



**IC Advisors Transfer pricing Newsletter
March 2015**

Hong Kong, India and Singapore all announced their budgets in February. We have summarised key developments from all three budgets in this newsletter as it affects international tax and transfer pricing.

Singapore Budget 2015

The Singapore Budget 2015 was released on the 23rd February 2015. As expected, the SG50 budget was one focused on social and individual tax issues. As expected, given the recent revised Singapore transfer pricing guidelines, we were not expecting any specific transfer pricing related updates. However, from a corporate tax point of view, some of the key changes for businesses were:

- Enhancing the Double Taxation Deduction (DTD) - 200% tax deduction on qualifying expenditure incurred on qualifying market expansion and investment development activities which includes qualifying manpower expenses incurred for Singaporeans posted to new overseas entities. The amount will be capped at \$1 million per approved entity per year, subject to conditions.
- Introduction of International Growth Scheme (IGS)-. A concessionary tax rate of 10% for a period not exceeding five years on their incremental income from qualifying activities.

These initiatives are likely to encourage Singapore headquartered companies to venture overseas. Such overseas projects are likely to lead an increase in cross-border trade and related international tax and transfer pricing issues.

We recommend that companies who are interested in expanding overseas ensure that they establish an appropriate tax and transfer pricing model that is sound, compliant with international tax principles, and in line with the business and commercial objectives.

India Budget 2015

Arising from Budget 2015 in India, there were direct changes to the Indian transfer pricing regime. As one may recall, with effect from 2012, the Indian transfer pricing regulations was expanded to cover domestic related party transactions. This was an outcome of a Supreme Court ruling for Glaxo SmithKline Asia. Specifically, taxpayers engaged in domestic related party transactions in excess of Rs 5 crore were required to prepare detailed transfer pricing documentation.

The recently announced Finance Bill proposed amendments to the provisions of section 92BA of the Income-Tax Act to increase the threshold limit for applicability of transfer pricing regulations to specified domestic transactions from Rs 5 crore to Rs 20 crore. This is a welcome change for taxpayers operating domestically in India, as it will reduce the transfer pricing compliance burden significantly.

Hong Kong Budget 2015

Similar to Singapore, although there were no explicit proposals focused particularly on transfer pricing, we note the following interesting developments in the Hong Kong Budget:

- a. Providing tax concession to corporate treasury centres
- b. Extend tax deductions for intellectual property purchases

Given Hong Kong's favourable tax rate, the above schemes are likely to result a growing number of multinational corporations to establish regional headquarters that may also operate as corporate treasury centres / IP management companies. Such structures will result in the adoption of business models that will results in increased related party transactions.

Furthermore, Hong Kong has adopted the latest international standard on exchange of information and also supports the call from the Organisation for Economic Co-operation and Development's Global Forum to adopt the latest global standard on tax transparency in order to maintain its reputation and competitiveness as an international financial and business centre.

New APA regulation in Indonesia

On 12 January 2015, the Ministry of Finance (MoF) issued Regulation No.7/PMK.03/2015(PMK-7) that addresses Advance Pricing Agreements (APA). As PMK-07 is a Ministry of Finance Regulation, the contents of PMK-07 overwrites some aspects of the Directorate General of Taxation (DGT) release on APAs, including PER-69. The regulation will take effect on 12 April 2015.

The PMK-7 focuses on the implementation of APAs and refinement of the APA related criteria released by the DGT previously.

Following the release of PMK-7, the DGT will also release a more detailed implementation regulation on the contents of PMK-7.

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

1. [Managing Transfer Pricing Risks in Asia, on March 13 2015, organised by CCH Singapore](#)
2. [Managing Transfer Pricing Risks in Malaysia, on March 17 2015, organised by CCH Malaysia](#)
3. 2015 Singapore Transfer Pricing Guidelines : A Detailed Analysis On March 25 2015, organised by TAKX Solutions Pte Ltd
4. Managing transfer pricing in Asia, on March 26 2015, organised by ICPAS

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