



IC Advisors Transfer pricing Newsletter May 2014

Update on BEPS

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.

In terms of transfer pricing, the OECD has announced that the public consultation on the discussion draft on transfer pricing documentation and country-by-country reporting will be held on 19 May 2014 in France. The questions that were outlined in the discussion draft and for which specific answers were sought from the tax community will be discussed. This meet will be an important step to redefining the current chapter 5 of the OECD Guidelines.

Comments have also been received on other discussion drafts that the OECD has put out in line with the BEPS initiative.

In addition, the OECD has announced that a webcast will be held towards the end of May.

Indonesia

The Indonesian tax authorities continue to see transfer pricing as a soft target with the potential to produce very large increases in tax revenue but also as a threat of tax evasion. Improperly treated, it would cause huge tax revenues losses.

Moreover, there is often disagreement regarding the exact transfer price of a transaction, thereby, leading to an appeal process in the tax court. Between 2009 and 2013, more than 45 percent of the cases the taxation directorate general lost in the tax court were related to alleged transfer pricing.

In addition, with the introduction of the transfer pricing audit guidelines in 2013, transfer pricing scrutiny is likely to increase in Indonesia.

China

In response to comments requested from the United Nations, to further develop the transfer pricing manual finalised last year, in the areas of intangibles and services, the State Administration of Taxation (“SAT”) has provided its views on service / management fees. The comments provided by the SAT can be found on the UN website [please provide the link - <http://www.un.org/esa/ffd/tax/TransferPricing/CommentsPRC.pdf>]

Upcoming training sessions

The following seminars will be conducted by Ms Sowmya Varadharajan of IC Advisors:

- Transfer Pricing: Methods, Trends and Updates, organised by ACCA on 23rd May 2014. Please refer to their website for additional details [link to <http://www.cpd.acca.org.sg/technical-events/transfer-pricing-%E2%80%93methods-trends-and-updates>]
- “Introduction to transfer pricing” by TAKX Solutions Pte Ltd on 5th June 2014. Please contact us for additional details.