

## Singapore updates

### **Budget 2016**

- The Budget Statement was delivered by Minister for Finance, Mr Heng Swee Keat, on 24 March 2016. This year's Budget focused on transforming the economy through enterprise and innovation.

PwC's commentary is available at:

<http://www.pwc.com/sg/en/budget-2016/sg-budget-commentary-2016.html>.

### **Productivity and Innovation Credit (PIC) scheme**

- The Inland Revenue Authority of Singapore (IRAS) added a new Frequently Asked Question (FAQ) on their website to clarify that there is no requirement for external courses or training providers to be approved for the PIC scheme.

Details are available at:

<https://www.iras.gov.sg/irashome/Schemes/Businesses/Productivity-and-Innovation-Credit-Scheme/Six-Qualifying-Activities-under-PIC/Training-of-Employees/#title4>

- The IRAS clarified that companies need to submit the PIC Disclosure of Error Form only if they have made errors in their PIC Cash Payout applications. This form is not required for errors made in claims relating to the PIC enhanced tax deductions in the income tax returns.

Details are available at:

[https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick\\_Links/Forms/Businesses/Corporate\\_Tax\\_forms/Productivity%20and%20Innovation%20Credit%20\(PIC\)%20-%20Disclosure%20of%20Error%20Form.pdf](https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick_Links/Forms/Businesses/Corporate_Tax_forms/Productivity%20and%20Innovation%20Credit%20(PIC)%20-%20Disclosure%20of%20Error%20Form.pdf)

Tax updates  
for the period  
16 February 2016  
to 15 April 2016

## ***Deductibility of interest expenses***

- The IRAS clarified the tax treatment of certain interest expenses in its website. Specifically, the website states that:
  - interest expenses incurred on late CPF contributions is not deductible for income tax purposes, and
  - interest incurred on late payment of fees to a MCST is deductible if it is incurred in the production of income.

Details are available at:

<https://www.iras.gov.sg/irashome/Businesses/Companies/Working-out-Corporate-Income-Taxes/Business-Expenses/Tax-Treatment-of-Business-Expenses--I--P-/#title3>

## ***Overseas updates***

### ***Australia***

- Australia has introduced a new 10% non-final withholding tax on the disposal of certain taxable Australian property by foreign residents. The new regime will apply to transfers of direct and indirect interests in taxable Australian property on or after 1 July 2016.

Details are available at:

<http://click.edistribution.pwc.com/?qs=8860804d99c1d1df8dec5bd50f575f41f5691055c010d4d788430fc76afa5221>

### ***Hong Kong***

- The Court of Final Appeal (CFA) handed down its judgment in the Sheng Kung Hui case on 4 February 2016. The case concerns whether there was a change of intention, with respect to a piece of land owned by the taxpayers, from capital holding to trading such that the profits from disposal of the land should be subject to profits tax. The CFA held that there was no change of intention to trading up to the period within which the taxpayers had engaged in various activities to enhance the value of the land for realisation. This is because none of the taxpayers' enhancement activities within that period had gone beyond what might be expected of a non-trader owner in similar circumstances.

Details are available at:

[http://www.pwchk.com/home/eng/hktax\\_news\\_mar2016\\_1.html](http://www.pwchk.com/home/eng/hktax_news_mar2016_1.html)

- The 2016/17 Hong Kong Budget was announced on 24 February 2016. Proposals include expanding the scope of tax deduction for capital expenditure incurred for the purchase of intellectual property rights to layout-design of integrated circuits, plant varieties and rights in performance, tax concessions to boost aircraft leasing business and plans to explore business opportunities in aerospace financing and funding for innovation and technology.

Details are available at:

<http://www.pwchk.com/hkbudget>

## **India**

- The Union Budget 2016 was announced on 29 February 2016. The Budget, among other changes, included a number of proposed rules that are expected to impact the financial services industry, and introduced country-by-country reporting (CbCR), which will take effect from tax year 2016/17. The Budget also introduced an equalisation levy for online sales, of which the commencement date has not been announced.

Details are available at:

<http://www.pwc.com/us/en/tax-services/publications/insights/assets/pwc-india-budget-affects-foreign-investors-multinational-enterprises.pdf>

- In a recent ruling, the Authority for Advance Rulings (AAR) held that transfer of shares of an Indian company by a Mauritius parent to a Singapore group company was not taxable on account of the beneficial provisions of Article 13(4) of the India - Mauritius Double Tax Avoidance Agreement. It was held that such an arrangement could not be a scheme for tax avoidance on account of business considerations pleaded by the Mauritius entity. The AAR held that Minimum Alternate Tax (MAT) provisions were not applicable in the light of the recent Press Release by the Government of India. The AAR also held that in absence of taxable income, there was no requirement for (1) the Singapore entity to withhold tax, (2) the Mauritius entity to file a return of income, and (3) the Mauritius entity to undertake transfer pricing compliance.

Details are available at:

[https://www.pwc.in/assets/pdfs/news-alert-tax/2016/pwc\\_news\\_alert\\_22\\_january\\_2016\\_transfer\\_of\\_shares\\_of\\_indian\\_co\\_from\\_mauritius\\_to\\_singapore\\_within\\_the\\_group.pdf](https://www.pwc.in/assets/pdfs/news-alert-tax/2016/pwc_news_alert_22_january_2016_transfer_of_shares_of_indian_co_from_mauritius_to_singapore_within_the_group.pdf)

- More than 100 transfer pricing disputes between the US and India have been resolved through a landmark framework agreement finalised in January 2015 under the Mutual Agreement Procedures in the India-US tax treaty.

## **Russia**

- The Federal Arbitration Court of the Moscow Circuit held that a foreign company carrying out auxiliary and preparatory activities in Russia free of charge for third parties creates a permanent establishment in Russia and must pay corporate tax on those activities.

## **UK**

- The UK Budget 2016 contains proposals to cap interest relief, limit the use of intragroup royalty payments to shift profits from the UK, and extend hybrid mismatch rules to cover permanent establishments to curb tax avoidance by multinational corporations.
- The UK introduced CbCR regulations which will take effect from 18 March 2016. The introduction of CbCR in the UK imposes new transfer pricing reporting requirements on UK-parented multinational entities as well as potentially on UK subsidiaries or UK permanent establishments of foreign companies.

Details are available at:

<http://image.edistribution.pwc.com/lib/fe9813707560007f73/m/1/03042016-TP-UK-introduces-cbcr.pdf>

## **US**

- On 4 April 2016, the Internal Revenue Service (IRS) and US Treasury proposed regulations that would treat debt instruments issued to related persons as equity in certain circumstances and that impose record-keeping requirements on related party debt issuances.

Details are available at:

<http://www.pwc.com/us/en/tax-services/publications/insights/assets/pwc-proposed-section-385-regs-would-impact-related-party-financings.pdf>

- The IRS and US Treasury issued proposed and temporary regulations on 4 April 2016 that limit cross-border merger transactions that the government characterises as “inversions” and certain post-inversion transactions.

Details are available at:

<http://www.pwc.com/us/en/tax-services/publications/insights/assets/pwc-temp-regs-address-inversion-notices-provide-further-restrictions.pdf>

## **International Tax News**

Among the key topics featured in March 2016 are:

- Australia's multinational anti-avoidance legislation
- The new bill mandating automatic exchange of information in Hong Kong
- The European Commission's anti-tax avoidance package

Details are available at:

<http://www.pwc.com/gx/en/tax/international-tax-services/assets/pwc-international-tax-news-march-2016.pdf>

Among the key topics featured in April 2016 are:

- Treaty benefit implications of the final US Model Income Tax Treaty
- Luxembourg's 2017 tax changes
- The OECD framework for broader participation in BEPS stage two

Details are available at:

<http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-april-2016.pdf>



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