



**IC Advisors Transfer pricing Newsletter
May 2016**

Malaysia to Implement Country-by-Country Reporting, Master File and local file documentation requirements

One of the key changes that has permeated the international tax realm is the implementation of the Base Erosion and Profit Shifting ('BEPS') Action Plans spearheaded by the Organisation for Economic Co-operation and Development ('OECD'). Action Plan 13 which was finalised in September 2015 provides revised standards for transfer pricing documentation which includes a Master file, Local file and Country-by-Country Reporting ('CbCR').

The latest country to embrace these revised guidelines on transfer pricing documentation is Malaysia. In late March, the Malaysian Inland Revenue Board ('MIRB') announced its plans to introduce a CbCR requirement. In addition, changes to the existing transfer pricing documentation regulations, which have been in effect since 2012, are expected to ensure that Malaysia conforms to the revised transfer pricing documentation standards also including the preparation of a Masterfile. Furthermore, it is expected that there will be a streamlining of information to be included in the "Local file".

Details on the specific changes that will be legislated in Malaysia to ensure that the Malaysian transfer pricing regime is compliant with OECD's Action Plan 13 is expected in the near future. In light of these expected changes, taxpayers in Malaysia are advised to take a closer look at their transfer pricing policy / documentation preparation and maintenance processes to ensure that they are well-prepared for the expected changes.

Increased transfer pricing scrutiny in Vietnam

Transfer pricing continues to be a key issue for the General Department of Taxation ('GDT') in Vietnam. Tax departments around the country carried out inspections at 4,751 enterprises reporting losses and exhibiting signs of profit shifting through transfer pricing. Records from the GDT indicate that they retrieve US\$450 million and issued fines of US\$ 76 million. Through the investigations, the GDT has acknowledged an improvement in process to review transfer pricing cases. In addition, tax auditors now have more experience in recognizing and applying the "right" transfer pricing methods.

While transfer pricing investigations were primarily conducted by the Central Transfer Pricing Management at the GDT from 2012 to 2015. By the end of 2015, Transfer Pricing Inspection Departments were established in the major commercial cities of Hanoi, Ho Chi Minh City, Binh Duong and Dong Nai.

With the increased scrutiny on transfer pricing, we recommend that taxpayers operating in Vietnam contemplate preparing the necessary transfer pricing supporting documents to ensure compliance with the arm's length standard. It should also be noted that in accordance with the Vietnamese transfer pricing documentation regulations, transfer pricing documentation is mandatory.

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. **Tax Considerations on Cross-Border Intercompany Services:** *Insights from a Corporate Tax and Transfer Pricing*, on 18th May 2016, organised by CCH-Wolters Kluwer

- b. Optimizing Transfer Pricing Models in Asia**, on 14th June 2016, organised by CCH – Wolters Kluwer
- c. Transfer Pricing in Asia**, on 16th June 2016, organised by the Singapore Business Federation

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