Support for Research and Development (R&D) expenses**

Government supports

Eligible Businesses:

Eligible Category	Investment Capital (VND)	Annual Turnover (VND)	Investment Capital (USD)	Annual Turnover (USD)
• Projects in hi-tech product production	> 12 trillion	> 20 trillion	> USD 500 million	> USD 833 million
• High-tech firms	> 12 trillion	> 20 trillion	> USD 500 million	> USD 833 million
• Enterprises with high-tech application projects	> 12 trillion	> 20 trillion	> USD 500 million	> USD 833 million
• Research and development center projects	> 3 trillion		> USD 125 million	

Alignment with Objectives:

Attracts foreign investment and supports long-term sector development

Avoids excessive tax incentives and minimizes impact on state treasury

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Thank you for your time & attention!

11.1 [Wed]

17:10 - 17:30

Suggestion Speeches

17:10 - 17:30 Speech 1

Prof. Piergiorgio Valente

Turin (Italy), 1963
p.valente@gebnetwork.it
www.gebpartners.it

Key Memberships

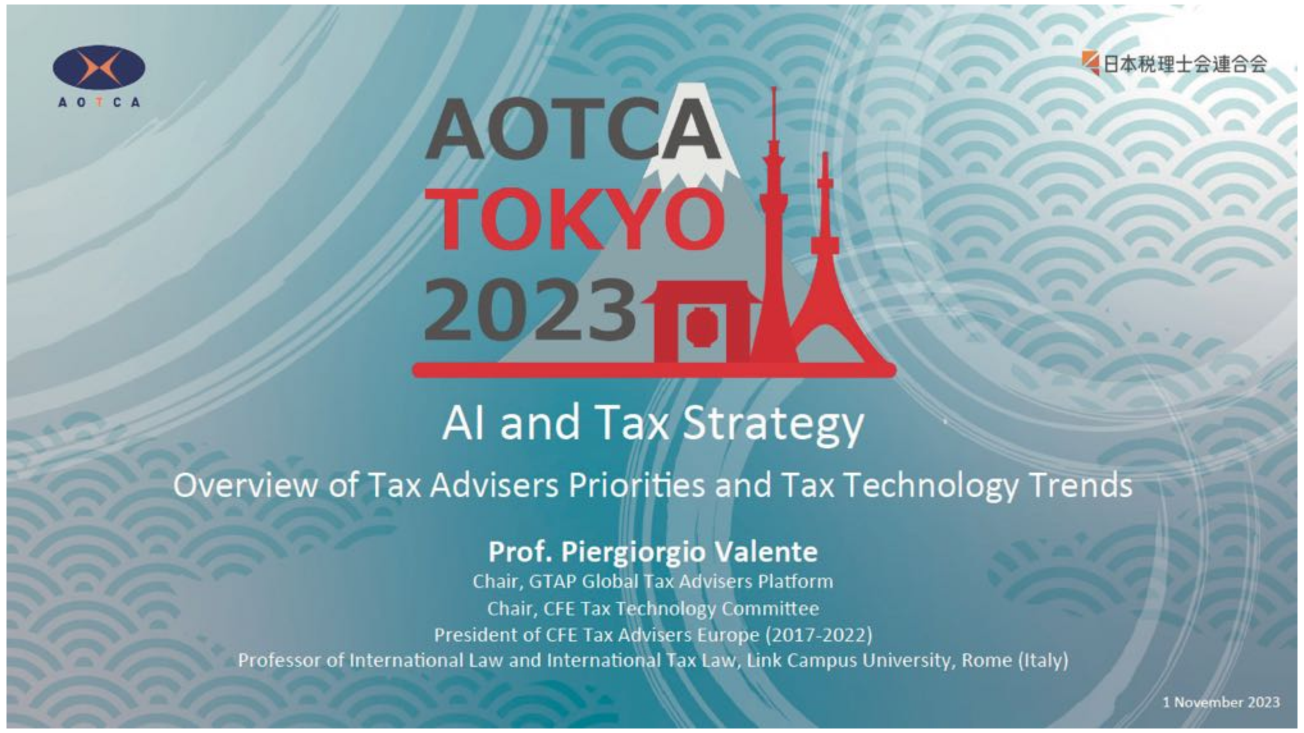
- Chairman of the GTAP Global Tax Advisers Platform [2019-present]
- Chairman of the Tax Technology Committee (TTC) of CFE Tax Advisers Europe [2023-present] and Former President [2017-2022]
- Chairman of the Technical Committee of the International Association of Financial Executives Institutes (IAFEI) [2019-present]
- Member of the Business at OECD (BIAC) Committee on Taxation and Fiscal Policy [2018-present]
- Italian Representative of Confindustria at the Tax Policy Working Group of BUSINESSEUROPE [1997-present]
- Board Member of the Lombardy Chamber of the National Association of Italian Tax Advisers (ANTI)
- Member of the Business at OECD (BIAC) Working Group on Digital [2018-present]
- Member of the Global Tax Controversy (GTC) Team [2019-present]

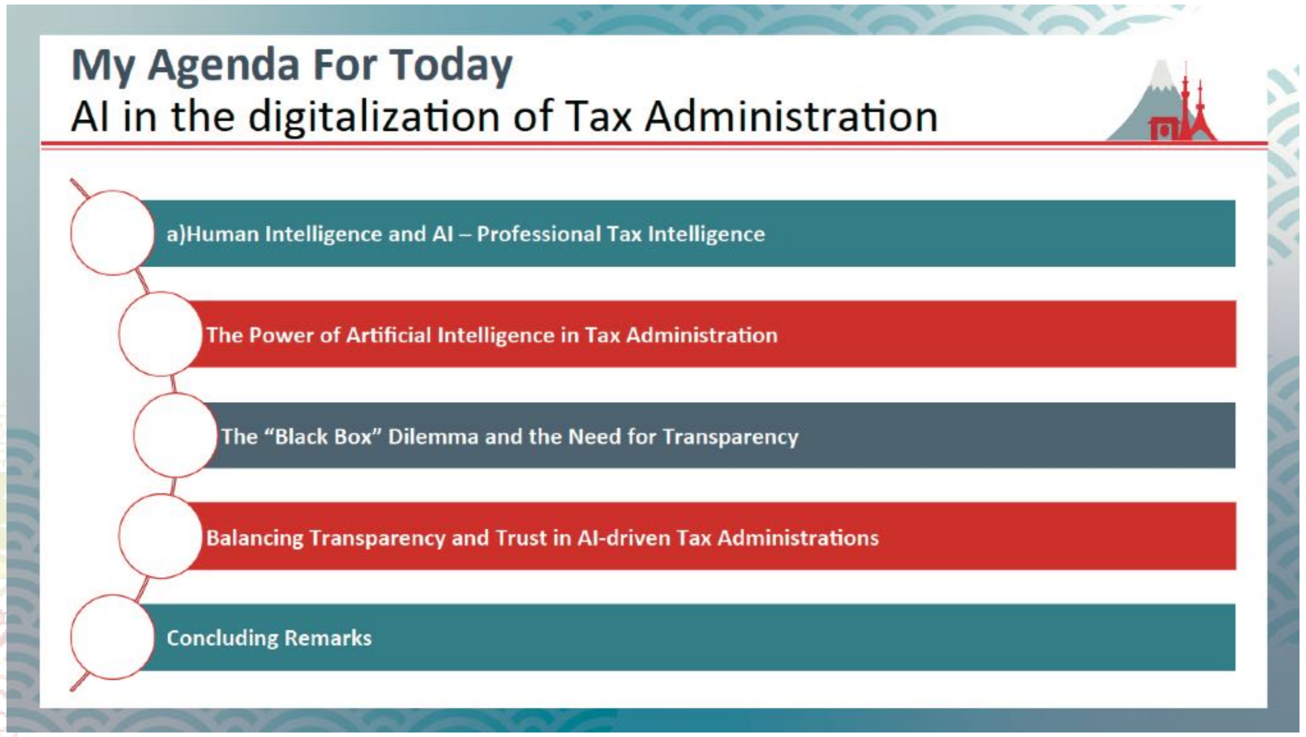
Special Institutional Assignments

- CFE Representative to the Platform for Tax Good Governance, Aggres- sive Tax Planning and Double Taxation of the European Commission [2013-2016; 2016-2019; 2020-2022]
- Advisor to the Ministry of Foreign Affairs of the Republic of San Marino [2013-present]
- Advisor to the Asia Oceania Tax Consultants' Association (AOTCA) [2019-present]
  Academic Activities
- Professor of International Tax Law at the Link Campus University in Rome

Publications

- Author and co-author of 30+ volumes

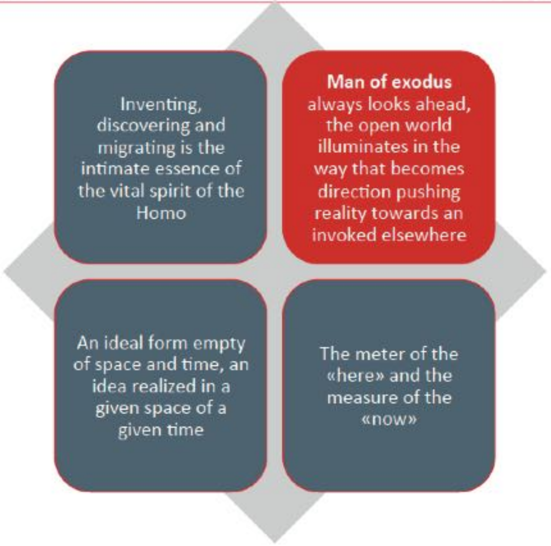




Human Intelligence and AI
A Multifaceted and evolving nature

- Multidimensional Nature
- Evolution and Change
- Debate over Nature vs Nurture
- Individual Differences
- Practical Vs Teoretical definitions

(a standard definition?)



Human Intelligence and AI
Application of (AI) in Tax

GTAP tax advisers global platform

- Data Collection and Entry
- Real-Time Compliance
- Tax Planning:
  - I. Tax Optimization
  - II. Analysis and Prediction
  - III. Personalized Recommendations
  - IV. Professional Judgement

(Re) setting an ethics quality bar?

Tax Challenge

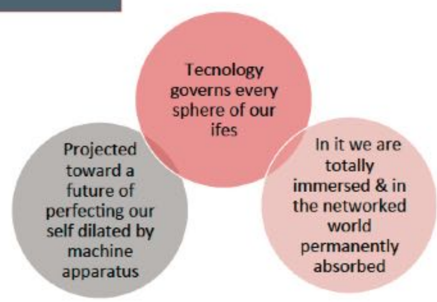
The «Black Box» Dilemma

Professional Tax Intelligence
Automation and AI

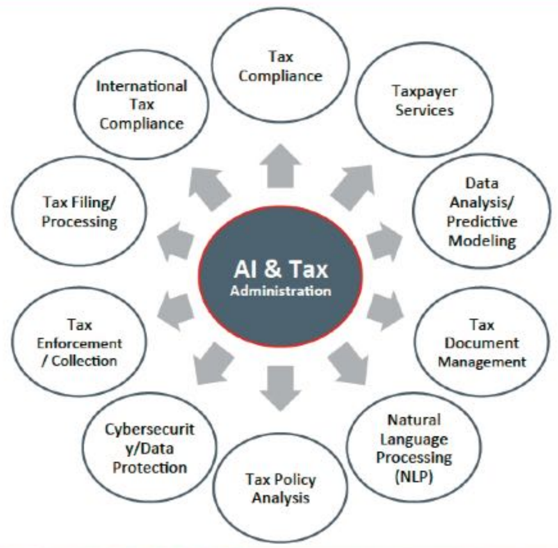
- Logical Reasoning and Tax Creativity
- Measurement Tools
  Quantitative abilities
- Memory and Adapatability

Tax Dimension

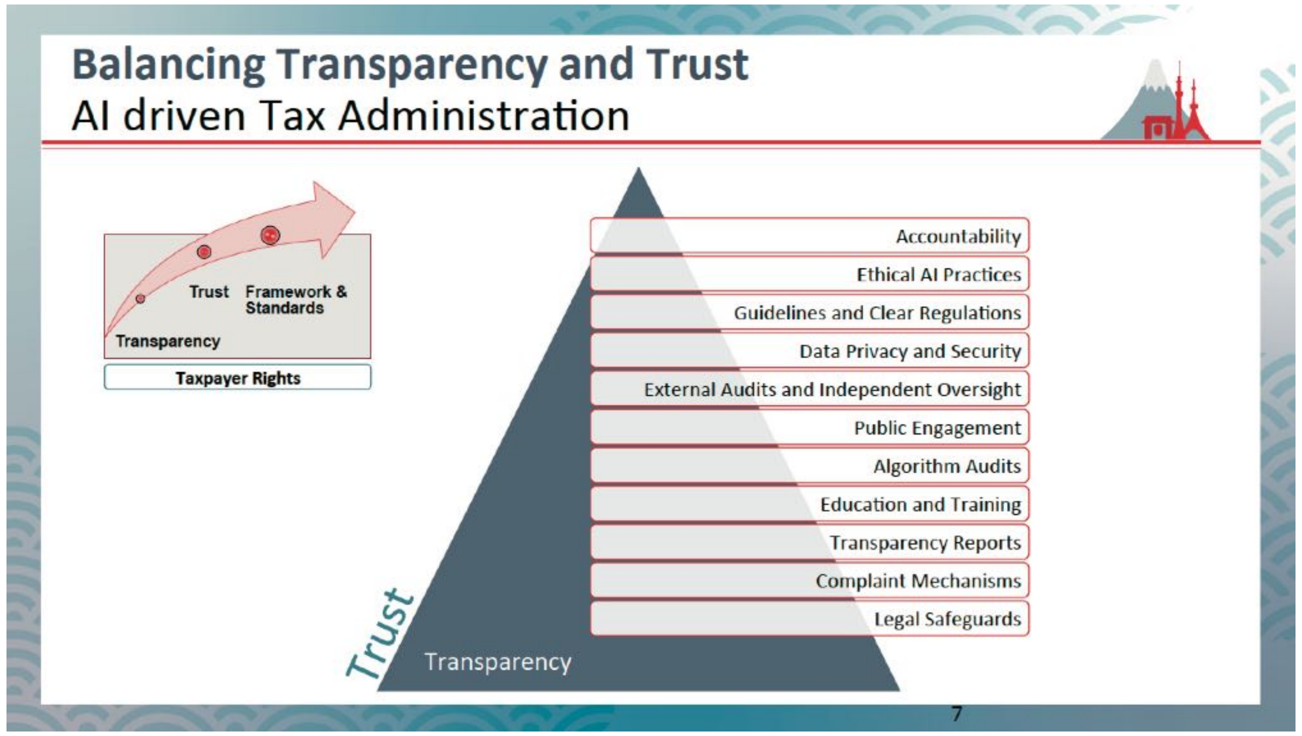
"The Invisible Enterprise", 2001



New Power in Tax Administration
Automation and AI



The «Black Box» Dilemma


Balancing Transparency and Trust
AI driven Tax Administration
Trust
Framework & Standards
Transparency
Taxpayer Rights
Accountability
Ethical AI Practices
Guidelines and Clear Regulations
Data Privacy and Security
External Audits and Independent Oversight
Public Engagement
Algorithm Audits
Education and Training
Transparency Reports
Complaint Mechanisms
Legal Safeguards
Trust
Transparency
7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11.2 [Thu]

09:15 - 11:50

Session 2:
Enhancing tax compliance

09:15 - 09:40 Introductory remarks

Moderator

Prof. Shuji Sato

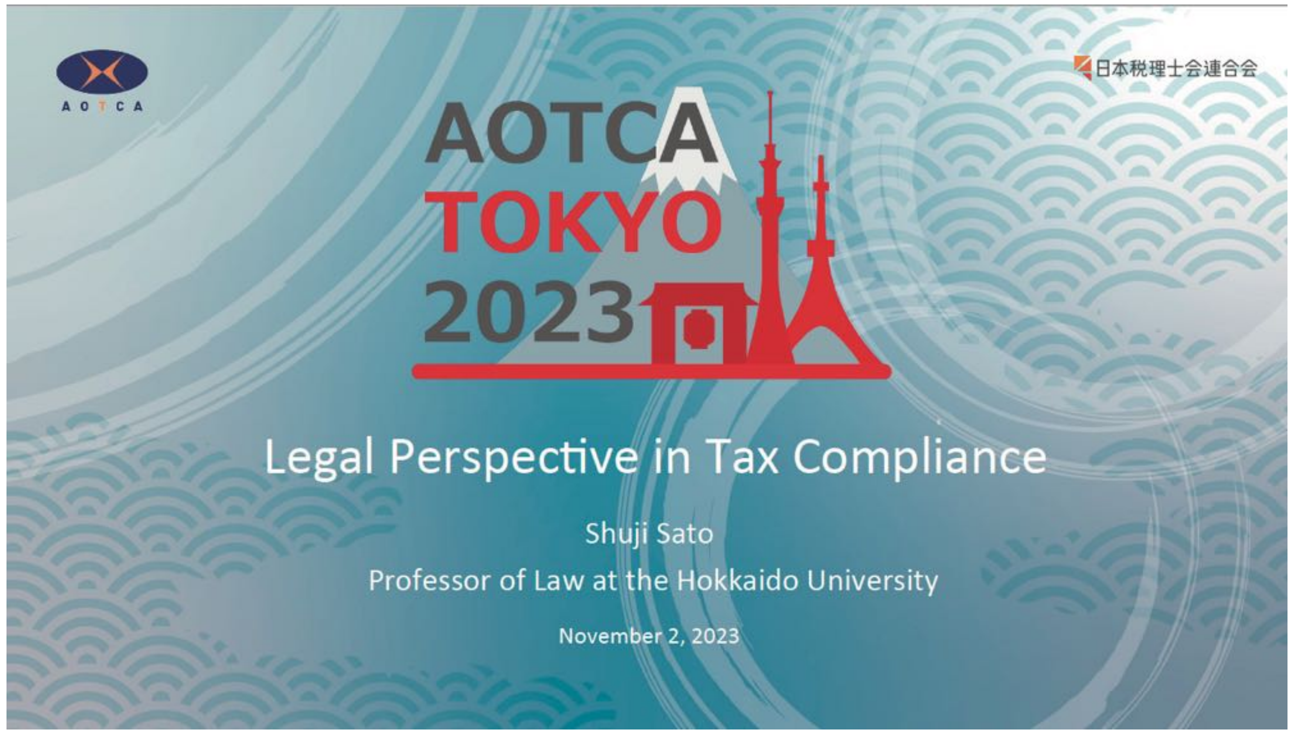
Graduate School of Law, Hokkaido University

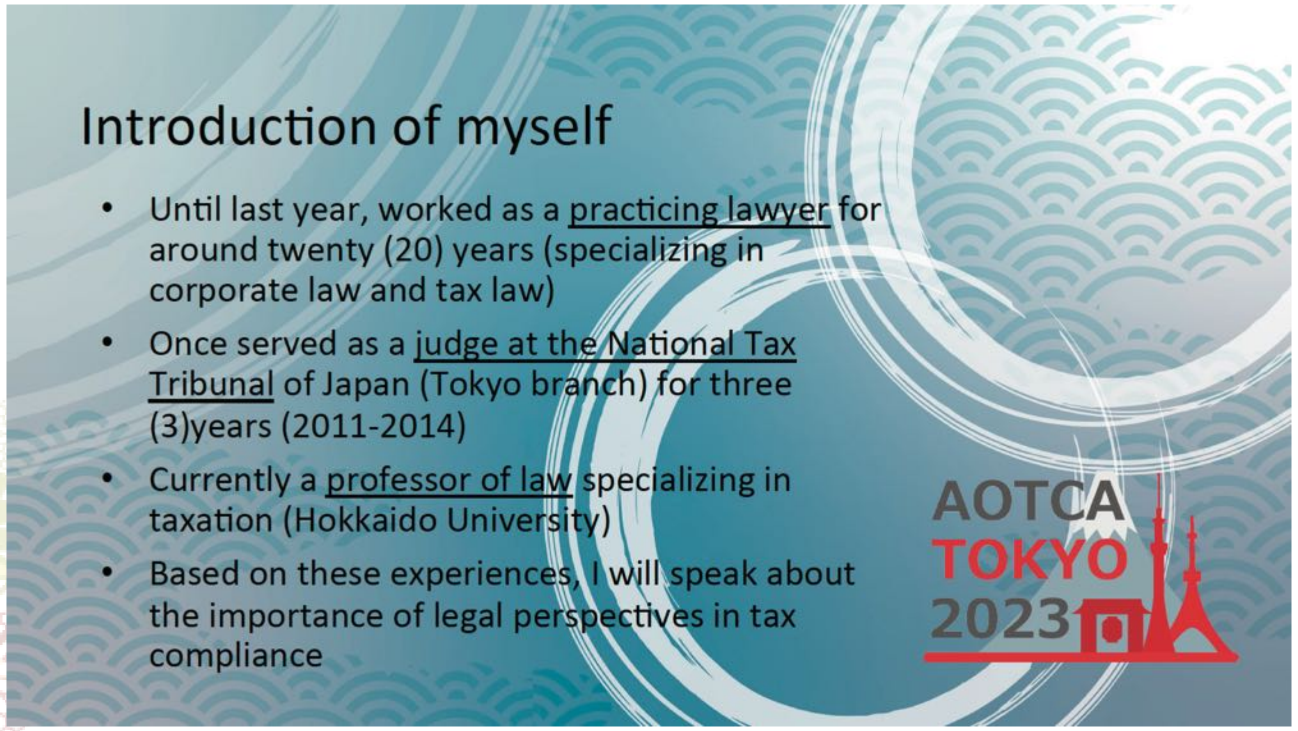
Professional Experience

2022-current Professor of Law (School of Law, Hokkaido University)
2014-2022 Attorney at Law (admitted in Japan)
2011-2014 Judge at the National Tax Tribunal of Japan
2000-2011 Attorney at Law (admitted in Japan)

Education

2005 Harvard Law School (LL.M.)
1997 Faculty of Law, the University of Tokyo (LL.B.)





Summary of the topics

1. Reform of the National Tax Tribunal
2. Importance of legal literacy upon interpreting tax law
3. Collaboration between accounting professionals (Certified Public Tax Accountants) and legal professionals

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1. Reform of the National Tax Tribunal

- For around these 10 years, a half of the judges at the National Tax Tribunal are from professionals in private practice
- They are from lawyers, Certified Public Accountants and Certified Public Tax Accountants (*Zeirishi*)
- Before that, most of the judges were seconded from the tax authority (i.e. looked unneutral)

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Result of the reform

- It looks like that in some important large cases (e.g. CFC rules or transfer pricing), taxpayers win
- Taxpayers win based on the proper fact-finding of the tribunal judges
- The legal literacy of the judges from privately-practicing lawyers seems to be important

AOTCA TOKYO 2023

2. Importance of legal literacy in interpreting tax law

- In recent judicial court cases in Japan, legal literacy has become more important
- In principle, tax statutes must be strictly interpreted based on the text
- However, textual interpretation of the statute sometimes brings a result that is unreasonable for taxpayers

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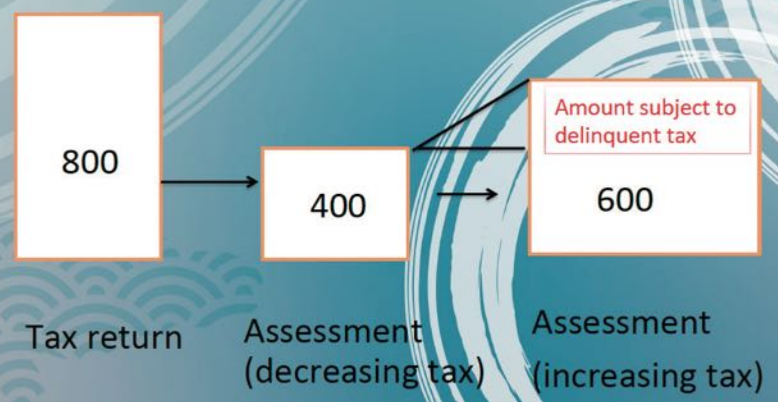
Supreme Court Case (December 12, 2014)

- Delinquent tax upon inheritance tax
- First, the taxpayer filed a tax return, saying that the amount of the inheritance tax is 800 JPY
- Second, the tax office made the assessment, saying that the proper amount of inheritance tax is 400 JPY
- Third, the tax office again made the assessment, saying that the proper amount of tax is 600 JPY
- Also the tax office said the taxpayer should pay delinquent taxes upon 200 JPY (600-400)

Tax authority's argument



The Supreme Court ruling

- The Supreme Court ruled that delinquent taxes should not be imposed
- The textual interpretation of the relevant statutes brings the result that delinquent taxes should be paid
- However, such a result is against justice or equity
- Court saved the taxpayer overcoming the textual meaning of the relevant statutes
- "Equity" or "Justice" : Legal perspective

3. Collaboration of accounting professionals and legal professionals

- Some associations of CPTAs (*Zeirishi)* have begun collaborating with practicing lawyers or tax law academics
- "Big 4" accounting firms in Japan have stated to establish law firms within the group
- Some large law firms tend to hire the Certified Tax Accountants within the firm.
- In solving tax issues, both accounting and law is important.


Thank you!
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TOKYO
2023

09:40 - 10:00 **Presentation 1**

Speaker

Mr. Hiroki Sasao

(Japan)
Email: sasaozeirishi@sasao.bz

QUALIFICATIONS

• 2007 January Certified Public Tax Accountant

Professional EXPERIENCE

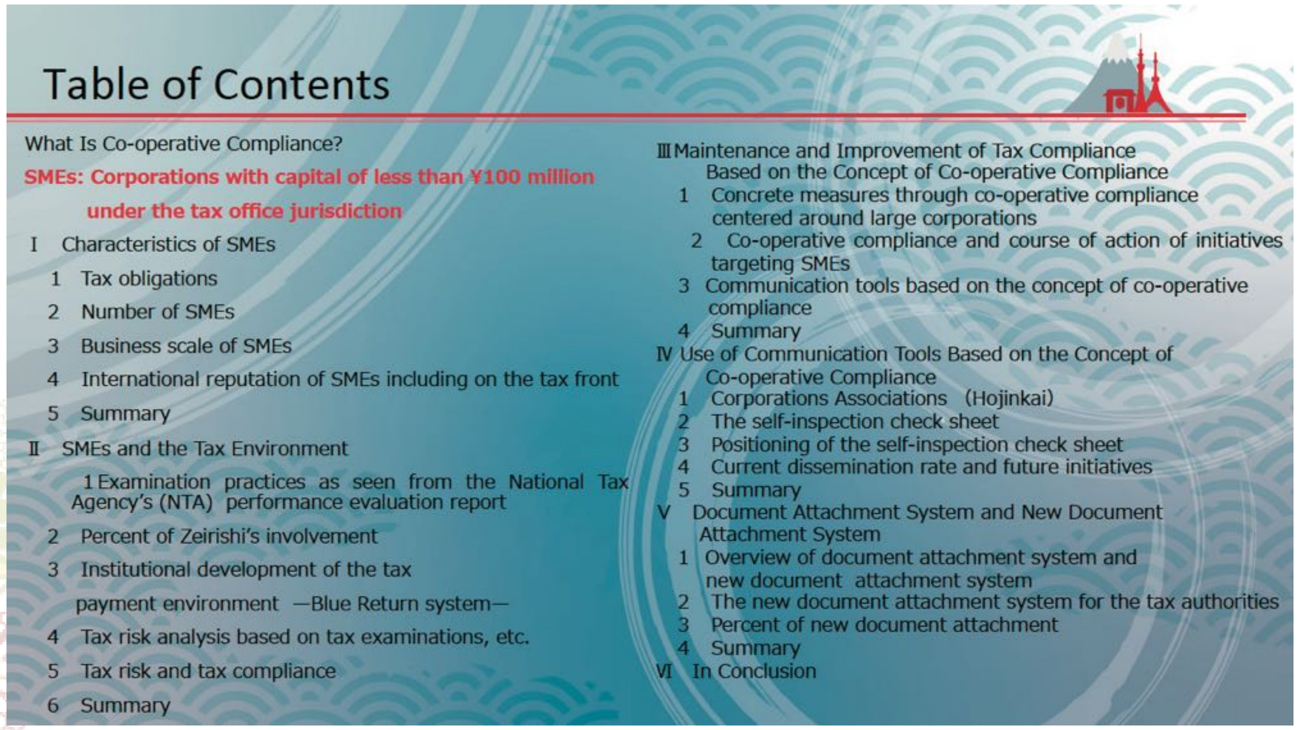
SASAO HIROKI CPTA's Office 2007-present

EXPERIENCE (CPTA Association)

Member, International Relations Dept., JFCPTAA 2019-Present

EDUCATION

Master of Business Administration (1991)
(University of Durham, UK)



What Is Co-operative Compliance?

An initiative for the tax authorities and taxpayers, etc. to act in co-operation in order to realize, in an appropriate and smooth manner, voluntary taxpayers' compliance with tax obligations as part of the provision of the tax payment environment.

Three Main Points

1 Tax environment including statutory and non-statutory systems.

Since the introduction of the post-war Shoup tax system (self-assessment system), Japan has been employing the following methods.

(1) Institutional method: Blue Return system (Income Tax Act / Corporation Tax Act)
Attached Document (Zeirishi Act Article 33-2)

(2) Non- Institutional method:
Check sheet, individual consultations, advance ruling, individual notification dispatch applications, liaison councils and regular meetings with Zeirishi associations, organization and management support of tax payment associations, tax education liaison councils, etc.

2 Japanese SMEs which account for 99% of the total number of corporations positioned with relatively low tax risks which has been supported by qualified level of bookkeeping long fostered by the blue return system and Zeirishis' engagement.

3 SMEs with limited resources face difficulty in dealing with the complex tax system . Support from the tax authorities is offered on "one-to-many" basis. Therefore, based on the idea "co-operative compliance", the tax authorities are expected to advertise the attached document system provided by Zeirishi and the check-list developed by Corporations Association, reducing SME's minor tax non-compliance and enhancing self-assessment system.

I Characteristics of SMEs

1 Tax obligations

[Self-assessment method by taxpayers]

・Method in which the taxpayers set their tax base and tax amount on their own (self-assessment)

・The self-assessment system conforms to the idea of democratic taxation and meets the demand for efficient tax collection.

・Condition for a properly functioning self-assessment system

The public should have a high awareness of tax payment and voluntarily conduct self-assessment; in other words, they should practice voluntary taxpayers' compliance

→Tasks for the provision of a tax environment including not only institutional measures but also improvement of tax payment awareness of the public, modernization of tax officials' awareness, enriching of tax education, etc.

I Characteristics of SMEs

2 Number of SMEs

【Ordinary domestic corporations in operation based on the result of the Corporation Sample Survey】

Number of tax returns filed of ordinary corporations by capital range

Category	Number of corporations	Component ratio	Cumulative ratio
1 mil yen or under	546,399	19.2%	19.2%
over 1 mil – 2 mil yen	81,013	2.8%	22.0%
over 2 mil – 5 mil yen	1,145,308	40.2%	62.3%
over 5 mil – 10 mil yen	708,986	24.9%	87.2%
over 10 mil – 20 mil yen	144,214	5.1%	92.2%
over 20 mil – 50 mil yen	150,483	5.3%	97.5%
over 50 mil – less than 100 mil yen	43,449	1.5%	99.1%
100 mil yen	10,047	0.4%	99.4%
over 100 mil – 500 mil yen	10,600	0.4%	99.8%
over 500 mil – 1 bil yen	1,526	0.1%	99.8%
over 1bil – 5 bil yen	2,917	0.1%	99.9%
over 5 bil – 10 bil yen	722	0.0%	100.0%
over 10 bil yen	1,018	0.0%	100.0%
Total	2,846,682	100.0%	

Source :The 147th NTA Annual Statistics Report FY2021

Number of tax returns filed of ordinary corporations by capital range

Category	Number of corporations	Component ratio	Cumulative ratio
less than 100 mil yen	2,819,852	99.1%	99.1%
100 mil yen over	26,830	0.9%	100.0%
Total	2,846,682	100.0%	

Note: Japanese Corporate Tax Act defines SMEs as corporations with capital of 100 mil yen and less 100 mil yen.

I Characteristics of SMEs

3 Business scale of SMEs

Article 3 of the Small and Medium-Sized Enterprise Basic Act

"...by engaging in distinctive business activities in a variety of fields of business and providing diverse employment opportunities where individuals can demonstrate their abilities, form the foundations of the Japanese economy, and that many SMEs, which display originality and resourcefulness and engage in business activities with the aim of improving business, have a particularly important role to play in maintaining and strengthening the vitality of the Japanese economy by, among other things, creating new industries, increasing employment opportunities, encouraging competition in the market, and vitalizing regional economies..."

Number of corporations and employees by capital range

Capital range (unit: thousand yen)	Number of corporations			Number of employees			Average number of employees per company	
	①	Cumulative ②	Component	③	Cumulative ④	Component ratio	By capital range ③÷①	Cumulative ④÷②
under 3,000	202,929	202,929	11.6%	1,285,965	1,285,965	3.0%	6	6
3,000–under 5,000	578,995	781,924	44.8%	3,852,738	5,138,703	12.0%	7	7
5,000–10,000	254,152	1,036,076	59.3%	2,266,627	7,405,330	17.3%	9	7
10,000–under 30,000	554,838	1,590,914	91.1%	10,398,589	17,803,919	41.6%	19	11
30,000–under 50,000	72,755	1,663,669	95.3%	3,590,729	21,394,648	50.0%	49	13
50,000–under 100,000	52,109	1,715,778	98.3%	5,280,712	26,675,360	62.4%	101	16
100,000–300,000	17,483	1,733,261	99.3%	4,518,693	31,194,053	72.9%	258	18
300,000–under 1,000,000	7,141	1,740,402	99.7%	2,225,091	33,419,144	78.1%	312	19
1,000,000–under 5,000,000	3,564	1,743,966	99.9%	2,847,374	36,266,518	84.8%	799	21
5,000,000 or over	2,176	1,746,142	100.0%	6,514,820	42,781,338	100.0%	2,994	25
Total	1,746,142			42,781,338				

Source: Economic Census for Business Activity FY2021

https://www.e-stat.go.jp/stat-search/files?page=1&layout=datalist&toukei=00200553&tstat=000001145590&cycle=0&tclass1=000001145666&tclass2=000001145669&tclass3=000001145673&tclass4val=0

I Characteristics of SMEs

4 International reputation of SMEs including on the tax front

「Communication and Engagement with SMEs

-Supporting Small and Medium-sized Enterprises (SMEs) to Get Tax right」 (OECD: 2023)

(1) Concept of effective engagement

1) SME-side

Difficulties in efforts to comply with tax obligations, response to government-affiliated agencies, vulnerable management resources (especially for micro corporations)

2) Tax authority-side

Positioning in terms of the economy and tax revenue (number of corporations, GDP, and employment), vulnerability to economic shock, large tax gap

(2) International reputation of SMEs

SMEs come in a wide variety and a one-size-fits-all approach is not possible

SMEs are seen as a high risk group in terms of taxes

(Inadequate internal control concerning bookkeeping and accounting record maintenance, asset management, lack of external auditing system, cash handling, etc.,)

I Characteristics of SMEs

5 Summary

- SMEs account for a high percentage of overall corporations
- In terms of the number of employees, SMEs with limited resources, account for 99.1% of all business operators
- International reputation of SMEs including on the tax front

→ SMEs have tax compliance issues

II SMEs and the Tax Environment

- Self-assessment system based on trust and cooperation of taxpayers to tax authorities
- A system for promoting truthful tax amount determination with the cooperation of the greater majority of taxpayers and thereby concentrating administrative capabilities on uncovering fraudulent practices.

Ⅱ SMEs and the Tax Environment

1 Examination practices as seen from the National Tax Agency's (NTA) Results Evaluation Report

Personnel engaged in tax assessment administration allocate 60% of the year to examination-related administration

施策 業1-4-1-2：的確な調査事務の運営

測定指標

[主要]業1-4-1-2-A-1：調査関係事務の割合 （単位：%）

事務年度	平成29年度	30年度	令和元年度	2年度	3年度	達成度
目標値	60	60	65	65	65 ←	Target
実績値	64.4	64.6	58.1	55.9	59.9 ←	Result

（出所）課税部課税総括課、消費税室、個人課税課、資産課税課、法人課税課、酒税課調

（注1）数値は、賦課事務（調査課分を除く。）に従事する職員の事務処理日数を事務の態様別に集計し、その合計日数のうち、調査関係事務に従事した日数の占める割合です。

（注2）「調査関係事務」とは、①実地調査（納税者の事業所等に臨場して帳簿書類等により申告内容を確認する事務）や、実地調査以外の調査（納税者に来署を依頼し帳簿書類等の提出を求めて申告内容を確認する事務）のほか、②行政指導として行う事務（提出された申告書に計算誤り等があるのではないかと思料される場合に自発的な見直しを要請する事務や、申告内容の確認等に活用する資料情報を任意で収集する事務等）などをいいます。

Source: National Tax Agency Results Evaluation Report 2021

Ⅱ SMEs and the Tax Environment

2 Zeirishis' Engagement by Tax Items

Engagement by Zeirishi (Income tax, Inheritance tax, Corporation tax)

(Unit :%)

FY	2017	2018	2019	2020	2021
Income tax	20.2	20.3	20.6	21.1	21.0
Inheritance tax	84.4	85.0	85.7	86.1	86.1
Corporation tax	88.9	89.1	89.3	89.4	89.5

Source :Ministry of Finance, NTA Evaluation Report FY2021

Ⅱ SMEs and the Tax Environment

3 Institutional development of the tax payment environment

—Blue Return system—

(1) Introduction of the Blue Return system and percentage of its use: Approximately 70 years have passed since introduction in 1950

Blue Return corporations with a capital of less than 100 million yen (SMEs) account for 98.3% of all ordinary corporations (2,796,923÷2,846,682)

Number of corporations by blue / white return

Category	Blue return	White return	Total
1 mil yen or under	538,602	7,797	546,399
over 1 mil – 2 mil yen	80,082	931	81,013
over 2 mil – 5 mil yen	1,136,232	9,076	1,145,308
over 5 mil – 10 mil yen	705,032	3,954	708,986
over 10 mil – 20 mil yen	143,682	532	144,214
over 20 mil – 50 mil yen	149,996	487	150,483
over 50 mil – less than 100 mil yen	43,297	152	43,449
100 mil yen	10,047	0	10,047
over 100 mil – 500 mil yen	10,579	21	10,600
over 500 mil – 1 bil yen	1,523	3	1,526
over 1bil – 5 bil yen	2,915	2	2,917
over 5 bil – 10 bil yen	721	1	722
over 10 bil yen	1,018		1,018
Total	2,823,726	22,956	2,846,682

Source :The 147th NTA Annual Statistics Report FY2021

Number of corporations by classification of blue / white return

Category	Blue return	White return	Total
under 100 mil yen	2,796,923	22,929	2,819,852
100 mil yen or over	26,803	27	26,830
Total	2,823,726	22,956	2,846,682

Source :The 147th NTA Annual Statistics Report FY2021, P231. P238

Ⅱ SMEs and the Tax Environment

3 Institutional development of the tax payment environment

—Blue Return system—

(2) Eligible taxpayers

(3) Obligation for bookkeeping: maintenance of account book, recording of transactions, maintenance of account book

(4) Benefits of Blue Return

[Benefits under substantive law]

a. Deductions of loss carried forward, refunds carried forward

b. Reserves

c. Special depreciation / tax credit

[Benefits under procedural law]

a. Correction based on account book examination

b. Provision of reasons for correction

c. Prohibition of taxation by estimation

(5) Forfeiture of Blue Return qualification

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis based on tax examinations, etc.

41,000 cases of **field examinations** and 67,000 cases of **brief contact**

Data including ①field examinations by tax offices (SMEs) and ②field examinations by NTA's Large Enterprise Examination Department (large corporations)

Number of noncomplying acts and number of fraudulent calculations

→ Rate of noncomplying acts (⑫) is 75.6% → approximately three in four corporations examined

Rate of fraudulent calculations (⑧) is 22.7% → approximately one in four corporations examined

→ Both of noncomplying acts and fraudulent calculations have occurred at a certain rate in all cases examined across years.

Disposition of field examination on corporation tax

【Data including ①&②】		2016	2017	2018	2019	2022	2021
①Number of field examinations	Case	97,000	98,000	99,000	76,000	25,000	41,000
②Number of illegal cases	Case	72,000	73,000	74,000	57,000	20,000	31,000
③Cases of fraudulent calculation	Case	20,000	21,000	21,000	16,000	7,000	9,000
④Amount of undeclared income	1 mil yen	826,700	999,600	1,381,300	780,200	528,600	602,800
⑤Amount of illegal income	1 mil yen	254,300	289,100	288,700	295,400	146,000	220,800
⑥Additional tax revenue collected due to examinations	1 mil yen	173,200	194,800	194,300	164,400	120,700	143,800
⑦Penalty tax amount	1 mil yen	26,800	30,100	30,600	26,500	17,700	24,600
⑧Fraudulent detection rate	③÷① %	20.4%	21.0%	21.1%	21.6%	26.5%	22.7%
⑨Amount of undeclared income per case	④÷① yen	8,534,000	10,235,000	13,965,000	10,230,000	21,168,000	14,788,000
⑩Amount of fraudulent income per case	⑤÷③ yen	12,864,000	14,066,000	13,859,000	15,731,000	22,083,000	23,833,000
⑪Additional tax revenue collected per case	⑥÷① yen	1,788,000	1,995,000	1,964,000	2,156,000	4,834,000	3,528,000
⑫	②÷① %	74.2%	74.5%	74.7%	75.0%	80.0%	75.6%

令和3事務年度 法人税等の調査事績の概要

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis based on tax examinations, etc.

"**brief contact**" that is not an field examination by the tax office

(Tax offices contact taxpayers in writing or by phone, or request taxpayers to visit for interview at the tax office, and request them to voluntarily review their tax returns.)

Disposition of Breif Contact

Category \ Op.Year			2018	2019	2020	2021
Number of brief contacts	(cases)	(1)	43,000	44,000	68,000	67,000
Amount of undeclared incom	(milyen)	(2)	4,400	4,200	7,600	8,800
Amount of tax penalty／Additional tax revenue collected per case	(milYen)	(3)	4,000	2,700	6,200	10,400
(2)/(1)	Yen		102,326	95,455	111,765	131,343
(3)/(1)	Yen		93,023	61,364	91,176	155,224

Percent in all cases subject to field examination calculated by adding 67,000 cases of "brief contact"
(39,894＋67,000) ÷ 2,819,852≒3.8%

Assuming all 67,000 cases of "brief contact" had noncomplying acts

Rate of cases of noncomplying acts in all cases examined (30,010＋67,000)÷2,819,852≒3.4%

There is no large difference in the incidence rate between SMEs (corporations) and large corporations (large scale corporations)

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis based on tax examinations, etc.

Separate analysis of field examinations by tax offices (SMEs) and field examinations by NTA's Large Enterprise Examination Department (large corporations)

Analyzed the number of incidents and penalty tax amount per case, etc. in ordinary corporations under the jurisdiction of tax offices and NTA' Large Enterprise Examination Department

Disposition of field survey on corporation tax (devidend under the jurisdiction of tax office and examination division)

		Total	Under the jurisdiction of examination division	Under the jurisdiction of tax office
①Number of field examinations	Case	41,000	1,106	39,894
②Number of illegal cases	Case	31,000	990	30,010
③Cases of fraudulent calculation	Case	9,000	188	8,812
④Amount of undeclared income	1 mil yen	602,800	226,800	376,000
⑤Amount of illegal income	1 mil yen	220,800	11,500	209,300
⑥Additional tax revenue collected due to examinations	1 mil yen	143,800	50,900	92,900
⑦Penalty tax amount	1 mil yen	24,600	6,100	18,500
⑧Fraudulent detection rate	③÷① %	22.0%	17.0%	22.1%
⑨Amount of undeclared income per case	④÷① yen	14,788,000	205,082,000	9,424,976
⑩Amount of fraudulent income per case	⑤÷③ yen	23,833,000	61,186,000	23,751,702
⑪Additional tax revenue collected per case	⑥÷① yen	3,528,000	46,018,000	2,328,671
1) Number of ordinary domestic corporations		2,846,682	26,830	2,819,852
2) Percentage of filed examinations conducted	①÷1)	1.4%	4.1%	1.4%
3) Percentage of illegal cases	②÷1)	1.1%	3.7%	1.1%
4) Percentage of fraudulent calculation	③÷1)	0.3%	0.7%	0.3%

Note Figures of 「Under the jurisdiction of tax office」 is deducted from figures of 「Total」minus figures of 「Under the jurisdiction of examination division」

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis based on tax examinations, etc.

【Total】Examination Devision + Tax Office		2016	2017	2018	2019	2022	2021
①Number of field examinations	Case	97,000	98,000	99,000	76,000	25,000	41,000
②Number of illegal cases	Case	72,000	73,000	74,000	57,000	20,000	31,000
③Cases of fraudulent calculation	Case	20,000	21,000	21,000	16,000	7,000	9,000
④Amount of undeclared income	1 mil yen	826,700	999,600	1,381,300	780,200	528,600	602,800
⑤Amount of illegal income	1 mil yen	254,300	289,100	288,700	295,400	146,000	220,800
⑥Additional tax revenue collected due to examinations	1 mil yen	173,200	194,800	194,300	164,400	120,700	143,800
⑦Penalty tax amount	1 mil yen	26,800	30,100	30,600	26,500	17,700	24,600
⑧Fraudulent detection rate	③÷① %	20.4%	21.0%	21.1%	21.6%	26.5%	22.7%
⑨Amount of undeclared income per case	④÷① yen	8,534,000	10,235,000	13,965,000	10,230,000	21,168,000	14,788,000
⑩Amount of fraudulent income per case	⑤÷③ yen	12,864,000	14,066,000	13,859,000	15,731,000	22,083,000	23,833,000
⑪Additional tax revenue collected per case	⑥÷① yen	1,788,000	1,995,000	1,964,000	2,156,000	4,834,000	3,528,000

Note: Figures are cited from NTA. Figures. There is a slight difference between the figures disclosed by NTA and figures calculated on this table.

			2016	2017	2018	2019	2022	2021
1)	Number of Domestic Ordinary Corporatsions		2,846,682	2,846,682	2,846,682	2,846,682	2,846,682	2,846,682
2)	Percent of Field Examinations	①÷1)	3.4%	3.4%	3.5%	2.7%	0.9%	1.4%
3)	Percent of Illegal cases	②÷1)	2.5%	2.6%	2.6%	2.0%	0.7%	1.1%
4)	Percent of Fraudulent Calculatsions	③÷1)	0.7%	0.7%	0.7%	0.6%	0.2%	0.3%

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis seen from tax examinations, etc.

【Exam ination Devision】 Large Corporations		2016	2017	2018	2019	2022	2021
①Number of field exam inations	Case	2,637	2,538	2,422	2,088	1,166	1,106
②Number of illegal cases	Case	2,072	2,075	1,954	1,751	1,028	990
③Cases of fraudulent calculation	Case	441	399	359	315	158	188
④Amount of undeclared income	1 mil yen	348,900	472,600	853,300	320,200	274,700	226,800
⑤Amount of illegal income	1 mil yen	16,800	19,000	18,200	12,300	6,000	11,500
0	1 mil yen	74,000	82,200	80,400	59,800	63,500	50,900
⑦Penalty tax amount	1 mil yen	8,300	9,000	9,000	6,600	6,400	6,100
⑧Fraudulent detection rate	③÷① %	16.7%	15.7%	14.8%	15.1%	13.6%	17.0%
⑨Amount of undeclared income per case	④÷① yen	13,291,000	186,207,000	353,153,000	153,346,000	235,553,000	205,082,000
⑩Amount of fraudulent income per case	⑤÷③ yen	38,001,000	47,531,000	50,714,000	39,143,000	38,034,000	61,186,000
⑪Additional tax revenue collected per case	⑥÷① yen	28,059,000	32,391,000	33,177,000	28,660,000	54,441,000	46,018,000

Note: Figures are cited from NTA. Figures. There is a slight difference between the figures disclosed by NTA and figures calculated on this table.

1) Number of Domestic Ordinary Corporatsions		26,830	26,830	26,830	26,830	26,830	26,830
2) Percent of Field Exam inations	①÷1)	9.8%	9.5%	9.0%	7.8%	4.3%	4.1%
3) Percent of Illegal cases	②÷1)	7.7%	7.7%	7.3%	6.5%	3.8%	3.7%
4) Percent of Fraudulent Calculatsions	③÷1)	1.6%	1.5%	1.3%	1.2%	0.6%	0.7%

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis seen from tax examinations

【Tax Office】 SMEs		2016	2017	2018	2019	2022	2021
①Number of field exam inations	Case	94,363	95,462	96,578	73,912	23,834	39,894
②Number of illegal cases	Case	69,928	70,925	72,046	55,249	18,972	30,010
③Cases of fraudulent calculation	Case	19,559	20,601	20,641	15,685	6,842	8,812
④Amount of undeclared income	1 mil yen	477,800	527,000	528,000	460,000	253,900	376,000
⑤Amount of illegal income	1 mil yen	237,500	270,100	270,500	283,100	140,000	209,300
0	1 mil yen	99,200	112,600	113,900	104,600	57,200	92,900
⑦Penalty tax amount	1 mil yen	18,500	21,100	21,600	19,900	11,300	18,500
⑧Fraudulent detection rate	③÷① %	20.7%	21.6%	21.4%	21.2%	28.7%	22.1%
⑨Amount of undeclared income per case	④÷① yen	5,063,425	5,520,521	5,467,084	6,223,617	10,652,849	9,424,976
⑩Amount of fraudulent income per case	⑤÷③ yen	12,142,748	13,111,014	13,104,985	18,049,091	20,461,853	23,751,702
⑪Additional tax revenue collected per case	⑥÷① yen	1,051,259	1,179,527	1,179,358	1,415,196	2,399,933	2,328,671

Note: The figures are calculated by subtracting the figures of exam inatsion division from figures of the total.

1) Number of Domestic Ordinary Corporatsions		2,819,852	2,819,852	2,819,852	2,819,852	2,819,852	2,819,852
2) Percent of Field Exam inations	①÷1)	3.3%	3.4%	3.4%	2.6%	0.8%	1.4%
3) Percent of Illegal cases	②÷1)	2.5%	2.5%	2.6%	2.0%	0.7%	1.1%
4) Percent of Fraudulent Calculatsions	③÷1)	0.7%	0.7%	0.7%	0.6%	0.2%	0.3%

Note: The number of domestic ordinary coporatsions are the same for the convienience of calculation purpose.

Ⅱ SMEs and the Tax Environment

4 Tax risk analysis based on tax examinations, etc.

Implications from the analysis:

(1) Large corporations have a higher risk than SMEs in terms of the incidence rate and penalty tax amount per case.

→ Large corporations with rich management resources have a comparatively higher tax risk in conducting various economic activities.

(2) Generally, SMEs are thought to have a higher tax risk than large corporations.

In examinations in the wider sense including "brief contacts," there is no large difference in the incidence rate between SMEs and large corporations.

The ratio of field examinations versus brief contacts by tax offices is about 1 : 1.7 (39,894 cases : 67,000 cases)

About 60% result in tax payment through instruction for low tax risk (brief contact) (1.7÷2.7)

→ From the viewpoint of tax risks, about 60% of SMEs are a low risk group that only requires brief contact.

tax amount per case: Through examination of

NSA's Large Enterprise Examination Department	46,018,000 yen
Tax offices	2,328,671 yen
Brief Contact	155,224 yen

(3) The Blue Return system of 70 plus years: 98.3% of all corporations are Blue Return SMEs

89.5% of corporations submit tax returns supported by Zeirishi

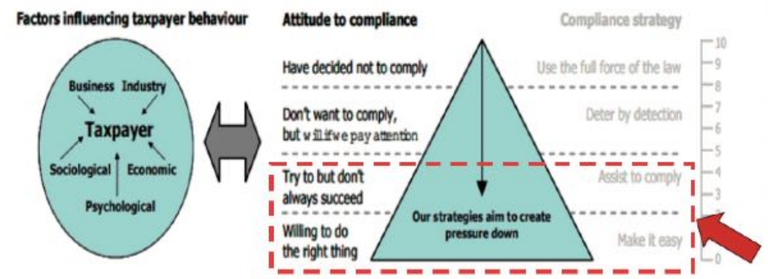
→ SMEs' high level of bookkeeping contributes to low tax risks

Ⅱ SMEs and the Tax Environment

5 Tax risk and tax compliance

Recognising a spectrum of compliance behaviour

Figure 4.2 A spectrum of taxpayer attitudes to compliance



Source: GUIDANCE NOTE Compliance Risk Management: Managing and Improving Tax Compliance(October 2004), P.41

Ⅱ SMEs and the Tax Environment

6 Summary

・No significant difference can be seen between large corporations and SMEs in terms of tax risk as seen from the incidence rate.

・Efficient tax administration tailored to the level of risk can maintain / improve tax compliance of SMEs, which is a low risk group.

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

1 Concrete measures through co-operative compliance centered around large corporations

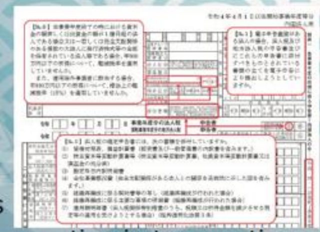
(1) Initiatives for enhancing corporate governance for tax compliance

・Drive autonomous and appropriate assessment through co-operative compliance (initiative for tax authorities and large corporations to act in cooperation)

・The target is large/mega corporations from whom autonomous and appropriate assessment can be expected. (About 500 corporations covered by NTA's Special Examiner from among the corporations covered by NTA's Large Enterprise Examination Department)

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

1 Concrete measures through co-operative compliance centered around large corporations



(2) Publicly disclose assessment check items of NTA's Large Enterprise Examination Department to promote "self-inspection of tax returns and self-audit tax practices" by large corporations

・Post the "tax return check list" and "check list of items that require caution in tax practices by large corporations" based on NTA's tax return inspection and tax examination results on the NTA website.

・For use in self-auditing such as self-inspection of tax returns before submission, and avoiding omissions when preparing financial statements and tax returns.

・This prevents mistakes in tax returns and is expected to reduce the risk of having processing mistakes identified during examinations.

(3) Trial of the J-CAP system (Compliance Assurance Program of Japan)

・Targets certain corporations that conduct transactions of highly new businesses

・Initiative for the tax authorities to respond quickly to the handling of tax in transactions notified before submission of tax returns to reduce related tax risks.

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

2 Co-operative compliance and course of action of initiatives targeting SMEs

・The characteristic of co-operative compliance is that it is a framework prepared outside of the framework of the exercise of governmental authority or judicial process.

・While being founded on a "basic relationship" between the tax authorities and taxpayers based on statutory obligations and, it is also based on a relationship of mutual trust between the tax authorities and taxpayers seeking respective benefits.

・Respect for the voluntariness of taxpayers can enable the tax authorities to obtain information that goes beyond what is legally obligated or timely information, improving the streamlining of tax administration.

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

2 Co-operative compliance and course of action of initiatives targeting SMEs

- SMEs are a low risk group for which autonomous review of tax returns requested through brief contact by the tax authorities account for 60% of total examinations.
- Support from the tax authorities is not "1:1" but "1: many."
- Adoption of a method based on the concept of co-operative compliance for large corporations toward SMEs
  - → Promote more efficient tax administration on the side of the tax authorities
  - → Also enable SMEs to reduce tax risks autonomously
- Information dissemination by the tax authorities
  - → Incentive for SMEs to act proactively to reduce tax risk

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

3 Communication tools based on the concept of co-operative compliance

1. Development of a document attachment system based on the Zeirishi Act
2. Initiative targeted to corporations covered by NTA's Large Enterprise Examination Department for enhancing their corporate governance for tax compliance
3. Support for the "self-check sheet" created by the Corporation Associations (Hojinkai)

Ⅲ Maintenance and Improvement of Tax Compliance Based on the Concept of Co-operative Compliance

4 Summary

- Under the self-assessment system, the primary tax obligation belongs to the taxpayers, and the setting and performance of taxpayers' obligation through their autonomy is expected.
- The self-assessment system requires taxpayers' cooperation based on a relationship of trust with the tax agencies and administration
- Based on the concept of co-operative compliance, it is desirable to support the incentive of SMEs for proactively acting to reduce tax risk by using the "self-inspection check sheet" by actively disseminating information that "use in self-auditing such as self-inspection of tax returns before submission, and avoiding omissions when preparing financial statements and tax returns, is expected to prevent mistakes in tax returns and is expected to reduce the risk of having processing mistakes identified during examinations."

Ⅳ Use of Communication Tools Based on the Concept of Co-operative Compliance

– Use of the "self-inspection check sheet" created by corporation associations –

1 Corporations Associations (Hojinkai): business owner organizations consisting of 750,000 corporations nationwide centered around SMEs

Developed nationwide to engage mainly in activities surrounding taxes such as (1) disseminating tax knowledge and promoting tax payment awareness, (2) conducting investigative research on the tax system and tax administration and making proposals, (3) contributing to the healthy development of local corporations, and (4) contributing to local society.

2 Self-check sheet

- Self-check sheet, etc. created in January 2014
- Supervised by the Japan Federation of Certified Public Tax Accountants' Associations (JFCPTAA) and supported by the NTA since April 2015

→ A virtually official check sheet to improve the level of internal control and management abilities at SMEs

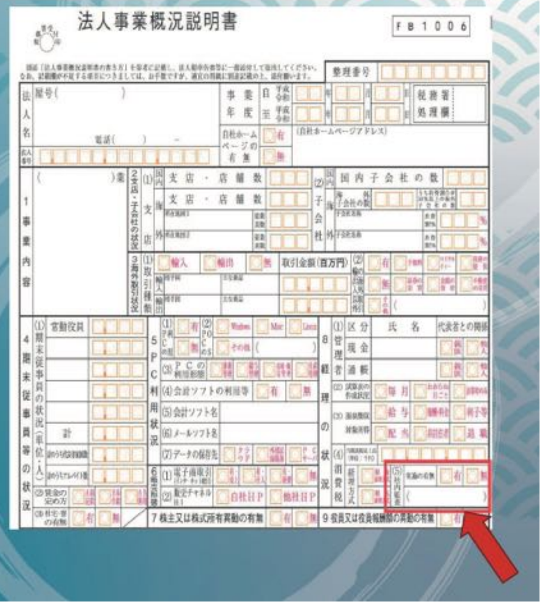
Ⅳ Use of Communication Tools Based on the Concept of Co-operative Compliance
– Use of the "self-inspection check sheet" created by the Hojinkai –

3 Positioning of the self-check sheet

- Created under the supervision of JFCPTAA
- Project supported by the NTA
- Available at the contact window of tax offices to contribute to corporations' tax compliance
- Zeirishi are requested to actively instruct the use of the check sheet to their clients
- Tick the "Implemented" box of the "Internal audit" section of the "Corporate Business Overview Description Form" and enter "Corporation association self-inspection check sheet" in parentheses.
  → The tax authorities monitor taxpayers' usage situation.

4 Current use rate and future initiatives

About 130,000 corporations have ticked the "Internal audit" box
Implementation rate: 4.3% (FY2021)

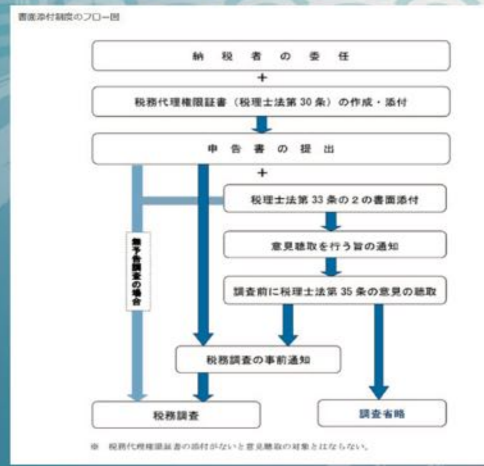


Ⅴ Document Attachment System and New Document Attachment System

1 Overview of document attachment system and new document attachment system

Document attachment system

- Established by the 1956 revision of the Zeirishi Act upon request of JFCPTAA
- Zeirishi create tax returns by the self-assessment system
  → Makes clear how the return has been prepared from the standpoint of a tax professional.



Ⅳ Use of Communication Tools Based on the Concept of Co-operative Compliance
– Use of the "self-inspection check sheet" created by the Hojinkai –

5 Summary

The self-check sheet was created under the supervision of JFCPTAA and supported by the tax authorities

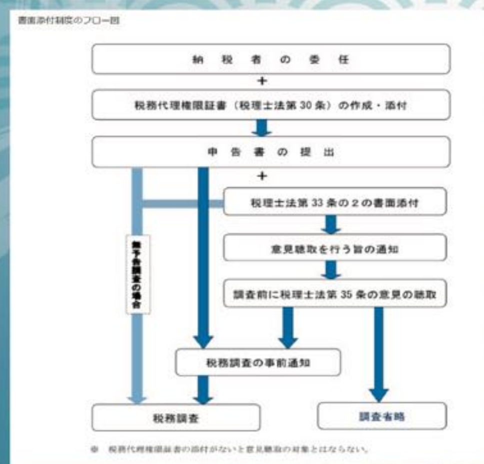
- The self-check sheet is available at tax offices.
  - The tax authorities call on Zeirishi to proactively use the self-check sheet
- The tax authorities monitor the usage situation if the enterprise indicate the use of self-check sheet

Ⅴ Document Attachment System and New Document Attachment System

1 Overview of document attachment system and new document attachment system

New document attachment system (revised in 2001)

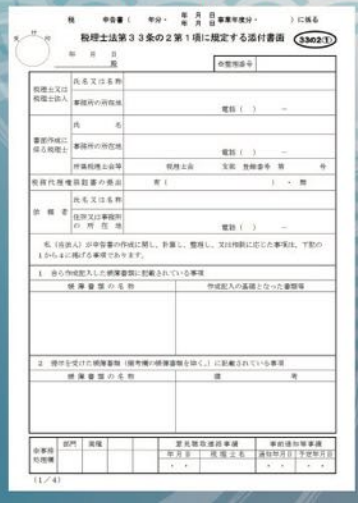
- Further respects the role of Zeirishi as tax professionals and aims to further streamline tax administration.
- When documents containing calculations pursuant to Article 3-2 of the Zeirishi Act are attached to the tax return
  →In addition to the conventional hearing, when notifying the taxpayer of the date and time of a tax examination in advance, prior to the notification, the opportunity for a hearing must be given to the Zeirishi who submitted a certificate of tax representation (Article 30 of the Zeirishi Act) regarding the matters included in the attached documents.
  (1) Contributes to improving appropriate tax return practices by taxpayers and fostering a relationship of trust with taxpayers
  (2) Clarifies the scope of responsibilities of Zeirishi to taxpayers
  (3) In the case that doubt is resolved at the stage of the pre-notification hearing, the examination may be omitted.



V Document Attachment System and New Document Attachment System

2 Positioning of new document attachment system for the tax authorities

- Spread and establishment of the document attachment system
- Contribute to the creation and submission of appropriate tax returns and streamline tax administration
- Improve the social credibility of Zeirishi who create the attachments and establish a trustful Zeirishi system.



V Document Attachment System and New Document Attachment System

3 Percent of new document attachment

Percentage of the document attached under Article 33-2 of Zeirishi Act (Income tax, Inheritance tax, Corporation tax)

Unit%

FY	2017	2018	2019	2020	2021
Income tax	1.3	1.4	1.4	1.4	1.5
Inheritance tax	18.2	20.1	21.5	22.2	23.1
Corporation tax	9.1	9.5	9.7	9.8	9.8

Source Ministry of Finance, NTA Evaluation Report FY2021

The Reasons for Low Percent:
1 Not well known among SMEs
2 Time and effort for preparations
3 Information asymmetry between tax authorities and Zeirishi

V Document Attachment System and New Document Attachment System

4 Summary

- Many SMEs conduct appropriate tax returns

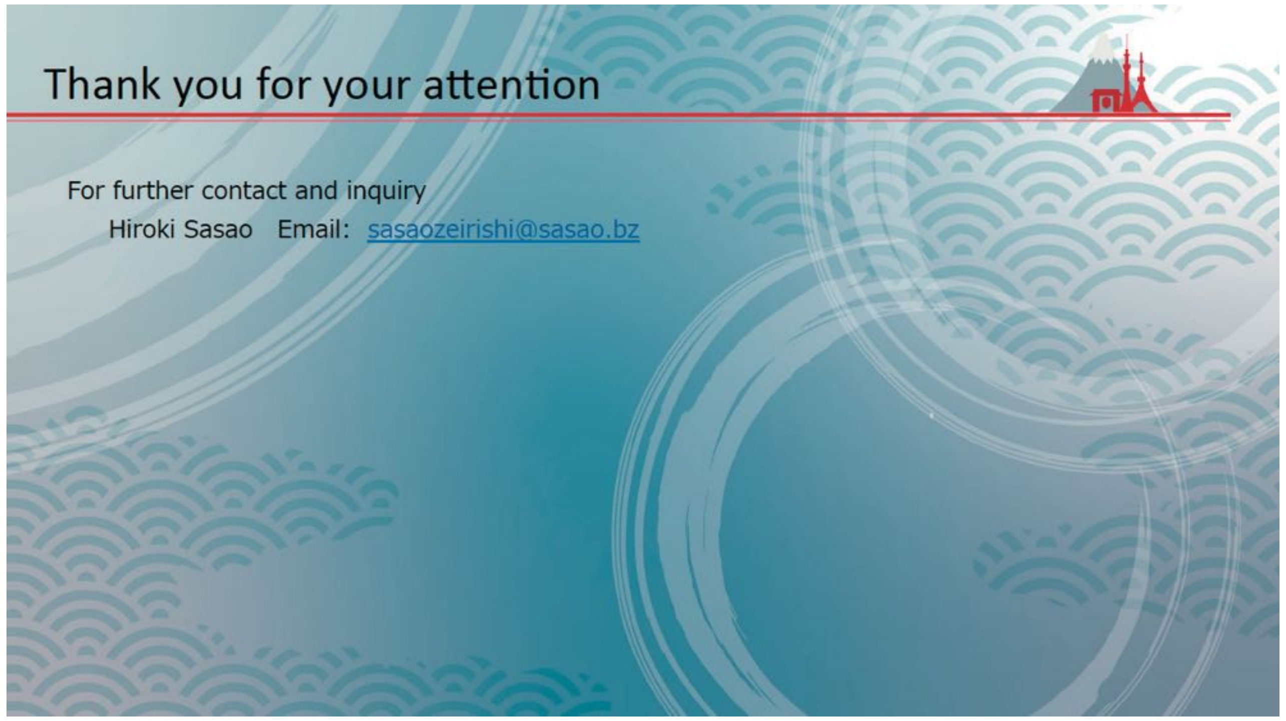
→ Document attachment is a good way to show the corporations' stance toward tax payment to the tax authorities.

A positive incentive for SMEs to maintain and improve tax compliance

- Spread the document attachment system together with dissemination of its significance in maintaining and improving SMEs' tax compliance

VI In Conclusion

- Zeirishi engage with SMEs in the long term, from their establishment, survival, development, to business continuation and closure.
- SMEs cannot expect to receive generous instruction from the tax authorities.
- SMEs have limited management resources and are not well-informed in difficult tax laws, so there is always a certain level of tax risks.
- Many SMEs are assumed to be compliant in terms of taxes.
  → Drive initiatives through co-operative compliance for such SMEs
- Use of the document attachment system and self-inspection check sheet
  → Help SMEs to reduce tax risks and maintain and improve tax compliance
- The tax authorities should drive incentive for appropriate tax returns by proactively disseminating the concept "co-operative compliance" toward SMEs in order to enhance self-assessment system further.


Thank you for your attention
For further contact and inquiry
Hiroki Sasao Email: sasaozeirishi@sasao.bz

10:00 - 10:20 **Presentation 2**

Speaker

Ms. EunJa Lee

(Korea)

Career

Professor of Taxation Training Institute of KACPTA
Vice president of Korean Women Association of Certified Public Tax Accountants
CEO of Lee Eun Tax & Accounting Office

Qualification

Certified Tax Attorney in Korea

Academic Background

Ph.D in Taxation Law, Sungkyunkwan University
Master of Law, Maurer School of Law, Indiana University (LLM)
Master of Business Administration, Kyung Hee University,

Books

The manual of year-end settlement, 2008
Reporting practice of corporation settlement and tax adjustment, 2019 ~ 2022
Accounting and tax practice of trade, 2020 ~ present

CONTENTS

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II. Legislative purpose

Enhancing Tax Compliance | Confirmation of Compliant Filing System

1. Encouraging tax com pliance
2. Overcoming the limit ation of tax audits
3. Broadening tax base

I. What is the CCFS?

Enhancing Tax Compliance | Confirmation of Compliant Filing System

- The CCFS is a system in which certain business operators repor t their tax after a tax agent confirms the accuracy of the bookk eeping details.
- In this way, it was introduced to encourage honest reporting b y business operators.

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

1 Submission of certificate of confirmation of compliant filing
(hereafter referred to as "confirmation certificate")

Individual business owner	Domestic corporations
submit a confirmation certificate with a income tax return	submit a confirmation certificate with a corpora te tax return

✓ The due date for filing tax return is extended by one month.

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

2 Scope of taxpayers subject to submission of confirmation certificate

- **Individual business owner**

A business operator whose gross income for each type of business exceeds the following amount;

(USD 1 = KRW 1,000)

Industry	Gross income
1. Farming, fishing, mining, wholesale and retail, real estate sale business and any other business not falling under categories 2 and 3	$1,500,000
2. Manufacturing, lodging and restaurant business, construction business etc.	$750,000
3. Real estate leasing service, various kinds of personal service etc.	$500,000

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III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

2 Scope of taxpayers subject to submission of confirmation certificate

- **Corporations**

Either of the following domestic corporations;

1. A domestic corporation whose main business is real estate lease business and who meet the specific c riteria.
2. A domestic corporation, where a business operator subject to confirmation of compliant filing under t he Income Tax Act has converted his/her business into a domestic corporation by any of the methods , such as in-kind investment of business assets.

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III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

Business year	. . . ~ . . .	**Certificate of confirmation of compliant filing**	Company Name	
			Business Reg. No.	

1. Corporations subject to Confirmation of compliance filing			
① Corporation Name		② Business Reg. No.	- -
③ Representative Name		④ Corporation Reg.No.	-
⑤ Business category			
⑥ Address			
2. Tax Agents			
⑥ Company Name		⑦ Business Reg. No.	- -
⑧ Name		⑨ License. No.	-
⑩ Address			

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III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

3. Confirmation details

We confirm that we have faithfully confirmed the tax base and tax amount, including the amount of income and expenses, calculated based on the books and evidentiary documents kept and recorded by the corporation subject to Confirmation of compliance filing above in accordance with §60-2, Paragraph 1 of the Corporate Tax Act.

. . .

Tax Agents (signature or seal)

In accordance with §60-2, Paragraph 1 of the Corporate Tax Act, the reporter receives confirmation of compliance filing from the above confirmor and submits the confirmation certificate.

. . .

Corporation subject to confirmation (signature or seal)

To Head of tax office

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III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

Major Item Statement

(Unit : KRW)

1. Basic Details – Place of business

Business Reg. No.	Ownership	Building Status	Building Area	Leasehold Deposit	Monthly Lease	Number of Employee	Vehicle
		F	㎡				

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

2. Current status of major clients

① List of Major Sales Partners

Company name	Name	Business Reg. No.	Amount	Items

② List of Major Purchasers

Company Name	Name	Business Reg. No.	Amount	Items

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

3. Specification of major tangible assets

Acquisition date	Account name	Asset details (item name)	Location	Quantity	Acquisition Price

4. Specification borrowings and interest payment

Account name	Name of lender	Purpose of borrowings	Amount	annual interest payment	Borrowing date	Repayment date

5. Specification of loans and interest income

Account name	Name of borrower	Reason for loan	Amount	Annual interest income	Lending date	Maturity date

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Confirmation details

9. Eligible documented evidence of Sales Status

① Gross income	② Amount of revenue evidence issued					Difference amount (①-②)
	ⓐ Tax invoice	ⓑ Invoice	ⓒ Credit/ Prepayment Card	ⓓ Cash receipt	ⓔ GIRO	
Cause of difference						

III. Overview of CCFS

3 Confirmation details

10. Specification of payment of labor costs (including daily workers) to related persons								
Type	Name	Resident Reg. No.	Relation	Date of joining (Date of retirement)	Duties	Salary payment	Non-taxable wages	Submitted amount of statement of disbursement

11. Warranty and collateral details provided to related persons					
Related persons		Relation	Amount of payment guarantee	Details	Financial institution
Name	Resident Reg. No.				

III. Overview of CCFS

4 Benefits

- Collection of tax deduction amount
  - ✔ If it is revealed to be underreported in the future, the amount of tax deductions (above ①, ②) will be collected.
  - ✔ For the next three years, the tax deduction for those costs will not be applicable.

III. Overview of CCFS

4 Benefits

- Tax credits for expenses incurred in verifying compliant filing
  - ✔ 60% of expenses (up to 1.2 million won) incurred directly for verifying compliant filing
- Deduction of medical, educational, and housing expenses
  - ✔ Not related business expenses
  - ✔ If qualified, the deduction is allowed.

III. Overview of CCFS

5 Disadvantages

- Penalty tax = Max { A, B}
  - A. 5% of computed business income tax
  - B. 0.02% of gross income
- Selected as subject to tax audit at any time

  To verify directly the accuracy of the tax return

III. Overview of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

6 Responsibilities of tax agents

- Heavy responsibility for the "signature"

  If it is revealed that the tax return is not "sincere", the agent signed on the confirmation certificate will be subje ct to disciplinary action.

- Disciplinary action

  Suspension of duties, fines, or cancellation of registration

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IV. Advantages of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

1 Encouraging to faithful reporting

- Tax agents verify the taxpayer's reporting details and issue a confirmation certificate.
- The effect of preventing taxpayers from unfairly deducting false or fictitious expenses.

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IV. Advantages of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

2 Realization of fair taxation

- Tax base becomes more accurate.
- Prevent tax evasion.

*Fair taxation can be realized.

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IV. Advantages of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Improvement of tax administration

- Reducing the need to conduct tax audits.
- Government resources focus on other areas of tax enforcement, such as targeting non-compliant t axpayers.

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IV. Advantages of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Improvement of tax administration

* Comprehensive income tax reporting status

Division	2018	2019	2020	2021
Number of people subject to income tax return (No. of people)	6,911,088	7,469,635	7,850,913	9,339,463
Total Gross income (million dollars)	1,099,426	1,141,434	1,159,802	1,323,961
CCFS Gross income (million dollars)	360,143	369,359	366,687	438,492
Ratio (%)	32.75%	32.35%	31.61%	33.11%

(National Tax Statistics Survey, 2023)

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V. Limitations of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

1 Violation of taxpayer's rights

- Violating the principle of taxpayer self-assessment system
- CCFS requires taxpayers to have their tax returns confirmed by a tax agent, even if they believe tha t their tax returns are accurate.

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V. Limitations of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

2 Burden of tax cooperation costs

- Limitation of tax credit for the cost of confirmation of compliant filing
- Additional verifying time needed
- These extra money and time costs result in the government passing on tax administration costs to t axpayers.

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V. Limitations of CCFS

Enhancing Tax Compliance | Confirmation of Compliant Filing System

3 Limitation on access to information by tax agents

- Difference of access to taxpayer's information

- The responsibilities of the tax agents can be said to be excessive.

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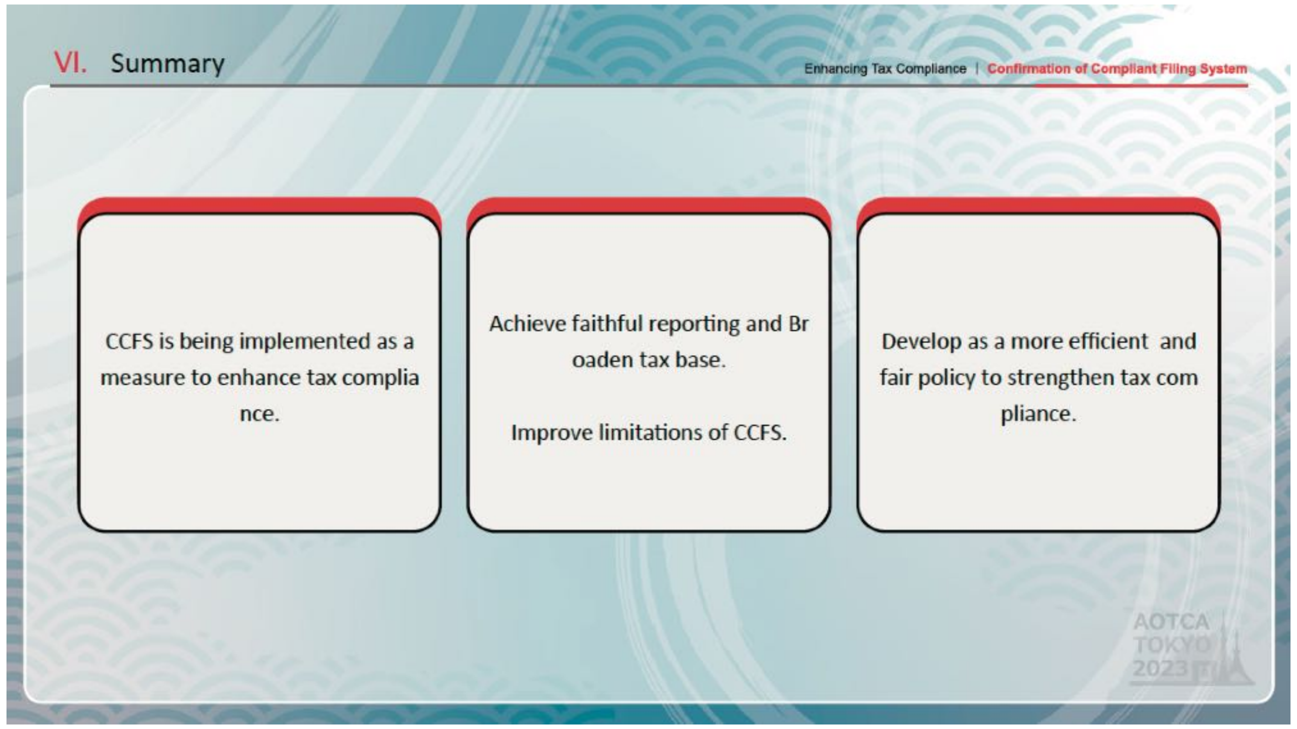
VI. Summary
Enhancing Tax Compliance | Confirmation of Compliant Filing System
CCFS is being implemented as a measure to enhance tax compliance.
Achieve faithful reporting and Broaden tax base.
Improve limitations of CCFS.
Develop as a more efficient and fair policy to strengthen tax compliance.
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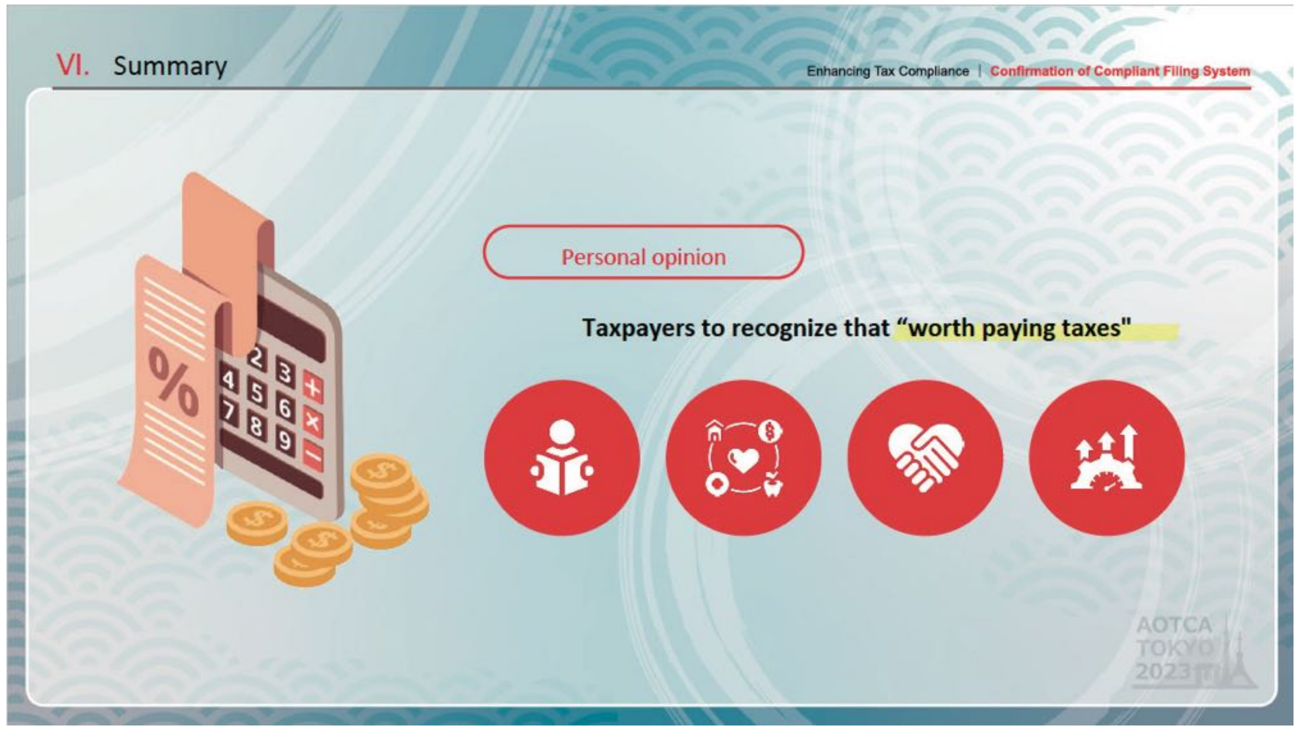
VI. Summary
Enhancing Tax Compliance | Confirmation of Compliant Filing System
Personal opinion
Taxpayers to recognize that "worth paying taxes"
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Enhancing Tax Compliance | Confirmation of Compliant Filing System
THANK YOU
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10:35 - 10:55 **Presentation 3**

Speaker

Ms. Enkhmend Magsarjav

Galmandakh Urlee (Mongolia)

EXPERIENCE
• Nexia Mongolia | 2022 - Current
Tax partner
• PKF-IFS | 2019 - 2021
Tax advisor
• GERES INGO | 2016 - 2019
Finance and Administration Manager
• PwC Tax | 2015 - 2017
Tax consultant
• Phoenix Hearing Instruments Pty Ltd I Brisbane | 2014 - 2015, Australia
Accountant
• The International Federation of Red | 2007- 2013
Finance and Administration Manager

EDUCATION
• lkh Zasag University, Ulaanbaatar
Bachelor of Arts | Lawyer 2021
• Queensland University of Technology, Brisbane
• Master of Business Administration | Professional accountant 2015
Mandakh University , Utaanbaatar
Bachelor of Business Administration | Accounting and audit 2007

SKILLS
• Excellent numeracy skills
• A logical and analytical mind
• The ability to interpret and explain complex legislation to non-specialists
• Excellent communication and interpersonal skills
• Negotiation skills
• Planning and organization skills
• Problem-solving skills
• Time management and the ability to work to light deadlines

Speaker

Mr. GALMANDAKH URLEE

(Mongolia)

EXPERIENCE
• LeaderFinance TMZ LLC| 2009 – Current
Director
• Baruun Gazar LLC | 2007-2009
Executive Director
• Sergen Mandalt Group LLC | 2006 – 2009
Manager
• Mongol Business University | 1999-2006
Teacher

EDUCATION
• International University of China and Mongolia
Master of Business Administration 2017-2019
• Otgontenger University
Bachelor of Laws 2013-2016
• Mongol Business University
Bachelor of Business Administration 2000-2003
• National University of Mongolia
Bachelor in Electronic engineer 1995-2000

AWARDS
• Altangadas medal (2019)
• Premier financial officer medal (2015)
• Memorandum of the Ministry of Finance (2013)
• 100th anniversary medal of the Ministry of Finance (2012)

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AOTCA TOKYO 2023

"Tax moral and compliance"

By: Galmandakh Urlee

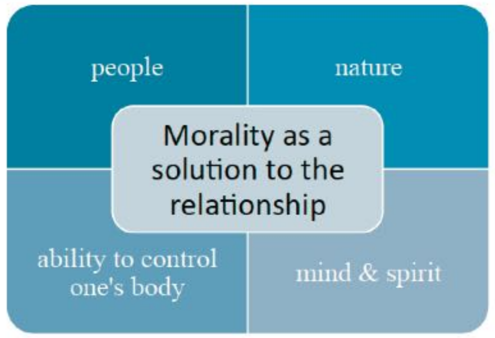
Enkhmend Magsarjav

Mongolian Association of Certified Tax Consultants

Tokyo, Japan 2023

1 November 2023

Tax moral and compliance



Tax moral and compliance can be affected by taxpayers behavior, culture, and history.
Defining special feature of Mongolian's moral:

1. Do not harm others to make charity
2. Do not abuse others to keep peace
3. Do not defile to purify the mind
4. Do not trick to be honest

Tax moral and compliance

Agenda

a)Mongolian traditional tax moral

x ethic and tax moral influences for compliance

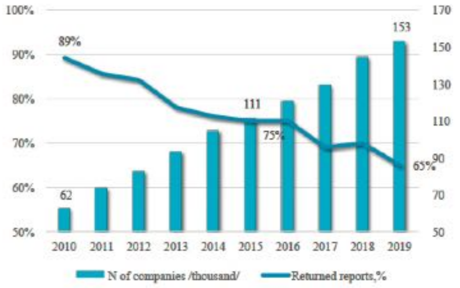
ongolian current tax compliance

Introduction

In 1992, a set of tax laws was approved, and a new system of "self-determination and payment of taxes at the rate and amount determined by law" was adopted.

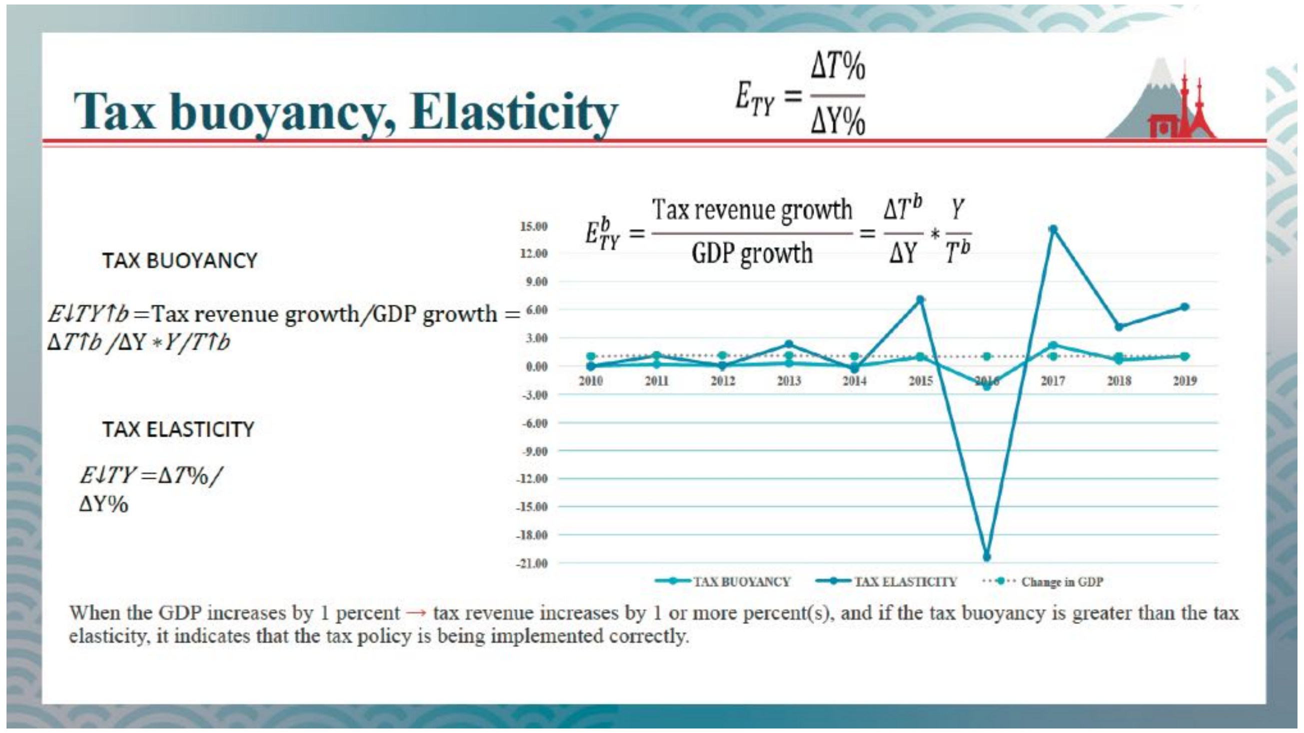
With the development of the electronic tax reporting system in the last 10 years, the Mongolian Tax Service:

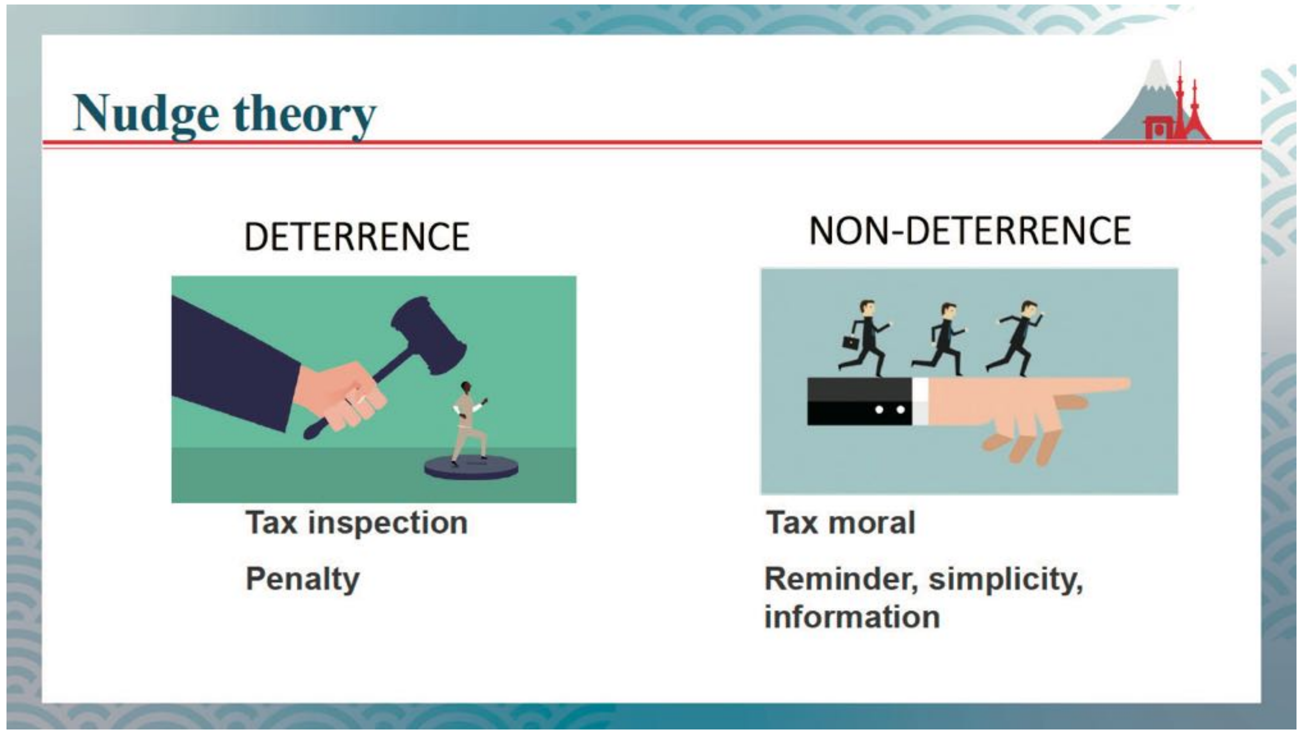
- ✓ sending tax returns directly from the financial application
- ✓ preparing simplified reports from the data of the electronic payment receipt system
- ✓ paying taxes electronically in real time
- ✓ Electronically issuing 23 reports and 15 requests related to taxpayer registration and tax payment

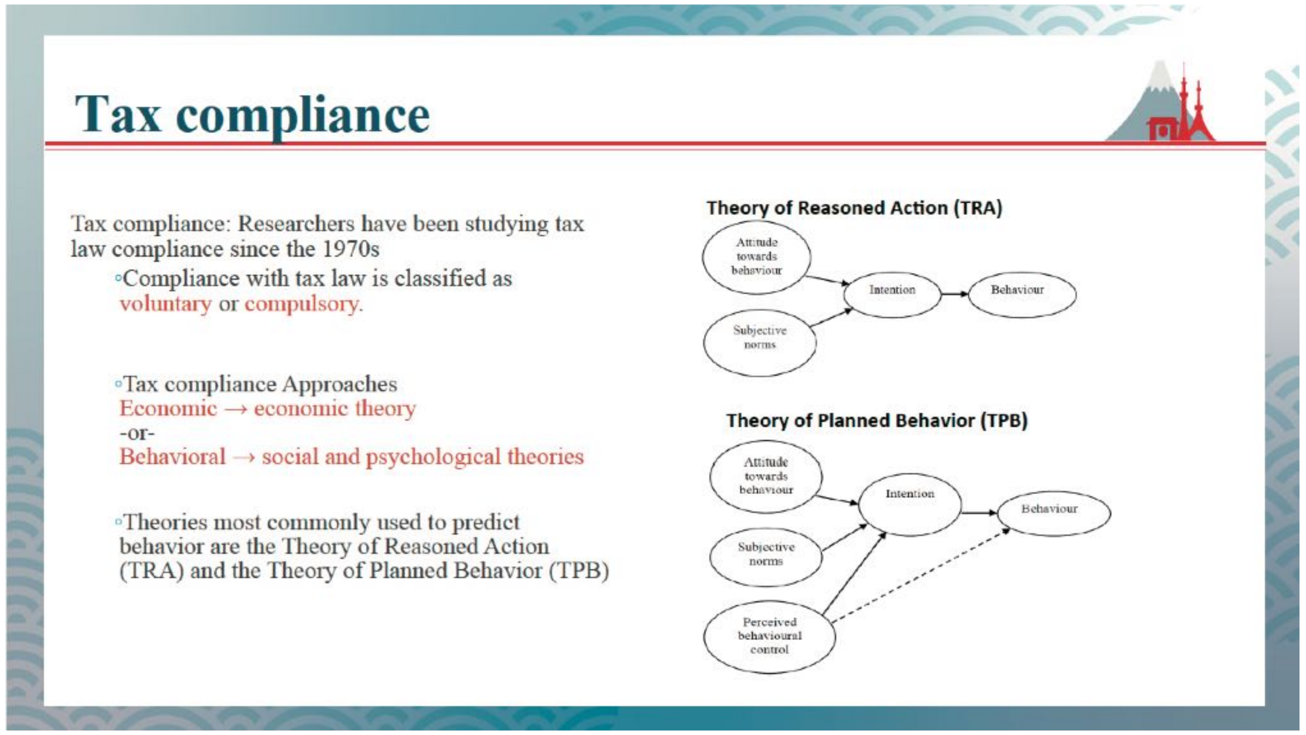


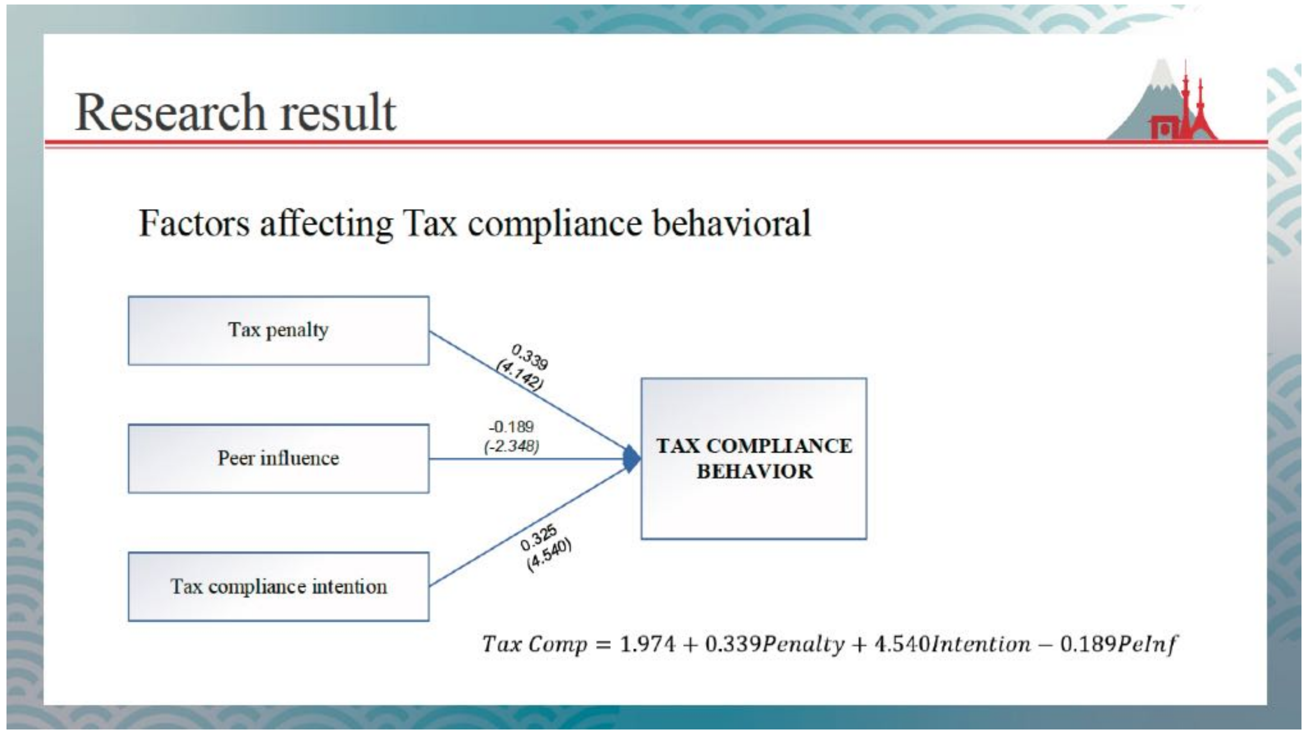
In 2021, accumulated tax debt reached 3.2 trillion MNT → 20% of tax budget revenue

From 2010 to 2019, it is observed that the number of enterprises increased by 11 percent every year, and the number of reports decreased by 3 percent.


Tax buoyancy, Elasticity
$E_{TY} = \frac{\Delta T\%}{\Delta Y\%}$
TAX BUOYANCY
$E_{TY}^{b} = \frac{\text{Tax revenue growth}}{\text{GDP growth}} = \frac{\Delta T^b}{\Delta Y} * \frac{Y}{T^b}$
E↓TY↑b =Tax revenue growth/GDP growth = ΔT↑b /ΔY * Y/T↑b
TAX ELASTICITY
E↓TY =ΔT%/ΔY%
TAX BUOYANCY
TAX ELASTICITY
Change in GDP
When the GDP increases by 1 percent → tax revenue increases by 1 or more percent(s), and if the tax buoyancy is greater than the tax elasticity, it indicates that the tax policy is being implemented correctly.

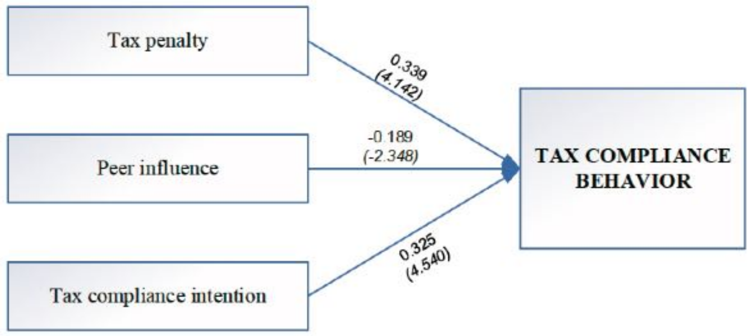

Nudge theory
DETERRENCE
NON-DETERRENCE
Tax inspection
Penalty
Tax moral
Reminder, simplicity, information


Tax compliance
Tax compliance: Researchers have been studying tax law compliance since the 1970s
◦Compliance with tax law is classified as voluntary or compulsory.
◦Tax compliance Approaches
Economic → economic theory
-or-
Behavioral → social and psychological theories
◦Theories most commonly used to predict behavior are the Theory of Reasoned Action (TRA) and the Theory of Planned Behavior (TPB)
Theory of Reasoned Action (TRA)
Attitude towards behaviour
Subjective norms
Intention
Behaviour
Theory of Planned Behavior (TPB)
Attitude towards behaviour
Subjective norms
Perceived behavioural control
Intention
Behaviour


Research result
Factors affecting Tax compliance behavioral
Tax penalty
Peer influence
Tax compliance intention
0.339 (4.142)
-0.189 (-2.348)
0.325 (4.540)
TAX COMPLIANCE BEHAVIOR
$Tax\ Comp = 1.974 + 0.339Penalty + 4.540Intention - 0.189PeInf$

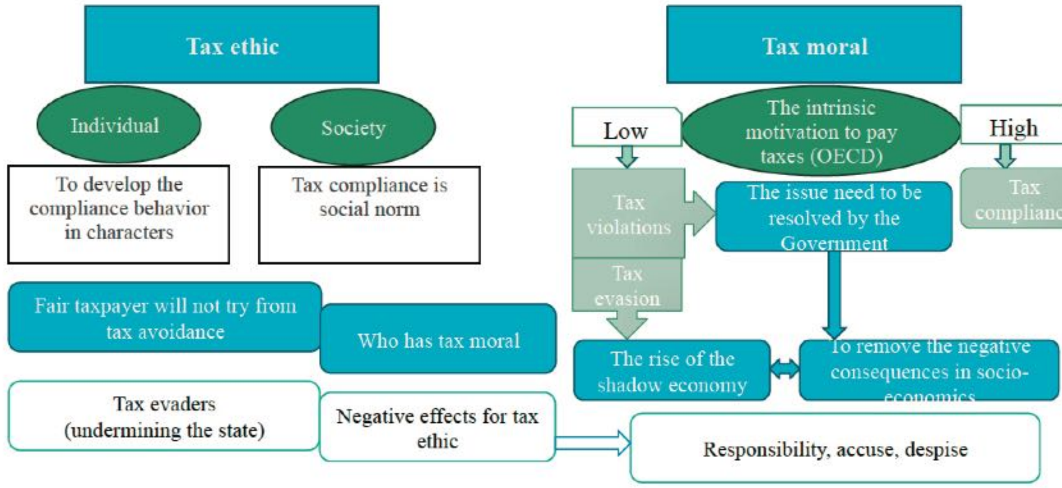
Research result

Factors affecting Tax compliance behavioral



$$Tax\ Comp = 1.974 + 0.339Penalty + 4.540Intention - 0.189PeInf$$

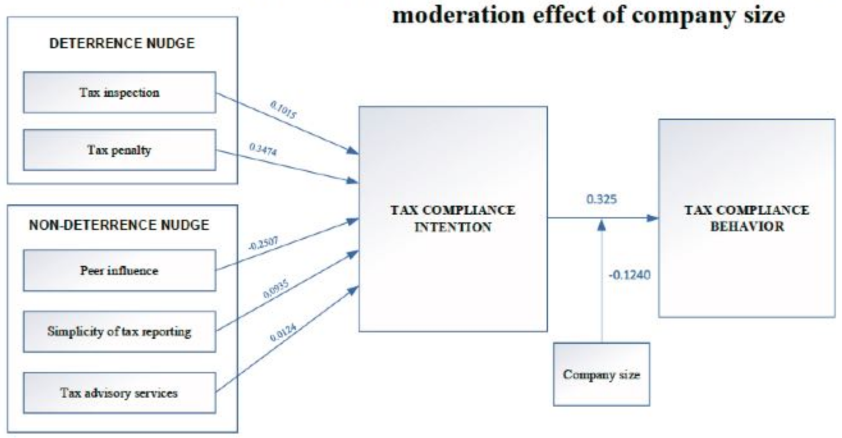
Tax ethic and tax moral



Research result

Hypothesis	Supported/ Not supported
H1	Supported
H2	Supported
H3	Supported
H4	Supported

Mediation effect of the Intention to Comply with Tax and moderation effect of company size



Conclusion and recommendations

I. The deterrence nudging has a direct effect on compliance with CIT law. The poor effect of non-deterrence nudging may be related to taxpayers' lack of knowledge about the tax law, lack of access to tax advisory services, and less training and advice on tax reporting.

Hence,

I. Non-deterrence nudge measures would encourage voluntary compliance with tax laws

II. Implementation of non-deterrence nudging procedures along with deterrence nudging procedures can improve compliance with tax laws by increasing cooperation and trust between tax authorities and taxpayers.

III. Developing the electronic tax reporting system as user-centered makes it more accessible by informing, introducing, and simplifying the way to use

IV. Incorporating policies in laws and regulations that support voluntary compliance with tax laws, depending on the size of enterprises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2023
日本税理士会連合会

10:55 - 11:15 **Presentation 4**

Speaker

Mr. Prabin Raj Kafle

FCA (Nepal)
Email: prabrajkafle@gmail.com
Cell No.: 9851045072

Brief Introduction
The Fellow Chartered Accountant (FCA) Member of Institute of Chartered Accountants of Nepal (ICAN) also holding membership of Institute of Chartered Accountants of India (ICAI) is an "All India Merit Rank Holder" in Professional Examination Course Conducted by ICAI. Having over 12 years of post-qualification experience in the area of Accounts, Finance and Taxation, the variety of assignments has been undertaken on Management consulting, Internal Audit, Statutory Audit, Book keeping, Payroll maintenance, Data procession, Consultancy in Nepal and India during the professional career both at National and International Level .

Academic Qualification
- Master of Commerce (Recognized Equivalence by Tribhuvan University, Nepal)
- Bachelor in Business Studies (Tribhuvan University, Nepal)

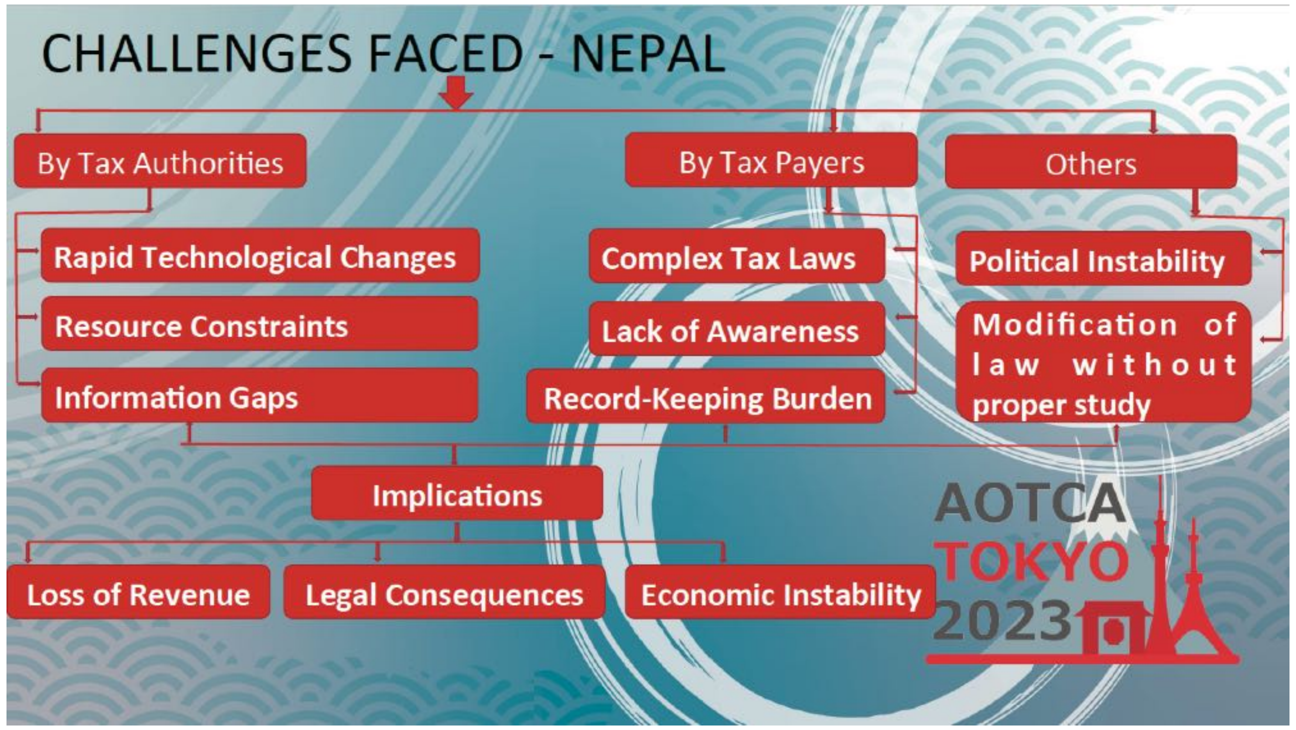
Professional Experience
- Proprietor at P.R.K Associates, Chartered Accountants
- Faculty Member at Elite CA, Advanced Taxation, Income Tax & VAT.

Conferences, Trainings, Seminars
- Working Capital Guidelines in relation to Amendments made by Nepal Rastra Bank
- Detail Financial Report Analysis for Credit Department of BFIs
- Transfer Pricing Issues in Nepal at Bali, Indonesia
- Taxation in Nepal along with the relevant changes made by Budget
- Diploma in Nepal Financial Reporting Standards organized by Institute of Chartered Accountants of Nepal
- Nepal Financials Reporting Standards for SMEs,
- Nepal Accounting Standard for Micro Entities
- Nepal Accounting Standard for Not for Profit Organizations
- Auditing Standards issued by Auditing Standard Board of Nepal

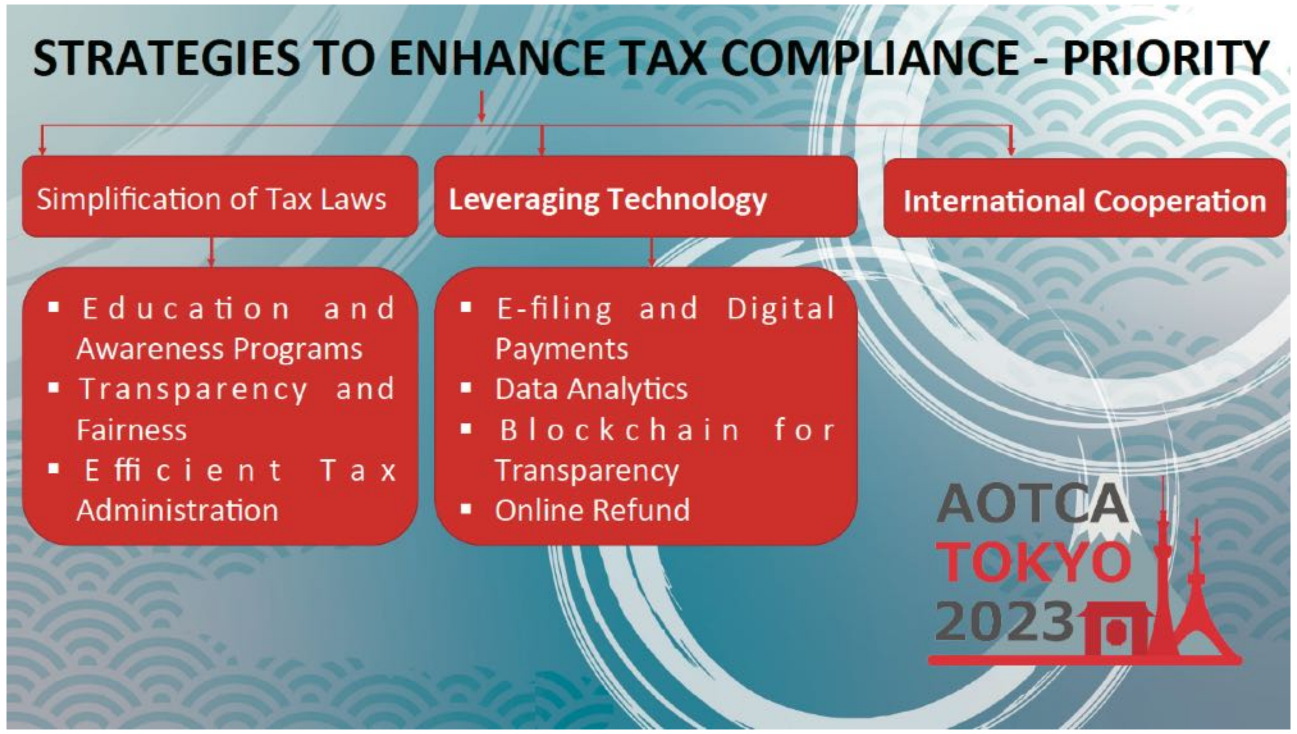
Social Activities
- 3rd Vice President at Lions Club of Chabahil, Kathmandu (District 325A2) (2023-24)
- Executive Member of Nepal Chamber of Tax Consultants (NCTC)
- Executive Member of Association of Chartered Accountants of Nepal (2015-17)

Publications
- Taxation Nepal, (Book on Taxation for Chartered Accountancy Course of Nepal))
- Nepal Financial Reporting Standards for Small and Medium Sized Entities (NFRS for SMEs) (For providing training in Nepal)
- Nepal Accounting Standard for Not for Profit Organization (NAS for NPOs) (For providing training in Nepal)

Certification
Certified Instructor from Training Institute for Technical Instruction (TITI), Sanothimi Bhaktapur


CHALLENGES FACED - NEPAL
By Tax Authorities
By Tax Payers
Others
Rapid Technological Changes
Resource Constraints
Information Gaps
Complex Tax Laws
Lack of Awareness
Record-Keeping Burden
Political Instability
Modification of law without proper study
Implications
Loss of Revenue
Legal Consequences
Economic Instability
AOTCA TOKYO 2023


STRATEGIES TO ENHANCE TAX COMPLIANCE - OTHERS
Feedback Mechanism/Grievance handling mechanism from professionals
Addressing Corruption
Broadening tax base by registration under Tax
Award for Large Tax Payer of every sector for every year
Incentive for informant about the tax evasion
Formation of committee to make necessary changes in tax laws/processes
AOTCA TOKYO 2023


STRATEGIES TO ENHANCE TAX COMPLIANCE - PRIORITY
Simplification of Tax Laws
Leveraging Technology
International Cooperation
Education and Awareness Programs
Transparency and Fairness
Efficient Tax Administration
E-filing and Digital Payments
Data Analytics
Blockchain for Transparency
Online Refund
AOTCA TOKYO 2023


Thank you!
AOTCA TOKYO 2023

11:15 - 11:35 Presentation 5

Mr. Chow Chee Yen

Tax Senior Executive Director
Grant Thornton Taxation Sdn Bhd

T +603 2692 4022 F +603 2721 2588 E cheeyen.chow@my.gt.com

Experience

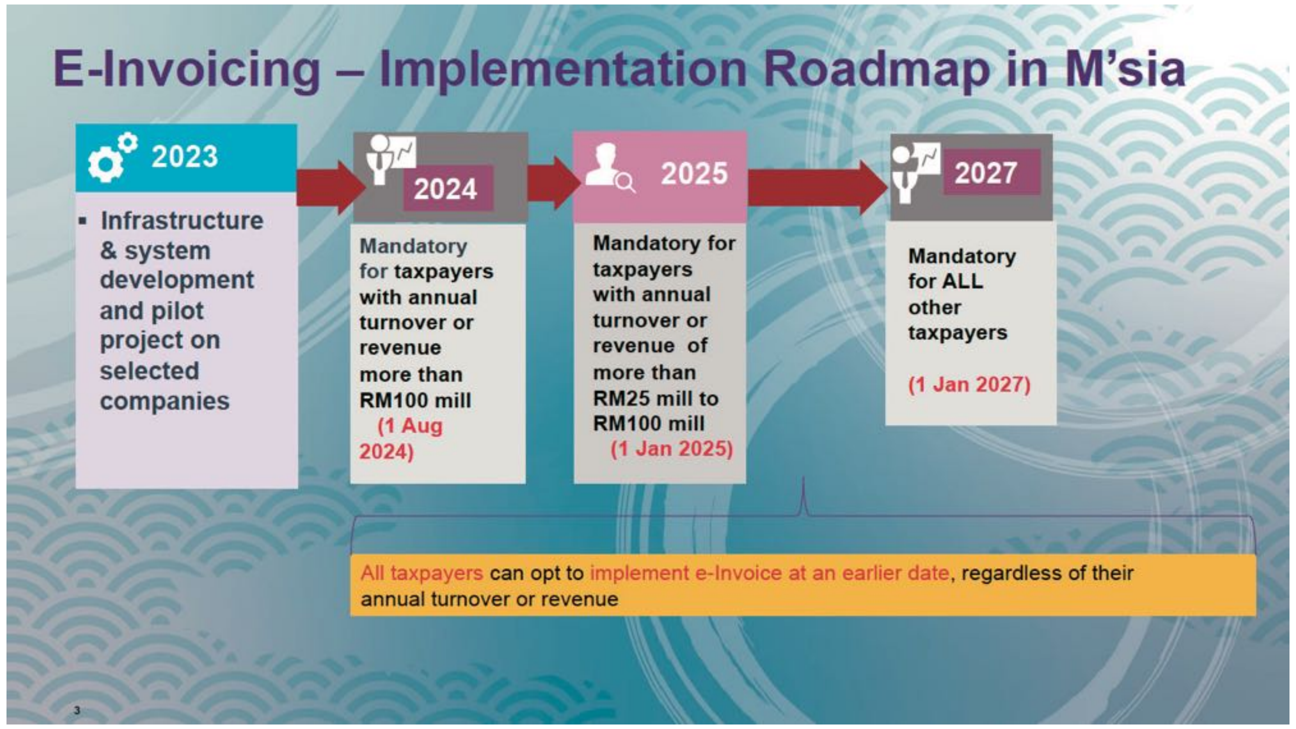
He has more than 30 years of experience and was involved in tax engagements concerning cross border transactions, tax due diligence review, restructuring schemes, corporate tax planning, group tax review, inbound investments and sales and services tax.

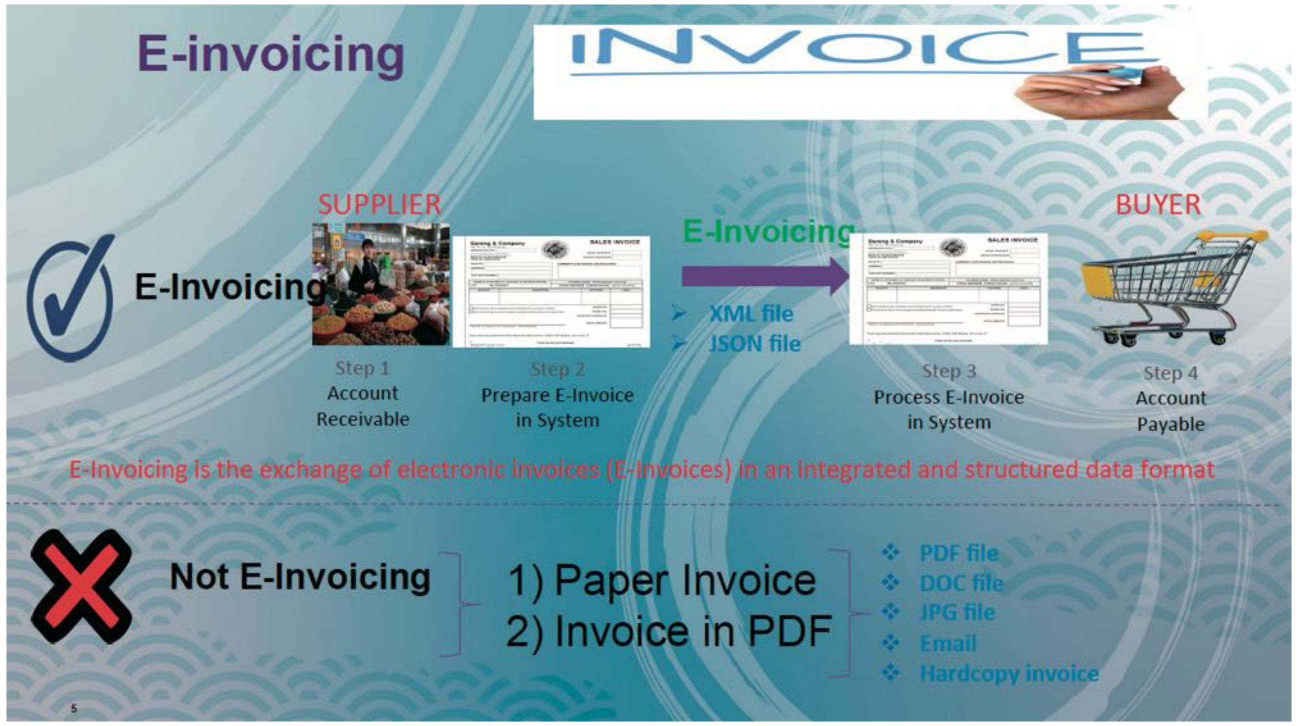
Chee Yen's expertise is in high demand and he is a prolific trainer/facilitator for tax workshops and seminars organised by ACCA, CCH, CPA Australia, CTIM, MIA, MAICSA, MICPA and the STAR newspaper. In addition, he conducts in-house training for both professional firms and corporations as well as guest speaker for national and international conferences.

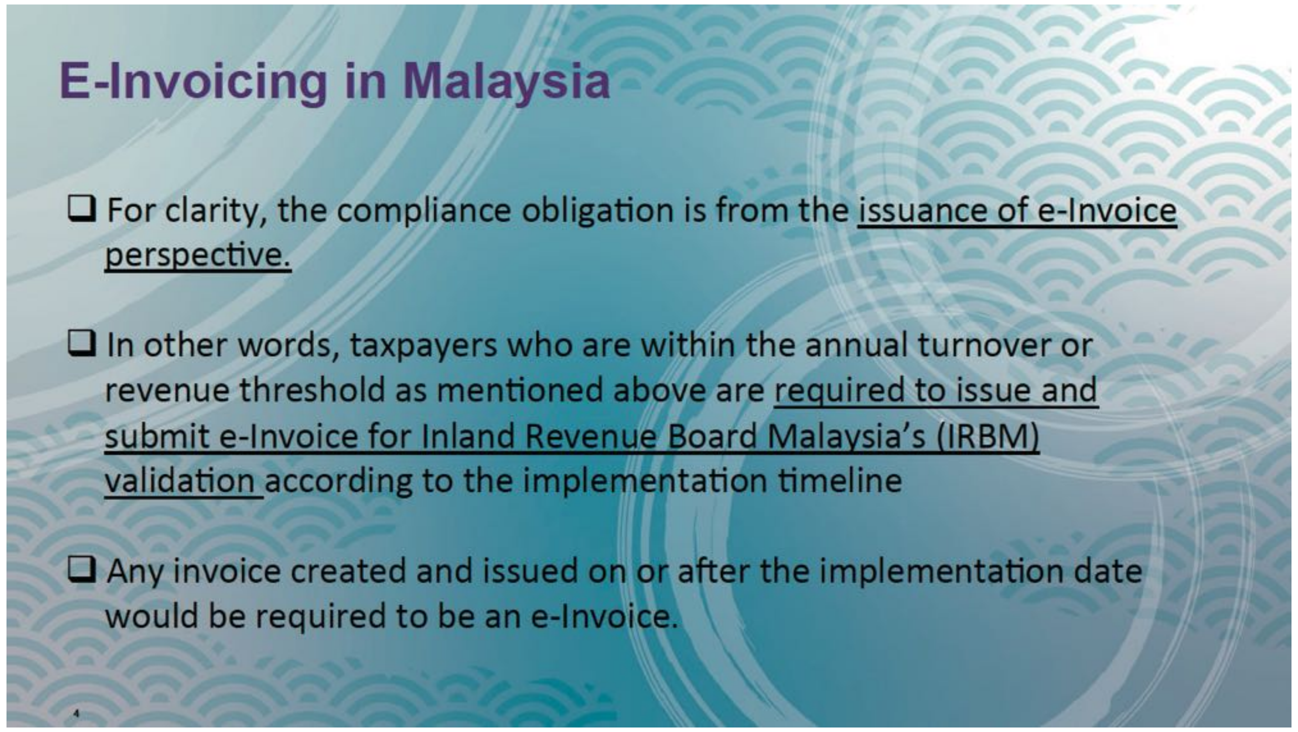
He is the President of the Chartered Tax Institute of Malaysia (CTIM), a Fellow Member of The Association of Chartered Certified Accountants (FCCA) and a Chartered Accountant of the Malaysian Institute of Accountants (CA).

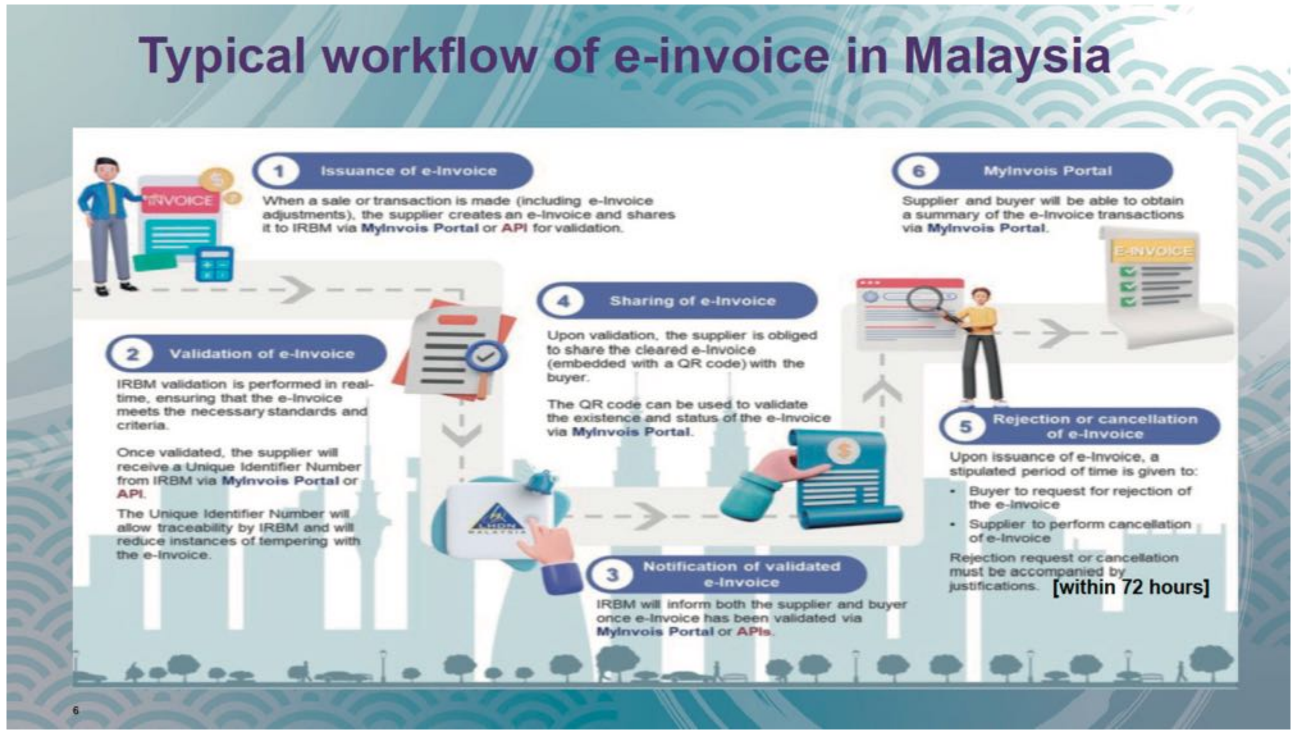
Professional Qualifications

- CA (M)
- FCCA
- FCTIM


E-Invoicing – Implementation Roadmap in M'sia
2023
Infrastructure & system development and pilot project on selected companies
2024
Mandatory for taxpayers with annual turnover or revenue more than RM100 mill (1 Aug 2024)
2025
Mandatory for taxpayers with annual turnover or revenue of more than RM25 mill to RM100 mill (1 Jan 2025)
2027
Mandatory for ALL other taxpayers (1 Jan 2027)
All taxpayers can opt to implement e-Invoice at an earlier date, regardless of their annual turnover or revenue
3


E-invoicing
INVOICE
SUPPLIER
E-Invoicing
BUYER
E-Invoicing
XML file
JSON file
Step 1
Account Receivable
Step 2
Prepare E-Invoice in System
Step 3
Process E-Invoice in System
Step 4
Account Payable
E-Invoicing is the exchange of electronic invoices (E-Invoices) in an integrated and structured data format
Not E-Invoicing
1) Paper Invoice
2) Invoice in PDF
PDF file
DOC file
JPG file
Email
Hardcopy invoice
5


E-Invoicing in Malaysia
For clarity, the compliance obligation is from the issuance of e-Invoice perspective.
In other words, taxpayers who are within the annual turnover or revenue threshold as mentioned above are required to issue and submit e-Invoice for Inland Revenue Board Malaysia's (IRBM) validation according to the implementation timeline
Any invoice created and issued on or after the implementation date would be required to be an e-Invoice.
4


Typical workflow of e-invoice in Malaysia
1 Issuance of e-Invoice
When a sale or transaction is made (including e-Invoice adjustments), the supplier creates an e-Invoice and shares it to IRBM via MyInvois Portal or API for validation.
2 Validation of e-Invoice
IRBM validation is performed in real-time, ensuring that the e-Invoice meets the necessary standards and criteria.
Once validated, the supplier will receive a Unique Identifier Number from IRBM via MyInvois Portal or API.
The Unique Identifier Number will allow traceability by IRBM and will reduce instances of tempering with the e-Invoice.
3 Notification of validated e-Invoice
IRBM will inform both the supplier and buyer once e-Invoice has been validated via MyInvois Portal or APIs.
4 Sharing of e-Invoice
Upon validation, the supplier is obliged to share the cleared e-Invoice (embedded with a QR code) with the buyer.
The QR code can be used to validate the existence and status of the e-Invoice via MyInvois Portal.
5 Rejection or cancellation of e-Invoice
Upon issuance of e-Invoice, a stipulated period of time is given to:
Buyer to request for rejection of the e-Invoice
Supplier to perform cancellation of e-Invoice
Rejection request or cancellation must be accompanied by justifications. [within 72 hours]
6 MyInvois Portal
Supplier and buyer will be able to obtain a summary of the e-Invoice transactions via MyInvois Portal.
6

Proof of income and expenses

Proof of Income:

- ✓ E-Invoice: This document is issued whenever a sale or other transaction is made to recognise income of taxpayers

Proof of Expense:

- ✓ This type of document covers purchases made or other spending by taxpayers.
- ✓ It also includes returns and discounts.
- ✓ In addition, there are certain circumstances where taxpayers would have to issue self e-Invoice to document an expense such as foreign transactions.

Example:
If the taxpayer acquired services from foreign supplier and received an invoice from the foreign supplier who does not use Malaysia's MyInvois System, the taxpayer would be required to issue a self billed e-Invoice to document the expense.

Benefits of E-Invoicing

1. Enhanced efficiency and significant time and cost savings for larger businesses — Increase Business Efficiency
2. Enhanced security with encryption, reducing the risk of fraudulent bills and protect sensitive information — Enhance Security
3. Streamlined e-invoice information can also help improve cross border data exchange on business transactions — Ease Cross Border Transactions
4. Automation of data entry and creation and submission of transaction document & data electronically — Unified invoicing process
5. Seamless system integration for efficient and accurate tax reporting — Facilitate Tax Return Filing
6. Aligns financial reporting and processes to be digitalized with industry standards for MSMEs — Digitalised Financial Reporting

TAX CORPORATE GOVERNANCE FRAMEWORK

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Tax Corporate Governance Framework (TCGF)

TCGF → Aims to help organisations understand the focus areas of HASiL in respect of tax corporate governance to enable businesses to : -

i) Develop or improve an organisation's tax governance and internal control framework

ii) Promote tax compliance and reduce tax risks

iii) Test the robustness of an organisation's framework

iv) Understand how to demonstrate the operational effectiveness of an organisation's key internal controls to its stakeholders, including the IRBM

v) To ensure that the financial, regulatory and reputational risks associated with taxation are fully identified and evaluated

- Provide Greater Certainty
- Earlier Resolution of Tax Issues
- Better Transparency

Tax Corporate Governance Framework (TCGF)

Tax Corporate Governance Programme

An arrangement between IRBM and taxpayer to work together to improve organisation's corporate tax compliance matter in open and honest manner

- Large Companies/PLC (turnover ≥ RM100mill
- Companies which have won the best IRBM Taxpayer Award
- GLC/State-Owned Enterprise

Compliant taxpayers (return form submission and tax payment)

Implementation cost - Not tax deductible

No participation fee

Tax Corporate Governance Framework (TCGF)

Tax Corporate Governance Programme

BENEFITS

A. To the Organisation :

i) Better tax risk management
ii) Promotion of operational efficiency for businesses
iii) Creation a platform for managing tax risks
iv) Encouragement of proactive risk identification procedures to be performed
v) Enhancement of business confidence in managing tax
vi) Protection of the reputation of the organisation's management team and stakeholders
vii) Ensuring accurate tax reporting and reinforcing the integrity of business records
viii) Potential reduction of compliance costs
ix) Greater certainty in relation to tax exposure

Tax Corporate Governance Framework (TCGF)

Tax Corporate Governance Programme

BENEFITS

B. To IRBM :

i) Better understanding of the organisation's business and its tax governance procedures and tax risk management procedures
ii) Enhance its relationship with the taxpayer
iii) Drive co-operative compliance which is business-friendly and in line with International standard and Government initiative
iv) Increase efficiency and effective use of resources
v) Provide the ability to focus on audits and enforcement for high-risk cases
vi) Receive correct tax returns and payments on time

Tax Corporate Governance Framework (TCGF)

Tax Corporate Governance Programme

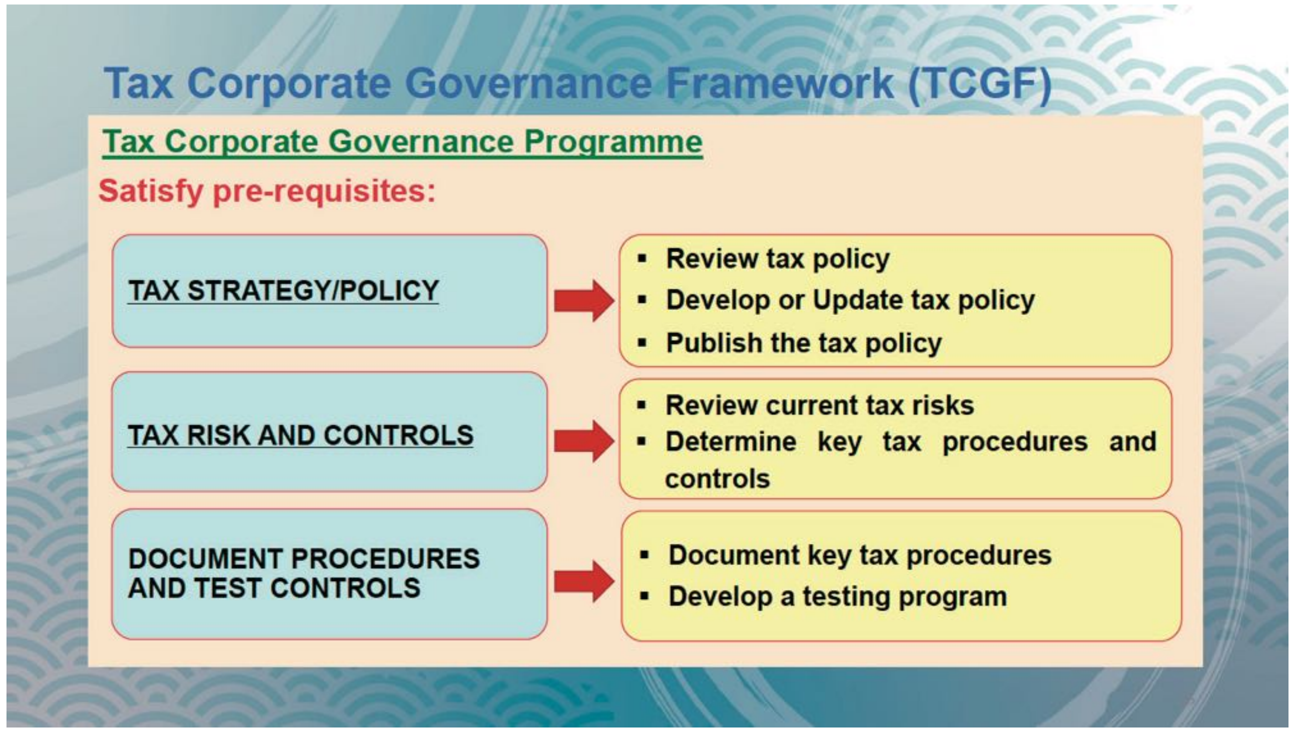
ADVANTAGES → Offered by IRBM to organisations participating in the TCG Programme

Reduced scrutinization of compliance activities
- No / lesser tax audits will be conducted
- Higher materiality or reduced sample size

Appointment of a dedicated tax officer
- A single point of contact between taxpayer & IRBM
- Expedite any on-going dialogue on technical matters

Expedite tax refunds
- Accelerate tax refund process for compliant participants

Priority consideration
- Eligible to be granted priority consideration for compliant participants with no penalty imposed.


Tax Corporate Governance Framework (TCGF)
Tax Corporate Governance Programme
Satisfy pre-requisites:
TAX STRATEGY/POLICY
▪ Review tax policy
▪ Develop or Update tax policy
▪ Publish the tax policy
TAX RISK AND CONTROLS
▪ Review current tax risks
▪ Determine key tax procedures and controls
DOCUMENT PROCEDURES AND TEST CONTROLS
▪ Document key tax procedures
▪ Develop a testing program


Thank you
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2023


Tax Corporate Governance Framework (TCGF)
Tax Corporate Governance Programme
Phase 1:
Pilot project (June 2022 to June 2024)
- IRBM has sent invitation to selected organisation to join programme
Phase 2:
Open to everyone

11.2 [Thu]

13:30 - 14:55

Session 3: Taxation connected with environmental issues

13:30 - 13:40 Introductory remarks

Moderator

Mr. Desmond Wong

Tax Partner
Hong Kong

Tel: +852 2289 3806
Fax: +852 2289 5393
Email: desmond.kt.wong@hk.pwc.com

Background

- Desmond joined PwC in 2007 and is a Partner of PwC Hong Kong's corporate tax practice. He is a core tax member in the technology, media and telecommunications (TMT) sector. He also advised a number of large multinational clients in consumer market and industrial product sectors.
- In 2012, Desmond was sent to PwC US on a three-year secondment programme, during which he worked in the Los Angeles and Atlanta offices respectively. He was involved in US tax accounting work as well as international tax projects.

Relevant experience

- Desmond has extensive experience in providing Hong Kong and international tax services to multinational and local clients. He has been actively involved in tax investigations, corporate restructuring, cross-border tax advisory projects, tax due diligence, tax and debt structuring, tax ruling applications, stamp duty, and IPO projects.
- Desmond has acted as the regional tax coordinator for a number of PwC priority clients with global footprints. He has also assisted a number of local clients and startups on pre-IPO tax advice and tax locations study matters. In recent years, Desmond has taken part in transformational tax projects, advising government and business sectors on Hong Kong electronic tax filing matters, advising clients on supply chain transformation issues, and help building a digital tax platform for PwC's client use.
- Desmond is a frequent public speaker on tax-related topics in different seminars organised by PwC, business associations, or government bodies.

Relevant accounting/tax qualifications

- Chairman of Professional Standards Committee & Council Member of The Taxation Institute of Hong Kong
- Member of the Hong Kong Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants

13:40 - 14:00 Presentation 1

Speaker

Mr. Takaaki Hirai
(Japan)
Email: t-hirai@tkcnf.or.jp

QUALIFICATIONS

•1985 July Certified Public Tax Accountant

Professional EXPERIENCE

HIRAI TAKAAKI CPTA's Office	1986-present

EXPERIENCE (CPTA Association)

Executive Director	2017-2023
Chairman, Research & Study Dept., JFCPTAA	2017-2023
Member, Tax Council, JFCPTAA	2017-present

EDUCATION

Master of Commerce (1983)
(Komazawa University Graduate School, Japan)
Bachelor of Business and Commerce (1981)
(Waseda University, Japan)

Contents

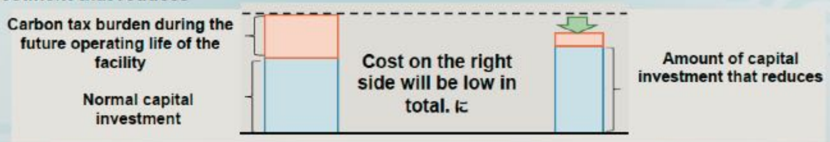
1. What is carbon pricing, and why is it necessary?

What is carbon pricing

■ A system in which a price is put on the CO2 emitted from the use of fossil fuels, etc., and the emitter is required to bear the burden.

Significant of carbon pricing

■ Economic incentives to encourage action toward de-carbonization (Pricing Signals Effect：Effect of future carbon price burden to encourage capital investment that reduces



■ Secure financial resources for public support for decarbonization investments（Budget Effect）

- Use carbon pricing to encourage new investment and innovation.
- As climate change countermeasures accelerate, the decarbonization market is expanding both domestically and internationally. This will lead to the capture of new market with great potential for growth, including Asian countries.

This will strengthen Japan's industrial competitiveness and achieve economic growth.

※ The 21st sub-committee on using carbon pricing dated Nov 7, 2022

2

1. What is carbon pricing, and why is it necessary?

FY2023 Tax Reform of the Ruling Parties (published on Dec. 16, 2022)

Global issues such as climate change are emerging: according to the IPCC, the increase in extreme weather events and risks to human health and ecosystems are predicted to increase at an average temperature increase of 1.5°C since industrialization, and further increase at 2°C. In light of the Sustainable Development Goals (SDGs), it is important to accelerate efforts toward de-carbonization based on the Paris Agreement in order to build a sustainable society. Japan aims to achieve "net-zero GHG emissions by 2050" and to reduce GHG emissions by 46% in FY2030 compared to FY 2013 levels, and will continue to try to clear a higher goal of 50% reduction.

Since carbon neutrality involves economic and social transformation, we will make maximum use of domestic and foreign funds to support an appropriate transition of society as a whole, while encouraging new investment and technological innovation, which will lead to industrial competitiveness and the growth potential of the Japanese economy. In order to realize Japan's newly set ambitious reduction targets, it is essential to promote technological innovation and its social implementation, as well as to build a society in which all actors, including companies and individuals, prefer to decarbonize. It is also important to take into account the perspective that the benefits of a green society should be shared by all citizens, and that the necessary burdens should be shared by all citizens.

1

2. What methods are available for carbon pricing?

Methods of carbon pricing

（Types of carbon pricing）

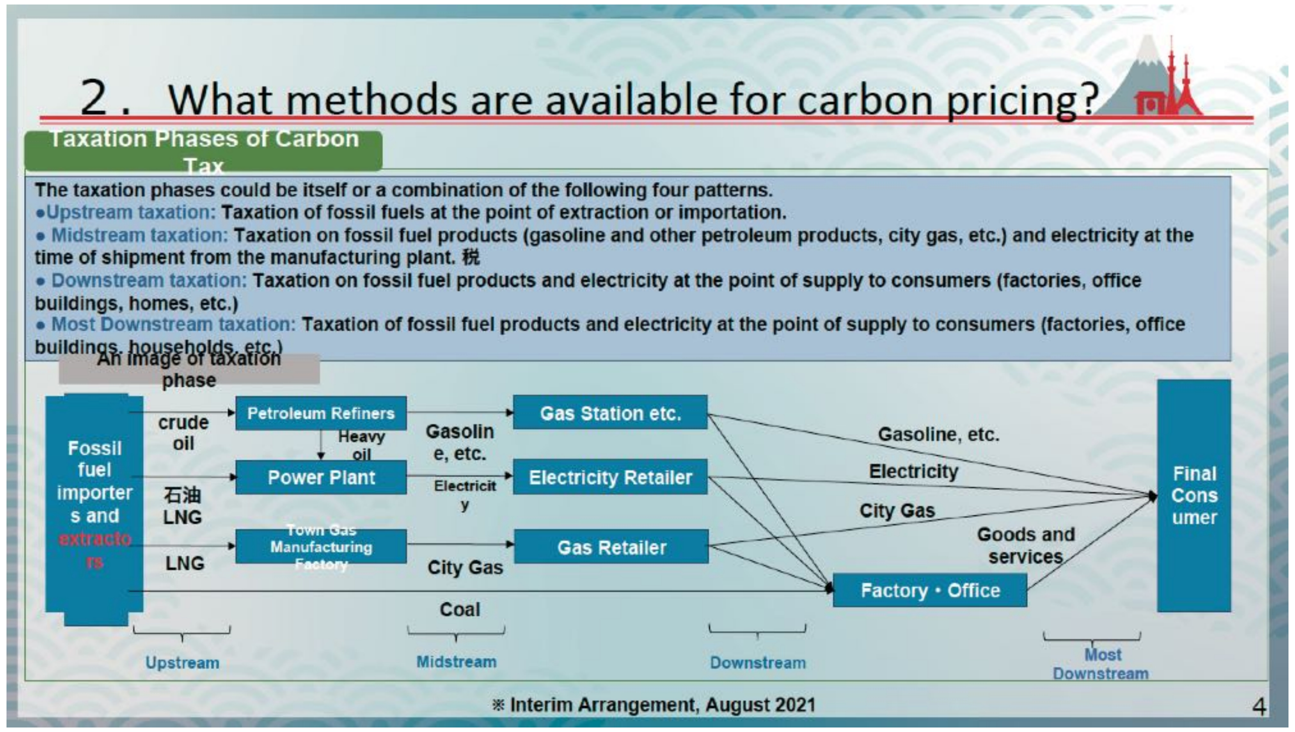
➢ Carbon Tax
A taxation proportional to the amount of CO2 emissions by using fossil fuels, etc.

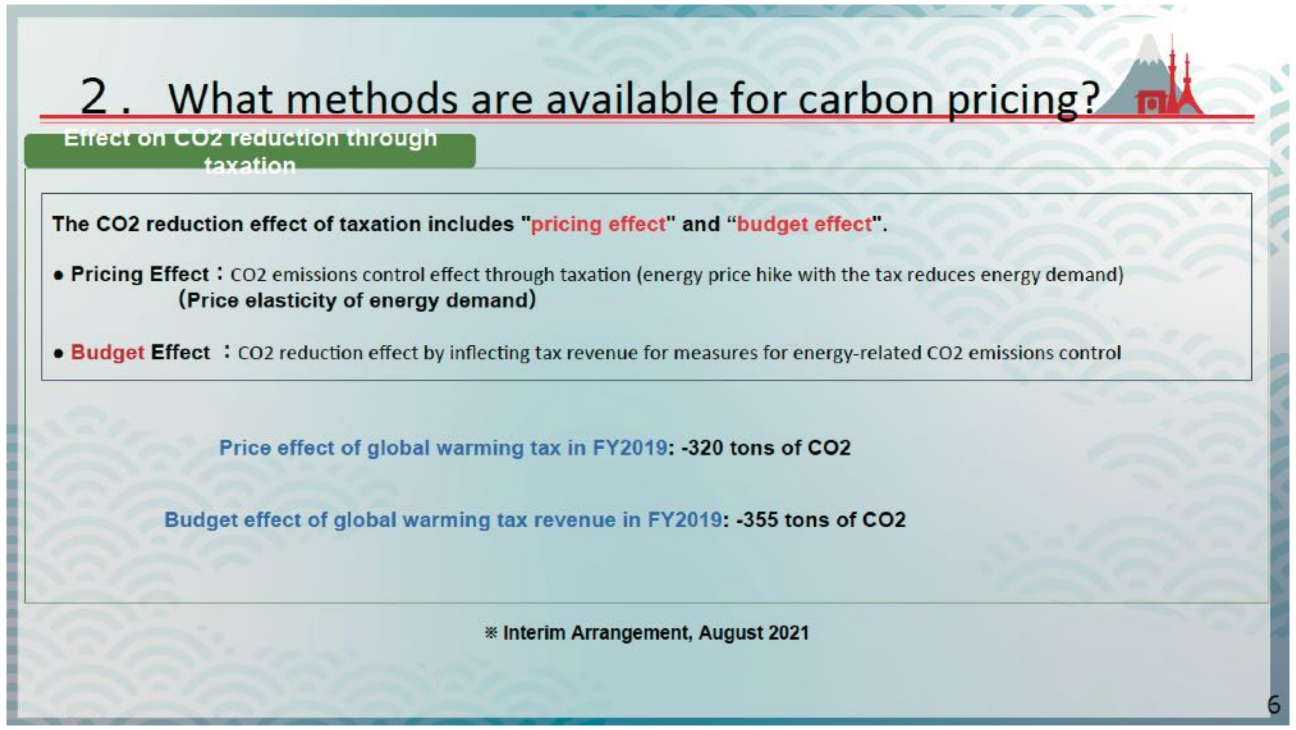
➢ Emission Trading （Cap and Trade）
The government sets the total amount of CO2 emissions of eligible businesses, and businesses purchase the necessary emission credits based on their own emissions.

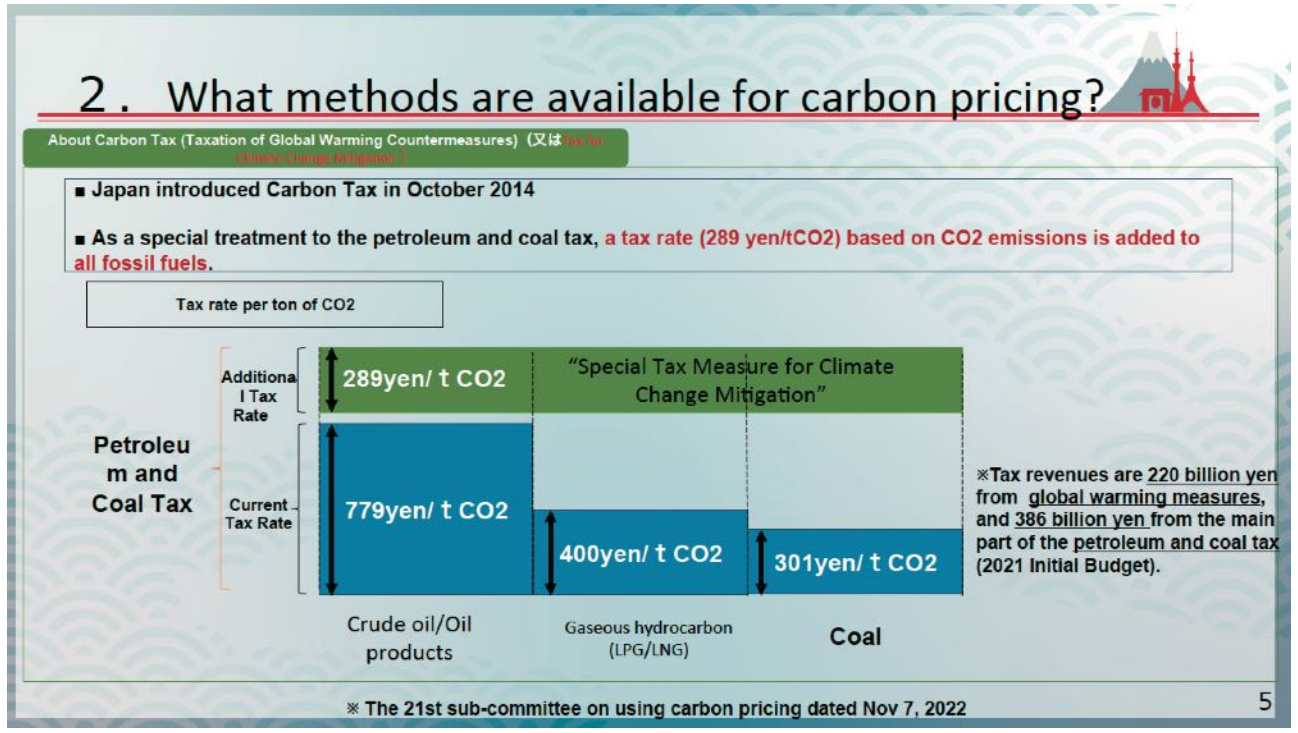
➢ Credit Transaction
The amount of CO2 emissions that businesses reduce will be certified and voluntarily traded.

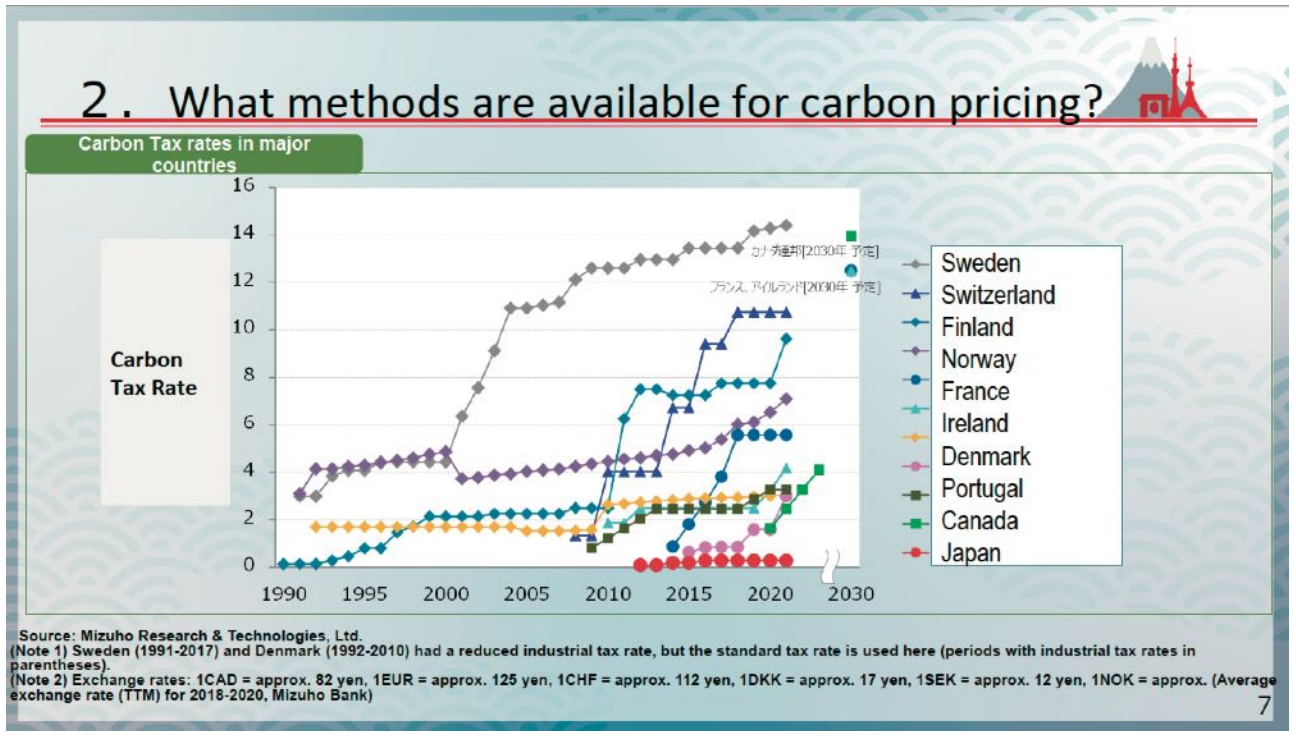
※The 21st sub-committee on using carbon pricing dated Nov 7, 2022

3


2． What methods are available for carbon pricing?
Taxation Phases of Carbon Tax
The taxation phases could be itself or a combination of the following four patterns.
•Upstream taxation: Taxation of fossil fuels at the point of extraction or importation.
• Midstream taxation: Taxation on fossil fuel products (gasoline and other petroleum products, city gas, etc.) and electricity at the time of shipment from the manufacturing plant. 税
• Downstream taxation: Taxation on fossil fuel products and electricity at the point of supply to consumers (factories, office buildings, homes, etc.)
• Most Downstream taxation: Taxation of fossil fuel products and electricity at the point of supply to consumers (factories, office buildings, households, etc.)
An image of taxation phase
Fossil fuel importers and extractors
crude oil
石油
LNG
LNG
Petroleum Refiners
Heavy oil
Power Plant
Town Gas Manufacturing Factory
Gasoline, etc.
Electricity
City Gas
Coal
Gas Station etc.
Electricity Retailer
Gas Retailer
Factory・Office
Gasoline, etc.
Electricity
City Gas
Goods and services
Final Consumer
Upstream
Midstream
Downstream
Most Downstream
※ Interim Arrangement, August 2021
4


2． What methods are available for carbon pricing?
Effect on CO2 reduction through taxation
The CO2 reduction effect of taxation includes "pricing effect" and "budget effect".
• Pricing Effect：CO2 emissions control effect through taxation (energy price hike with the tax reduces energy demand)
(Price elasticity of energy demand)
• Budget Effect ：CO2 reduction effect by inflecting tax revenue for measures for energy-related CO2 emissions control
Price effect of global warming tax in FY2019: -320 tons of CO2
Budget effect of global warming tax revenue in FY2019: -355 tons of CO2
※ Interim Arrangement, August 2021
6

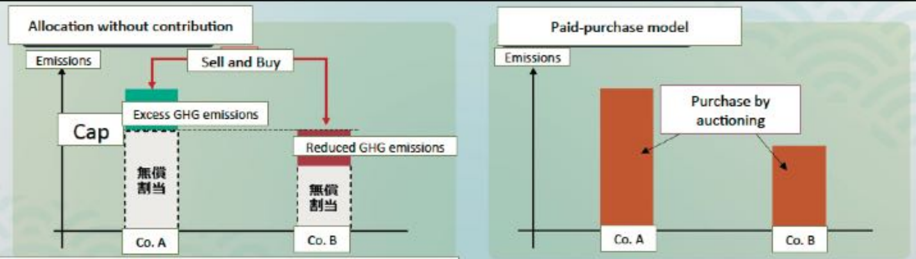

2． What methods are available for carbon pricing?
About Carbon Tax (Taxation of Global Warming Countermeasures) (又は
■ Japan introduced Carbon Tax in October 2014
■ As a special treatment to the petroleum and coal tax, a tax rate (289 yen/tCO2) based on CO2 emissions is added to all fossil fuels.
Tax rate per ton of CO2
Petroleum and Coal Tax
Additional Tax Rate
Current Tax Rate
289yen/ t CO2
"Special Tax Measure for Climate Change Mitigation"
779yen/ t CO2
400yen/ t CO2
301yen/ t CO2
Crude oil/Oil products
Gaseous hydrocarbon (LPG/LNG)
Coal
※Tax revenues are 220 billion yen from global warming measures, and 386 billion yen from the main part of the petroleum and coal tax (2021 Initial Budget).
※ The 21st sub-committee on using carbon pricing dated Nov 7, 2022
5


2． What methods are available for carbon pricing?
Carbon Tax rates in major countries
Carbon Tax Rate
16
14
12
10
8
6
4
2
0
1990
1995
2000
2005
2010
2015
2020
2030
Sweden
Switzerland
Finland
Norway
France
Ireland
Denmark
Portugal
Canada
Japan
Source: Mizuho Research & Technologies, Ltd.
(Note 1) Sweden (1991-2017) and Denmark (1992-2010) had a reduced industrial tax rate, but the standard tax rate is used here (periods with industrial tax rates in parentheses).
(Note 2) Exchange rates: 1CAD = approx. 82 yen, 1EUR = approx. 125 yen, 1CHF = approx. 112 yen, 1DKK = approx. 17 yen, 1SEK = approx. 12 yen, 1NOK = approx. (Average exchange rate (TTM) for 2018-2020, Mizuho Bank)
7

2. What methods are available for carbon pricing?

Emission Trading (Cap and Trade) (image)

■ Emissions trading schemes, under which governments set and manage CO2 emissions, can be broadly classified into the following two types



- Government sets total emissions for each company (target facilities).
- Government allocates emissions credits for the total amount of emissions to companies free of charge.
- Companies whose emissions exceed the free quota will purchase the amount they need from companies with surpluses.

- Government The government sets the total emissions for the entire region.
- Government sells emissions credits for a fee (such as at auction) within the total amount of emissions.
- Companies buy emissions credits based on their emissions.

■ Both allocation without contribution and paid-purchase models, the government sets and controls the total emissions in the region. The government receives zero revenue under allocation without contribution, but revenue for the auction under paid auction.
■ The EU Emissions Trading System started with free allocation in 2005 and shifted to paid purchase in 2013; the EU auction price is about JPN10,000/ tCO2.

※ The 21st sub-committee on using carbon pricing dated Nov 7, 2022

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3. Future perspectives/initiatives of carbon pricing in Japan

Overall picture of the Pro-growth Carbon Pricing Concept in the "Basic Policy for the Realization of GX

3. Realizing and implementing the "Pro-Growth Carbon Pricing Concept

(1) Basic concept

Investment in different fields is needed to fulfill Japan's global commitments while enhancing its industrial competitiveness and growing its economy at the same time. According to one estimate, this will require more than 150 trillion yen for 10 years. To bring in this **enormous** GX investment through public-private partnerships, a Pro-Growth Carbon Pricing Concept will be swiftly realized and implemented. The following three methods will be applied:

- Bold initial investment leveraging instruments such as GX Economy Transition Bonds

(including Government support integrated with regulation for GX investment),

- Incentives for upfront GX investment through carbon pricing, and
- Leverage new financial instruments.

In order to realize GX investment and other enormous decarbonization investment, better predictability for private businesses is needed. To that end, the government must show its long-term commitment spanning multiple years, and also publish outlooks for regulatory and structural measures. Accordingly, the government will introduce a comprehensive strategy aimed at strengthening industrial competitiveness and economic growth at the same time. In key areas where GX investment can be expected, the government will announce its targets for bringing in new products in each area and defining new regulations and frameworks, to be presented as a combined roadmap. These undertakings will have their progress assessed, analyzed, and reviewed as required, inviting industrial and expert insights as well. Additionally, in order to drive the realization and implementation of Pro-Growth Carbon Pricing Concept and other GX initiatives, actions needed to foster understanding between citizens and industries will be taken.

Furthermore, to accelerate the establishment of Pro-Growth Carbon Pricing Concept and its implementation, bills addressing legal requirements will be submitted to the 211th session of the Diet. For some of the relevant schemes that will be introduced in the future, detailed rules required for their implementation will be established within two years, after requisite discussions and considerations.

Source: The Basic Policy for the Realization of GX (the Cabinet decision on 10 February 2023)

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3. Future perspectives/initiatives of carbon pricing in Japan

Pro-growth Carbon Pricing Concept

① Bold initial investment leveraging instruments such as **"GX Economic Transition Bonds"** (including Government support integrated with regulation for GX investment)

② **Incentives for upfront GX investment through Carbon Pricing**

③**Leverage new financial instruments** (financial methods combining public and private funds such as blended finance)

- **GX-Surcharge on Fossil Fuel supply (from 2028)**

Carbon pricing in which the government sets the carbon price but does not limit total emissions. Fossil fuel importers, etc. are eligible.

- **Emission Trading**

Phase 1 (from FY2023) : Trial
Voluntary efforts, including goal setting
Phase 2 (from FY2026) : Full-scale launch
Consideration of private third-party certification of reduction targets based on government guidelines, strengthening of discipline (guidance and supervision, compliance obligations, etc.) to achieve targets, etc.
Phase 3 (from FY2033) : Further development
Gradual introduction of auctioning for power generation utility

※the government continue to consider concretely designing an emission trading system and GX-surcharge, including specific measures for the full-scale launch of the emissions trading system. Then, necessary legislative measures will be taken within two years after the GX Promotion Act comes into effect.

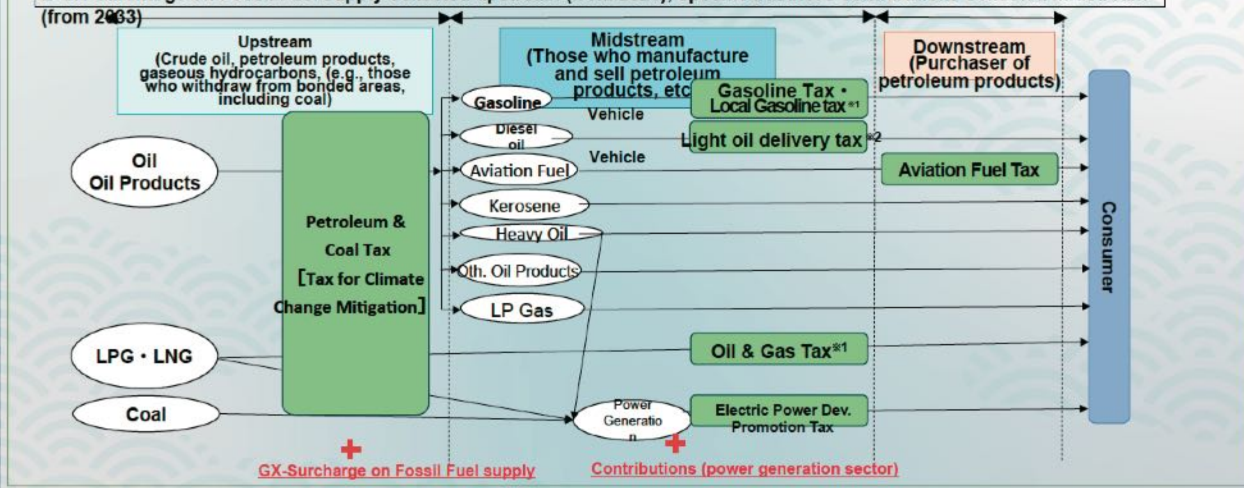
※ The 22nd sub-committee on using carbon pricing dated Jan 24, 2023

10

3. Future perspectives/initiatives of carbon pricing in Japan

Overview of energy –related Taxes

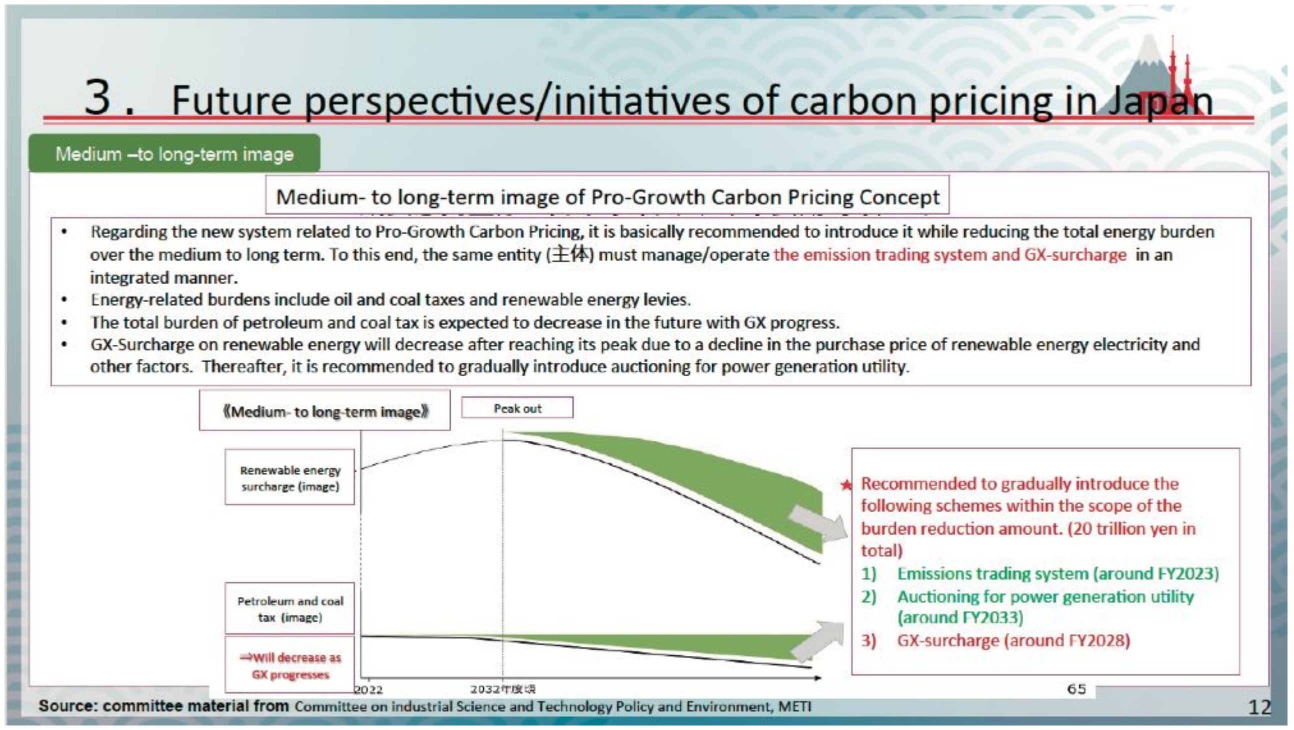
■ GX-Surcharge on Fossil Fuel supply collected upstream (from 2028); specific business contributions collected midstream (from 2033)

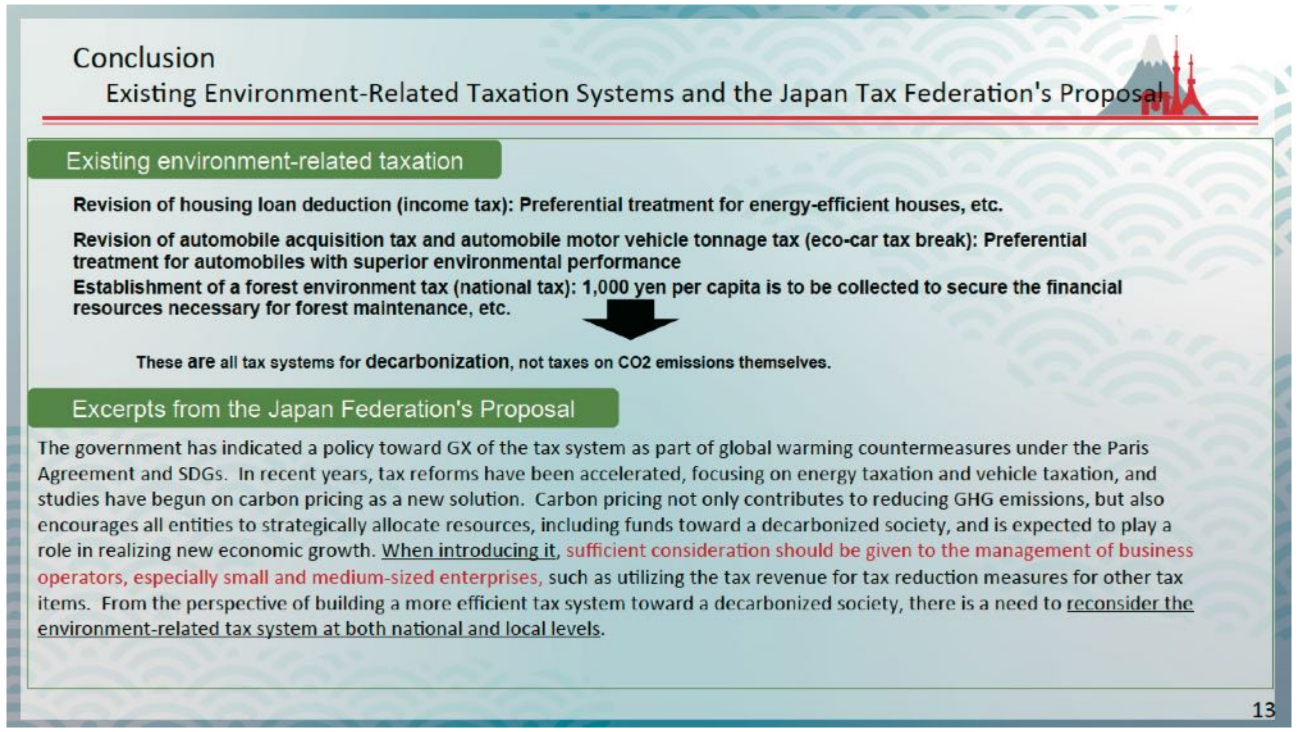


※1 In the case of gasoline or petroleum gas imported as a product from abroad, the person who takes such products from bonded areas is obliged to pay gasoline tax, local gasoline tax or petroleum gas tax.

※2 Although legally obligated to pay the light oil purchase tax to the person who picks up the light oil, it is organized as a middle class because the person who manufactures and sells

11


3． Future perspectives/initiatives of carbon pricing in Japan
Medium –to long-term image
Medium- to long-term image of Pro-Growth Carbon Pricing Concept
• Regarding the new system related to Pro-Growth Carbon Pricing, it is basically recommended to introduce it while reducing the total energy burden over the medium to long term. To this end, the same entity (主体) must manage/operate the emission trading system and GX-surcharge in an integrated manner.
• Energy-related burdens include oil and coal taxes and renewable energy levies.
• The total burden of petroleum and coal tax is expected to decrease in the future with GX progress.
• GX-Surcharge on renewable energy will decrease after reaching its peak due to a decline in the purchase price of renewable energy electricity and other factors. Thereafter, it is recommended to gradually introduce auctioning for power generation utility.
《Medium- to long-term image》
Peak out
Renewable energy surcharge (image)
Petroleum and coal tax (image)
⇒Will decrease as GX progresses
2022
2032年度頃
★ Recommended to gradually introduce the following schemes within the scope of the burden reduction amount. (20 trillion yen in total)
1) Emissions trading system (around FY2023)
2) Auctioning for power generation utility (around FY2033)
3) GX-surcharge (around FY2028)
65
Source: committee material from Committee on industrial Science and Technology Policy and Environment, METI
12


Conclusion
Existing Environment-Related Taxation Systems and the Japan Tax Federation's Proposal
Existing environment-related taxation
Revision of housing loan deduction (income tax): Preferential treatment for energy-efficient houses, etc.
Revision of automobile acquisition tax and automobile motor vehicle tonnage tax (eco-car tax break): Preferential treatment for automobiles with superior environmental performance
Establishment of a forest environment tax (national tax): 1,000 yen per capita is to be collected to secure the financial resources necessary for forest maintenance, etc.
These are all tax systems for decarbonization, not taxes on CO2 emissions themselves.
Excerpts from the Japan Federation's Proposal
The government has indicated a policy toward GX of the tax system as part of global warming countermeasures under the Paris Agreement and SDGs. In recent years, tax reforms have been accelerated, focusing on energy taxation and vehicle taxation, and studies have begun on carbon pricing as a new solution. Carbon pricing not only contributes to reducing GHG emissions, but also encourages all entities to strategically allocate resources, including funds toward a decarbonized society, and is expected to play a role in realizing new economic growth. When introducing it, sufficient consideration should be given to the management of business operators, especially small and medium-sized enterprises, such as utilizing the tax revenue for tax reduction measures for other tax items. From the perspective of building a more efficient tax system toward a decarbonized society, there is a need to reconsider the environment-related tax system at both national and local levels.
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14:00 - 14:20 Presentation 2

Speaker

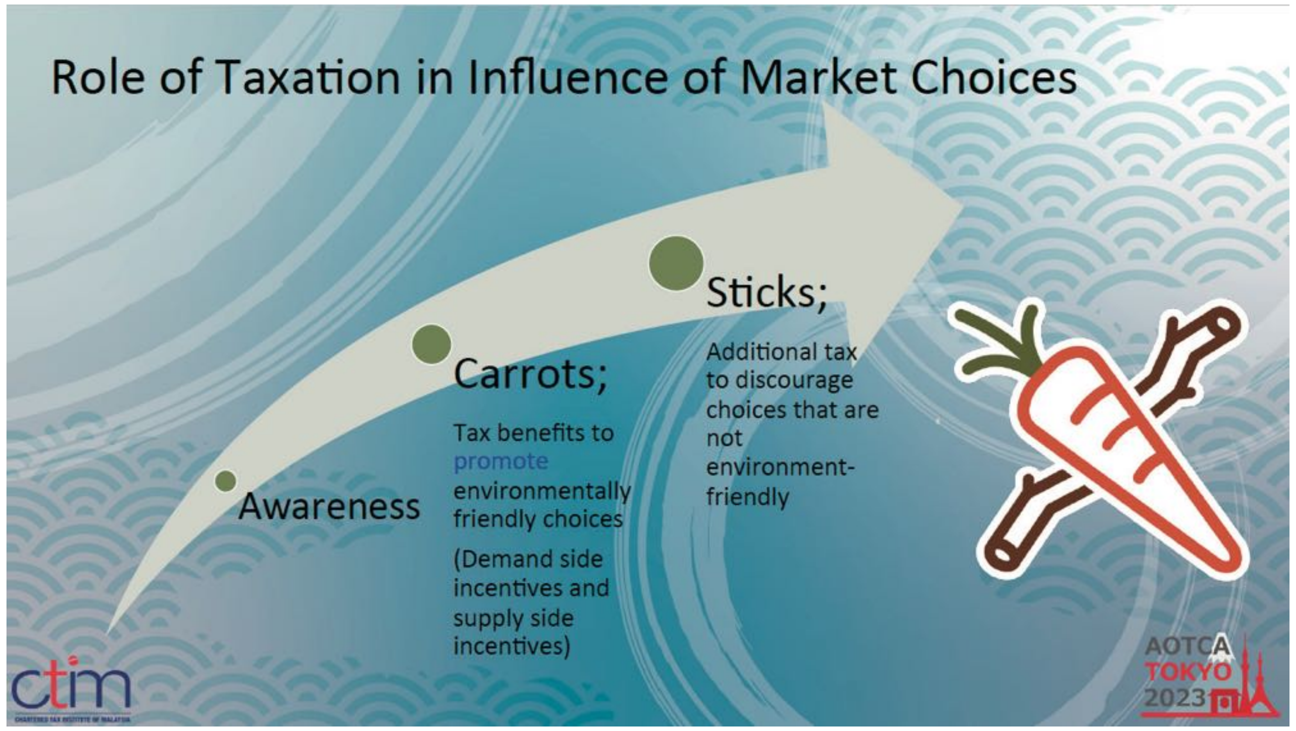
Mr. Thenesh Kannaa

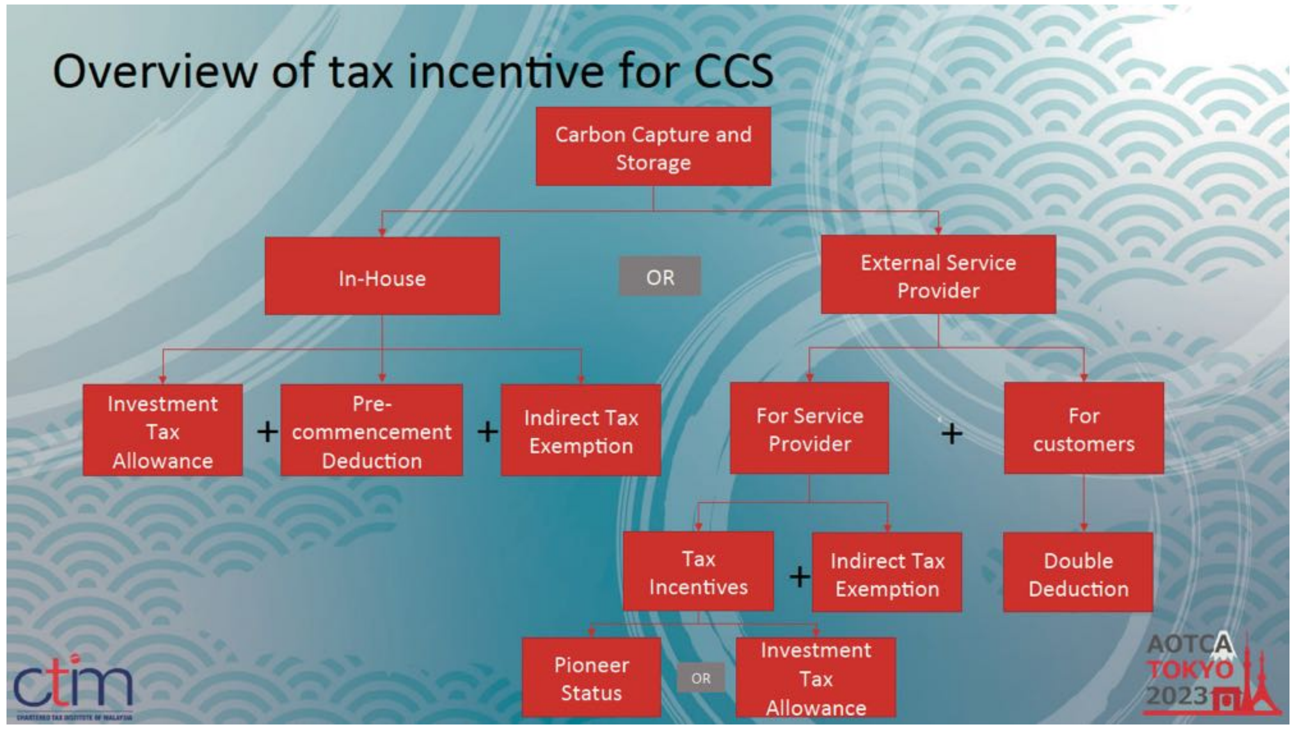
Executive Director,
TRATAX Sdn Bhd/WTS Malaysia
Council Member & Chair of TechnicalCommittee,
Chartered Tax Institute of Malaysia (CTIM)
Email: thenesh@tratax.my

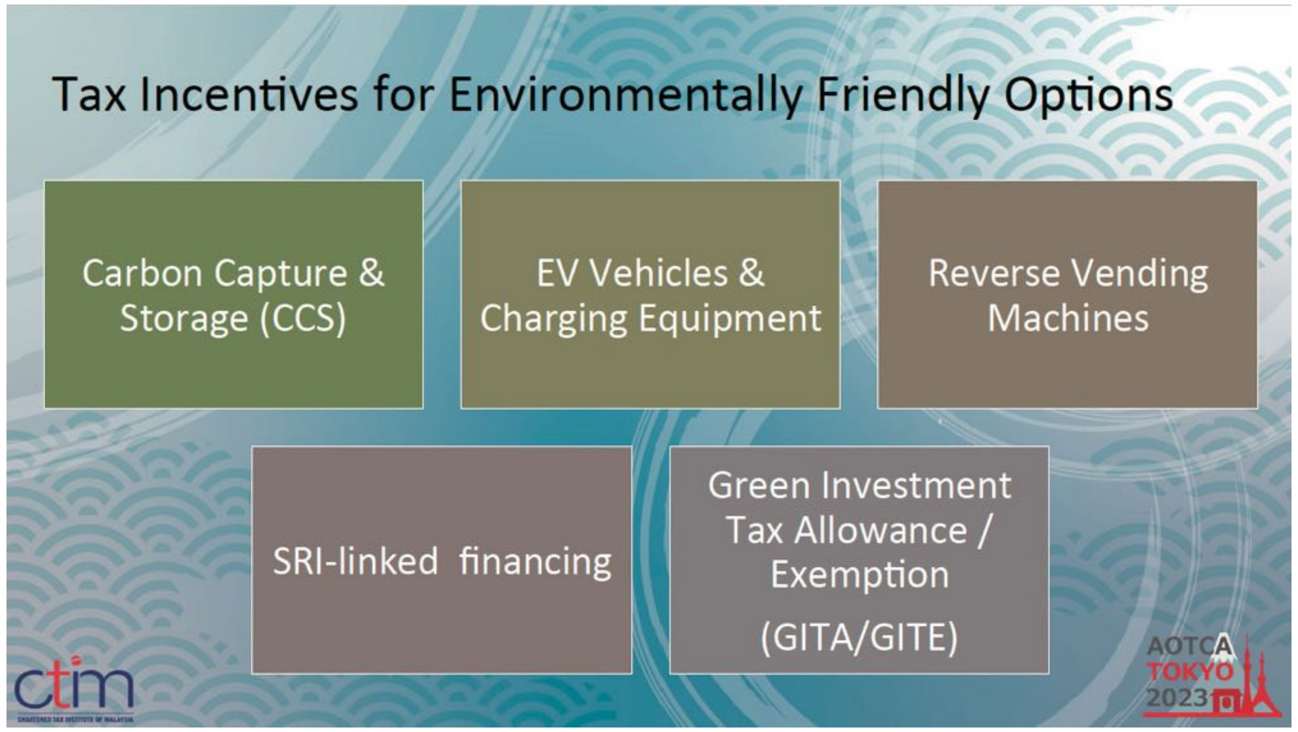
Thenesh Kannaa is Executive Director of TRATAX Sdn Bhd, a tax consulting firm based in Kuala Lumpur and member of firm WTS Globa.. He is in-charge of international tax and indirect tax service lines, with diverse clientele base and wide-ranging nature of tax consulting and tax policy works.

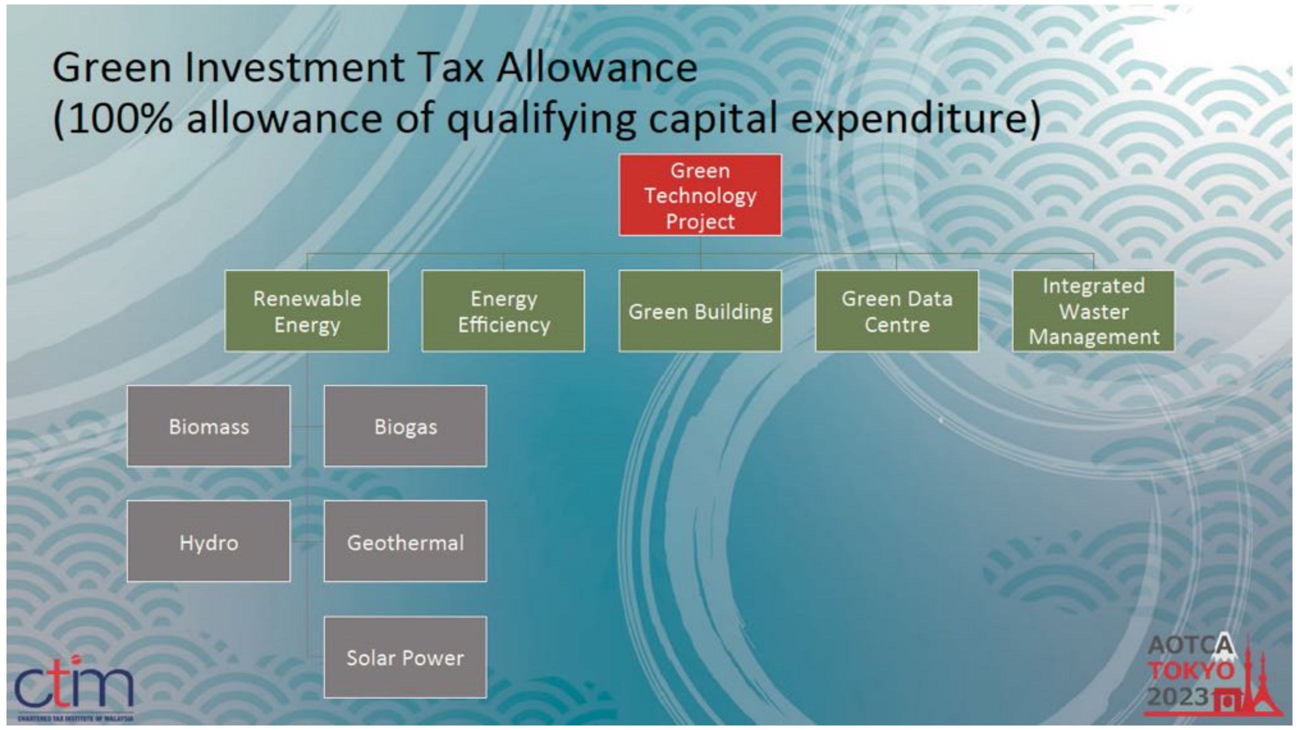
Thenesh is also a Council Member of the Chartered Tax Institute of Malaysia (CTIM), and also serves as the Chairman of CTIM's Technical Committee on Direct Taxes. In this dual capacity, Thenesh plays a vital role in representing the tax fraternity in dialogues with the Inland Revenue Board of Malaysia (IRBM) and the Ministry of Finance (MoF) on various tax policy and technical matters.

Thenesh has authored three (3) books on taxation, two (2) chapter-in-books for IFA and IBFD respectively and various technical articles for newsletters and journals. Thenesh has been interviewed by mainstream television channels, radio channels and newspapers on contemporary tax matters.


Role of Taxation in Influence of Market Choices
Awareness
Carrots;
Tax benefits to promote environmentally friendly choices
(Demand side incentives and supply side incentives)
Sticks;
Additional tax to discourage choices that are not environment-friendly
AOTCA TOKYO 2023


Overview of tax incentive for CCS
Carbon Capture and Storage
In-House
OR
External Service Provider
Investment Tax Allowance
+
Pre-commencement Deduction
+
Indirect Tax Exemption
For Service Provider
+
For customers
Tax Incentives
+
Indirect Tax Exemption
Double Deduction
Pioneer Status
OR
Investment Tax Allowance
AOTCA TOKYO 2023


Tax Incentives for Environmentally Friendly Options
Carbon Capture & Storage (CCS)
EV Vehicles & Charging Equipment
Reverse Vending Machines
SRI-linked financing
Green Investment Tax Allowance / Exemption
(GITA/GITE)
AOTCA TOKYO 2023


Green Investment Tax Allowance
(100% allowance of qualifying capital expenditure)
Green Technology Project
Renewable Energy
Energy Efficiency
Green Building
Green Data Centre
Integrated Waster Management
Biomass
Biogas
Hydro
Geothermal
Solar Power
AOTCA TOKYO 2023

The 'sticks' on less environment-friendly options

Present

- Excise duty on petrol/diesel vehicles
- Subsidy rationalisation on fuel etc.
- Environmental factors considered in evaluation of tax incentive applications

Future *(Potential; no announcements as of now)*

- Certain environmental best practices being imposed on entities approved with tax incentives (as part of the incentive conditions)
- Carbon tax
- Plastic packaging tax

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Broader ESG perspective

Social Perspective

- Personal reliefs for lifestyle expenses
- Double deduction for remuneration of disabled, senior citizens, ex-convicts, parolees etc.
- Women: personal relief for breastfeeding equipment + tax incentive to encourage women to return to workforce

Governance Perspective

- Tax Governance Framework (direct tax initiative but drives overall tax transparency and tax risk management)
- Implementation of e-invoicing, in phases from June 2024 to January 2027. Malaysia adopts the 'clearance model' of e-invoicing.

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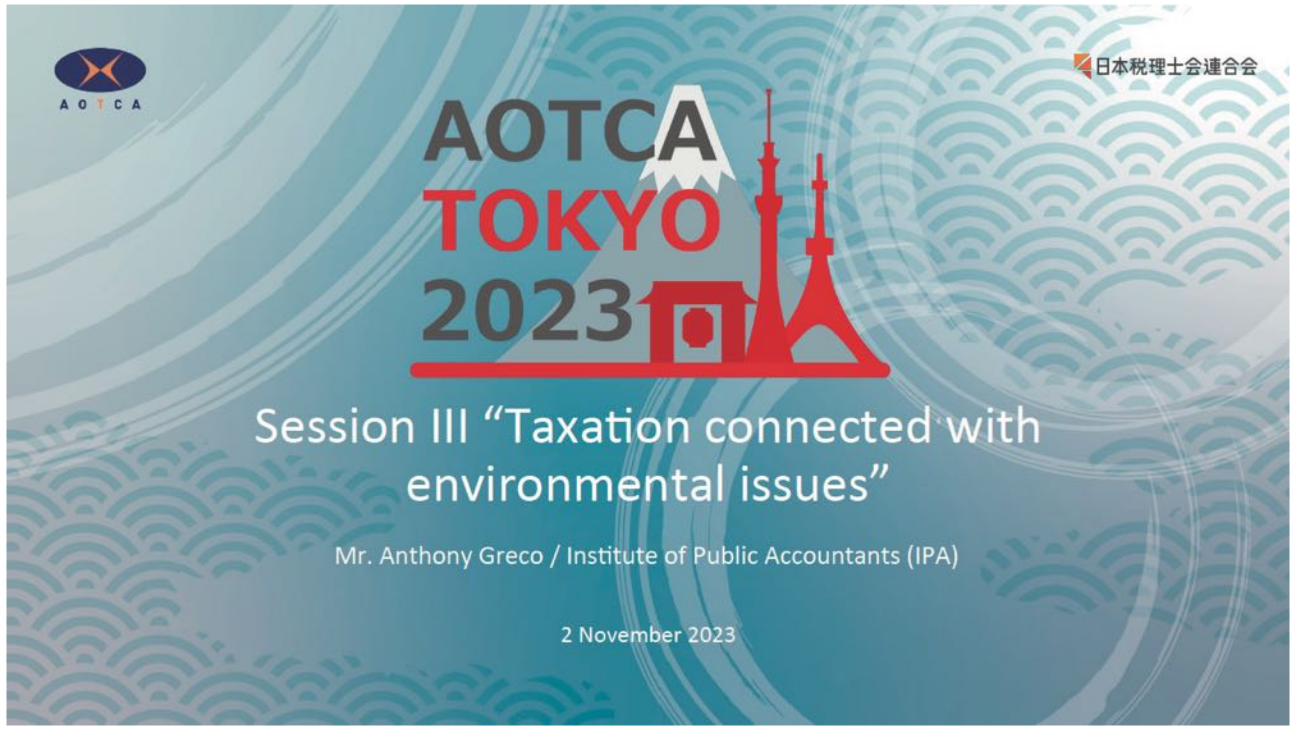
14:20 - 14:40 Presentation 3

Speaker

Mr. Anthony Greco

Bachelor Business, CA, FIPA

Tony held the position of senior tax consultant with Taxpayers Australia for 8 years prior to becoming its former CEO. Tony commenced his professional career in Chartered Accounting before venturing into the commercial world, working for several large multinational companies in diversified range of senior management positions. More recently has worked for Tax training organization as tax trainer and consultant .Tony is well known in the industry as a tax trainer, presenter and commentator on tax matters. Tony Greco joined the Institute of Public Accountants' (IPA) as the senior tax adviser in 2009 and is the Institutes representative on a number of peak body forums with Treasury, ATO and Tax Practitioner Board. Tony has participated in numerous Parliamentary inquiries into tax administration and has assisted the Board of Tax on many tax related working committees including Black Economy Taskforce.



Australia's commitment to transition to Net Zero by 2050

WHAT?

The Australian Government has made a firm commitment to drive Australia's transition to net zero. Australia has enshrined in law Climate Change (Consequential Amendments) Bill 2022,its targets of reducing greenhouse gas emissions by 43% from 2005 levels by 2030 and net zero by 2050.

While there's broad commitment to achieve net-zero emissions by 2050, the exact mix of technologies, tools, and infrastructure solutions that will get our energy sector there is still to be determined.

HOW?

- Transforming Australia's electricity supply to run mainly on renewables
- Supporting the development of new, clean energy industries
- Supporting the de-carbonisation of existing industries and transport network

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Australian Government: The plan to deliver Net Zero the Australian way

The Australian Government's Plan is a whole-of-economy plan to achieve net zero emissions by 2050, based on coordinated actions across four areas.

1. **Driving down technology costs** (For example: Clean hydrogen • Ultra low-cost solar • Energy storage • Low emissions steel and aluminium • Carbon capture and storage • Soil carbon Emerging technologies, such as livestock feed to reduce methane emissions)
2. **Enabling deployment at scale** (For example: incentivising businesses to adopt low emissions technologies Building voluntary carbon markets Helping consumers with information, knowledge sharing and certification Building infrastructure such as Snowy 2.0, EV charging networks and expanded electricity transmission networks
3. **Seizing opportunities in new and traditional markets** (For example: Expanding markets for minerals and metals needed in low emissions economies, such as copper, nickel and lithium Building a clean hydrogen export industry
4. **Fostering global collaboration** (For instance: Partnering internationally to accelerate innovation and drive investment Engaging through multilateral technology initiatives

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5

Australian Government: The plan to deliver Net Zero the Australian way

What is net zero?

- Under the Paris Agreement, signatories (including Australia) are aiming to limit emissions to net zero globally in the second half of the century. Net zero does not mean we eliminate emissions completely. Rather, we should aim to offset residual emissions through, for example, planting trees or storing carbon underground or in soils. The more emissions are reduced, the fewer offsets we need.
- Our plan takes a technology-driven approach that is based on current successful policies – not higher taxes.
- The five principles that guide our plan will ensure Australia's shift to a net zero economy will not put industries, regions or jobs at risk.

Principles

1. Technology not taxes
2. Expand choices, not mandates
3. Drive down the cost of a range of new technologies
4. Keep energy prices down with affordable and reliable power
5. Be accountable for progress

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SOLAR ENERGY

- Powering Australia plan
- Rewiring the Nation to expand and modernise Australia's electricity grids to support more renewable power
- Powering the Regions Fund (PRF) will support the decarbonisation of existing industries
- National Reconstruction Fund will support renewables manufacturing and the deployment of low-emissions technologies
- Regional hydrogen hubs; for community solar batteries and banks; establishment of a battery manufacturing precinct; and electric vehicle charging infrastructure and hydrogen highways

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SOLAR ENERGY

- Supporting policies include:

- The National Energy Transformation Partnership

- A Guarantee of Origin Certificate scheme under development to allow markets to verify and value renewable electricity, hydrogen and green commodities

- Australian Energy Regulator (AER) to help integrate more renewable energy into the National Electricity Market (NEM

- Australian Renewable Energy Agency (ARENA) provides grants for research and development

- Clean Energy Finance Corporation supports energy efficiency, renewable energy and low emissions technology projects through loans and equity investments
- Australia's carbon crediting scheme
- incentives for renewable energy generation are also available under the Renewable Energy Target scheme

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Example: State initiative

- The Queensland government announced last year that the state would construct two new pumped hydro schemes
- By 2035, Queensland would be running on 80 per cent renewable energy thanks to dozens of new solar and wind farms that would traverse the state.
- To meet that target, the state needs a ready supply of stored power to draw upon when the sun is not shining, and the wind is not blowing — enough to power the state for hours at a time.
- That is where pumped hydro comes in as a large-scale storage option.

PUMPED HYDRO

- Pumped hydro works similarly to big batteries, filling in supply gaps when the grid needs a top-up of electricity.
- The design involves two dams built at differing elevations, connected by a tunnel, with transmission lines then connecting it to the grid.
- When there is plenty of sun and wind to power the grid, energy is in high supply, so water is pumped to the upper reservoir using surplus electricity.
- When the sun goes down or there is no wind, water is released to the lower dam through the tunnel, generating electricity as it passes through a turbine.
- That electricity is then injected into the grid via high-voltage transmission lines.

Source: ABC News

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Tax Incentive – Small Business Energy Bonus Deduction

Small businesses with turnover less than AUD $50 M (US $32M) have access to bonus deduction equal to 20 per cent of the cost eligible asset or improvement to existing asset

Temporary measure to support small business to improve their energy efficiency

Applies to cost of assets first used or installed between 1 July 2023 and 30 June 2024

Capped at AUD $20,000 or $100,000 of eligible assets

Essentially aimed at more energy efficient assets that do not use fossil fuels

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Tax Incentive – Small Business Energy Bonus Deduction

A depreciating asset is eligible for the bonus deduction if it:

- uses electricity and there is a new reasonably comparable asset that uses a fossil fuel available in the market;
- uses electricity and is more energy efficient than the asset it is replacing or, if it is not a replacement, a new reasonably comparable asset available in the market; or
- is an energy storage, demand management or efficiency-improving asset

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Tax Incentive – Small Business Energy Bonus Deduction

Exclusions

- Assets that can use fossil fuel
- Assets which have a dominant purpose of generating electricity
- Motor vehicles

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Transport Emissions

1. **Fuel standards** – Australia is known to have some of the dirtiest fuel in the world. Australia's standard remains consistent with Euro 5. That has put us well behind Europe, which introduced Euro 6 emissions standards with a 10 ppm sulfur limit back in 2015, and is expected to implement tougher Euro 7 standards in 2025. Over 80 per cent of the world has vehicle import standards in line with Euro 6.

   That has left Australia in a predicament where companies won't bring the cleanest, most modern petrol vehicles.

1. **Stricter standards for vehicle imports** - Delaying the implementation of stricter standards for vehicle imports will continue to leave Australia behind as a dumping ground for inefficient vehicles, whilst Europe, Japan, and others continue to innovate and significantly reduce their emissions from transport.

2. **Supply of clean vehicles** - Established vehicle manufacturers are not are discouraged to keep sending their dirtiest cars to Australia. This is also resulting in a shortage of EV supply in Australia.

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Fringe Benefits Tax

Fringe benefits tax (FBT) is a tax paid by employers on certain benefits provided to their employees, or to their employees' family or other associates.

FBT is separate to income tax.

It's calculated on the taxable value of the fringe benefit

FBT exemption EV's

- From 1 July 2022 employers do not pay FBT on eligible electric cars and associated car expenses.
- To be eligible for the exemption, the value of the electric car must be below the LCT threshold for fuel efficient vehicles at the time it is first sold in a retail sale, and in any subsequent sale
- Luxury car threshold – LCT for 2023-24 AUD $89,322

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Fringe Benefits Tax – EV exemption

- The FBT exemption is only beneficial for employees (employer/ employee relationship)
- Not generally available to individuals to subsidise currently high cost of procuring an EV
- The exemption will be reviewed at the end of three years
- Installation of charging equipment is excluded from FBT exemption

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Illustration: Cost of EV vs. Petrol Car after FBT exemption (for a NSW buyer who has a 5-year novated lease)

	Electric (A$)	Petrol (A$)
Purchase cost		
Price (MSRP)	63,900	63,900
Dealer's fee	1,725	1,725
Stamp duty	2,381	2,381
Registration & CTP	1,107	1,107
Free Stamp duty (NSW state)	(2,381)	0
Rebate (NSW state- only for the first 25,000 buyers)	(3,000)	0
Driveway Price (Post-incentive)	63,732	69,113
Annual running cost		
Insurance & Registration	2,879	2,500
Electricity/Fuel	486	1,500
Service & maintenance	650	1,300
Total running costs (p.a.)	4,015	5,300
FBT Payable (p.a.)	0	12,495
Total cost at the end of 5 years	83,807	158,088
Saving with an EV		74,281

Note: This example is for illustrative purposes only. Figures current at August 2022. All tax rates are as prescribed by the ATO for the period ending from 31 March 2023. It was assumed this is for an EV buyer in NSW who drives on average 37 km/day. Service costs obtained from manufacturers website where available, Tyre costs: A$400 p.a. Fuel: $2.0/litre. Electricity: $0.30/kWh.

Adapted from Zecar website.

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Electric vehicles – Federal Government

Tax incentives are an important way to influence behaviours. The slow take up of EV's in Australia will benefit from tax incentives as EV's have historically cost more to purchase but prices are drifting down as new models arrive

Already some States and Territories are offering their residents cash rebates and other incentives to encourage individuals to transition away from conventional fuel powered vehicles.

Most signifcant tax incentive has been the removal of the Fringe Benefits Tax (FBT) impost. This is particularly attractive for the corporate leasing or salary packaging segment of the market, and this will have the added benefit of creating a future supply for the secondary market, at hopefully a lower entry point for those who wish to purchase such vehicles in the future.

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Fringe Benefits Tax

FBT exemption dual cab Utes if private use meets certain criteria

Country where dual cab Ute's sales represent top 4 selling vehicles for many years and dominate overall car sales

Many of the models in this category would not meet overseas emission standards (Many are diesels)

Contributing factor towards their popularity low level of compliance activities undertaken to ensure private use is limited to what is permitted

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EV Strategy	Federal	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Rebates	N/A	N/A	A$3,000 rebate for the first 25,000 new EVs*	N/A	A$3,000 rebate for the first 15,000 buyers of EVs*	A$3,000 rebate on the first 7,000 EV buyers*	N/A	A$3,000 rebate on the first 4,000 EV buyers*	A$3,500 rebate on the first 10,000 new EV buyers*
Registration fee exemptions/ discounts	N/A	2 years' free registration for new EVs* and 20% discount for older EVs	Discounts are available (depending on the tare weight and purpose)	Waived from 1 July 2022 to 30 June 2027	Lowest car registration for BEVs	3 years free registration for new EVs and hydrogen fuel cell vehicles.	2 years' free registration for EVs.	A$100 discount on registration annually	N/A
Stamp duty exemptions	N/A	Fully exempt- new EVs	Fully exempt for new and used EVs*	Waived for the sale of plug-in EVs*	Lower stamp duty rates than Internal Combustion Engine (ICE) cars	N/A	Fully waived for new and used EVs	EVs are exempt from the "luxury vehicle" rate of stamp duty	N/A
Other incentives	Labour's Proposed Electric Car discount (waive of import tariff and FBT exemption)	A$15,000 interest free loan for ne EV buyers*	N/A	The EV Charger Grants Scheme to buy and install EV chargers *	Up to A$2000 to install EV smart chargers at home*	N/A	N/A	N/A	N/A

Tax	LCT threshold for fuel-efficient vehicles increased up to $84,916 from 1st July 2022.	N/A	Road user charge is differed till 1 July 2027*	N/A	N/A	Road user charge is differed till 1 July 2027* (the new SA government is seeking to repeal this legislation)	N/A	Road user charge from 1st July 2021 and an increase from 1 July 2022* (currently challenged by a High court case)	Road user charge is differed till 1 July 2027*
Uptake goal	Net-zero by 2050 (subject to the revisions by new government)	Net-zero emissions (not just from cars) by 2050.	50% of all new cars sold to be EVs by 2030 and Net-zero by 2050.	Government fleet to increase to 200 vehicles by 2030.	50% of new passenger vehicle sales to be zero emission by 2030, and 100% of Government fleet passenger vehicles to be zero emission by 2026	SA Government aims for EVs to be "common choice" by 2030 and the "default" by 2035	100% of Government's fleet to be electric by 2030.	50% of all new cars sold to be EVs by 2030 and 100 percent by 2040 and Net-zero by 2050	25% of Government's fleet electric by 2025/26 and Net zero by 2050

Note: There are certain terms and conditions applied (denoted by *) for the rebates and other incentives such as maximum cost of the EV and time constraints. More details are available under each state's EV strategy.

Carbon Tax

- Australia does not levy a direct carbon price
- Tried to introduce a carbon pricing scheme in 2012 which only lasted two years before it was terminated
- Some overseas countries will start imposing a carbon tax on the importation of Australian goods

Are we there yet

- Country in transition away from fossil fuels
- Not using price signals or the tax system in a significant way to achieve reduction in emissions
- No one knows whether we will meet our targets, but the journey has begun in earnest

11.2 [Thu]

15:10 - 16:40

Suggestion Speeches

15:10 - 15:30 **Speech 2**

Speaker

Ms. Noriko Fujimoto

(Japan)
Email: noriko@fujimoto-co.com

QUALIFICATIONS
• 1982 April Certified Public Tax Accountant

Professional EXPERIENCE
FUJIMOTO NORIKO CPTA's Office 1982-present

EXPERIENCE (CPTA Association)
Member, Research Committee on International Taxation, JFCPTAA 2021-2023

EDUCATION
Doshisya university, Japan

1. Withholding Taxation on non-residents

*Source: Withholding Tax Guide by National Tax

(Reference 2) Outline of taxation on non-residents

Classification of non-resident / Income type	Non-resident: Those holding a permanent establishment — Income attributable to a permanent establishment (see page 8)	Other income	Those not holding a permanent establishment	Withholding income tax etc.
(Business income)	Aggregate taxation (see page 10)	Untaxed		No
① Income derived from utilization or holding of assets (excluding those applicable to ⑦ to ⑮)		Aggregate taxation (partial)		No
② Income derived from transfer of assets				No
③ Distribution of profits from partnership business	Aggregate taxation after being withheld at source	Untaxed		20.42%
④ Income from transfer of land etc.		Aggregate taxation after being withheld at source		10.21%
⑤ Income from business of providing personal services				20.42%
⑥ Real estate rent etc.				20.42%
⑦ Interest etc.		Separate taxation at source (see page 10)		15.315%
⑧ Dividend etc.				20.42%
⑨ Interest on loans				20.42%
⑩ Royalties etc.				20.42%
⑪ Salaries and other rewards for provision of personal services, public pensions etc, retirement allowances etc.				20.42%
⑫ Prize money for advertisement of a business				20.42%
⑬ Annuities based on life insurance contracts etc.				20.42%
⑭ Compensation money for benefits under installment savings contracts etc.				15.315%
⑮ Distribution of profits based on sleeping partnership (Tokumei Kumiai) contracts				20.42%
⑯ Other domestic source income	Aggregate taxation	Aggregate taxation		No

Note:

1. Please note that income attributable to a permanent establishment (see page 8) may overlap with domestic source income stated in ① to ⑮ in the table above.
2. Of the "② Income derived from transfer of assets" in the table above, income other than those falling under income attributable to a permanent establishment is taxed only if the income corresponds to those listed in Article 281, paragraph 1, item 1 to 8 of the Order for Enforcement of the Income Tax Act.
3. Please note that certain ones of the income subject to aggregate taxation in the table above may be subject to separate self-assessment taxation or separate taxation at source pursuant to the provisions of the Act on Special Measures concerning Taxation (see page 10).
4. Please note that withholding tax rates in the table above relating to certain incomes may be reduced or exempted pursuant to the provisions of the Act on Special Measures concerning Taxation.
5. In cases where a tax treaty is concluded between the country of residence of the non-resident and Japan, taxation may be reduced or exempted pursuant to the tax treaty (see page 61).

2. The creditable limit of foreign tax credit

＜Japanese company＞

Japanese corporation tax × Foreign source income /Total taxable income

＜Foreign company having a PE in Japan>

Japanese corporation tax on income attributable to the PE in Japan X Foreign source income included in income attributable to the PE in Japan / Income attributable to the PE in Japan Total taxable income

* In process of calculating adjusted creditable foreign tax, foreign tax such as those imposed at a high ratio rate, generally a rate in excess of 35% must be excluded from the creditable foreign tax.

2. Points to be noted in relation to the formula

1. Japan utilizes an overall limitation system rather than a country limitation system or a separate basket limitation system.

2. Foreign source income does not include income which is exempted from foreign taxation.

3. The ratio of foreign source income to total taxable income for the purpose of the calculation is limited to a maximum of 90 %.

4. Any allocation of expenses between domestic source income and foreign source income should be done on a reasonable basis.

5. Foreign tax credits are also available for prefectural and municipal inhabitant tax purposes with additional creditable limits.

2. Carry-Forward System

１. If the amount of foreign tax which has accrued in a given year is over the limit, the foreign tax in excess of the limit year may be carried forward up to 3 years.

2. On the other hand, if the amount of foreign taxes accruing in a year does not reach the limit for that year, the limit for the foreign tax credit applicable to the three years is increased by the shortfall.

2. Calculation of foreign tax credit

< Domestic Corporation >

Domestic company

Dividend 100

WHT 20.42

Income	Domestic income			200
	Foreign income			100
Total income				300
Tax rate	35%			
Corporate tax	300 X 35%		=	105
Foreign tax credit	15X100/300		=	-5
WHT deducted from Japan source income			=	-20.42
Final payment			=	79.58

Foreign income 100

Foreign tax 15

* 10 is non-creditable

Foreign subsidiary

2. Credit or Deduction : Foreign income taxes

Each corporation has the option of crediting for foreign taxes or of treating them as deductible expenses.

The option should be exercised on the total amount of foreign taxes on income.

2. Foreign Dividend Exclusion

A Japanese company holding a Foreign Subsidiary is generally entitled to the foreign dividend exclusion.

1. Under the rule, in principle, if the dividend received from the foreign subsidiary is non-deductible on the side of the foreign subsidiary, it may be 95% exempt.

But if the dividend payment is deductible on the side of the foreign subsidiary, its Japanese parent company cannot make the received dividend as exempt, and the foreign dividend is fully taxable in Japan.

2. The foreign subsidiary is defined as a foreign company whose 25% or more capital has been owned by Japanese corporation for at least 6 months prior to the point in time when the obligation to pay the dividend is determined.

2. Issues surrounding the Foreign tax credit system and Foreign income exclusion system

1. Foreign income exclusion may not eliminate of double taxation 100% when its parent company's corporate rate is lower than the subsidiary's tax rate.

2. Excessive tax credit may be creating by manipulation of low tax subsidiary

3. Although credit limit may be carried forward, double taxation remains until it is actually deducted or credited.

4. Carry-forward period of unused foreign tax credit is only three years, and at the end of the three years, if the company is in loss status, it cannot be deducted or refunded.

It is just expired.

3 .Japan's Tax Convention Network

Ministry of Finance Japan

《84 conventions, etc. applicable to 153 jurisdictions; as of August 1, 2023》 (see notes 1 and 2)

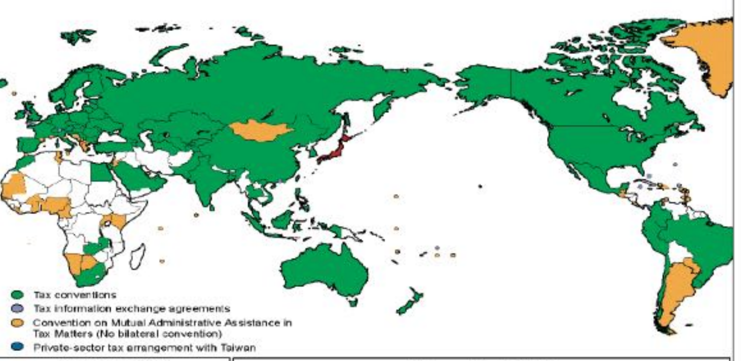
Europe (46)

Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Hungary, Iceland, Ireland, Italy, Latvia, Lithuania, Luxemburg, Netherlands, Norway, Poland, Portugal, Romania, Serbia, Slovakia, Slovenia, Spain, Sweden, Switzerland, United Kingdom, Guernsey (*), Isle of Man (*), Jersey (*), Liechtenstein (*)

(No bilateral convention with Japan)
Albania, Andorra, Bosnia and Herzegovina, Cyprus, Faroe Islands, Gibraltar, Greece, Greenland, Malta, Monaco, Montenegro, North Macedonia, San Marino

Russia and New Independent States (12)

Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, Uzbekistan



Africa (22)

Egypt, Morocco, South Africa, Zambia

(No bilateral convention with Japan)
Benin, Botswana, Burkina Faso, Cabo Verde, Cameroon, Eswatini, Ghana, Kenya, Liberia, Mauritania, Mauritius, Namibia, Nigeria, Rwanda, Senegal, Seychelles, Tunisia, Uganda

Middle East (10)

Israel, Kuwait, Oman, Qatar, Saudi Arabia, Turkey, United Arab Emirates

(No bilateral convention with Japan)
Bahrain, Jordan, Lebanon

Asia and Pacific (28)

Australia, Bangladesh, Brunei, China, Fiji, Hong Kong, India, Indonesia, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Korea, Sri Lanka, Thailand, Vietnam, Macao (*), Samoa (*), Taiwan (see note 3)

(No bilateral convention with Japan)
Cook Islands, Maldives, Marshall Islands, Mongolia, Nauru, New Caledonia, Niue, Vanuatu

America and the Caribbean (35)

Brazil, Canada, Chile, Colombia, Ecuador, Jamaica, Mexico, Peru, United States, Uruguay, Bahamas (*), Bermuda (*), British Virgin Islands (*), Cayman Islands (*), Panama (*)

(No bilateral convention with Japan)
Anguilla, Antigua and Barbuda, Aruba, Argentina, Barbados, Belize, Costa Rica, Curacao, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Montserrat, Paraguay, Saint Christopher and Nevis, Saint Lucia, Sint Maarten, Saint Vincent and the Grenadines

3. Application Form for Income Tax Convention

To claim the benefits under the tax treaty, an "Application Form for Income Tax Convention" attaching "Certificate of student", has to be submitted to the tax office through the payer before the date of payment.

Even if the application is not filed in time and submission is made after the payment, when request of refund is submitted within 5 years from the payment, the tax treaty is retroactively effective. In such cases, the income tax withheld is refunded after the submission.

These special treatments under the tax treaty are not subject to language school students or special school students. Students who are eligible for these special treatments are those who attend the schools stipulated in Article 1 of the School Education law, such as universities, junior colleges, and high schools.

3. Tax treatment for foreign workers

＜Article #20 of the OECD Model Tax Convention＞

This article provides that benefits received by students residing in one of the Contracting Parties for actual cost of livelihood, education or training shall be exempt from duty in the country of stay. It means that the benefits for living and education purposes are tax-exempt if they are provided from their home country, and any other benefits paid in Japan are taxable.

＜Examples of tax treatment on tax treaty ＊#Number of article in tax treaty ＞

China #21:

All exempt regardless of paid in Japan or remitted from China

Vietnam #20, Malaysia #21, Chinese-Taipei #20 :

Only benefit paid from their home country are exempt

Korea #20-1 :

Up to equivalent to 20,000 USD per year up to 5 years are exempt

Philippines #21-1:

Up to equivalent to 1,500 USD per year up to 5 years are exempt

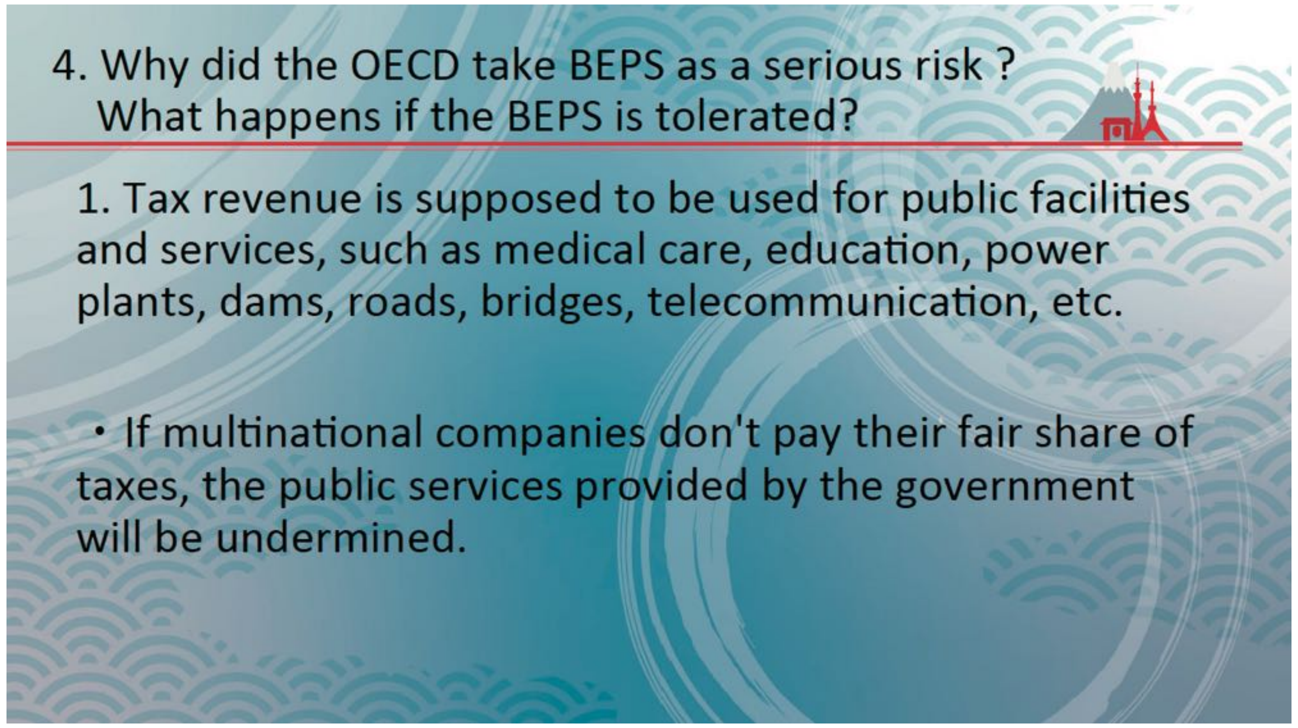
Countries not concluding tax treaty :

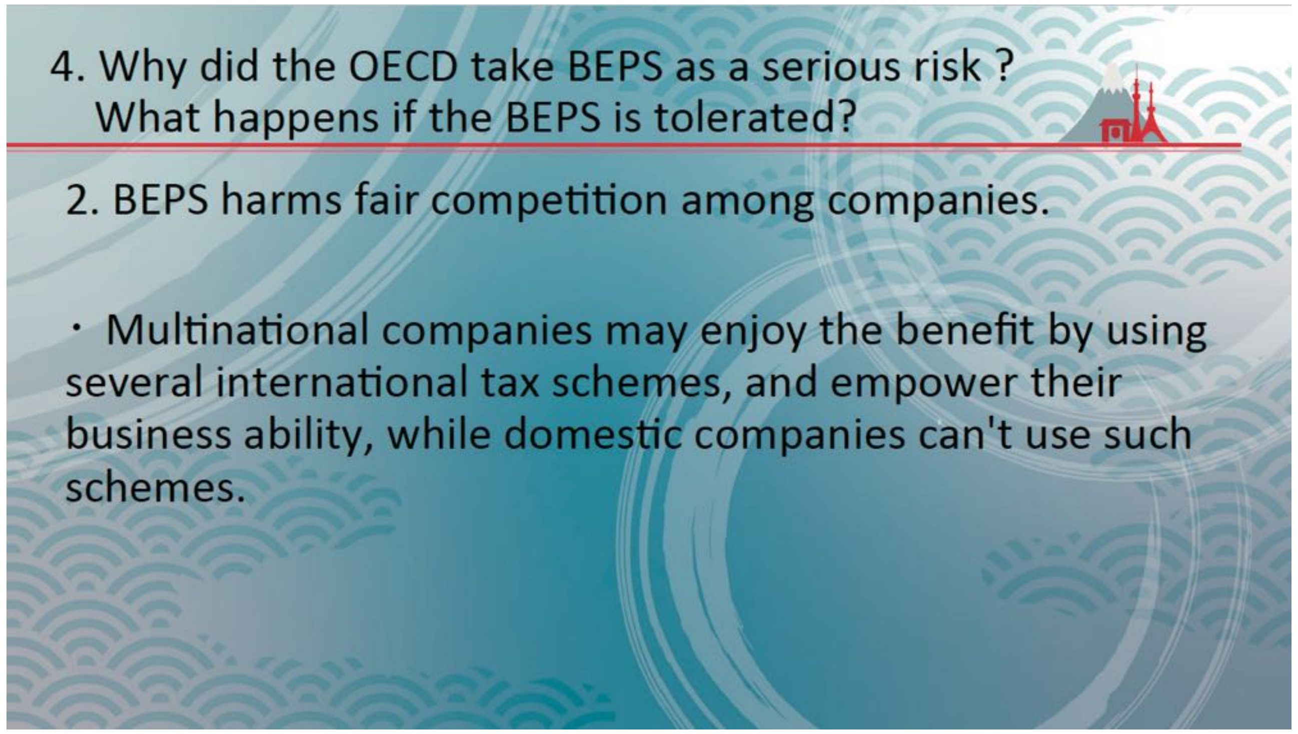
All taxable at flat rate of 20.42%

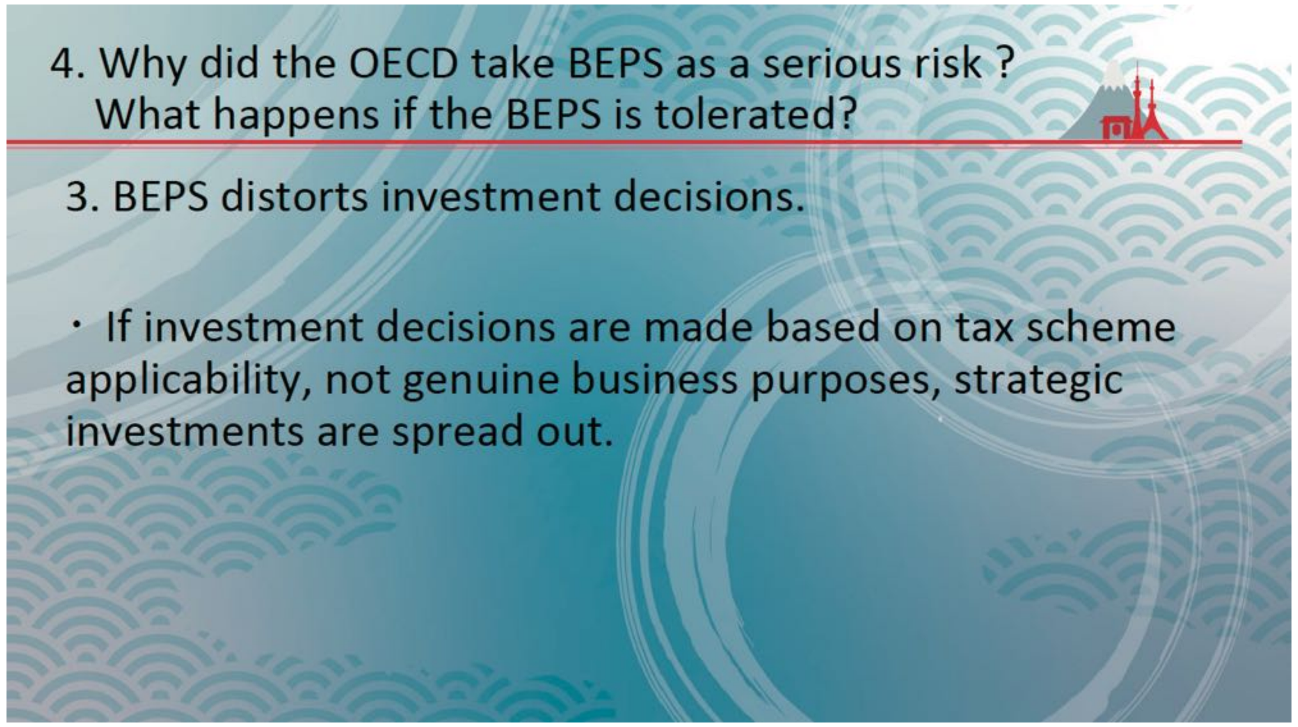
3. Japan's approach to International taxation

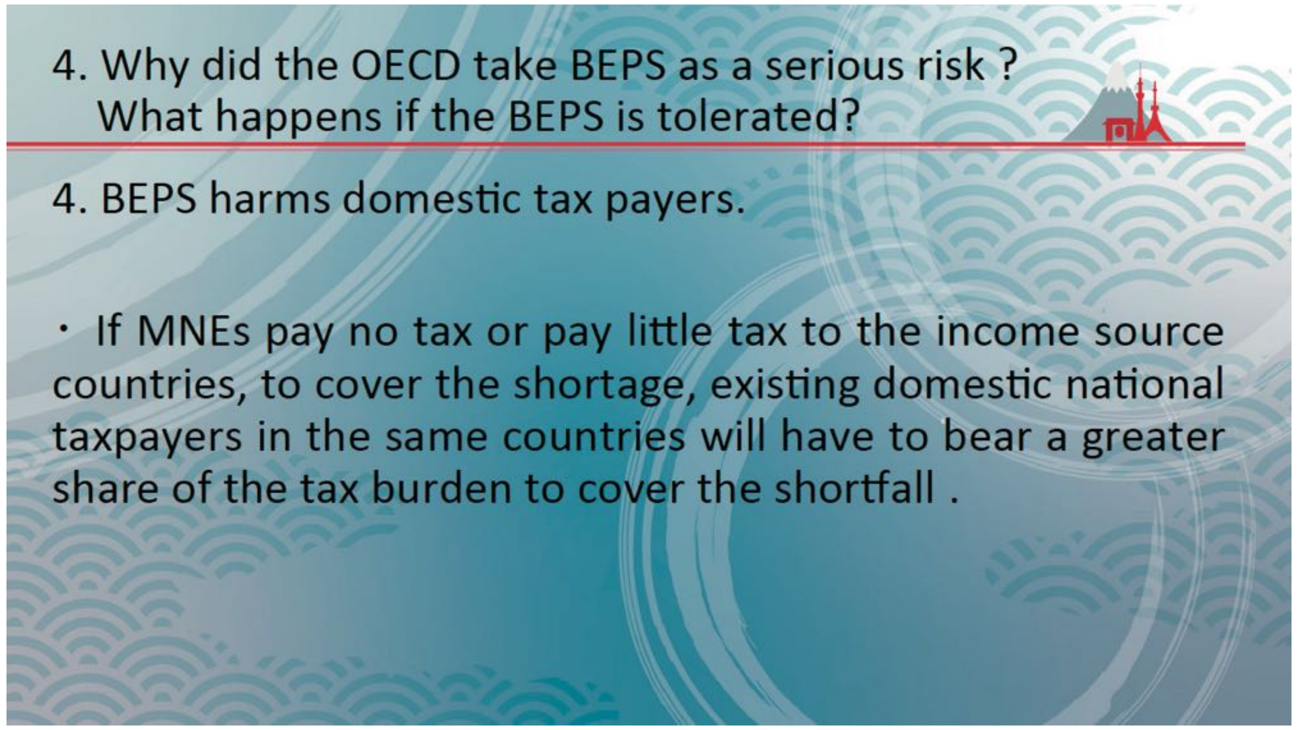
International tax avoidance schemes used to be mainly utilized by large international companies. But as globalization progresses, interest in these tax avoidance techniques is increasing even among small and medium-sized enterprises and the wealthy.

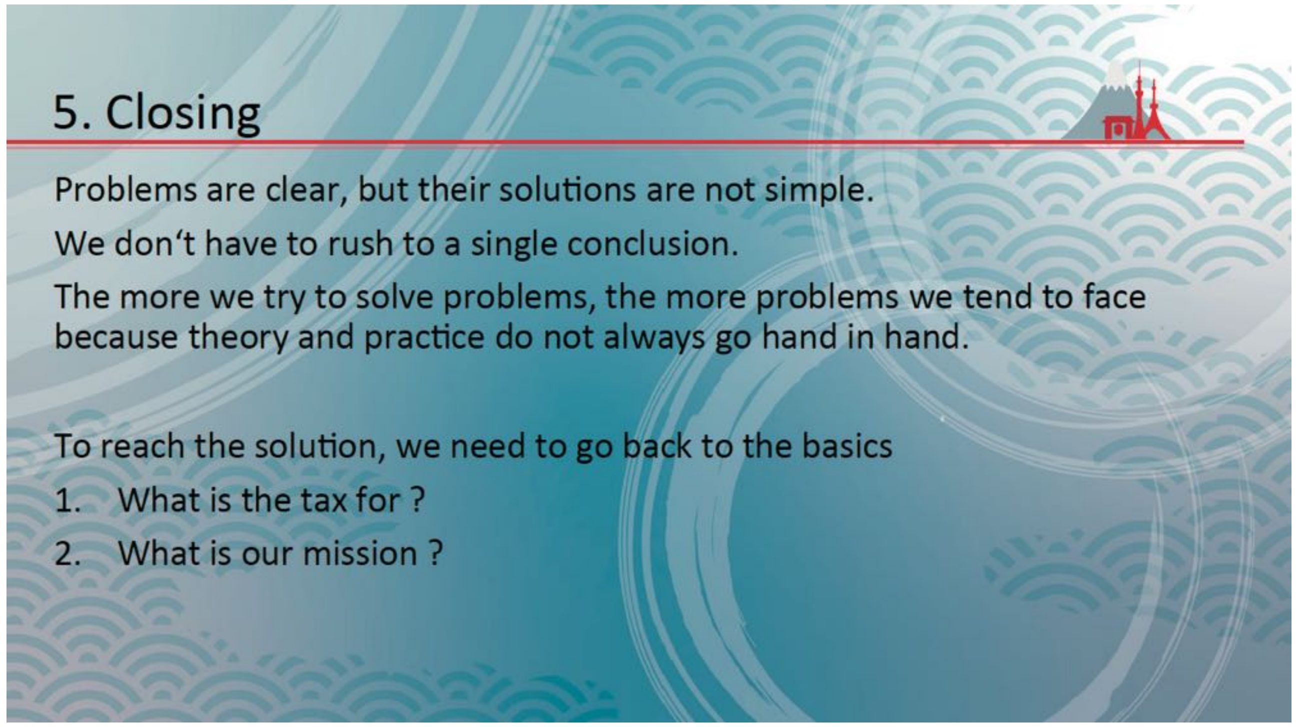
To prevent this, the Japanese tax authority has created several counter-legislative measures to plug each loophole, but such reactions may lead to further complications in the tax system, and will result in difficulty in the execution of tax administration.

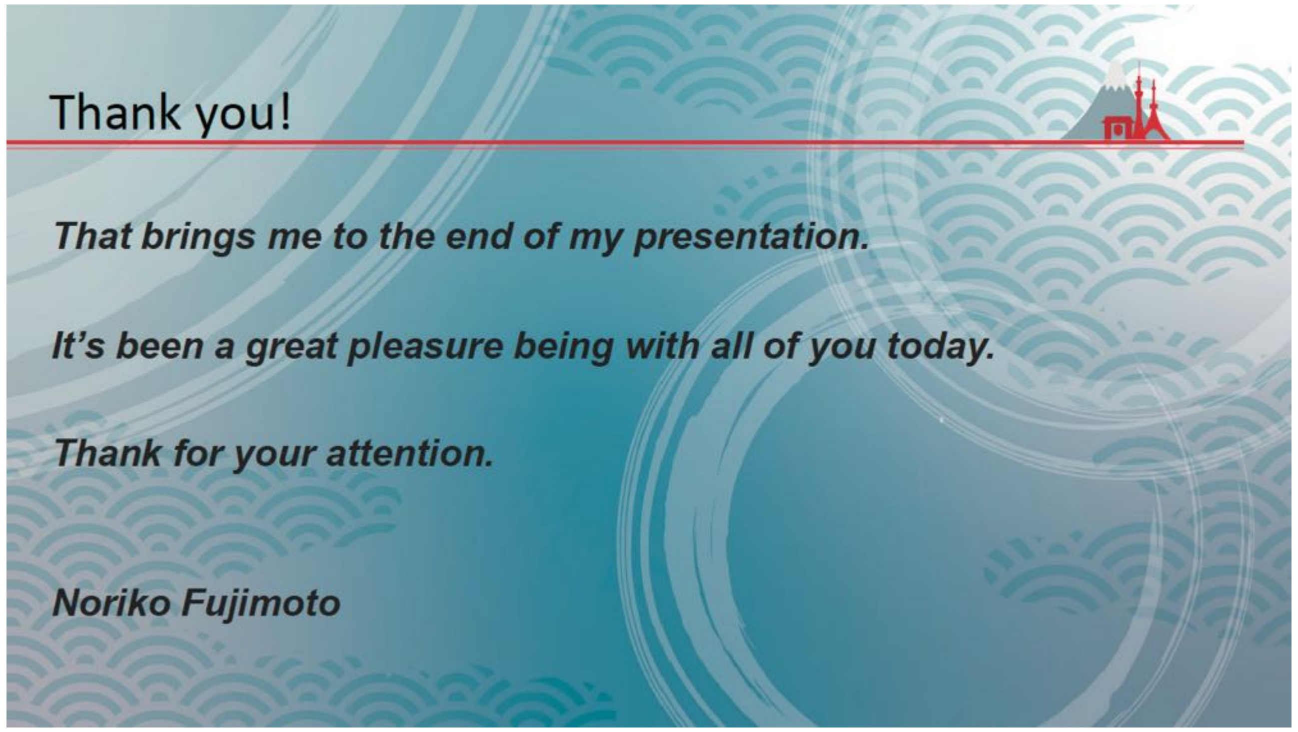

4. Why did the OECD take BEPS as a serious risk ?
What happens if the BEPS is tolerated?
1. Tax revenue is supposed to be used for public facilities and services, such as medical care, education, power plants, dams, roads, bridges, telecommunication, etc.
・If multinational companies don't pay their fair share of taxes, the public services provided by the government will be undermined.


4. Why did the OECD take BEPS as a serious risk ?
What happens if the BEPS is tolerated?
2. BEPS harms fair competition among companies.
・Multinational companies may enjoy the benefit by using several international tax schemes, and empower their business ability, while domestic companies can't use such schemes.


4. Why did the OECD take BEPS as a serious risk ?
What happens if the BEPS is tolerated?
3. BEPS distorts investment decisions.
・If investment decisions are made based on tax scheme applicability, not genuine business purposes, strategic investments are spread out.


4. Why did the OECD take BEPS as a serious risk ?
What happens if the BEPS is tolerated?
4. BEPS harms domestic tax payers.
・If MNEs pay no tax or pay little tax to the income source countries, to cover the shortage, existing domestic national taxpayers in the same countries will have to bear a greater share of the tax burden to cover the shortfall .


5. Closing
Problems are clear, but their solutions are not simple.
We don't have to rush to a single conclusion.
The more we try to solve problems, the more problems we tend to face because theory and practice do not always go hand in hand.
To reach the solution, we need to go back to the basics
1. What is the tax for ?
2. What is our mission ?


Thank you!
That brings me to the end of my presentation.
It's been a great pleasure being with all of you today.
Thank for your attention.
Noriko Fujimoto

15:30 - 15:50 **Speech 3**

Speaker

Mr. T. Arsono

(Indonesia)

T. Arsono is managing partner of AMADEA KILLA INDONESIA, a professional tax firm supported by outstanding tax professionals.

As tax professional, Arsono has years experienced in handling **"high risks and sensitive"** tax disputes involving multi (national) corporations operate in Indonesia from tax audit level, objections, tax law suites, tax appeals as well as judicial review to Indonesia Supreme Court. His specific competency in tax law procedure; enabling him to assist tax payers on tax investigations that assumed as **"required unique tax competencies"**.

He holds bachelor in accountancy from Airlangga University (Surabaya), Master Business Administration from Gadjah Mada University (Yogjakarta) dan Advanced Master in International and European Tax Law (LLM) KU Leuven (Belgium).

T. Arsono has joined with international tax courses by high reputable institutions i.e. International Tax Center Leiden; Universiteit van Amsterdam (the Neitherlands); Universiteit Munster (Germany), Universiteit Maastricht (the Neitherlands); IBFD (the Neitherlands), Duke University (Durham - USA), American University (Washington DC – USA); Singapore Tax Academy; Erasmus Fiscal Studies on Erasmus University Rotterdam (the Netherlands) and other high reputable universities in Europe and the United States.

THE PRESIDENCY OF INDONESIA IN ASEAN
ASEAN MATTERS : EPICENTRUM OF GROWTH

Free Movement of capital

- The concept of movement of capital
- See Franked Investment Income Group Litigation (FII)

PERMANENT ESTABLISHMENT AND RESIDENT SUBSIDIARY UNDER OECD MODEL CONVENTION

- General definition of permanent establishment
- Significance of the permanent establishment
- Arm's length principle and attribution of income to permanent establishment
- RBA and FSE approach

- General definition of permanent establishment (Article 2 para 5 ITL)
- Determination of profit
  - Income
  - Deductible expenses
- Distribution of profits from permanent establishment to general enterprise
- Offsetting losses of branches
- Treatment of head office finance costs for branches

PERMANENT ESTABLISHMENT UNDER INDONESIA INCOME TAX LAW

SUMMARY AND CONCLUSION

- The definition of permanent establishment
- Force attraction rule
- Branch profit tax
- Intra-payments
- Ordinary tax credit
- Cross-border losses

TAX TREATMENT ON RESIDENT SUBSIDIARY (IN INBOUND AND OUTBOUND SITUATION)

•General Definition

Tax Subject (Indonesia domestic tax rules)

Determination of Subsidiary Taxable Income

General

Income

Deductible Expenses

Tax Treatment of distribution of profit to parent

TAX TREATMENT ON RESIDENT SUBSIDIARY (IN INBOUND AND OUTBOUND SITUATION)

Offsetting losses of subsidiary

Treatment of parent financing costs for subsidiaries

Suggestions and Improvements

THANK YOU

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15:50 - 16:15 Speech 4

Speaker

Ms. Masami Kondo

(Japan)

Email: mk-kondo@tkcnf.or.jp

QUALIFICATIONS

- 2013 July Certified Public Tax Accountant

Professional EXPERIENCE

KONDO MASAMI CPTA's Office 2016-present

EXPERIENCE (CPTA Association)

Member, International Relations Dept., JFCPTAA 2021-present

EDUCATION

Fuji Women's Junior College (Currently Fuji Women's University, Japan)

Introduction

1. Response to SMEs
2. Reverse Charge Mechanism
3. Electronic Invoices

AOTCA TOKYO 2023

Topics

1. Purpose of International Comparison of VAT
2. Brief History of Japanese Consumption Tax
3. Characteristics of VAT in each country
4. Response to SMEs
5. Response to International and Digital Transactions
6. Invoicing System
7. Perspectives and Issues around VAT

1. Purpose of International Comparison of VAT

- Japanese Consumption Taxation tends to be complicated due to several revisions to the law
- Measures to reduce burden for SMEs ?
- Response to International and Digital Transactions?
- Explore issues(または challenges) and prospects on Electronic Invoicing System

1. Purpose of International Comparison of VAT

Countries surveyed

① EU member states (Belgium, France, Germany) ② UK ③ Switzerland ④ New Zealand	⑤ China ⑥ Korea ⑦ Chinese Taipei ⑧ Vietnam	⑨ Singapore ⑩ Indonesia ⑪ Thailand ⑫ Malaysia ⑬ Canada

1. Purpose of International Comparison of VAT

Items surveyed

① VAT Overview	⑤ Tax filing and payment
② Taxable, non-taxable, exempted Transactions	⑥ Special treatments for SMEs
③ Tax Rates	⑦ Response to International Transactions
④ Tax Computation Process, Invoicing system	⑧ Other features

2. Brief History of Japanese Consumption Tax

1989
- Consumption Tax introduced Tax rate: 3% (National:3%, Local: 0%)

1997
- Tax Rate raised to 5% (National:4% , Local:1%)

2014
- Tax Rate raised to 8% (National: 6.3%, Local: 1.7%)

2019
- Standard Tax Rate 10% (National: 7.8% , Local: 2.2%)
- Reduced Rate 8% (National: 6.24% , Local: 1.76%)

2023
- Invoicing System starts in October

2. Brief History of Japanese Consumption Tax

1979
- Cabinet approved "General Consumption Tax" for fiscal reconstruction, but its introduction was abandoned because of pubic opposition

1987
- The bill on "Sales Tax" submitted to the diet was rejected because of public opposition.

1989
- Introduced consumption tax for revenue for social security behind aging society with a declining birthrate
- Afterward, revenue from consumption tax expanded its use for social security including pension, medical expenses, child case and nursery care services

3. Characteristics of VAT in each country

Introduction year

Before 1970s	1980s	After 1990s
1968 : Germany	1983 : Indonesia	1991 : Canada
1968 : France	1984 : China	1992 : Thailand
1971 : Belgium	1986 : New Zealand	1994 : Singapore
1973 : UK	1987 : Taiwan	1995 : Switzerland
1977 : Korea	1989 : Japan	1999 : Vietnam
		2018 : Malaysia

3． Characteristics of VAT in each country

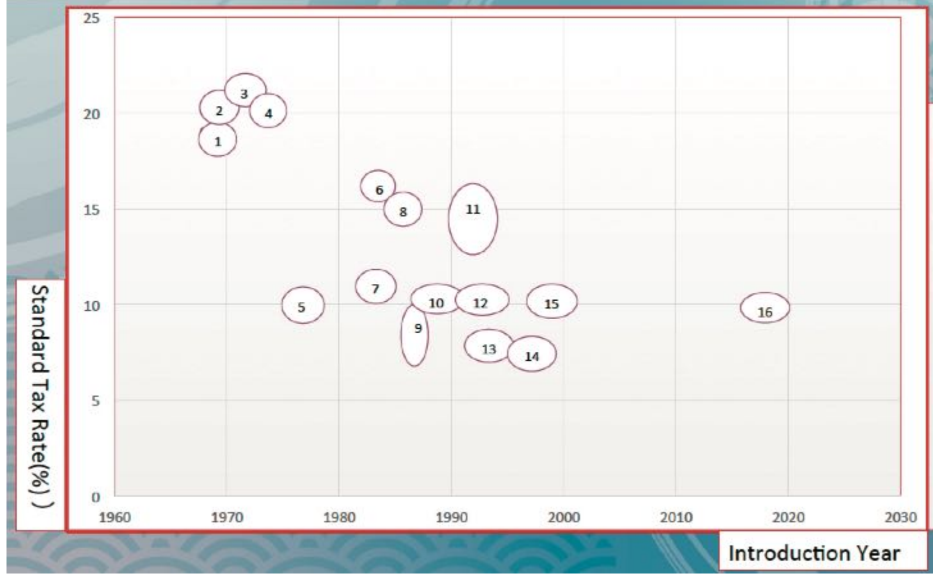
Standard Tax Rate

6～9%
- 5～10%：Chinese Taipei
- 7.7%：Switzerland
- 8%：Singapore

10～15%
- 10%：Japan
- 10%：Korea
- 10%：Thailand
- 10%：Malaysia
- 10%：Vietnam
- 11%：Indonesia
- 15%：New Zealand
- 12～15%：Canada

16%以上
- 16%：China
- 19%：Germany
- 20%：UK
- 20%：France
- 21%：Belgium

3． Characteristics of VAT in each country/jurisdictions Introduction Year and Standard Tax Rate



①Germany：19%
②France：20%
③Belgium：21%
④UK：20%
⑤Korea：10%
⑥China：16%
⑦Indonesia：11%
⑧New Zealand：15%
⑨Chinese Taipei：5～10%
⑩Japan：10%
⑪Canada：12～15%
⑫Thailand：10%
⑬Singapore's：8%
⑭Switzerland：7.7%
⑮Vietnam：10%
⑯Malaysia：10%

3． Characteristics of VAT in each country
EU member states

«EU member states»

◎Tax Rates
- ●The EU sets Standard Tax Rates at 15 % or higher.
- ●As of Jan. 2022, Luxemburg has the lowest, 17% and Hungary has the highest, 27%.
- ●The Reduced Rates in principle, must be 5% or higher.
- ●For goods and services considered as environmentally harmful against EU climate change goals, reduced rates and tax exemption must be abolished by 2030.

◎Consolidated Tax System (VAT Grouping Rules)

To respond to the VAT Directive providing VAT grouping rules, EU Commission created a guideline to harmonize and regulate grouping for VAT in 2009. Since then, option of a consolidated tax system that multiple taxpayers file a single tax return within the member states has gradually being introduced. Belgium, France, Germany have introduced this system.

3． Characteristics of VAT in each country
UK

«UK»

◎Consolidated Tax System (VAT grouping system)

At the taxpayer's option(discretion), it is possible to group two or more businesses under common control and treat them as one taxable business entity to prepare and submit a VAT return. The consolidated tax system has a disadvantage that each business operator within the group has a joint and several obligation to pay the tax. But within a group company that has introduced an integrated accounting system, each individual company does not have to prepare VAT return. This can be said an advantage.

◎Combining Flat rate scheme and Input tax credit

Businesses with an annual taxable turnover of £150,000 ($189,000) or less can select the flat rate scheme. In this scheme, the amount of tax paid is calculated by multiplying taxable sales by a fixed percentage determined for each industry, making the calculation simpler than usual.
When the flat rate scheme is applied, normally the actual input tax on taxable purchases is not considered. However, when certain capital goods valued at 2,000 pounds ($2,520) or more per item are purchased, an input tax credit for these purchase is separately allowed.

3. Characteristics of VAT in each country
Malaysia

«Malaysia»

The conventional sales and services tax was abolished in April 2015, and the goods and services tax (GST), a value-added tax, was newly introduced in April of the same year.

Due to the 2018 change of government, GST was abolished on August 31, 2018 after a transition period (zero tax rate period), and sales tax and services tax were reintroduced on September 1.

GST is a multi-level taxation scheme with an input tax credit mechanism, and the final burden is placed on the final consumer. On the other hand, both sales tax and services tax are imposed at one stage; sales tax is imposed on a product at the point of shipping from the factory or importing the product, and services tax is at the point of consumption of the service. So if it cannot be charged on to the price of the final consumer, it becomes a burden on the supplier. This is a major difference.

3. Characteristics of VAT in each country
Canada

«Canada»

Before 1990, Manufacturers' Sales Tax (MST), a federal tax and Retail Sales Tax (RST), each province's own tax were introduced. Both taxes have a very long history of introduction. MST had a narrow tax base and high tax rate.

Goods and Services Tax (GST) was introduced on January 1, 1991, but even after its introduction, each province has a different approach to taxation, making VAT in Canada extremely complex.

GST was well known to have numerous economic benefits, however, people strongly opposed to its introduction. As a result, the government decided to introduce ``multiple tax rates" as a regressive mitigation policy and ``GST credits," which are income tax credits for low-income earners.

In 1992, Quebec introduced QST (Quebec Sales Tax), making the Quebec government responsible for collecting QST and GST independently.

In 1997, New Brunswick, Nova Scotia, Newfoundland, Labrador introduced the HST (Harmonized Sales Tax) and abolished various individual sales taxes, resulting in a combined tax system between the provinces and the

3. Characteristics of VAT in each country
Canada

Subsequently, Ontario, Prince Edward Island, and British Columbia joined the HST. However, British Columbia withdrew from the HST as a result of a referendum later.

The biggest advantage of the HST is that the federal government is responsible for tax administration, which means the provincial governments do not need administrative costs.

4. Response to SMEs
Compliance costs in EU member states
Criteria for tax-exempt businesses

◎Compliance costs in EU member states

According to a survey conducted in 2017, businesses in EU member states spend 5 hours per month and just under 3,000 euro per year on VAT compliance .

◎Criteria for tax-exempt businesses

①Germany：

In principle, with no tax exemption for SMEs, all businesses operating in Germany must notify the tax authority of VAT registration. Businesses can add to pass or not to add on VAT on sales if their sales in the most recent calendar year were less than 22,000 euros ($24,200) and the current year's sales are expected to be less than 50,000 euros ($55,000) .

②France：

- Sales of goods: 85,800 euros ($94,380) or less in the most recent calendar year
- Services provided: 34,400 euros ($37,840) or less in the most recent calendar year

③Belgium：

Sales in the most recent calendar year were 25,000 euros ($27,500) or less

However, construction, catering, and businesses handling used products cannot apply.

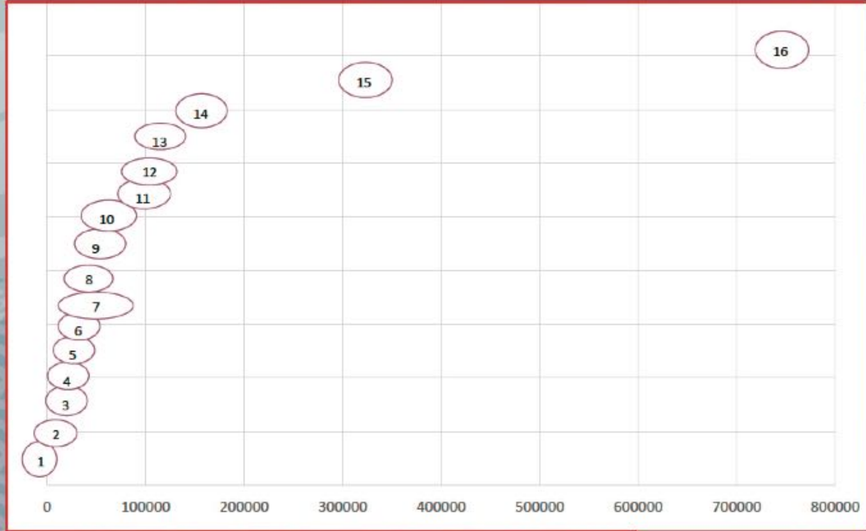
4．Response to SMEs
Criteria for tax-exempt businesses

④UK：
Taxable sales (including taxable sales to which reduced tax rate applies or zero tax rate) in the most recent 12 months are less than 85,000 pounds ($107,100)
⑤Korea：
Supply price is less than 48,000,000 won ($36,000)
⑥China ($36,000)
Monthly sales are 100,000 yuan ($14,000) or less
⑦Indonesia：
Annual taxable sales are 4,800,000,000 Indonesian rupiah ($316,800) or less
⑧New Zealand :
Taxable sales are less than 60,000 New Zealand dollars ($36,000)
⑨Chinese Taipei：
Monthly sales are 40,000 yuan ($1,280) or less
⑩Japan
Taxable sales for the fiscal year before the most recent fiscal year were 10,000,000 yen ($70,000) or less

4．Response to SMEs
Criteria for tax-exempt businesses

⑪Canada：
Total sales in four consecutive quarters is CAD 30,000 ($22,500) or less
⑫Thailand：
Annual taxable sales are 1,800,000 Thai Baht ($52,200) or less
⑬Singapore：
Annual taxable sales in a calendar year is less than 1,000,000 Singapore dollars ($750,000)
⑭Switzerland
Taxable sales less than 100,000 Swiss Francs ($115,000)
⑮Vietnam：
Annual taxable sales below 1,000,000,000 Vietnamese dong ($42,000)
⑯Malaysia：
For manufacturers that meet certain conditions, sales is less than 500,000 Malaysian ringgit ($110,000) in the past 12 months or the future 12 months

4．Response to SMEs
Threshold of Sales to qualify as a tax- exempt business



Annual Sales（$）

①Germany：－
②Chinese Taipei：＄15,360
③Canada：＄22,500
④Belgium：＄27,500
⑤New Zealand：＄36,000
⑥Korea：＄38,000
⑦France：＄37,840 or＄94,380
⑧Vietnam：＄42,000
⑨Thailand：＄52,200
⑩Japan：＄70,000
⑪UK：＄107,100
⑫Malaysia：110,000
⑬Switzerland：＄115,000
⑭China：＄168,000
⑮Indonesia：＄316,800
⑯Singapore：＄750,000

4．Response to SMEs
Requirements for selecting simple taxation scheme

Country	Requirements
Belgium	Only businesses in the agriculture, forestry and fisheries available
France	No requirements
Germany	Only businesses in the agriculture, forestry and fisheries and small businesses available
UK	Annual sales are ￡150,000 or less. When the flat rate scheme applied, normally no input tax can be deducted for taxable purchases. But if certain fixed assets are purchased, input tax credit for the purchase of fixed assets can separately be deducted.
Switzerland	Annual sales by taxable transactions are Fr5,005,000 or less and tax amount in the same period is Fr103,000 or less. (The tax rate is set at 0.1% to 6.5% for each of 475 industries.)
New Zealand	No requirements
China	Annual taxable sales are 500,000 yuan or less for in manufacturer, service industries, etc. Annual taxable sales are 800,000 yuan or less in other industries than manufacturers, services.

4. Response to SMEs
Requirements for selecting simple taxation scheme

Country	Requirements
Korea	The total amount of supply price (supply price + VAT amount) for the immediately preceding calendar year is less than 80,000,000 won ($60,000). But, this does not apply to mining, manufacturing, wholesale, real estate sales, and similar business services such as lawyers, CPTAs, and accountants.
Chinese Taipei	No requirements
Vietnam	・Small and medium-sized businesses and sole proprietorships whose annual taxable sales are less than 1,000,000,000 Vietnamese dong ($42,000) ・Foreign corporations, individuals, or other organizations doing business in Vietnam that do not maintain accounting books, tax invoices, and receipts in accordance with Vietnam's accounting law. ・Businesses engaged in buying, selling, and processing gold, silver, jewelry, or buying and selling foreign currency ・Newly established company
Singapore	No requirements
Indonesia	No requirements

4. Response to SMEs
Requirements for selecting simple taxation scheme

Country	Requirements
Thailand	No requirements
Malaysia	No requirements
Canada	・If taxable sales (including 0% sales) are less than 400,000 Canadian dollars ($300,000) per year, the tax liability can be calculated using the Quick Method of Accounting (QMA). ・ Even when using QMA, the actual amount of input tax credit (ITC) can be deducted for investments in capital goods. ・Businesses exempted from the QMA include tax and accounting services, legal services, charities, public entities, NPOs with more than 40% government ownership, public schools, universities, hospital authorities, and school authorities.
Japan	Annual taxable sales in the fiscal year before the most recent year are 50,000,000 yen or less.

5. Response to International and Digital Transactions
Introducing reverse charge mechanism

Have	Do not have
・EU member states（EU、Belgium、France、Germany）	・China - Similar scheme introduced
・UK	・Korea
・Switzerland	・Chinese Taipei - Regulations for taxpayers provide those for foreign businesses, etc.
・New Zealand	・Vietnam - Foreign contractor tax
・Singapore - Where it has Digital services tax	・Singapore - Digital services tax
・Canada - GST scheme and its tax rate vary by provinces. Reverse charge mechanism is adopted to interprovincial transactions.	・Indonesia - Digital services tax
・Japan	・Thailand
	・Malaysia - Digital services tax

5. Response to International and Digital Transactions
Japan's reverse charge mechanism

●Reverse charge mechanism
In Japan, in terms of "B2B electronic services " and "other specified services" provided by foreign businesses, the business operator who received such services shall file and pay the tax.

●Eligible transactions
・Provision of specific B2B electronic services: B2B Services provided via electronic and telecommunication networks (e.g., internet) such as the provision of e-books, music, and advertisements
・Provision of specific services: When a foreign business provides transaction as a business main content of which is to provide services by film or theater actors/actresses, musicians, and any other entertainers, or professional athletes, and the service is provided by the foreign business to other businesses, the transaction is regarded as a specific B2B electronic services.

●Domestic or foreign transaction?
In principle, tax is imposed where the service is provided.

5． Response to International and Digital Transactions Japan's reverse charge mechanism

● Registration as a qualified invoice issuer

Foreign businesses need to apply for registration as a qualified invoice issuing business to provide B2C electronic services that are eligible for input tax credit for domestic businesses.

⇒Legislation revised on October 1, 2023 with the introduction of the "Invoice System"

● Limitations of Input tax credit

If a foreign business operator, not having a "registration number of a qualified invoice issuer," provides B2C electronic services, Input tax credit for the domestic business who received the services is limited.

● Transitional measures

Domestic businesses who fall into the following cases are, for the time being, deemed to have no such input taxable purchases.

-receive electronic services as a specific B2B electronic services.

・the case of file tax returns in principle and the taxable sales ratio is 95% or more.

・the case of the simplified taxation system is applied.

● Tax filing and payment

・Foreign businesses that provide eligible services must notify domestic businesses receiving their services in advance of "transactions subject to declaration under the reverse charge scheme." In other words, the receivers will need to file and pay consumption tax.

・Foreign businesses that provide eligible services are required to file tax returns related to the provision of services.

6． Invoicing System

● Belgium

・For B2G (Business to Government) transactions, electronic invoicing will be required according to the schedule

In September 2022: Contract amount of 214,000 euros ($235,400) or more

In March 2023: Contract amount of 30,000 euros ($33,000) or more

In September 2023: All except for contracts with a contract amount of 3,000 euros ($3,300) or less

・Electronic invoicing will be mandatory for B2B transactions as well.

● France

・For B2B (Business to Business) transactions, electronic invoicing will be required according to the schedule below.

By July 1, 2024: Large corporations

By January 1, 2025: SMEs (less than 5,000 employees with annual sales of 1,500,000,000 euros ($1,650,000,000) or total assets20,000,000,000 euros (businesses less than $ 22,000,000,000)

By January 1, 2026: Micro-scale businesses (businesses with less than 250 employees and annual sales of 50,000,000 euros ($55,000,000) or total assets of less than 3,000,000 euros ($47,300,000)

6． Invoicing System

● Germany

On November 27, 2020, all transactions with federal government agencies (B2G transactions) are required to

use e-invoicing. Currently, the use of e-invoices is not mandatory for non-BtoG transactions, but the use of electronic invoices under EU directives is legally permitted.

● UK

Taxpayers can choose whether or not to use e-invoicing and do not need to notify or report to HMRC when they start using e-invoicing.

However, taxpayers need to ensure that they have systems in place that meets regulations regarding issuance, receipt, and storage of e-invoices.

● Switzerland

To issue e-invoices, foreign VAT taxable entities need to comply with Swiss invoicing legislation.

6． Invoicing System

● New Zealand

A taxable business must provide tax invoices for all taxable supplies made to other taxable businesses, generally within 28 days after an invoice is requested.

Generally, tax invoices are not required for items with a cost value of less than 50 NZ dollars ($30).

In principle, the invoice aggregation method is used, but in April 2022 it came to be possible to use it in conjunction with the bookkeeping method.

Electronic invoicing is permitted, but not compulsory. If the original is paper, an electronic recording of the document is permitted provided that the soft copy is printed and is identical to the original in format and all other respects.

● China

An invoice is a document called a ``value-added tax invoice,'' which is a requirement for purchase deductions. E-invoices have been introduced in some regions since 2020, and throughout China since January 21, 2021.

6. Invoicing System

● Korea

Businesses must issue tax statements (invoices) when supplying goods and services. Failure to issue, additional taxes under the tax law will be imposed.

The following businesses must issue electronic tax statements (electronic invoices).

- All corporate businesses (including national governments, non-profit corporations that operate profit-making businesses)
- Individuals whose total supply value of goods and services by business establishment in the previous year was 300,000,000 won ($22,500) or more

Sole proprietors who have issued an electronic tax return by December 31, 2015 and submitted it to the National Tax Agency within the deadline, can receive a tax reduction: 200 won ($0.15) per return with an annual limit of 1 million won ($750).

6. Invoicing System

● Chinese Taipei

The unified invoice system (invoice system) was introduced in December 1950 to secure public finances and prevent tax evasion. At the same time, a prize system was introduced. This is the system in which the Ministry of Finance assigns a number to a uniform invoice, then announces and pays out the winnings on a regular basis. It is called ``unified invoices with lottery tickets". It had a significant effect on increasing tax revenue and preventing tax evasion. It has become widespread in general transactions as well.
Under the Income Tax Act, it is considered an important piece of evidence to prove a transaction.

Under the Business Tax Law, this unified invoice is essential for purchasing tax credits.

Currently, unified invoices are being digitized. For both B2B and B2C transactions, a unified invoice number is assigned to the electronic invoice program used by each company via the Internet, with confirming receipt of unified invoices from time to time.

For small businesses not using invoices (those with monthly sales of less than NT$200,000 ($6,400), the tax authorities calculate business tax on a pay-as-you-go basis (no filing required).

6. Invoicing System

● Vietnam

When businesses conduct a transaction subject to VAT, they must issue an official invoice. This official invoice, printed on red paper, is commonly called a red invoice.

On and after July 1, 2022, paper invoices are completely abolished and companies are required to issue electronic invoices, except for those listed below.

Companies are allowed extendedly to use paper invoices, if they:

- possess paper invoices issued by October 19, 2020
- were/are established on and after October 19, 2020
- have not yet installed equipment for electronic invoices

6. Invoicing System

● Singapore

GST registered businesses are required to issue tax invoices within 30 days from the date of taxable transaction.
For a sales price of less than 1,000 Singapore dollars ($750), it is possible to issue a simplified tax invoice.

In January 2020, Singapore introduced the electronic invoice system Peppol (Pan European Public Procurement Online). Peppol, managed by the international non-profit organization Open Peppol, is an international standard for document specifications, networks, and operational rules for exchanging electronic documents over networks.

The name was changed to "Invoice Now" in September 2020.
Registration is required for GST taxable sales of SGD 1,000,000 ($750,000) or more, but even those below this can register voluntarily and receive GST input tax credit.

6． Invoicing System

● Indonesia

When selling goods or providing services, VAT registered businesses are required to issue official tax invoices, using an electronic format called "Electronic Faktur Pajak (e-FP)".

● Thailand

Input VAT that can be deducted from sales VAT in a taxable month is limited to input VAT supported by tax invoices issued on a date within that month.

If businesses cannot obtain a tax invoice due to special circumstances and cannot deduct input value added tax, they can deduct it from sales VAT of the following month only within 6 months from the date of invoice issue.

Retailers can issue simplified tax invoices.

Electronic invoicing system has not been introduced.

6． Invoicing System

● Malaysia

Malaysia has not introduced tax invoice system for sales tax and services tax, nor an electronic invoice system.

● Canada

GST/HST registered businesses are required to provide certain information on invoices, receipts, contracts,
and other documents.

GST/HST registered businesses are not required to provide the business number for sales less than 30 Canadian dollars ($22.50).

Requirements for providing information on Invoices and receipts, etc. have 9 items, which differ depending on the total sales amount. It is categorized 3 ranges: less than 30 Canadian dollars ($22.50) ; 30 Canadian dollars and over to 149.99 Canadian dollars ($112.49) or less; and 150 Canadian dollars ($112.50) or more.

If certain requirements are met, the invoice requirement will be waived.

Electronic invoices are not compulsory, and paper invoices can also be issued.

6． Invoicing System Japan

● Japan

- Japan conventionally adopted the bookkeeping method.
- On 1 October 2019, when Japan adopted multiple tax rates: 10% of standard rate and reduced rate of 8%, the government decided to shift the accounting method to the invoice method.
- However, the invoice method needs an unprecedented administrative burdens compared with the conventional method. Therefore, the conventional bookkeeping/invoice storage method was acceptable for transactions between 1 Oct. 2019 and 30 Sept.2023. The invoice system started on October 1, 2023.
- Only registered businesses can issue qualified invoices, but it is businesses' discretion to decide whether to register for invoice or not.
- For a certain period of time after the start of the invoice system, transitional measures have been taken for taxable purchases from parties other than invoice issuing businesses.
  The transitional measures can be applied are as follows.
  80% of the amount equivalent to input tax can be deducted as input tax from October 1, 2023 to September 30, 2026
  50% of the amount equivalent to input tax can be deducted as input tax from October 1, 2026 to September 30, 2029.

6． Invoicing System Japan

- Along with the start of the invoice system, a special treatment was established for businesses that shifted from tax-exempt to taxable as invoice issuing businesses. In the taxable period from October 1, 2023 to September 30, 2026, the amount of input tax credit will be calculated from the special deduction tax amount (consumption tax amount for the total amount that is the tax base) to sales. It is now possible to select a simple tax return and tax payment system in which 20% of the sales tax is paid (an amount equivalent to 80% of the remaining amount after deducting the total amount of consumption tax on the amount of the refund, etc.).

- To reduce the administrative burdens, a special measure is taken for small-value transactions: taxable purchases of less than 10,000 yen are subject to input tax credits, with simply keeping a book containing certain items with no invoices. This special measure is applicable for taxable purchases made
  between October 1, 2023 and September 30, 2029; limited to those who meet certain conditions such as taxable sales of 100,000,000 yen ($700,000) or less in the base period (the previous business year before last).

- In addition, transitional measures including special provisions have been established for the

6. Invoicing System Japan

- Currently, electronic invoices (digital invoices) are not particularly mandated or institutionalized. Japan's Digital Agency and other organizations have announced that they will adopt Peppol (Pan European Public Procurement Online) as the standard specification for electronic invoices (digital invoices), and are proceeding with system construction.

- Peppol is a global standard specification for document specifications, operational rules, and networks for exchanging electronic documents such as invoices over networks. It is run by Open Peppol, a Belgian international non-profit organization.
  Currently, it is used in more than 30 countries, including not only European countries but also non-European countries such as Australia, New Zealand, and Singapore. (*From website of the Digital Invoice Promotion Council)

- By adopting Peppol as a standard specification, it is expected that even small and medium-sized businesses will be able to use electronic invoices (digital invoices) at low cost, and will be able to handle not only domestic but also many overseas transactions.

- For the issuance and storage of electronic invoices (digital invoices), standards other than Peppol can be used, not limited to Peppol.

7. Perspectives and Issues around VAT

◎ **VAT Issues and efforts in EU**

OECD published BEPS Guidelines in October 2015 and International VAT/GST Guidelines in 2017.

These guidelines suggest:

- in terms of B2C transactions, VAT is imposed at the point of final consumer whenever possible. Place of services supplied, such as the Internet, is not restricted are taxed in the place of residence of the final consumer (beneficiary).
- in terms of B2B transactions, the governments set forth standards (neutrality) so as not to affect the economic activities of businesses, while considering the administrative burdens on businesses due to VAT legislation changes.

These guidelines aim to prevent tax evasion and double taxation by standardizing criteria, and to build a market where all businesses around the world can conduct economic activities under the same conditions. In response, EU member states began applying a reverse charge system, a means of passing on VAT, as an initiative under Action 1 of the BSPS Final Report, Tax Challenges Arising from Digitalization.

BEPS 2015 Final Report by OECD provides an example of VAT base erosion: ``If the place where services are provided is the place of taxation, banks with a low taxable sales ratio cannot deduct the full amount of input tax, so they are

7. Perspectives and Issues around VAT

To reduce the administrative burdens on businesses, a registration declaration system by, a simplified registration procedure online, will be established for businesses outside the EU. The EU also plans to use it as a tool to prevent tax avoidance, linking information with businesses within the EU.

A discrepancy, called VAT gap, exists between the actual tax revenue and the theoretical total tax amount (total VAT amount) calculated based on the Supply and Use Table (SUT). This is not only structural problems with the VAT Act, but also systematic VAT fraud using tax-free shipping on e-commerce (EC) sites. As a countermeasure, the EU proposed Quick Fixes on January 1, 2020, consisting of the following three directives.

- Establish an accurate VATID system for intra-Community supply
- Standardize certification criteria for intra-Community supply in cross-border chain transactions
- Standardize documents to certify intra-Community supply

7. Perspectives and Issues around VAT

◎ Diffusion and standardization of electronic invoices (digital invoices)

Along with the continued increase of international transactions via the Internet, shifting to an electronic invoice system seems to be an urgent issue for each country.

The advantages of using electronic invoices include the following.

- Reduce expenses related to invoice issuance
- Understand billing details quickly and accurately
- Prevent VAT fraud
- Submit early VAT returns and receive early refunds
- Reduce invoice issuance work

Standardizing e-invoices in Asia and Oceania countries is expected to enable businesses in each country to carry out tax processes on international transactions in an appropriate, quick, and low-cost manner.

At the same time, importantly, the government should take measures to prevent business transaction information collected by tax authorities domestic and overseas from being leaked or used for purposes other than its intended purpose.

In the future, it will become increasingly necessary to strengthen continued relationships between all parties gathered here today, tax experts in each country for the rights of taxpayers and proper tax filing.

Conclusion

1． Response to SMEs

2． Reverse Charge Mechanism

3． Electronic Invoices

AOTCA TOKYO 2023

Thank you! (Arigatou)

An International Comparative Study of VAT System

Masami Kondo／International Relations Department,
Japan Federation of CPTAs Associations

AOTCA TOKYO 2023

Reference

Currency conversion table

Country	Currency	USD
Belgium、Germany、France	1 euro	1.1
UK	1 pound	1.26
Korea	1 Korean won	0.00075
China	1 Chinese yuan	0.14
Indonesia	1 Indonesia rupiah	0.000066
New Zealand	1 New Zealand dollar	0.6
Chinese Taipei	1 Taiwan yuan（Taiwan dollar）	0.032
Japan	1 Japanese yen	0.007
Canada	1 Canada dollar	0.75
Thailand	1 Thailand baht	0.029
Singapore	1 Singapore dollar	0.75
Switzerland	1 Switzerland franc	1.15
Vietnam	1 Vietnam dong	0.000042
Malaysia	1 Malaysia ringgit	0.22

※ This presentation uses these exchange rates.

AOTCA TOKYO 2023

16:15 - 16:40 **Speech 5**

Speaker

Mr. Desmond Wong

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Hong Kong

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Email: desmond.kt.wong@hk.pwc.com

Background

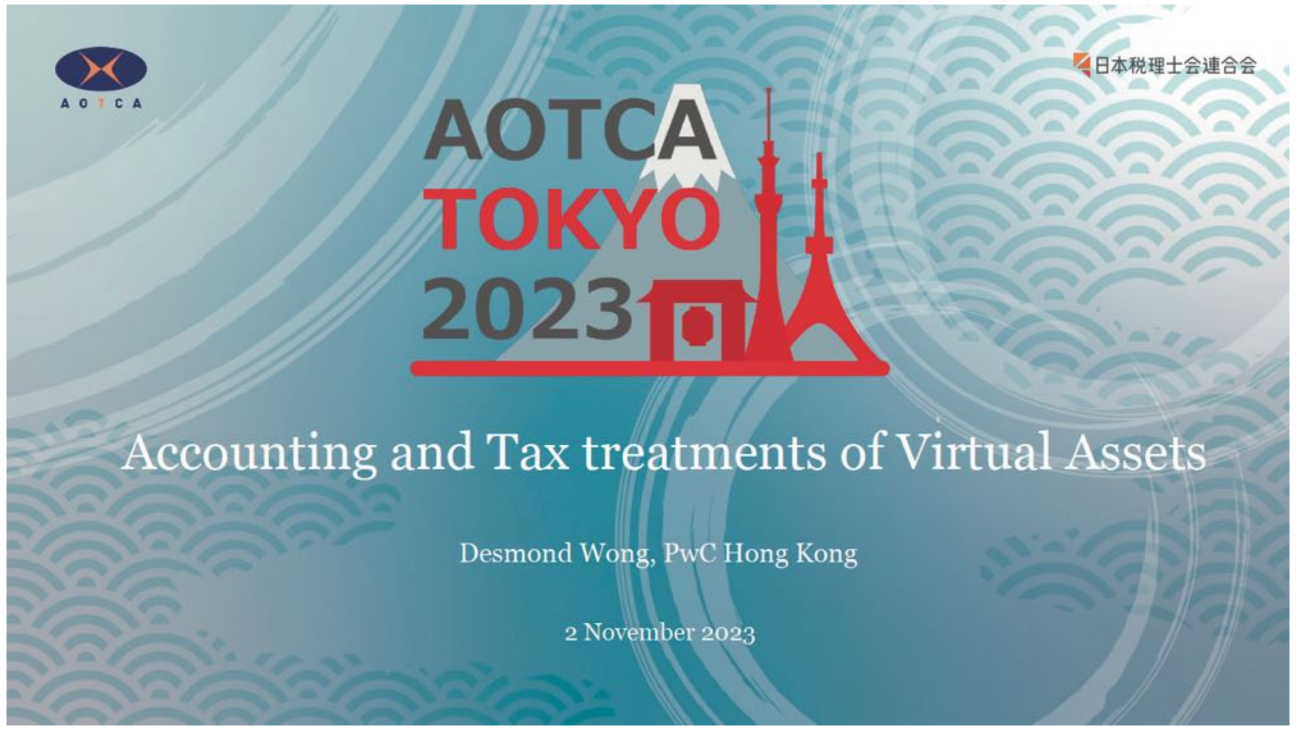
- Desmond joined PwC in 2007 and is a Partner of PwC Hong Kong's corporate tax practice. He is a core tax member in the technology, media and telecommunications (TMT) sector. He also advised a number of large multinational clients in consumer market and industrial product sectors.
- In 2012, Desmond was sent to PwC US on a three-year secondment programme, during which he worked in the Los Angeles and Atlanta offices respectively. He was involved in US tax accounting work as well as international tax projects.

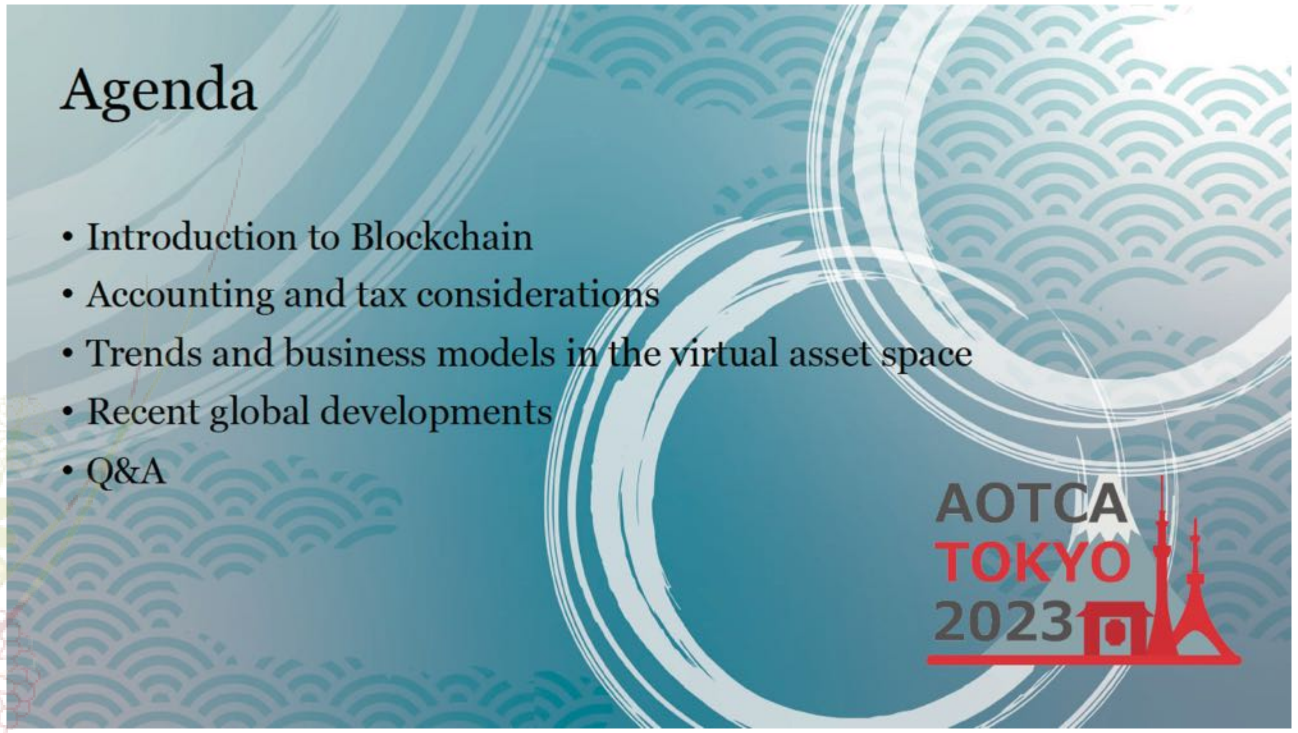
Relevant experience

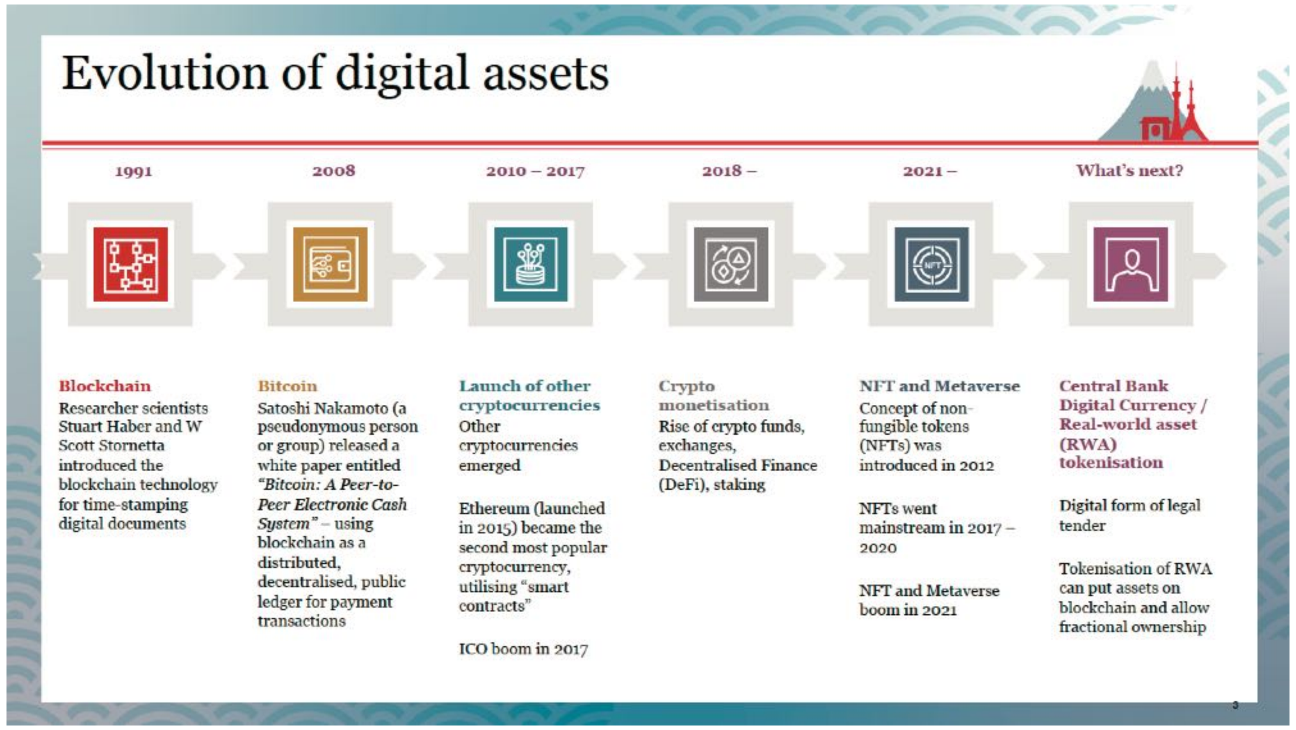
- Desmond has extensive experience in providing Hong Kong and international tax services to multinational and local clients. He has been actively involved in tax investigations, corporate restructuring, cross-border tax advisory projects, tax due diligence, tax and debt structuring, tax ruling applications, stamp duty, and IPO projects.
- Desmond has acted as the regional tax coordinator for a number of PwC priority clients with global footprints. He has also assisted a number of local clients and startups on pre-IPO tax advice and tax locations study matters. In recent years, Desmond has taken part in transformational tax projects, advising government and business sectors on Hong Kong electronic tax filing matters, advising clients on supply chain transformation issues, and help building a digital tax platform for PwC's client use.
- Desmond is a frequent public speaker on tax-related topics in different seminars organised by PwC, business associations, or government bodies.

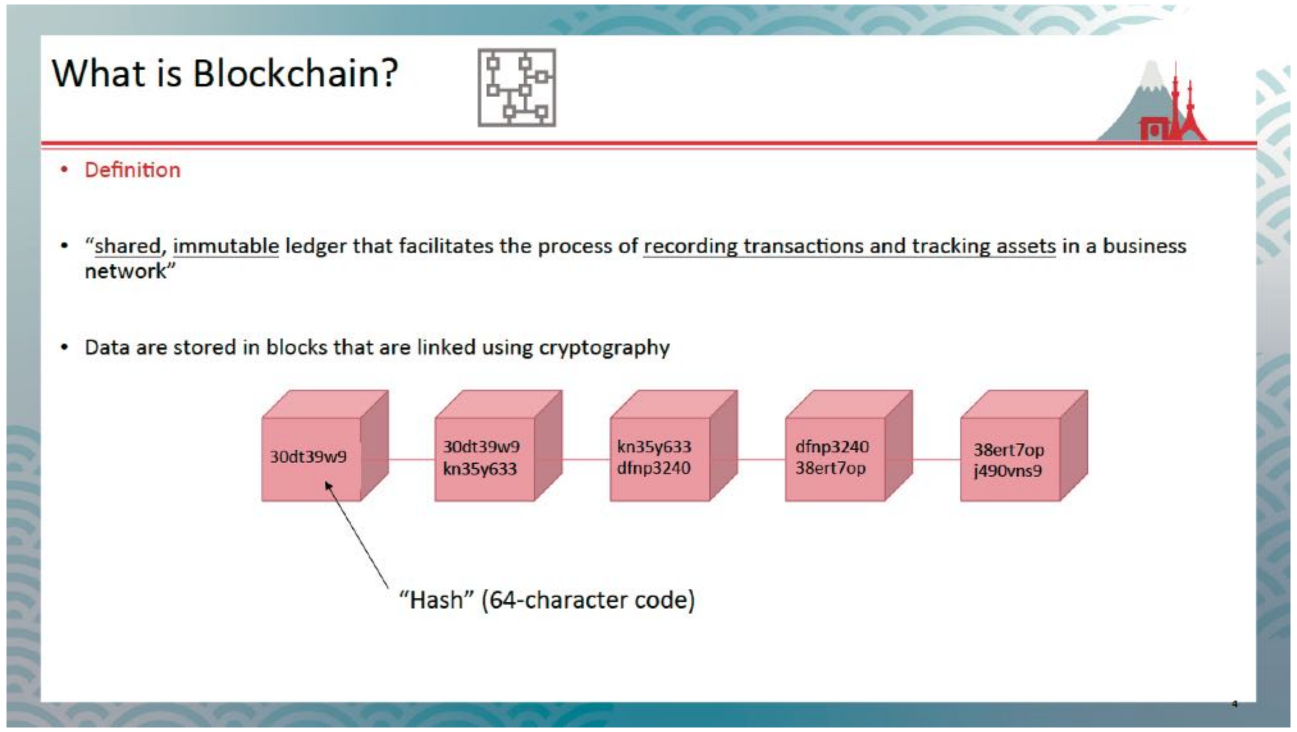
Relevant accounting/tax qualifications

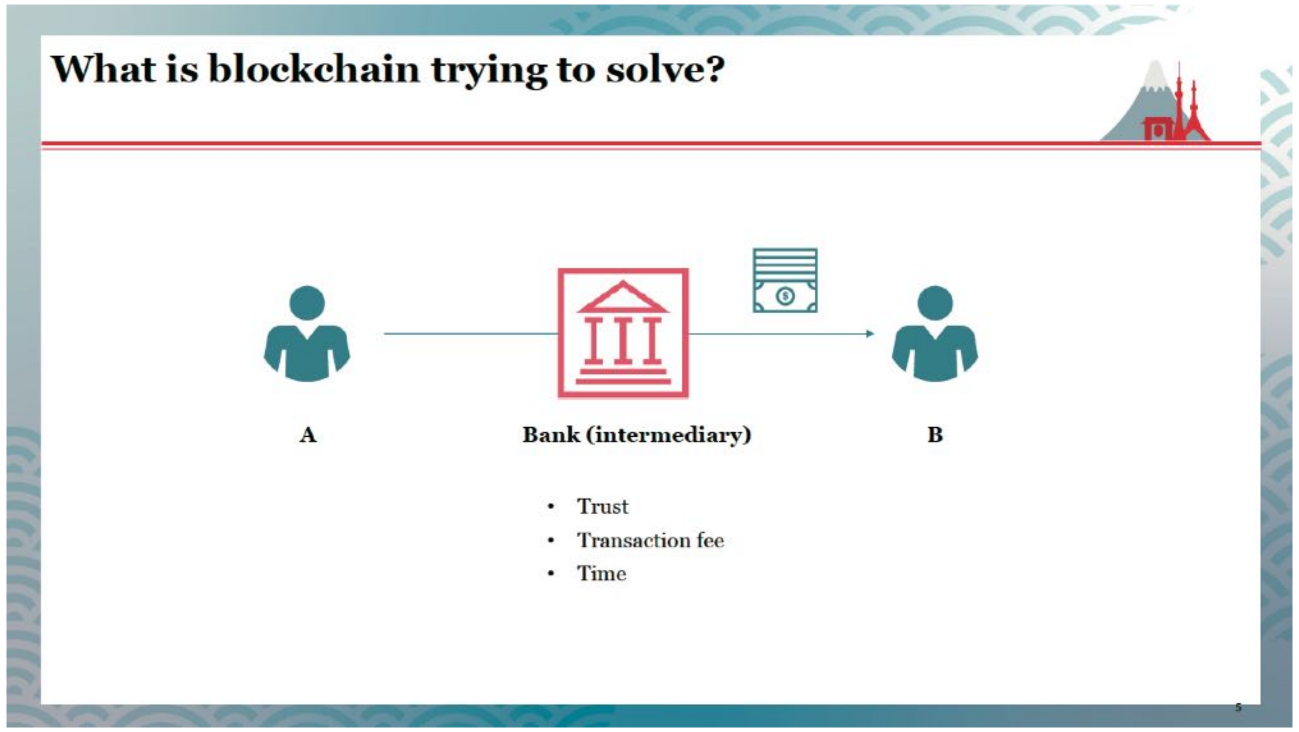
- Chairman of Professional Standards Committee & Council Member of The Taxation Institute of Hong Kong
- Member of the Hong Kong Institute of Certified Public Accountants, and the Association of Chartered Certified Accountants

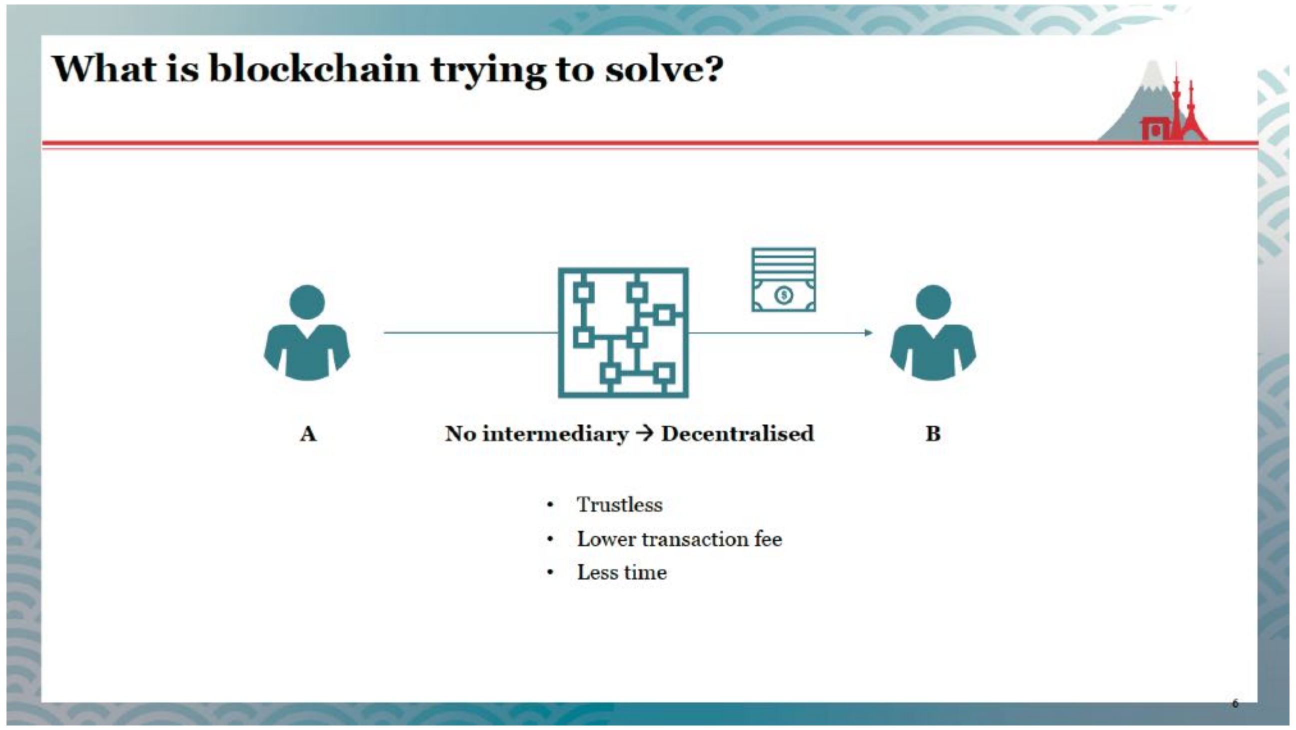


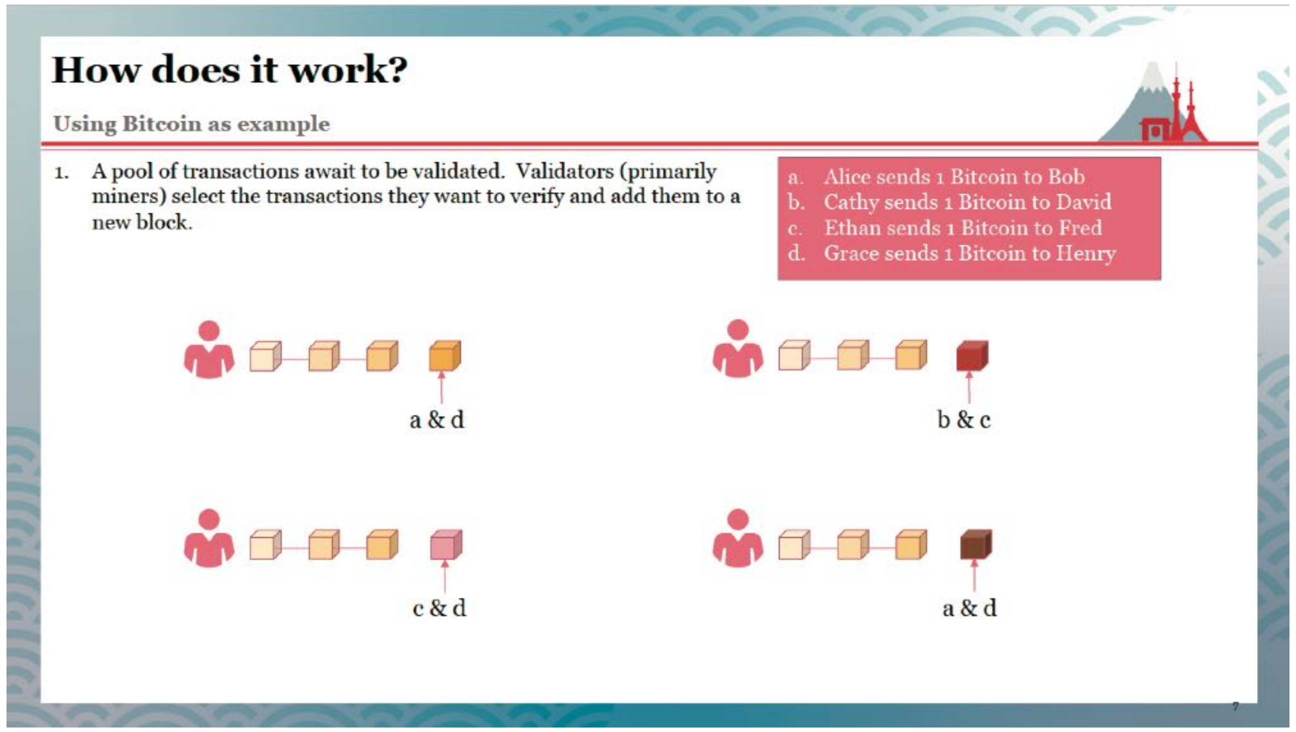


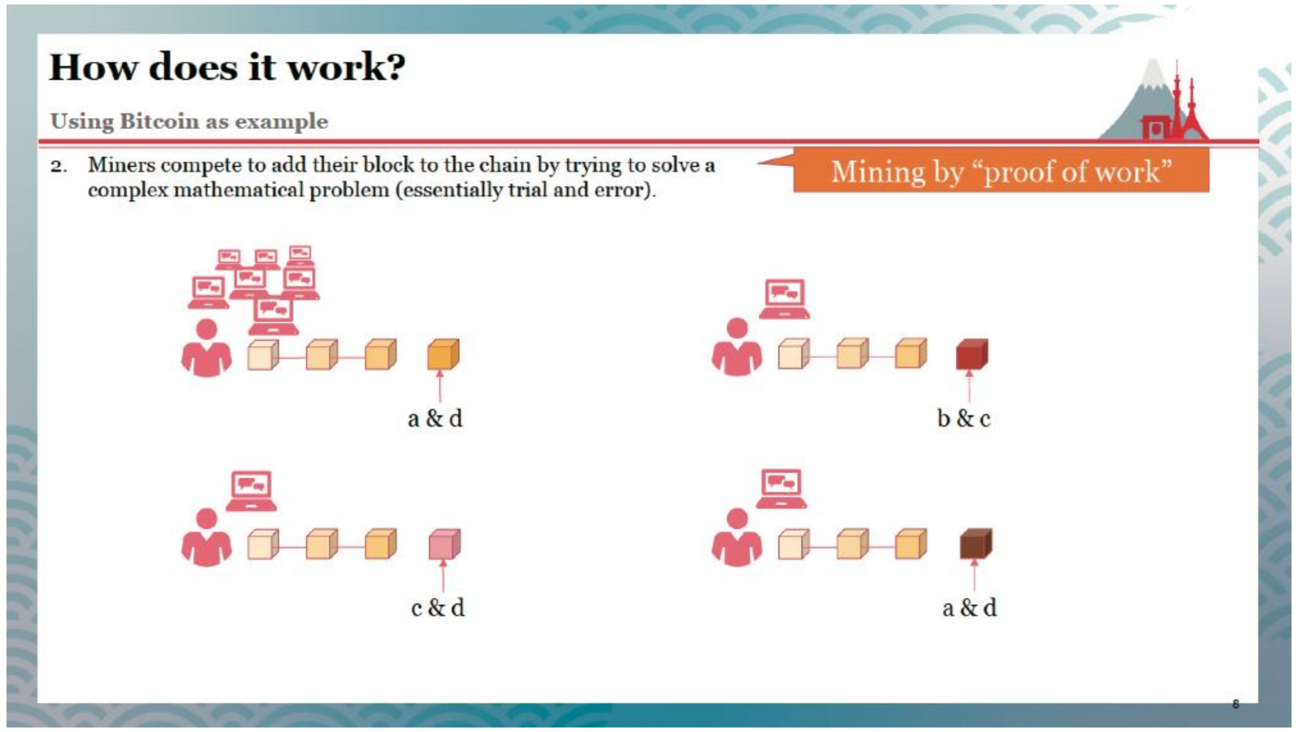

Evolution of digital assets
1991
2008
2010 – 2017
2018 –
2021 –
What's next?
Blockchain
Researcher scientists Stuart Haber and W Scott Stornetta introduced the blockchain technology for time-stamping digital documents
Bitcoin
Satoshi Nakamoto (a pseudonymous person or group) released a white paper entitled "Bitcoin: A Peer-to-Peer Electronic Cash System" – using blockchain as a distributed, decentralised, public ledger for payment transactions
Launch of other cryptocurrencies
Other cryptocurrencies emerged
Ethereum (launched in 2015) became the second most popular cryptocurrency, utilising "smart contracts"
ICO boom in 2017
Crypto monetisation
Rise of crypto funds, exchanges, Decentralised Finance (DeFi), staking
NFT and Metaverse
Concept of non-fungible tokens (NFTs) was introduced in 2012
NFTs went mainstream in 2017 – 2020
NFT and Metaverse boom in 2021
Central Bank Digital Currency / Real-world asset (RWA) tokenisation
Digital form of legal tender
Tokenisation of RWA can put assets on blockchain and allow fractional ownership

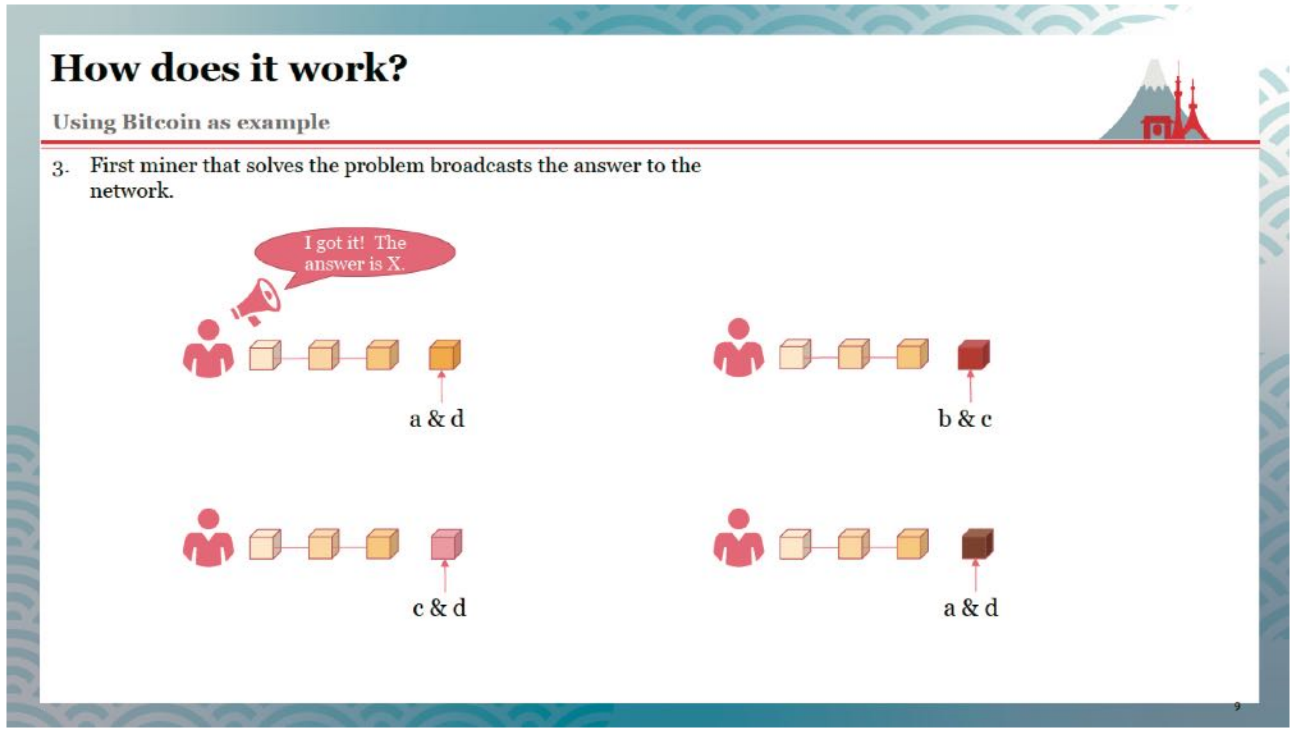

What is Blockchain?
• Definition
• "shared, immutable ledger that facilitates the process of recording transactions and tracking assets in a business network"
• Data are stored in blocks that are linked using cryptography
30dt39w9
30dt39w9
kn35y633
kn35y633
dfnp3240
dfnp3240
38ert7op
38ert7op
j490vns9
"Hash" (64-character code)

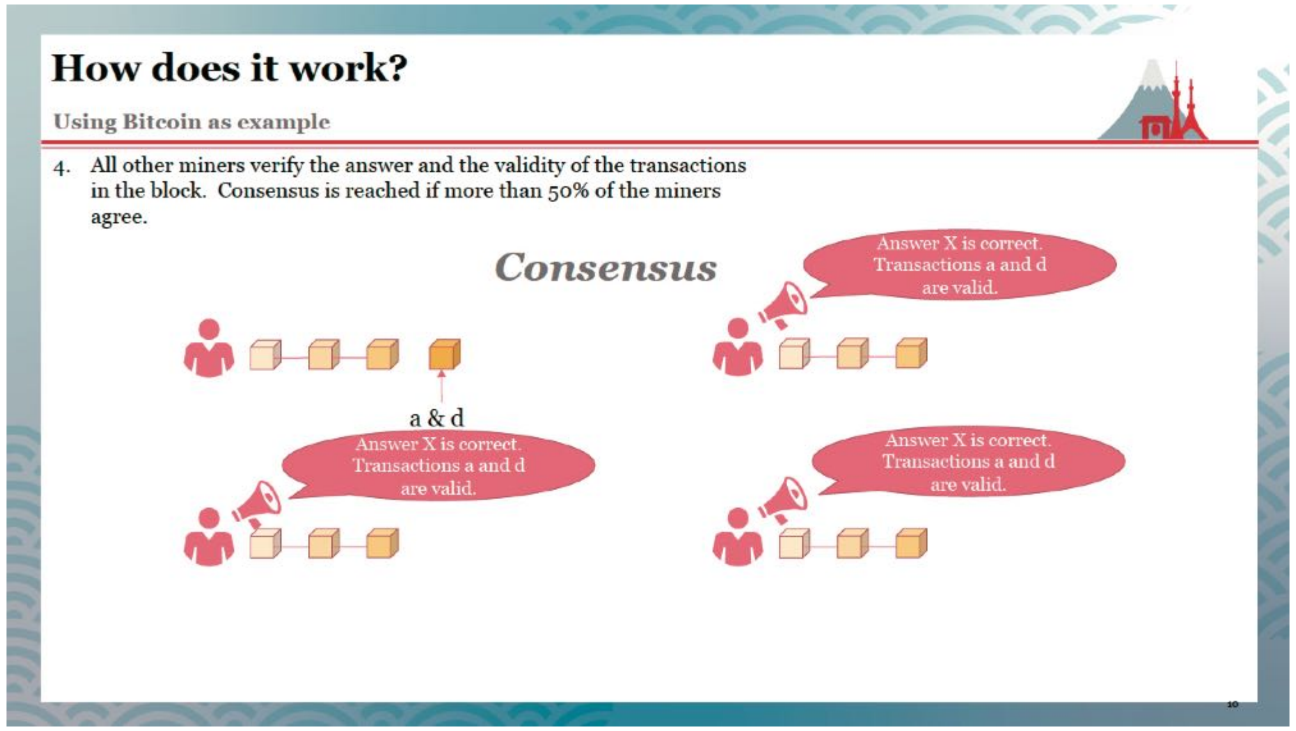

What is blockchain trying to solve?
A
Bank (intermediary)
B
• Trust
• Transaction fee
• Time

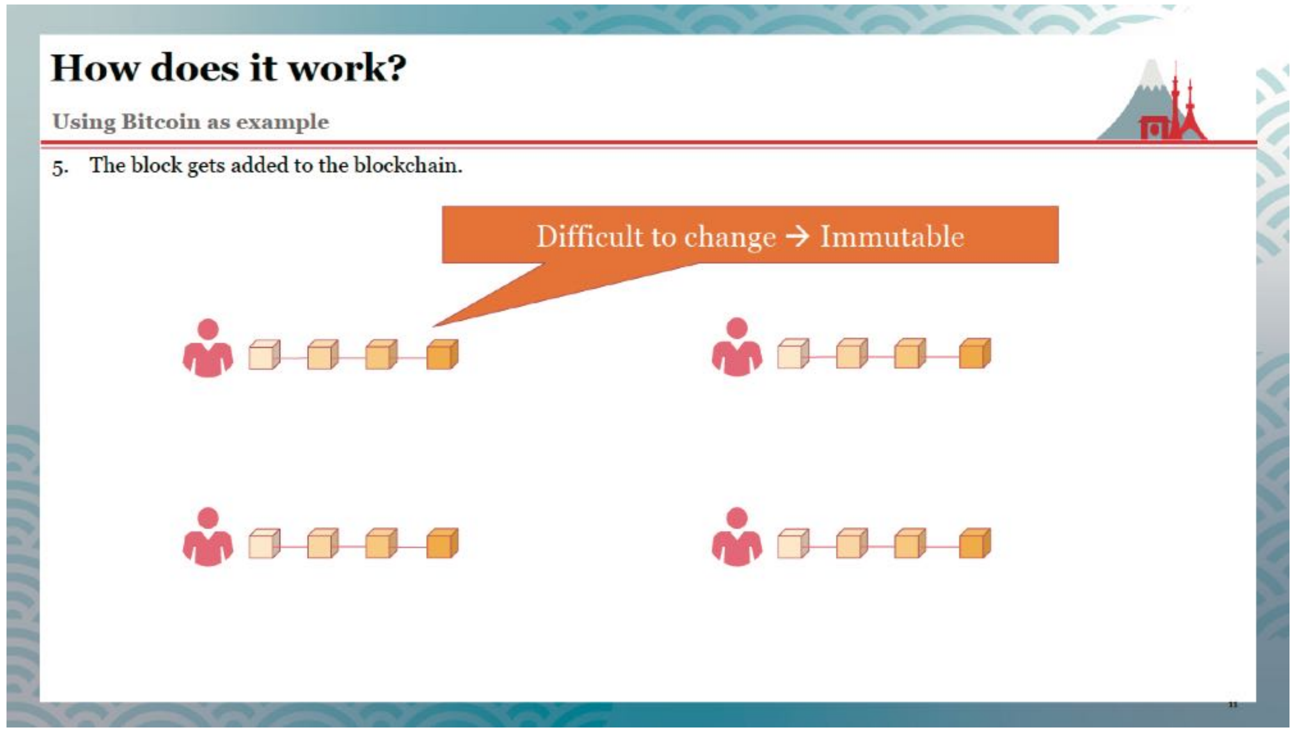

What is blockchain trying to solve?
A
No intermediary → Decentralised
B
• Trustless
• Lower transaction fee
• Less time

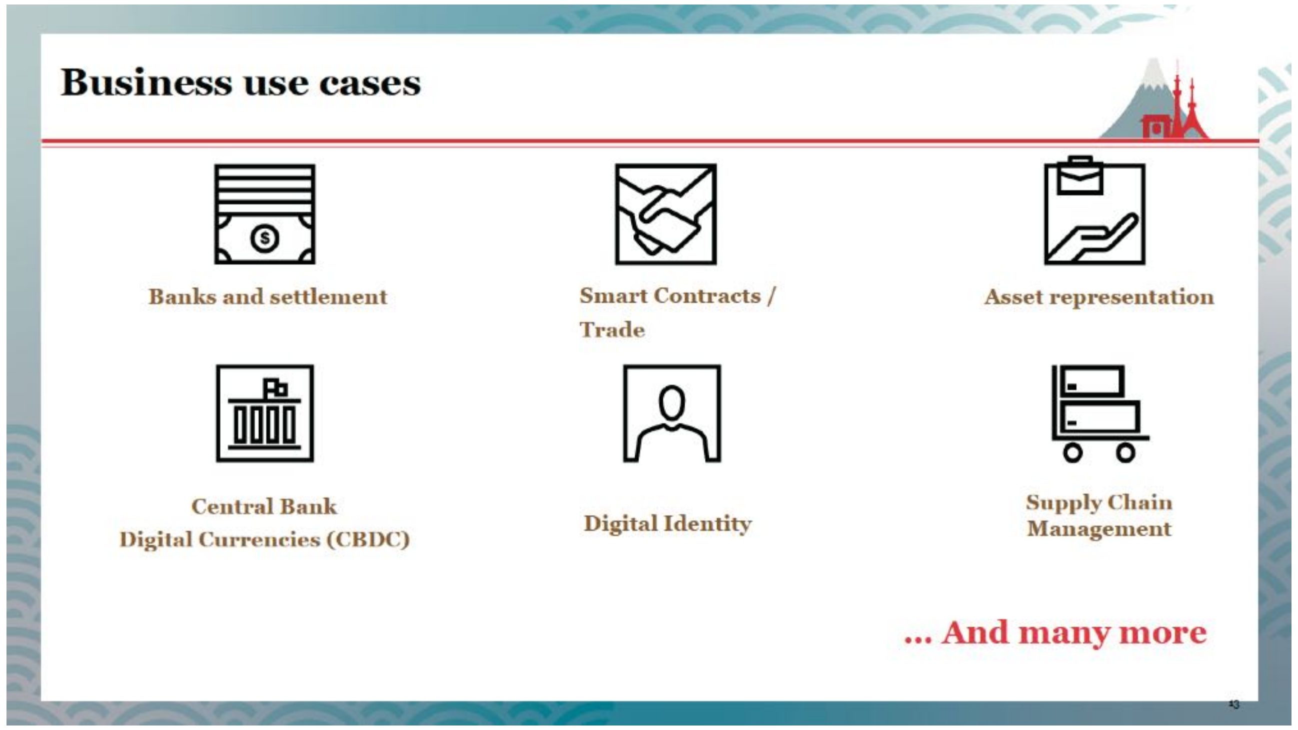

How does it work?
Using Bitcoin as example
1. A pool of transactions await to be validated. Validators (primarily miners) select the transactions they want to verify and add them to a new block.
a. Alice sends 1 Bitcoin to Bob
b. Cathy sends 1 Bitcoin to David
c. Ethan sends 1 Bitcoin to Fred
d. Grace sends 1 Bitcoin to Henry
a & d
b & c
c & d
a & d

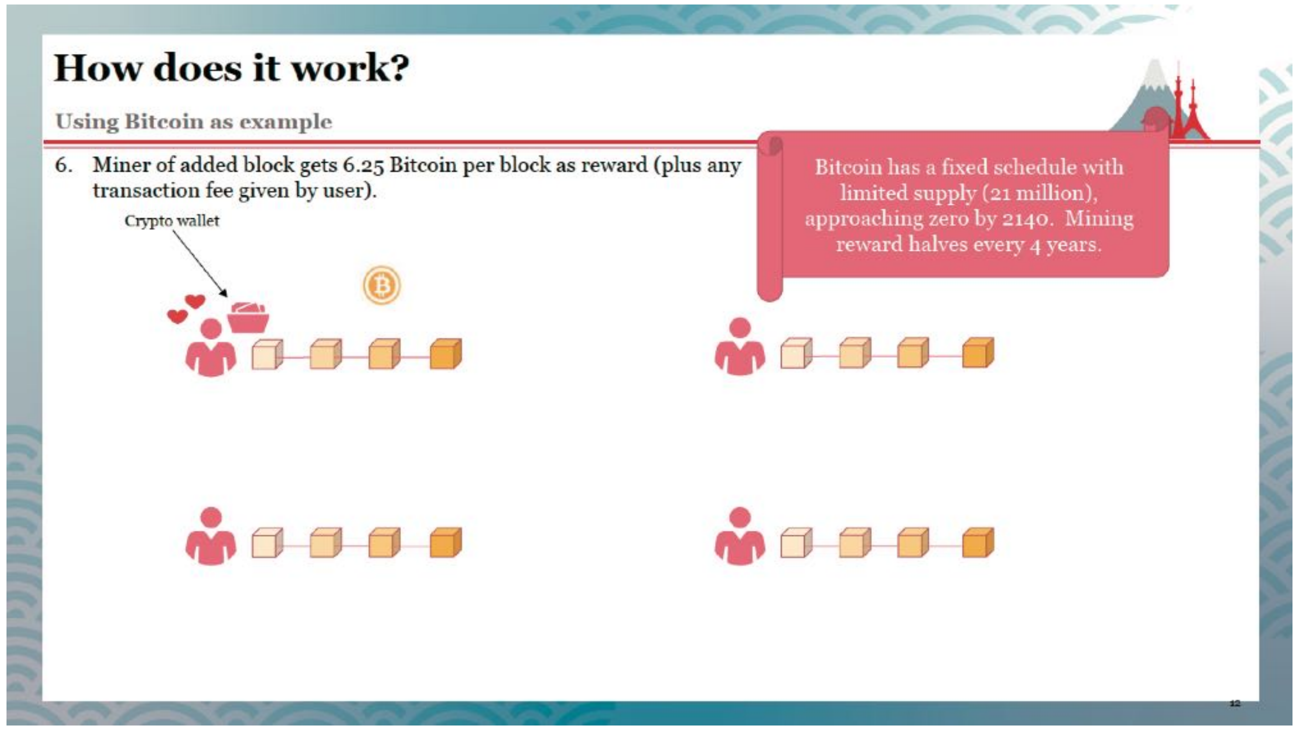

How does it work?
Using Bitcoin as example
2. Miners compete to add their block to the chain by trying to solve a complex mathematical problem (essentially trial and error).
Mining by "proof of work"
a & d
b & c
c & d
a & d

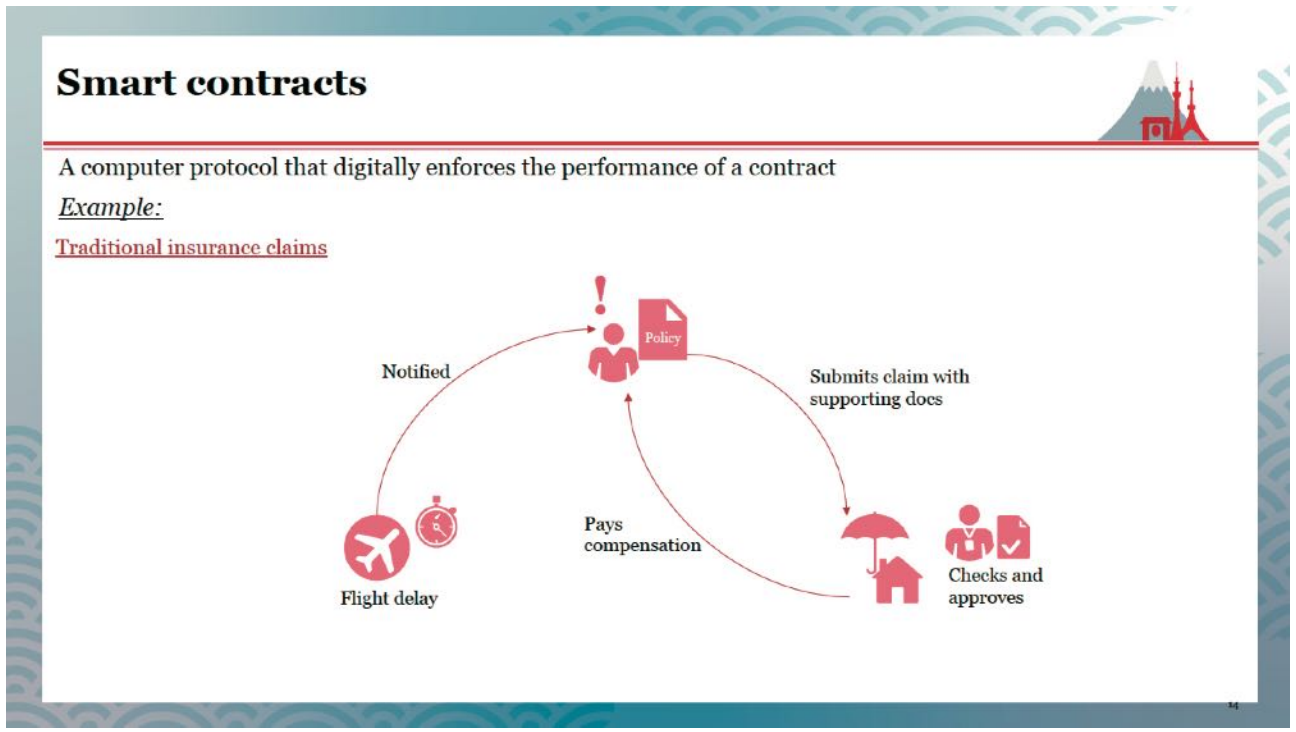

How does it work?
Using Bitcoin as example
3. First miner that solves the problem broadcasts the answer to the network.
I got it! The answer is X.
a & d
b & c
c & d
a & d


How does it work?
Using Bitcoin as example
4. All other miners verify the answer and the validity of the transactions in the block. Consensus is reached if more than 50% of the miners agree.
Consensus
Answer X is correct. Transactions a and d are valid.
a & d
Answer X is correct. Transactions a and d are valid.
Answer X is correct. Transactions a and d are valid.


How does it work?
Using Bitcoin as example
5. The block gets added to the blockchain.
Difficult to change → Immutable


Business use cases
Banks and settlement
Smart Contracts / Trade
Asset representation
Central Bank Digital Currencies (CBDC)
Digital Identity
Supply Chain Management
... And many more


How does it work?
Using Bitcoin as example
6. Miner of added block gets 6.25 Bitcoin per block as reward (plus any transaction fee given by user).
Crypto wallet
Bitcoin has a fixed schedule with limited supply (21 million), approaching zero by 2140. Mining reward halves every 4 years.

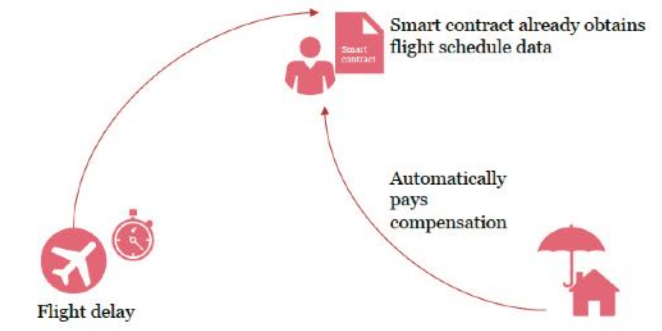

Smart contracts
A computer protocol that digitally enforces the performance of a contract
Example:
Traditional insurance claims
Notified
Policy
Submits claim with supporting docs
Pays compensation
Flight delay
Checks and approves

Smart contracts

A computer protocol that digitally enforces the performance of a contract

Example:

Insurance claims with smart contracts



Accounting considerations – Token issuer

1) Financial liability

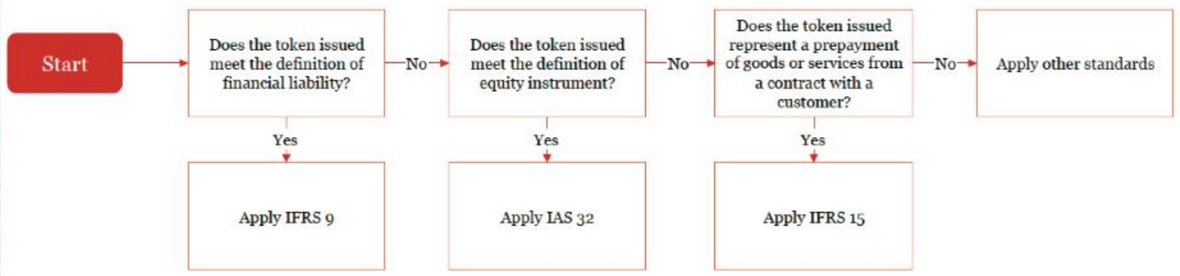
- **IFRS 9** states that an entity shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument

- Accordingly, one needs to ask a few questions:
  - Is there a financial liability?
  - Does the issuance give rise to a contractual obligation to deliver cash or other financial asset?
  - Is there a certain contract that will or might be settled in the entity's own equity instruments?

17

Accounting considerations – Token issuer

As an example to showcase the accounting consideration, we illustrate with one of the more common issue – **Token issuance.** The below is an illustration of the thinking process:



Accounting considerations – Token issuer (Cont'd)

2) Equity instrument

IAS 32 states a financial instrument is an equity instrument only if:

(a) the instrument includes no contractual obligation to deliver cash or another financial asset to another entity; and

(b) if the instrument will or may be settled in the issuer's own equity instruments, it is either:

- a non-derivative that includes no contractual obligation for the issuer to deliver a variable number of its own equity instruments; or
- a derivative that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

- Accordingly, one needs to assess whether the token issued represents an equity instrument of the issuer.

Accounting considerations – Token issuer (Cont'd)

<u>3) Revenue transaction / prepayment for future goods and services</u>

- **IFRS 15** applies where the counterparty to the contract is a <u>customer</u>, which is defined as ***"A party that has contracted with an entity to <u>obtain goods or services</u> that are <u>an output of the entity's ordinary activities in exchange for consideration</u>."***

- Accordingly, one needs to assess whether the "customer" obtains any goods or services that constitute an exchange transaction under these transactions.

A Case by case analysis is therefore necessary depending on the business model and what is exchanged.

Accounting considerations – Token purchaser

For the purpose of determining the applicable accounting standard, it is useful to classify the crypto assets into defined subset based on the their characteristics generally.

Subset	Purpose	Inherent value
Cryptocurrency	Cryptocurrencies are digital tokens or coins based on blockchain technology, such as Bitcoin. They currently operate independently of a central bank and are intended to function as a medium of exchange.	None – derives its value based on supply and demand.
Asset-backed token	An asset-backed token is a digital token based on blockchain technology that signifies and derives its value from something that does not exist on the blockchain but instead is a representation of ownership of a physical asset (for example, natural resources such as gold or oil).	Derives its value based on the underlying asset.
Utility token	Utility tokens are digital tokens based on blockchain technology that provide users with access to a product or service, and they derive their value from that right. Utility tokens give holders no ownership in a company's platform or assets and, although they might be traded between holders, they are not primarily used as a medium of exchange.	Value is derived from the demand for the issuer's service or product.

Accounting considerations – Token purchaser (Cont'd)

After analysing the nature of the virtual asset acquired, the token purchaser will likely recognise the virtual assets in its books under 1 of the 3 commonly observed categories.

Inventory

Intangible asset

Financial instrument

Guidance on taxation of digital assets in Hong Kong

Departmental Interpretation and Practice Notes (DIPN) No. 39 – Digital economy, electronic commerce and digital assets (Revised March 2020)

Payment token

- a means of payment for goods or services and encompass cryptocurrencies (e.g. Bitcoin)
- do not provide the holder with any rights or access to goods or services
- in the nature of virtual commodity

Utility token

- provide the holder with access to particular goods or services using a blockchain platform
- tokens as prepayment for the particular goods or services

Issuance usually revenue in nature

Security token

- provide the holder with particular interests and rights in a business
- represent ownership interests in the business, a debt due by the business or entitlement to a share of profits in the business

Issuance usually capital in nature

Digital assets held for investment

Capital asset vs trading stock – "badges of trade" to determine whether the subsequent disposal is capital or revenue in nature

Guidance on taxation of digital assets in Hong Kong

Cryptocurrency business

- Hong Kong sourced profits from cryptocurrency business activities → chargeable to profits tax
- Is the activity is undertaken in a business-like manner? Is the activity is done for the purpose of making a profit?
- If new cryptocurrencies are received in the course of a cryptocurrency business, such as airdrops and Blockchain forks, the new cryptocurrencies will be regarded as receipts of the business
- The broad guiding principle and source rules will be applied to determine the source of profits arising from cryptocurrency transactions

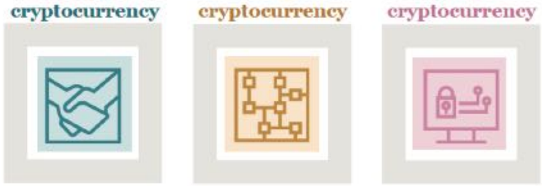
Cryptocurrency used for business transactions

- Cryptocurrency as payment from customers or use it for purchasing goods → market value of the cryptocurrency accrued at the date of transaction should reflect the amount of sales and purchases

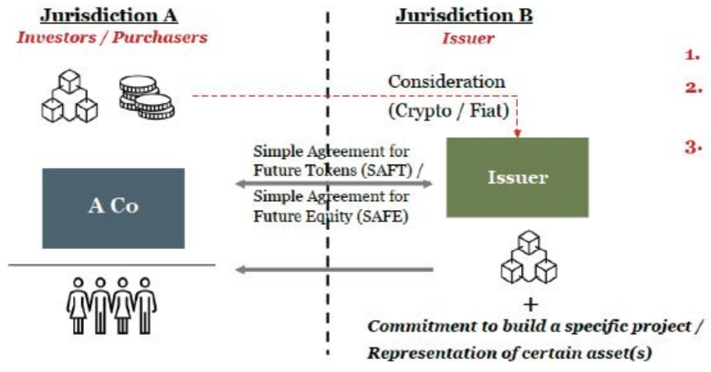
Cryptocurrency received as employment income

- The amount to be reported as the employee's employment income should be the market value of the cryptocurrency at the time of accrual

Trading of cryptocurrency | Exchange of cryptocurrency | Mining of cryptocurrency



Business Model – Initial / Exchange Coin Offerings or Securities Token Offerings



1. Trade or business?
2. What is the taxable event?
3. What is the source of the income?

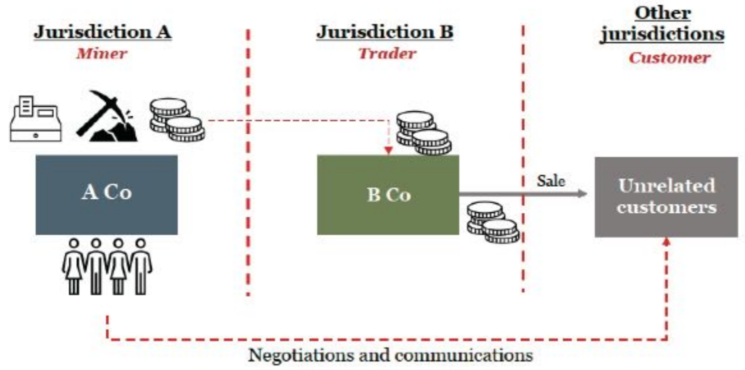
*Supporting service companies, contractors and other extensions of the issuer omitted for simplicity

Guidance on taxation of digital assets in Hong Kong

What DIPN No. 39 does not address

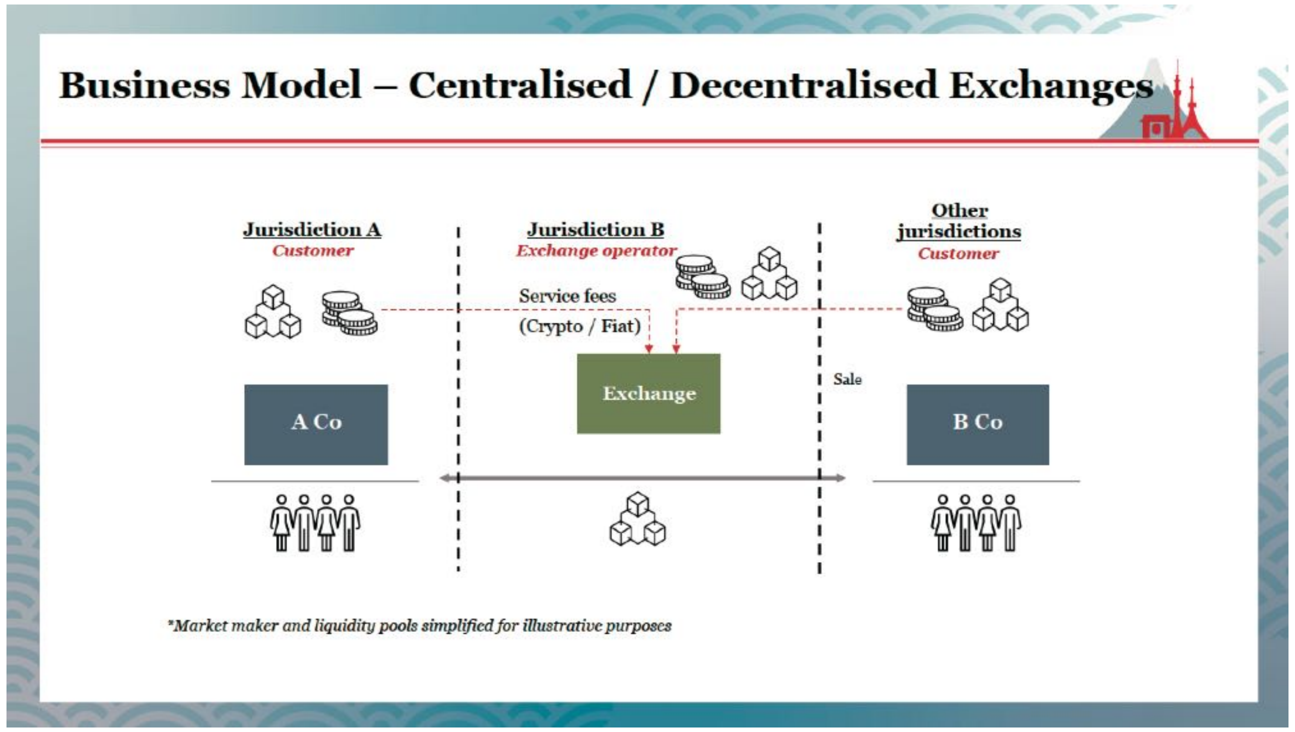
Unrealised gains / losses	Coin borrowing and lending	Unified fund exemption	Newer concepts
• Realisation basis vs. fair value basis?	• Cryptocurrency is not "money" • Relief for stock borrowing and lending not applicable	• Not applicable if not transactions in qualifying assets	• NFT • Staking • DeFi

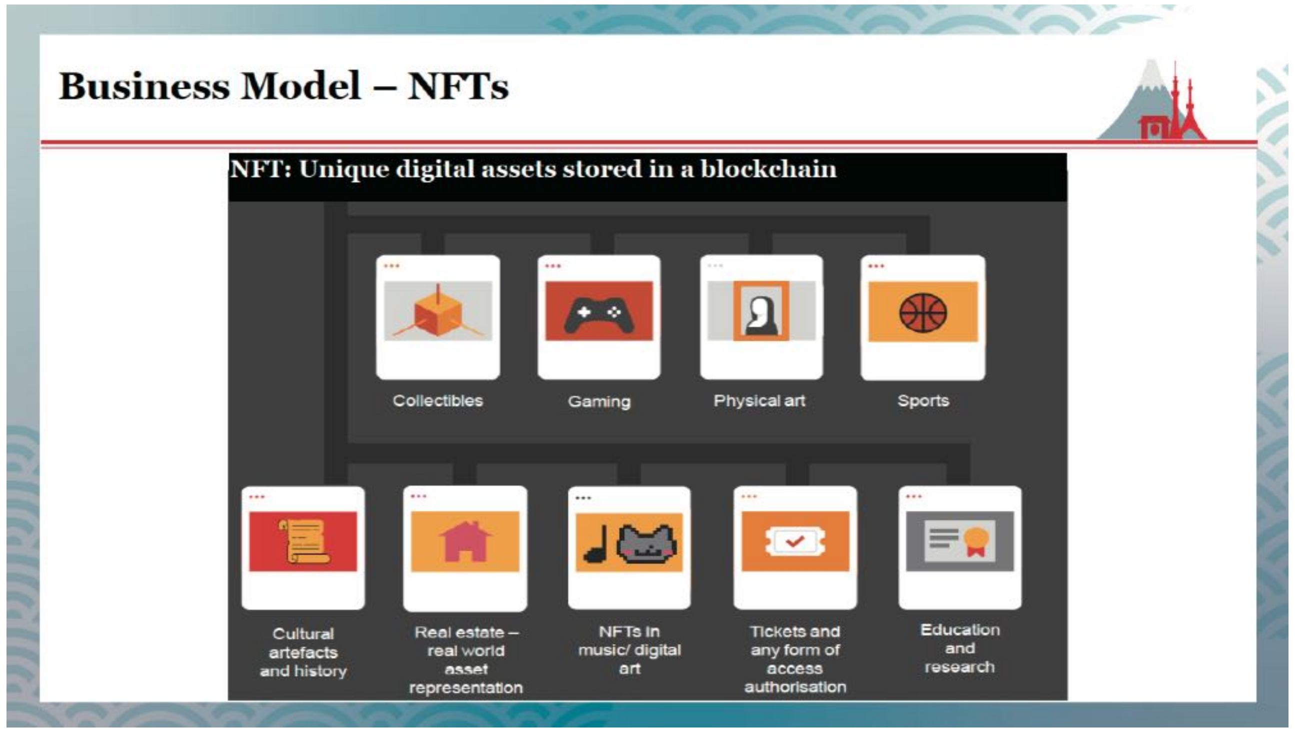
Business Model – Mining and trading

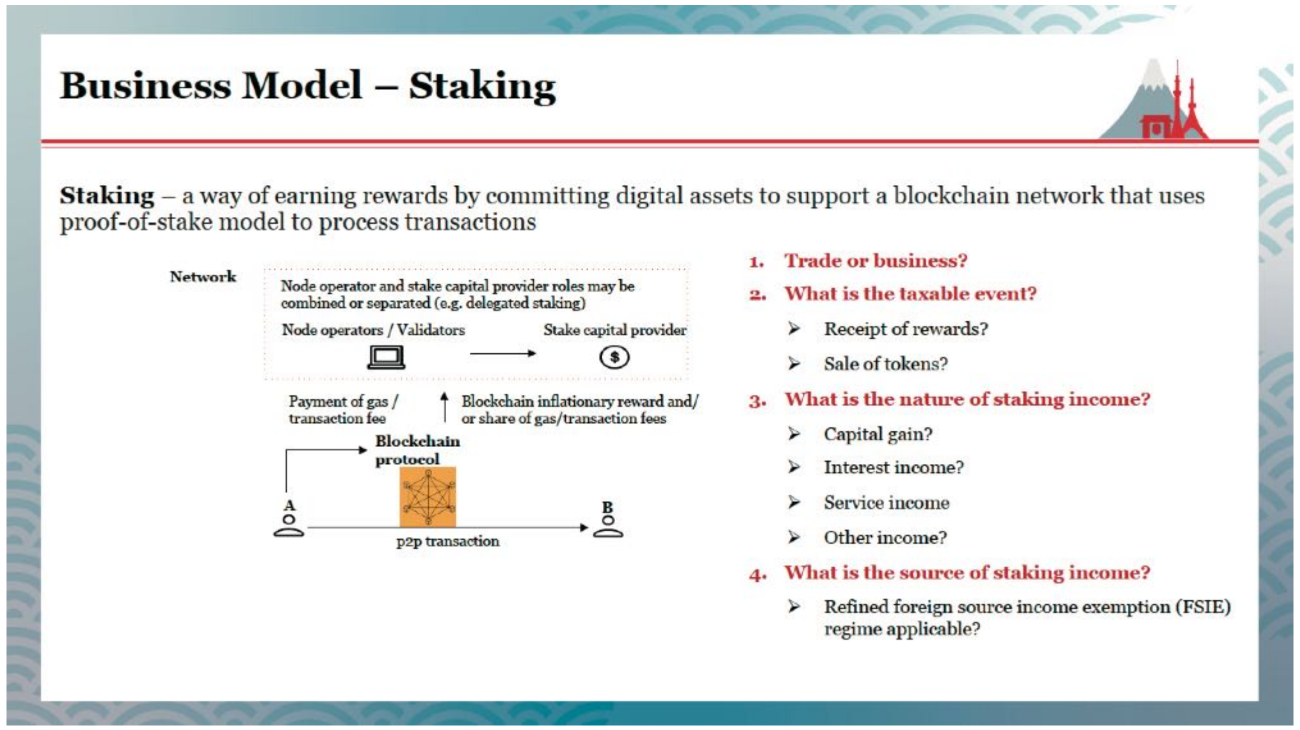


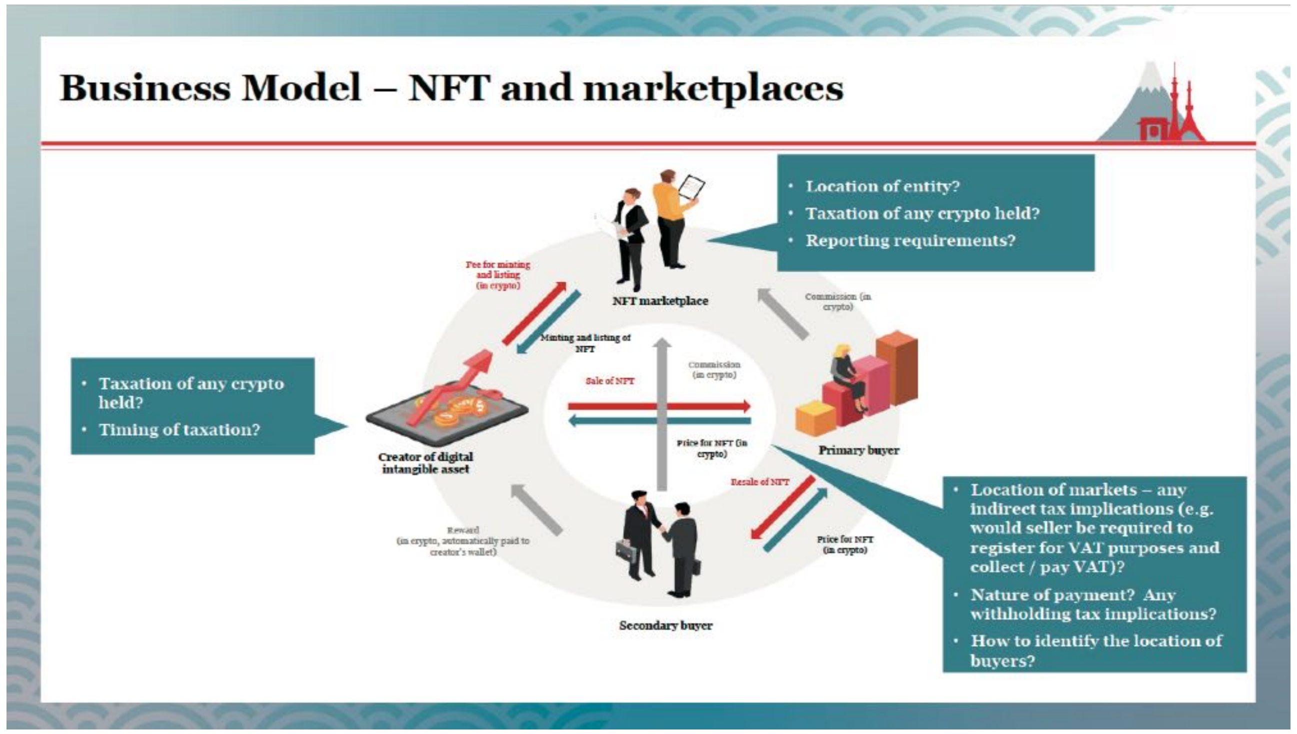
1. Trade or business?
2. What is the taxable event?
3. What is the source of the mining / trading income?

*Assumes a proof-of-work protocol (e.g. Bitcoin)


Business Model – Centralised / Decentralised Exchanges
Jurisdiction A
Customer
Jurisdiction B
Exchange operator
Other jurisdictions
Customer
Service fees
(Crypto / Fiat)
Exchange
Sale
A Co
B Co
*Market maker and liquidity pools simplified for illustrative purposes


Business Model – NFTs
NFT: Unique digital assets stored in a blockchain
Collectibles
Gaming
Physical art
Sports
Cultural artefacts and history
Real estate – real world asset representation
NFTs in music/ digital art
Tickets and any form of access authorisation
Education and research


Business Model – Staking
Staking – a way of earning rewards by committing digital assets to support a blockchain network that uses proof-of-stake model to process transactions
Network
Node operator and stake capital provider roles may be combined or separated (e.g. delegated staking)
Node operators / Validators
Stake capital provider
Payment of gas / transaction fee
Blockchain inflationary reward and/ or share of gas/transaction fees
Blockchain protocol
A
B
p2p transaction
1. Trade or business?
2. What is the taxable event?
Receipt of rewards?
Sale of tokens?
3. What is the nature of staking income?
Capital gain?
Interest income?
Service income
Other income?
4. What is the source of staking income?
Refined foreign source income exemption (FSIE) regime applicable?


Business Model – NFT and marketplaces
Location of entity?
Taxation of any crypto held?
Reporting requirements?
NFT marketplace
Fee for minting and listing (in crypto)
Minting and listing of NFT
Commission (in crypto)
Sale of NFT
Price for NFT (in crypto)
Resale of NFT
Price for NFT (in crypto)
Creator of digital intangible asset
Primary buyer
Secondary buyer
Taxation of any crypto held?
Timing of taxation?
Location of markets – any indirect tax implications (e.g. would seller be required to register for VAT purposes and collect / pay VAT)?
Nature of payment? Any withholding tax implications?
How to identify the location of buyers?

Evolving international tax landscape

OECD – CARF and Amendment to the CRS

A two-part document published on 10 Oct 2022, following public consultation in Mar 2022; OECD countries agreed to implement the newly revised International Standards for Automatic Exchange of Information in Tax Matters in Jun 2023.

Crypto-asset reporting framework

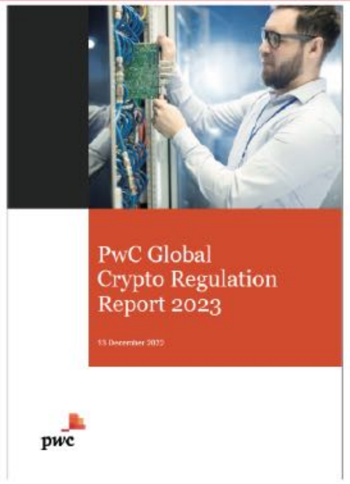
- To ensure transparency of crypto-asset transactions through the annual, automatic exchange of crypto-asset transaction information among participating jurisdictions
- Contains model rules and related commentary
- Covers the following:
  1) crypto-assets subject to reporting;
  2) intermediaries and services providers subject to tax information reporting;
  3) transactions (and related information) subject to reporting; and
  4) due diligence procedures to identify crypto-asset users and determine the relevant tax jurisdictions for reporting and exchange purposes
- The OECD will continue to work on the relevant legal and operational instruments

European Union – DAC 8

- Reporting framework requiring crypto-asset service providers to report transactions made by EU clients
- Can be seen as European Commission's initiative to integrate both the CARF and latest changes to the CRS into the EU's legal framework
- Legislative proposal tabled on 8 Dec 2022 following consultation in Mar 2021
- The Council agreed on its position to the amendments to the directive in May 2023
- The Council adopted a directive amending EU rules on administrative cooperation in taxation on 17 October 2023 to include reporting and automatic exchange on information on revenues from transactions in crypto-assets

Thank you!

Our featured publication



https://www.pwc.com/gx/en/about/new-ventures/global-crypto-regulation-report-2023.html

https://www.pwc.com/gx/en/financial-services/pdf/global-crypto-tax-report-2022.pdf

AOTCA Member Organizations

Asia Oceania Tax Consultants' Association	https://www.aotca.org/

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Chinese Certified Tax Agents Association	http://www.cctaa.cn/
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Taxation Institute of Hong Kong	http://www.tihk.org.hk/
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Korean Association of Certified Public Tax Accountants	http://www.kacpta.or.kr/
Chartered Tax Institute of Malaysia	https://www.ctim.org.my/
Bekas Pegawai HASIL	
Mongolian Association of Certified Tax Consultants	http://www.cpta.mn/
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Tax Management Association of the Philippines	http://www.tmap.org.ph/
Singapore Chartered Tax Professionals Limited	http://www.sctp.org.sg/
Tax-Accountancy Association Union, Chinese Taipei	http://www.taauroc.org.tw/
Chinese Taipei Certified Tax Agents Association	http://www.cpb.org.tw/
Vietnam Tax Consultants' Association	http://vtca.vn/
Nepal Chamber of Tax Consultants	
Institute of Chartered Accountants of Sri Lanka	https://www.casrilanka.com/casl/
Institute of Chartered Accountants of Bangladesh	http://www.icab.org.bd/

Supporting Organizations / Companies

Japan Certified Public Tax Accountants and Customers Association	http://www.zenzeikyo.com/
Certified Public Tax Accountant's Corporate Pension Fund of Japan	https://www.nenkin-kikin.jp/zeikikin/
The Japan Mutual Aid Organization for Certified Public Tax Accountants	http://www.zeirishikyosai.com/
Nichizeiren Insurance Service	http://www.zeirishi-hoken.co.jp/
General Incorporated Association Zeitaikyo	https://www.zeitaikyo.com/
Nichizei Business Service	https://www.nichizei.com/nbs/

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PROGRAM

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