



**IC Advisors Transfer Pricing Newsletter  
October 2016**

**How will Singapore tackle Base Erosion and Profit Shifting**

On 9<sup>th</sup> September 2016, the second annual conference organized by the SMU-TA Centre for Excellence in Taxation touched on the importance of global transfer pricing events and the impact on future tax-reforms. While Singapore has remained at the backburner of debates in relation to base erosion and profit shifting (BEPS), actions by certain tax authorities are increasingly requiring the IRAS and the Ministry of Finance to take a more defined position.

In June 2016, Singapore joined the BEPS project as an Associate and in response to BEPS developments, has developed the following three pronged approach.

- 1) Developing sustainable domestic tax policies and rules that support substantive economic activities
  - a. Planning prudent fiscal policies for sustainable tax policies
  - b. Conducting regular reviews of the tax regime, including tax rates
- 2) Strengthening bilateral ties with partner tax authorities
  - a. The implementation of Base Erosion & Profit Shifting (BEPS) would most likely lead to more international disputes which would translate to uncertainty and complexity for businesses. Good working relationships would smooth over such interactions
  - b. IRAS has been working closely with its treaty partners regarding Mutual Agreement Procedures (MAP) as well as Advance Pricing Arrangement (APA) cases
- 3) Remaining involved in shaping international tax rules as a BEPS Associate and committing to ensuring consistent implementation of the BEPS recommendation to create a level-playing field across all jurisdictions.

**Impact of Recent Developments in Australian Transfer Pricing Rules on Singapore**

In the past 2 years, the Australian Tax Office (ATO) has been increasing its scrutiny on transactions entered into by Australian taxpayers with entities located in countries with a lower tax regime. Recently, its newly released Instructions to the International Dealings Schedule (IDS) 2016 has been amended to include Singapore. The list traditionally included tax havens such as the Cayman Islands or Panama. This translates to the disclosed related party transactions with Singaporean entities being grouped together with those of tax havens. There will be a greater level of scrutiny by the ATO placed on this group.

The ATO has recently issued its draft practical compliance guideline outlining its compliance approach to transfer pricing issues related to centralised operating modules involving hubs. Although comments are being sought from various parties such as tax and business communities, the draft provides a certain level of guidance to taxpayers in determining the existence of transfer pricing risk.

Given the number of Australian taxpayers with the typical regional headquarter/hub structure in Singapore, these entities are particularly at risk despite the fact that the choice of location was driven by commercial, operational and business considerations.

In addition, in September, the tax authorities of Singapore and Australia agreed to share data to reduce tax evasion via a Competent Authority Agreement. With this Agreement, Singapore and Australia have taken another step in enhancing cooperation to support greater tax transparency and fight against tax evasion.

**Upcoming seminars:**

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. ***Transfer Pricing Compliance Strategy***, organized by CCH on 25<sup>th</sup> October 2016.
- b. ***Understanding Transfer Pricing***, organized by SBF on 27<sup>th</sup> October 2016.

If you would like to attend any of these seminars, please send an email to [sowmya@icadvisorsasia.com](mailto:sowmya@icadvisorsasia.com).