



**IC Advisors Transfer Pricing Newsletter
July 2017**

Singapore's Ministry of Finance proposes changes to Income Tax Act

The MOF has proposed several key changes to the Income Tax Act such as enhancing and extending the corporate income tax rebate for the year of assessment 2017 and 2018 in order to help companies cope with economic uncertainty and continue their restructuring activities.

In addition, there is also a plan to revise the transfer pricing documentation regime for Singapore taxpayers. Key changes include:

- a. A change in the thresholds that may apply for the preparation of transfer pricing documentation.
- b. Increase in applicable penalties that will apply for non-maintenance of transfer pricing documentation, as well as additional levy applied.

Comments are due on 10th July and we will keep all our readers posted on further developments.

India's Central Board of Direct Taxes published new rules for transfer pricing secondary adjustments

The India CBDT published new rules providing for transfer pricing secondary adjustments. These new rules attribute income to the excess money for an associated enterprise following a primary transfer pricing adjustment and would thus require an actual allocation of funds consistent with that adjustment.

This adjustments rule would apply to primary adjustments exceeding 10 million Rupiah (USD 150,000) made in respect of assessment year 2017-18 onward. The rule would prescribe a time limit of 90 days for repatriation of excess money as well as the rate of interest to be applied for computing the income in case of failure to comply with the repatriation.

The time limit would begin only when the primary adjustments attain finality. When the taxpayer has made the primary adjustment, the period of 90 days would begin from the date of filing of return. In cases where the transfer pricing order is appealed by the taxpayer, the time limit for repatriation shall commence only after the appeal is finalized by the appellate authority and the appeal order has been accepted by the taxpayer.

The computation of interest would be dependent upon the currency in which the international transaction has taken place. In case of Indian currency, it would be the one year marginal cost of fund lending rate of the State Bank of India as on 1st April of the relevant previous year plus 325 basis points.

In case of foreign currency, the interest rate shall be 6-month LIBOR as on 30th September of the relevant previous year plus 300 basis points.

Updates on transfer pricing in Vietnam

The Vietnamese government has introduced guidelines, with an effective date of 1 May 2017, with the purpose to enhance tax administration of transfer pricing, and provides stricter rules on deductibility of related party expenses. The changes under decree 20 includes:

- Ownership threshold increased to 25% from 20%

- Two entities with mutual transactions more than 50% of sales/ purchases no longer treated as related parties
- TP documentation should include a master dossier on global group information, local dossier and country-by-country profit report and be submitted within 90 days after the fiscal year-end
- Detailed guidance on benchmarks such as use of data sources, method selection and minimum numbers of comparable companies is provided
- Following entities are exempted from TP documentation:
 - Entities with revenues below VND 50 billion and total value of related party transaction below VND 30 billion in a tax period
 - Entities concluding an advanced pricing agreement and submitting it annually
 - Entities with sales revenues below VND 200 billion and achieving at least 5% for distribution, 10% for manufacturing and 15% for processing for ratios of earnings before interest and tax to revenue

Upcoming seminars

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

- a. [Transfer Pricing Documentation Masterclass](#) on 23-24 August 2017, organized by CCH Wolters Kluwer

If you would like to attend any of these seminars, please send an email to sowmya@icadvisorsasia.com.