



**IC Advisors Transfer pricing Newsletter  
July 2016**

**Singapore adheres to BEPS-evoked Transfer Pricing Documentation standards**

The Base Erosion and Profit Shifting (“BEPS”) Action Plan, adopted by the OECD and G20 countries in 2013, has devoted considerable effort to transfer pricing documentation, as detailed in Action Plan 13. Under these guidelines, which were finalised in October 2015, a three-tiered approach should be applied to transfer pricing documentation including Master file, Local file and Country-Country Report (“CbCR”). The template of CbCR include details such as tax jurisdiction wise allocation of income, taxes paid, economic activity and taxes accrued on an annual basis, in a previously set format, for each tax jurisdiction in which they do business.

Though all MNEs are meant to prepare the Master file and Local file, the CbCR is only required provided the Group’s revenue meets the specified revenue threshold.

In line with these changes in transfer pricing documentation guidelines, the IRAS has committed to implement CbCR for financial years beginning on or after 1 Jan 2017 for multinational enterprises whose ultimate parent entities are in Singapore and whose group turnover exceed S\$1,125 million. These enterprises are required to file the CbC reports with the IRAS within 12 months from the last day of their financial year. IRAS will then exchange these CbCRs with jurisdictions that Singapore has entered into bilateral agreements with for automatic exchange of CbCR information, having established that they meet the following conditions:

- First, these jurisdictions have a strong rule of law and can ensure the confidentiality of the information exchanged and prevent its unauthorised use.
- Second, there must be reciprocity in terms of the information exchanged.

Further guidance on the exact implementation of CbCR processes is expected by September 2016.

This is a much awaited and much expected development, given the current scrutiny that other tax jurisdictions (e.g., Australia) have placed on transactions with Singapore based taxpayers. By embracing CbCR, the Ministry of Finance and IRAS have demonstrated alignment with BEPS Action Plan 13. However, our current documentation rules do not explicitly detail the three tiered approach as stated in Action Plan 13. Specifically, where the group revenue thresholds are not met, Singapore based taxpayers are still required to prepare the Masterfile and Local files for various entities, in line with local requirements. We would therefore advice Singapore based taxpayers to review the status of transfer pricing documentation to ensure compliance with both the Singapore Transfer Pricing Guidelines as well as Action Plan 13.

**Other Update on BEPS**

Further to the finalisation of Action 13 (on Transfer pricing documentation) and Action 8-10 (on Aligning transfer pricing outcomes with value creation) in the BEPS Report, the OECD Council has approved that the amendments will be made in the OECD guidelines to translate the BEPS measures into the Transfer Pricing Guidelines. The conforming changes are expected to be approved later in 2016. Until then, it is stipulated that the provisions of the Transfer Pricing Guidelines should be interpreted to be consistent with those provisions of the Transfer Pricing Guidelines which have been amended by the 2015 BEPS Report on Actions 8-10 and 2015 BEPS Report on Action 13 and, in case of perceived inconsistencies, the modified provisions prevail.

Amendment to the OECD Guidelines will have wide implications as it provides a framework to the domestic transfer pricing guidelines of OECD members as well as the non-OECD members. Since the inclusion of



Action 13 in the OECD Guidelines will replace the existing guidelines on the transfer pricing documentation, it is expected that more number of countries will revise their existing transfer pricing regulations in order to be at par with such amendments. This has been an expected development, in order to provide creditability to the BEPS Action Plan.

**Upcoming seminars:**

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

- a. **Managing Transfer Pricing**, on 13<sup>th</sup> July 2016, organised by Takx Solutions Pte Ltd
- b. **Optimising Transfer Pricing Models in Asia**, on 14<sup>th</sup> July 2016, organised by CCH Singapore
- c. **Tax Consideration on Cross-Border Intercompany Services**, on 15<sup>th</sup> August 2016, organised by CCH Singapore
- d. **Transfer Pricing Documentation Masterclass**, on 17<sup>th</sup> August 2016 and 18<sup>th</sup> August 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).