



**IC Advisors Transfer Pricing Newsletter
November 2016**

Singapore provides administrative guidance on CbC Reporting

On 10th October 2016, the Inland Revenue Authority of Singapore (“IRAS”) published its e-tax guide on the implementation of Country – by – Country Reporting (“CbCR”) for Singapore headquartered companies. By issuing this e-tax guide, the IRAS has once again confirmed and moved one step towards adherence to the OECD’s Base Erosion and Profit Shifting (“BEPS”) Action Plan 13. In addition, the IRAS will introduce a Bill in the Parliament later this year to legislate the preparation and reporting of the CbC Report.

Please refer to our earlier issued press release for additional details.

Hong Kong’s BEPS Consultation Exercise

On the 26th October 2016, the Hong Kong government launched a consultation exercise to gauge public views on implementation of measures by the OECD to counter BEPS of enterprises. Thus far, the Inland Revenue Department (“IRD”) has been relying on the general provisions in the Inland Revenue Ordinance (“IRO”) and the Departmental Interpretation and Practice Notes (“DIPNs”) to deal with transfer pricing issues. However, to combat the rise of transfer pricing issues, the IRD has proposed a fundamental transfer pricing rule (“fundamental rule”) which empowers the Commissioner of Inland Revenue (“the Commissioner”) to adjust profits/losses of an enterprise where an actual provision imposed between two or more persons (“affected persons”) departs from the norm and has created a tax advantage.

As a BEPS Associate, Hong Kong is committed to implementing the BEPS package, including the four minimum standards, i.e. countering harmful tax practices (Action 5), preventing treaty abuse (Action 6), imposing CbC reporting requirement (Action 13) and improving cross-border dispute resolution mechanism (Action 14).

The Consultation Process outlines the implementation strategy that the IRD is thinking of adopting and in line with this implementation strategy, the IRD has asked for feedback on the various transfer pricing issues such as:

- a. the codifying of transfer pricing rules in the tax laws,
- b. the introduction of a penalty regime for non-arm’s length pricing,
- c. proposed changes to the APA regime;
- d. exemptions suggested for the preparation of the Masterfile and local file;
- e. development of a statutory dispute resolution mechanism.

Given the negative publicity that Hong Kong has suffered as a result of its simple territorial-based tax regime as well as the low headline corporate tax rate, domestic implementation of the BEPS measures is definitely a top priority for the Hong Kong government and the IRD.