



**IC Advisors Transfer pricing Newsletter
July 2014**

Update on BEPS - China

The Base Erosion and Profit Shifting (“BEPS”) initiative continues to make inroads on meeting its targets for ensuring a successful implementation of the BEPS Action Plans. China has stated that it may incorporate concepts from the BEPS plan into future domestic tax regulations, but it will reserve the right to negotiate bilateral agreements and to develop its own tax policies.

Liao Tizhong, director general of China’s State Administration of Taxation (SAT), said on June 17 that China would “keep track of developments” and remain involved in BEPS discussions with the Organization for Economic Cooperation and Development (“OECD”). Nonetheless, the SAT intend to comply with domestic law when negotiating treaties and developing transfer pricing agreements.

Malaysia

The Malaysian Inland Revenue Board (“MIRB”) has been increasingly active in monitoring taxpayer’s compliance with Section 140A and the TP Rules/Guidelines.

MIRB is now handing out a “Transfer Pricing Awareness Survey” form (“TPAS”) at the commencement of a TP audit. Taxpayers who receive the TPAS are required to provide their responses to a range of questions that evaluates their knowledge of taxation in transfer pricing matters, involvement of top management in transfer pricing policy decision, existence and compliance of the Malaysian taxpayer to global transfer pricing policies and determination of the transaction price and transfer pricing methodology.

In addition the IRB enquires if the taxpayer has or intends to communicate with the IRB on transfer pricing matters as well as awareness of mutual agreement procedures (“MAP”) in case of transfer pricing disputes.

In addition, the IRB has officially stipulated that the Year of Assessment 2014 tax return will include an addition – Box R4 – whereby taxpayers have to declare whether transfer pricing documentation has been prepared for the current year in question.

Companies with extensive related party transactions must now critically assess their level of TP compliance and prepare up-to-date TP documentation before the relevant filing deadlines (i.e. 7 months from the close of the relevant financial years or any extended deadline approved by the MIRB).