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NEW ZEALAND

NZ INTRODUCES THE "AMAZON" TAX

1st December 2019 was the commencement date for the NZ Government's latest tinkering to its Goods & Services Tax ("GST") legislation – commonly referred to as the "Amazon tax". Given this nickname due to the NZ consumers' prolific love of internet shopping and the ease at which goods can be acquired nowadays from non-resident suppliers, the new rules target non-resident suppliers of "low value imported goods" to NZ based consumers.

Historically, goods arriving at the NZ border with a value of less than $NZD400, would not be assessed for NZ GST by NZ Customs, and would be delivered straight to the NZ customer. With the NZ GST (a.k.a VAT in some jurisdictions) rate presently being 15%, the opportunity to essentially obtain a 15% discount by buying the same locally sold good from a non-resident supplier, certainly created an uneven playing field for the NZ retailers. Post a long period of grumbling from these retailers, the NZ Government decided a new taxing regime was required, in an attempt to even the playing field again or at least ensure that the imposition of a local tax was not curbing the NZ consumers buying decisions.

Consequently, from 1st December 2019, non-resident suppliers of low value imported goods, aptly named "distantly taxable goods", to NZ based customers, may have an obligation to register for NZ GST and start charging 15% GST on the goods supplied. A distantly taxable good is defined as one where the consideration paid by the NZ customer (minus any GST, duty, freight or insurance costs) is less than $NZD1,000, the goods are outside of NZ at the time of supply, the goods are supplied by a non-resident and the goods are delivered to NZ.

Goods not meeting the distantly taxable goods definition will now be referred to as "high value goods", and the NZ GST on these imports will still be assessed and collected at the NZ border by NZ Customs. Alcoholic beverages, tobacco and tobacco products are also excluded from the new regime, the relevant excise duties and other charges also remaining under the NZ Customs umbrella for assessment and collection.

Determining whether a non-resident supplier has a GST registration obligation, depends firstly on what supplies of goods and/or services they are making to NZ customers, and then secondly, the annual value of all those supplies being made. If the answer to the second question is greater than $NZD60,000, then the non-resident supplier should be registering for NZ GST. A few points to note in this regard:

1. Supplies to NZ GST registered businesses (unless for a personal use) are usually excluded from the calculation (naturally because no point forcing a non-resident to charge a NZ business GST which is passed on to Inland Revenue, when that same business will then lodge a claim to recover the same amount from the NZ taxing authority);

2. For the purpose of calculating the quantum of distantly taxable goods made to NZ non-GST registered customers, amounts charged for services such as insurance and freight are now included; and,

3. All supplies by the non-resident supplier to NZ consumers must be taken into account,

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which as well as supplies of distantly taxable goods could include:

- the total value of supplies to consumers of goods that are located in New Zealand at the time of supply (not including any distantly taxable goods);
- the total value of supplies to consumers of services physically performed in New Zealand; and,
- the total value of remote services supplied to consumers (not including any services physically performed in New Zealand).

The new legislation requires non-resident suppliers to presume that a NZ customer is not a GST-registered business (and therefore charge the 15% GST) unless the customer has provided their GST registration number or NZ Business Number, or has otherwise notified the supplier of their status as a GST-registered business. Additionally, for those non-resident suppliers who actually supply their goods through online marketplaces or send the ordered goods to redeliverers (usually located in the same jurisdiction as the supplier), because the actual NZ delivery details will usually only be known by the online marketplace/redeliverer, it is those parties instead who may have the GST registration obligation instead of the non-residence supplier, if they themselves exceed the annual supply turnover threshold for compulsory registration.

Administration of the new regime, will see non-resident suppliers being required to file quarterly taxable period returns (although a one-off 4 month period from 1st December 2019 to 31st March 2020), with the GST return and associated payment due no later than the 28th day of the month following the end of the relevant taxable period (except the 7th May for the March quarter period end). There are also specific rules around foreign currency conversions, both for computing the value of annual supplies for determining registration, and for calculating the $NZD amounts for any particular return period.

Naturally with any new taxing regime, there are other quirks to be aware of, such as the ability for the non-resident supplier to also elect to charge GST on “high value goods”, so should you like more information on the new rules, or assistance with attending to any of your NZ compliance obligations, please do not hesitate to contact us.

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PAKISTAN

THE ROAD TO RECOVERY

Like any other developing country struggling for a swift turnout in the economy, for Pakistan fiscal year of 2019 began with an uproar and pressurizing the incumbent government to take remedial actions viz.; increase the number of tax payers/filers in the Country, address the current account and fiscal deficits, document the undocumented economy and address the money laundering issues, etc. Measures taken are need of the time to bring the economy of Pakistan to 'The Road to Recovery'!

Measures taken in this respect can be a model solution for striving economies. During the past fiscal year, Pakistan has seen a steady change of direction. With the Federal Board of Revenue (FBR) constantly working to bring in reforms which would increase the number of tax payers in the economy so that the tax burden of the entire population be distributed more evenly. These measures include coming to terms with the small scale traders of the Country so that the small and medium industries be brought into the list of tax payers. Furthermore, the "Broadening of Tax Base" (BTB) Zone of the FBR became much more active by using data analytics, sharing of information from the banks operating in the Country and other regulators. High denomination Bearer Prize Bonds were discontinued unless these are registered with the banks showing particulars of the owners.

In addition to above various other techniques were used to identify those people who are liable to pay tax but are not doing so. The FBR introduced a system of integrated point of sales to be installed in every retail outlet of the Country. These 'Point of Sales' are linked to the system of the FBR and every sale made through these systems are recorded directly into the FBR System; ensuring that all retail outlets sales declared are in line and there is no tax evasion.

These measures all added up to an increase of 17% in tax revenue at the end of the October, 2019 as compared to last year. Although it is nothing too radical but it shows promising signs.

Various measures were also taken to discourage imports and encourage exports added by Pakistan Rupee exchange devaluation which further contributed in increasing exports as prices for the foreign buyers became more attractive. Thus an increase in exports by 9.6% alone in the month of November, 2019 and an overall increase by $437 Million in the previous five months were recorded. These measures led to the State Bank of Pakistan reporting a current account surplus of $99 Million during the month of November, 2019. The first time in four years!

All these measures have led to Pakistan sustaining its position in the Financial Action Task Force's (FATF) grey list rather than being black listed, receiving positive remarks from the International Monetary Fund for its efforts and the outlook of the National Bank of Pakistan being upgraded from a negative to stable by "moodys credit ratings". Despite Pakistan remaining in the FATF's 'grey list', the foreign investors have shown their confident in the incumbent government.

The above reactions/ratings of foreign authorities/agencies have acted as a catalyst to boost the inflow of foreign direct investments in Pakistan. The Country is expecting a high level Russian delegation in the days to come which are set to pen a deal worth 9 billion dollars along with assistance of 1 billion dollars to revamp the dormant Pakistan Steel Mill.

In addition to the above, Pakistan is currently

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pushing towards the complete operation of all projects inaugurated under the China Pakistan Economic Corridor (CPEC). This would create immense amounts of employment for the people of the Country and give a massive boost to the GDP per capita.

In another breakthrough in attracting foreign investment and cash inflows, the Bill and Melinda Gates Foundation has pledged $200 Million to support the ‘Ehsaas’ program introduced by the Honorable Prime Minister being the biggest anti-poverty project in Pakistan.

Further, another initiative ‘Digital Pakistan’ has also been launched with the aim to encourage connectivity, improving digital infrastructure, investing in digital skills and literacy, and promoting innovation and entrepreneurship.

Pakistan’s economy has been the victim of many setbacks in the past, however, now it is showing signs of stabilization and developing into a self-sustaining economy. Although the measures taken by the Government are likely to bring radical change in long run but slow and steady these would definitely win the race to prosperity for the country.

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SINGAPORE

SINGAPORE IMPLEMENTS COMPULSORY TRANSFER PRICING DOCUMENTATION REQUIREMENT FROM YEAR OF ASSESSMENT 2019

Singapore introduced legislation to transact with related parties on arm's length basis under section 34D of the Singapore Income Tax Act ("the Act") which stipulates the requirement to transact with related parties on conditions comparable to transactions between 2 parties that were not related and dealing with each other independently. The Comptroller of Income Tax ("the Comptroller") will determine the substance of the related party transactions, and where the Comptroller finds such transaction to be not on arm's length between related parties, he would make TP adjustment to increase the income or decrease the deduction and/or the loss.

When a TP adjustment is made by the Comptroller a surcharge under Section 34E of the Act will apply at 5%. This is calculated at 5% of income increased or deduction or loss reduced regardless of whether the taxpayer is taxable or not.

Following from the above, Singapore has now mandated the requirement to keep compulsory transfer pricing documentation ("TPD") under section 34F of the Act with effect from Year of Assessment 2019.

It is important to prepare TPD in order to substantiate that the TPs are consistent with the arm's length principle as well as to resolve any TP dispute on cross border related party transactions with the other tax jurisdictions.

Unless exemption from TPD for specified transactions applies, taxpayers must prepare TPD for their related party transactions undertaken in a basis period when **either** of the following two conditions is met.

i. The gross revenue from their trade or business (excludes passive source income and capital gains or losses) for the basis period concerned is more than S$10 million

ii. Transfer pricing documentation was required to be prepared for the basis period immediately before the basis period concerned

Once the above conditions are satisfied, the TP guidelines provided by the Comptroller require contemporaneous TPD to be maintained by taxpayers in respect of **non-domestic** related party transactions relating to and exceeding the following thresholds.

Category of related party transactions (non-domestic)	Threshold in S$ per year
Purchase of goods from all related parties	15 million
Sale of goods to all related parties	15 million
Loans owed to all related parties	15 million
Loans owed by all related parties	15 million
All other related party transactions – services, royalties etc.	1 million per category

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TPD is required to be put in place no later than the time in completing and filing the tax return, in other words, by 30 November of the respective year of assessment. The TPD must be in English and it is important to state the date of completion on the TPD report. Furthermore, such TPD must be retained for at least 5 years from the end of the basis period in which the related party transaction took place.

The TPD must be furnished to the Comptroller within 30 days upon the taxpayer receiving a written Notice to provide the TPD.

The current TPD prepared can be used to support the subsequent two years of assessments' related party transactions provided such transactions remain the same. The taxpayer can prepare the simplified Qualifying Past TPD ("QPTPD") by using its past TPD by putting in a declaration that it has prepared a QPTPD and including an attachment copy of the QPTPD.

Fines up to $10,000 may be imposed for non-compliance for the following offences which the Comptroller may compound:

- TPD not prepared by the filing due dates
- TPD not prepared based on TPD rules
- TP not retained for a period of at least five years from the end of the basis period of related party transaction
- TPD not submitted to Comptroller within 30 days from written notice
- TPD which is false or misleading

On the other hand, the taxpayer are however not required to prepare TPD for their related party transactions undertaken in a basis period if their gross revenue is not more than S$10 million for current basis period as well as the immediate two preceding basis periods and they were required to prepare TPD for the previous two preceding basis periods.

Singapore has tried to alleviate the compliance cost of preparation of TPD for small and medium sized companies whose turnover is less than S$10 million. However, taxpayers who are not required to prepare TPD must still ensure they can substantiate that their related party transactions are carried out based on the arm's length principle.

For bigger taxpayers despite the additional compliance costs to maintain TPD, this should put them in good stead to substantiate and defend the TP with related parties from aggressive tax jurisdiction that may result in otherwise adverse tax impact of double taxation or loss.

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excellent.
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