



IC Advisors Transfer pricing Newsletter June 2015

BEPS Update

Action 15 – Development of a Multilateral Instrument

Work on the development of the Multilateral Instrument to implement the tax treaty-related Base Erosion and Profit Shifting (BEPS) Action Plan began on 27 May 2015. The Group which consists of more than 80 countries including Singapore have agreed on a number of procedural issues so that the substantive work can begin in November 2015.

The fact Singapore is actively participating BEPS related discussions at the OECD suggests that Singapore is likely to implement BEPS Action Items.

Action 6 & Action 7 revised discussion drafts

Revised discussion drafts on in respect of Action 6 (Prevent Treaty Abuse) and Action 7 (Prevent the Artificial Avoidance of PE Status) were released in late May. Both discussion drafts reflect the comments received and discussed at a public consultation meeting that was held in January. Interested parties have been asked to provide comments on the revised discussion drafts by June 17 2015 for Action 6 and June 12 2015 for Action 7.

Thailand

On 7th May 2015, the Cabinet approved the Transfer Pricing Act draft that will introduce specific transfer pricing provisions into the Revenue Code.

The Act empowers tax officers to adjust related party transactions that are not at arm's length. Tax officers may also adjust the assessable income and allowable tax deductions and determine the period of tax refund.

The Act requires transfer pricing disclosures within 150 days from the year-end closing date which is effectively the same as the filing date of corporate income tax returns. Taxpayers with related party transactions are required to submit documentation outlining its direct and indirect relationships in terms of investment, management and control with other entities and transfer pricing methodology adopted. Failure to comply or submission of incorrect document would result in a penalty of not exceeding 400,000 Baht.

It should be noted that the draft is currently under review by the State of Council and may be subject to changes. However, it is prudent for the entities to review their current transfer pricing policy, exposures and documentation in advance.

South Korea

On 18th May 2015, a simplified Advanced Pricing Agreement (APA) was introduced in South Korea. Statistically, the existing Korean APA process for unilateral and bilateral APAs takes approximately 1.9 years and 2.4 years respectively to conclude. This is particularly costly and time-consuming for small and medium enterprises (SMEs).

The simplified APA program is aimed at SME foreign companies with revenues of 50bn Korean won (US\$ 46 million) or less from selected industries- manufacturing , wholesale/retail and service industries. These industries are targeted due to the simplicity of their related party transactions. The program will be made available to the remaining industries in due course.

The unique benefits of the simplified APA program are:

- Option to submit the simplified version or be exempt from submission of documents detailing suggested transfer pricing methodology
- MAP application form is not required.
- Possible tax-audit “exemption” during the entire application process and the years covered by the simplified APA.
- Expected conclusion within a year

SMEs can look forward to effectively optimising their tax position in a timely and cost-effective manner with the application for a simplified APA in South Korea.

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. Understanding Transfer Pricing, on 9 June 2015, organised by AcClarity
- b. Singapore’s transfer pricing regime, on 12 June 2015, organised by the Singapore Business Federation
- c. Transfer Pricing Documentation Masterclass, on 15-16 June 2015, organised by CCH Singapore

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