



**IC Advisors Transfer pricing Newsletter  
February 2016**

**China**

China's State of Administration (SAT) has issued its annual report on the Advanced Pricing Agreement (APA) program for the 2014 year in December 2015. This report provides statistics in terms of the number of APAs (both bilateral and unilateral) that are pending and / or have been concluded. In addition, the report provides details on the most commonly used transfer pricing methods, issues considered during the APA, industries in which these the taxpayers were located, etc.

By 31 December 2014, the cumulative total of APAs signed is 113 - 70 unilateral and 43 bilateral.

Some of the key observations from the report are as follows:

- a. In 2014, a total of three unilateral APAs and six bilateral APAs (two with Europe, 3 with Asia and 1 with North America) were signed.
- b. Consistent with historical trends, most of the APAs signed in 2014 still involved the manufacturing industry. However, as compared to before, there has been a further diversification in the type of industries that are covered, reflecting the increasing importance that China is playing in the overall global value chain – be it in R&D / procurement / manufacturing / distribution.
- c. Since the formal start of the APA program in 1 January 2005, the SAT has received 162 requests (either intended / formal applications) for bilateral APAs. 43 of these have been concluded and 16 countries have been involved. As of 31 December 2014, the SAT had 90 requests that were still officially accepted of which 83 were bilateral APAs. The relative increase in bilateral APAs reflects the view that companies are looking at APAs as a mechanism to prevent any double taxation issues.

Despite the numerous APAs that the SAT has signed, the SAT core APA team remains at a staff strength of 6.

**India**

In addition to its sole existing bilateral Advanced Pricing Arrangement ('APA') with Japan (which was established in December 2014), India has signed two additional bilateral APAs with UK companies for management charges/group cost allocations and brand loyalty for intangibles on 29 January 2016. It should be noted that the taxpayers also recently concluded mutual agreement procedures (MAPs) with the Her Majesty Revenue & Customs on the same set of transactions. Thus, these APAs were triggered primarily by an ongoing audit, where agreement was entered into with the respective tax offices to settle all past transfer pricing issues, as well as to agree on the future transfer prices.

The finalisation of the bilateral APAs by the Indian competent authority after a hiatus of two years is welcome news for corporations operating in India to manage their tax exposures. The Indian tax authority is not only broaching talks and accepting APA requests but is also finalising bilateral APAs. This is also a favourable sign for international trade flow and is especially good for foreign investment into India.

**BEPS – Update on CbCR**

As most of you are aware, as per BEPS Action Plan 13, the recommended date for the implementation of CbCR is 1 January 2016. Out of the 43 countries participating in the BEPS project,

eleven countries have already introduced CbCR starting 1 January 2016. These are Australia, France, Ireland, Italy, Japan, Mexico, the Netherlands, Poland, South Africa, Spain and the U.K. Another fifteen countries have taken implementation steps but have not formally introduced CbCR yet. Of the Asia Pacific countries in this list lie China and New Zealand. Interestingly, India is yet to disclose its position on CbCR although this is expected in this year's budget.

**Upcoming seminars:**

Dr Sowmya Varadharajan will be presenting at the following full day seminars:

- a. Introduction to Transfer Pricing on 2<sup>nd</sup> February 2016, organised by TAKX Solutions;
- b. Transfer Pricing – an Introduction, on 15<sup>th</sup> March 2016, organised by Singapore Business Federation; and
- c. Handling Transfer Pricing Audits and Engaging in Dispute Resolution on 21<sup>st</sup> April 2016, organised by CCH Singapore

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