



**IC Advisors Transfer Pricing Newsletter
September 2016**

New World of Global Tax Planning

Multinationals (MNEs) have started to discover the significant implications of domestic implementation of Base Erosion and Profit Shifting (BEPS) on effective tax rate planning. The immediate issue stems from the new Country-by-Country Reporting (CbCR) documentation regime. Many countries, including China, Japan, Italy as well as the others have already implemented domestic legislation to boost their effectiveness for 2016 whereas the United States has finalized its regulations in time to be effective by 2017. We expect to see ongoing changes in transfer pricing documentation regimes to reflect the OECD Guidance from BEPS Action Plan 13.

Australian Focus on Potential Tax Evasion

In early August, the Australian Tax Office (“ATO”) issued various taxpayer alerts related to the issue of profit shifting out of Australia. While the position put forth in the tax alerts will impact Australian taxpayers, we expect the tax alert addressing offshore permanent establishments and offshore marketing hubs to have a significant impact on business / tax models adopted by taxpayers. Although the ATO is soliciting feedback on all four tax alerts, we would strongly recommend that taxpayers operating through Australian entities evaluate their tax / transfer pricing risks in light of these developments.

Against the backdrop of these tax alerts, the ATO has also issued new warnings for large companies and multinationals seeking to “avoid their tax obligations through certain contrived arrangements”.

Case Study on Customs and Transfer Pricing

The interplay between customs and transfer pricing is an often debated one particularly for distributors who often look at customs and transfer pricing as opposite sides of the same coin. In general, most MNCs struggle to manage customs and transfer pricing exposure as reducing the value of imports will result in higher direct tax paid but lower customs duties and vice versa.

In a recent session deliberated at the World Custom's Organizations Technical Committee on Customs Valuation (TCCV) in Brussels, the TCCV approved a new instrument that contains a case study on the use of transfer pricing documentation in assessing customs values. The case study provides a practical example of how certain transfer pricing documentation can be used by customs authorities to determine whether a relationship has influenced the price when assessing customs valuation. The discussion of this case study represents an important step toward better coordination between customs and transfer pricing.

Upcoming seminars:

Dr Sowmya Varadharajan will be presenting at the following seminars:

- a. **Introduction to Transfer Pricing – 23rd Run**, organized by TAKX Solutions on 6th October 2016
- b. A Singapore Business Federation (SBF) seminar organized on 5th October 2016.
- c. **Transfer Pricing Compliance Strategy**, organized by CCH on 25th October 2016.

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