



IC Advisors Transfer pricing Newsletter January 2015

Seasons' Greetings to all our readers! IC Advisors wishes each of you a very happy and prosperous new year.

2015 is likely to continue the key trends that started to emerge in 2014. The BEPS project introduced by the OECD will see the finalisation of many draft deliverables. In mid-December, the OECD released six discussion drafts as part of the BEPS Action Plan. These include:

- A discussion of VAT / GST guidelines
- Guidance on making dispute resolution more effective
- Discussion on how to limit base erosion through interest payments and other financial instruments
- Transfer pricing guidance to deal with risk, re-characterisation of transactions, and transfers of hard-to-value intangibles. Specifically, the OECD has released a discussion draft which discusses the use of profit splits in the context of global value chains.

Public comments in respect of the above discussion drafts are due in early 2015. A more detailed discussion of these drafts and the key takeaways for taxpayers will follow soon.

There will also be continued discussion with developing countries to ensure that particular differences in economic and international trade situations are properly factored in, in the development of the revised OECD Guidelines.

Although these developments are at a global level, transfer pricing scrutiny is likely to increase at the regional level as well.

Singapore is likely to finalise its revised transfer pricing documentation guidelines, which will provide additional clarity on the need for transfer pricing documentation for taxpayers operating in Singapore. Such a change is consistent with the revised transfer pricing documentation guidance from the OECD and it would be interesting to see if other countries (e.g., India / China / Australia) are likely to change their transfer pricing documentation requirements to somewhat mirror the OECD's requirements.

One country that is likely to revise its transfer pricing regimes is Indonesia, as members of the Indonesian Tax Office have been actively involved in providing input on the BEPS project.

Finally, one should not forget the United Nations and their transfer pricing guidelines. Although developments from a UN transfer pricing perspective were far and few in 2014, China provided comments on its view of how intercompany services should be evaluated and compensated for from a transfer pricing perspective. *Survey 2014*, carried out by the U.N., proposes harmonizing corporate tax rates across the Asia Pacific region. Specifically the U.N. calls for regional cooperation in combating transfer pricing by taxpayers and to harmonise tax rates.

Given the focus of the U.N. on transfer pricing, we expect the finalisation of the services chapter of the U.N. Transfer Pricing Guidelines for Developing Countries. We may also see the introduction of a chapter on intangibles or intercompany financing although the recent discussion drafts from the OECD seem to have incorporated the developing countries' view substantially.

All in all, 2015 is likely to be a watershed year in terms of transfer pricing – finalisation of the various BEPS deliverables will result in a substantial change in mind-set on transfer pricing scrutiny by tax authorities and how transfer pricing can be used as an effective tax optimiser.

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. Transfer Pricing in Singapore, organised by AcClarity International Pte Ltd on January 26 – www.acclarity.com.sg
- b. Managing Transfer Pricing Risks in Asia, on February 12, organised by CCH Hong Kong
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<http://www.cch.com.hk/hk/ExecutiveEvents/ExecutiveEventDetails.aspx?PageTitle=Transfer-Pricing---What-You-Need-to-Know&ID=2090&EETopicID=3&Source=EETopic>]

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