



**IC Advisors Transfer pricing Newsletter
February 2015**

Singapore's Revised Transfer Pricing Regime

On 6th January 2015, IRAS released an amalgamation version of the Transfer Pricing Guidelines –the e- Tax Guide. Some of the key changes were associated with

- The need for transaction specific analysis
- Thresholds for related party transactions
- Guidance on preparation and maintenance of contemporaneous transfer pricing documentation
- Guidance on economic analysis and benchmarking
- Introduction of a penalty regime
- Transfer Pricing Consultation (“TPC”) Process
- Negotiating a mutual agreement procedure (“MAP”)
- Transfer pricing adjustments

Hong Kong – Japan Bilateral APA Concluded

Hong Kong's Inland Revenue Department (IRD) recently concluded a bilateral advance pricing arrangement (APA) with Japan. This is the second bilateral APA that Hong Kong has concluded, the first being the bilateral APA with the Netherlands which was concluded in September 2014.

It is clear that the IRD is committed to the APA program and would like to give Hong Kong taxpayers the certainty that they need in ensuring that transactions are arm's length. The continuous commitment and ever-increasing sophistication of the IRD in handling APAs are positive factors to MNCs.

It is interesting to note that Japan also concluded its first bilateral APA with India in December 2014. It is clear that taxpayers are increasingly using the APA as an effective dispute resolution mechanism to mitigate potential transfer pricing disputes / audits with tax authorities.

Update on OECD's BEPS Action Plan

On December 19th, the OECD released a discussion draft proposing revisions to the OECD transfer pricing guidelines to address base erosion and profit shifting (BEPS) which responds to action 8, 9, and 10 of the OECD/G20 BEPS plan.

The proposals emphasise the importance of accurately delineating the actual transactions, and include guidance on the relevance and allocation of risk. The draft provides guidance on determining the economically relevant characteristics or comparability factors of the controlled transaction, namely, the contractual terms of a transaction; the functions performed, risks assumed and assets used by the parties; the nature of the products or services transferred; and the business strategies pursued by the parties.

The draft also sets out special measures to attain the main aim of the Transfer Pricing Actions (8-10) of the BEPS Action Plan, i.e., to assure that transfer pricing outcomes are in line with value creation. Hence “special measures, either within or beyond the arm's length principle, may be required with regard to intangible assets, risk and over-capitalisation.”

The measures proposed are briefly outlined and comments on the [draft](#) are due February 6; a public consultation will be held on March 19–20, 2015.

Meanwhile the OECD has also released public comments on Action 10 (low-value adding services) and Action 14 (Dispute resolution) under the base erosion and profit shifting (BEPS) project.

[OECD - Comments concerning BEPS Action 10 \(low value-adding services\)](#)

[OECD - Comments concerning BEPS Action 14 \(dispute resolution\)](#)

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. [Singapore Transfer Pricing Guidelines 2015, on February 10 2015, organised by CCH Singapore](#)
- b. [Singapore's Transfer Pricing Regime: What does the future contain?](#)

If you would like to attend any of these seminars, please drop us an email at service@icadvisorsasia.com.