



**IC Advisors Transfer pricing Newsletter  
December 2014**

***OECD: Release of Base Erosion and Profit Shifting (“BEPS”) discussion draft: Proposed modifications to Transfer Pricing Guidelines relating to low value-adding intra-group services***

On 3 November 2014, the OECD published its discussion draft on the proposed modifications to Chapter VII of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. These proposed modifications have been developed in connection with Action Point 10 of the Action Plan on BEPS. Essentially, OECD proposes to simplify transfer pricing approach to low value added intra group services. The goal is to reduce base erosion through excessive management fees and head office expenses, particularly in developing countries.

There are six areas in which the OECD is proposing additional guidance:

1. Providing a standard definition of low value-adding intra-group services;
2. Clarifying the meaning of shareholder activities and duplicative costs, specifically in the context of low value-adding intra-group services;
3. Guidance on appropriate mark-ups for low value-adding intra-group services;
4. Guidance on appropriate cost allocation methodologies to be applied in the context of low value adding intra-group services;
5. Guidance on the satisfaction of a simplified benefit test with regard to low value-adding intra-group services; and
6. Guidance on documentation that taxpayers should prepare and submit in order to qualify for the simplified approach.

***First major tax evasion case in China***

China state media reported the mainland's first major case of cross-border tax evasion involving a large US multinational, saying Beijing would step up its fight against international tax evasion. Hong Kong government is expected to assist China fight against cross-border tax evasion.

We expect to see increased reviews of cross border transactions in Asia region.

<http://www.scmp.com/business/china-business/article/1647942/beijing-step-tax-evasion-campaign-after-us-multinational>

***Upcoming Seminars***

Dr Sowmya Varadharajan will be presenting at the following seminars in December:

- a. Introduction to transfer pricing, on December 3, organised by TAKX Solutions
- b. Managing transfer pricing in Asia, on December 5, organised b ISCA

If you would like to attend any of these seminars, please drop us an email at [service@icadvisorsasia.com](mailto:service@icadvisorsasia.com).