

Tax updates for the period
1 June 2016 to
15 July 2016

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Revenue legislation update

- The Income Tax (Amendment No. 2) Act 2016 was gazetted on 4 July 2016. The changes in the Amendment Act relate mainly to the implementation of the Common Reporting Standard and the changes to the Productivity and Innovation Credit (PIC) Cash Payout as announced in the 2016 Budget.

The General Anti-avoidance Provision and its Application

- The Inland Revenue Authority of Singapore (IRAS) issued a circular on the operation of section 33 of the Income Tax Act.

Details are available at:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguides_CIT_The%20General%20Anti-avoidance%20Provision%20and%20its%20Application.pdf

FRS 109 – Financial Instruments

- The IRAS has issued a draft circular "Proposed Income Tax Treatment Arising from the Adoption of FRS 109 - Financial Instruments" for public consultation on 1 July 2016. The closing date to submit comments is 1 August 2016.

Details are available at:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/About_Us/Public_Engagement/Public_Feedback/FRS%20109%20Proposed%20Income%20Tax%20Treatment_Public%20Consultation.pdf

Draft Income Tax (Amendment) (No. 3) Bill

- The Minister of Finance (MOF) issued the draft Income Tax (Amendment) (No. 3) Bill 2016 which contains the 2016 Budget proposals and Country-by-country reporting (CbCR) implementation measures for consultation.

Details are available at: [http://www.mof.gov.sg/news-](http://www.mof.gov.sg/news-reader/articleid/1669/parentid/59/year/2016?category=Press_Release)

[reader/articleid/1669/parentid/59/year/2016?category=Press Release](http://www.mof.gov.sg/news-reader/articleid/1669/parentid/59/year/2016?category=Press_Release)

Draft Common Reporting Standards regulations

- The MOF, MAS and IRAS have issued proposed regulations for the implementation of the Standard for Automatic Exchange of Financial Account Information in Tax Matters (also known as the Common Reporting Standard with effect from 1 January 2017.

Details are available at: <http://www.mof.gov.sg/news-reader/articleid/1671/parentId/59/year/2016>.

Country-by-country reporting (CbCR)

- MOF announced that Singapore will commit to implement CbCR for financial years beginning on or after 1 January 2017 for multinational enterprises whose ultimate parent entities are based in Singapore and whose group turnover exceed S\$1,125 million. These enterprises are required to file their country-by-country reports with the IRAS within 12 months from the last day of their financial year. The Inland Revenue of Singapore will release further details by September 2016.

Details are available at: <https://www.iras.gov.sg/irashome/News-and-Events/Newsroom/Media-Releases-and-Speeches/Media-Releases/2016/Singapore-Joins-Inclusive-Framework-for-Implementing-Measures-against-Base-Erosion-and-Profit-Shifting--BEPS-/>

Our commentary is available at: <http://www.pwc.com/sg/en/tax-bulletin/assets/taxbulletin201606.pdf>

Business and IPC scheme

- MOF has released guidelines on the new Business and IPC partnership scheme, a new scheme for businesses to obtain 250% tax deduction on qualifying wages and related expenses when businesses send their employees to volunteer and provide services to IPCs, including secondments.

MOF press statement is available at: <http://www.mof.gov.sg/news-reader/articleid/1665/parentId/59/year/2016/category=Press%20Release>

Details are available at: <https://app.mof.gov.sg/MOF-For/Businesses/Business-and-IPC-Partnership-Scheme-BIPS>

Finance & Treasury Centre (FTC)

- On 1 June 2016, the Economic Development Board of Singapore issued a circular which sets out the details of the enhancements to the FTC scheme announced in Budget 2016.

Double Taxation Agreements

France – Singapore

- The revised treaty with France was gazetted and entered into force on 1 June 2016. It offers improved terms such as lower withholding tax rates for dividends and includes anti-abuse provisions.

Details are available at: <https://www.iras.gov.sg/irashome/News-and-Events/Newsroom/Media-Releases-and-Speeches/Media-Releases/2016/Singapore-France-Avoidance-of-Double-Taxation-Agreement-Enter-Into-Force/>

Myanmar – Singapore

- Myanmar and Singapore plan to negotiate an update to the tax treaty, and potentially start discussions for a bilateral investment treaty.

US - Luxembourg

- The US and Luxembourg agreed to amend a protocol to the existing income tax treaty that addresses the potential for double non-taxation for US-source income of a Luxembourg company attributable to its US branch. The amendment affects the 'triangular branch rule' for taxpayers using US branches that are neither taxed in the US nor Luxembourg. Once ratified, the provision could have retroactive effect, as early as late June 2016.

Details are available at: <http://www.pwc.com/us/en/tax-services/publications/insights/assets/pwc-us-luxembourg-retroactive-change-treaty-triangular-branch-rules.pdf>

Overseas updates

Hong Kong

- The Inland Revenue Department (IRD) issued Departmental Interpretation and Practice Notes NO. 51 (DIPN 51) on 31 May 2016 to set out its views on various issues relating to the application of the offshore private equity fund tax exemption regime. The IRD states its views on the taxation of carried interest received by fund executives. Specifically, it concludes that the nature of carried interest will affect whether it would be regarded as normal investment return (which is not subject to tax) or income chargeable to salaries / profits tax.
- The Hong Kong Legislative Council passed amendments to the Inland Revenue Ordinance in the following three areas on 26 May 2016: (1) a concessionary profits tax rate for corporate treasury centres, (2) new deduction rules for interest expenses incurred by an intra-group financing business and new deeming provisions on interest income and certain profits arising from such business, and (3) profits tax and stamp duty treatments in respect of regulatory capital securities issued by financial institutions. Hong Kong is now in a competitive position for setting up regional corporate treasury centres.

Details are available at: http://www.pwchk.com/home/eng/hktax_news_may2016_5.html

India

- On 20 June 2016, the Indian Government announced liberalisation of foreign direct investment (FDI) policy in the Single Brand Retail Trading, Broadcasting Carriage Services, Defence Manufacturing and Brownfield Pharma sectors. These simplify FDI policy to provide ease of doing business so as to generate larger FDI inflows into India.

Details are available at: https://www.pwc.in/assets/pdfs/news-alert-tax/2016/pwc_news_alert_20_june_2016_radical_changes_in_fdi_policy_regime.pdf

- The Indian Central Board of Direct Taxes (CBDT) has established a working group to examine consequences arising from amendments to the Indian-Mauritius tax treaty. The Working Group will submit its report to the CBDT within three months, after examining the relevant issues.

Indonesia

- The Tax Amnesty Law was passed by the Indonesian Parliament on 28 June 2016 with effect from the enactment date. Tax Amnesty is a waiver of tax due, administration sanctions, and tax crime sanctions which can be granted by paying Redemption Money as stipulated in the Law.

Details are available at: <http://www.pwc.com/id/en/taxflash/assets/english/2016/taxflash-2016-09.pdf>

Philippines

- The Philippine Bureau of Internal Revenue has issued a revenue memorandum order that sets out new procedures in claiming preferential tax treaty benefits on dividend, interest and royalty income of non-residents in accordance with effective treaties.

International Tax News

Among the key topics featured in June 2016 are:

- Changes to Brazil's capital gains tax rates.
- The US Treasury's proposed Section 385 regulations on related party financing.
- The French Supreme Court's final decision on remuneration of cash funding from a branch to its head office.
- The UK Court of Appeal upholds High Court decision regarding taxation of foreign portfolio dividends.

Details are available at: <http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-june-2016.pdf>

Among the key topics featured in July 2016 are:

- Introduction of a new tax bill in New Zealand's parliament
- New HM Treasury and HMRC Consultations from the UK
- Dutch Court of Appeal rules in favour of a cross border fiscal unity with a non-EU parent

Details are available at: <http://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-july-2016.pdf>



Contacts

If you would like to discuss any of the issues raised, please get in touch with your usual PwC contact or any of the individuals listed below:

Tax Leader

Chris Woo

chris.woo@sg.pwc.com
+65 6236 3688

Indirect Tax

(Goods and Services Tax)

Koh Soo How

soo.how.koh@sg.pwc.com
+65 6236 3600

International Assignment Services

Sakaya Johns Rani

sakaya.johns.rani@sg.pwc.com
+65 6236 3648

Margaret Duong

margaret.duong@sg.pwc.com
+65 6236 3958

Worldtrade Management Services

(Customs and International Trade)

Frank Debets

frank.debets@sg.pwc.com
+65 6236 7302

Legal Services

Legal services are provided by Camford Law Corporation. Camford Law Corporation is part of the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

Bijay Nawal

bijay.nawal@camfordlaw.com
+65 6597 3349

Irving Aw

irving.aw@camfordlaw.com
+65 6597 3340

Corporate Tax

Sunil Agarwal

Technology, Media & Telecommunication
sunil.agarwal@sg.pwc.com
+65 6236 3798

Chai Sui Fun

Transfer Pricing
sui.fun.chai@sg.pwc.com
+65 6236 3758

Liam Collins

Financial Services,
International Tax Services
liam.collins@sg.pwc.com
+65 6236 7248

Paul Cornelius

Energy, Utilities & Mining
paul.cornelius@sg.pwc.com
+65 6236 3718

Brendan Egan

Insurance
brendan.m.egan@sg.pwc.com
+65 6236 3928

Andrew Fairfoull

Value Chain Transformation
andrew.fairfoull@sg.pwc.com
+65 6236 4878

Nicole Fung

Transfer Pricing
nicole.fung@sg.pwc.com
+65 6236 3618

Abhijit Ghosh

Healthcare & Pharmaceutical,
India Desk
abhijit.ghosh@sg.pwc.com
+65 6236 3888

Anuj Kagalwala

Financial Services,
Asset & Wealth Management
anuj.kagalwala@sg.pwc.com
+65 6236 3822

Paul Lau

Financial Services
paul.st.lau@sg.pwc.com
+65 6236 3733

Peter Le Huray

International Tax Services
peter.g.le.huray@sg.pwc.com
+65 6236 7278

Lennon Lee

Treasury, Consumer & Retail,
China Desk
lennon.kl.lee@sg.pwc.com
+65 6236 3728

Carrie Lim

Financial Services
carrie.cl.lim@sg.pwc.com
+65 6236 3650

Lim Hwee Seng

Mergers & Acquisitions
hwee.seng.lim@sg.pwc.com
+65 6236 3118

Lim Maan Huey

Financial Services, Treasury
maan.huey.lim@sg.pwc.com
+65 6236 3702

Florence Loh

Consumer & Retail
florence.ch.loh@sg.pwc.com
+65 6236 3368

Elaine Ng

Transport & Logistics
elaine.ng@sg.pwc.com
+65 6236 3627

Tan Ching Ne

Technology, Media, Telecommunication,
Research & Development
ching.ne.tan@sg.pwc.com
+65 6236 3608

Tan Hui Cheng

Financial Services
hui.cheng.tan@sg.pwc.com
+65 6236 7557

Tan Tay Lek

Conglomerates & Industrial Products
tay.lek.tan@sg.pwc.com
+65 6236 3768

Teo Wee Hwee

Real Estate & Hospitality
wee.hwee.teo@sg.pwc.com
+65 6236 7618

Falgun Thakkar

Transfer Pricing
falgun.d.thakkar@sg.pwc.com
+65 6236 7329

Sarah Wong

Mergers & Acquisitions
sarah.wc.wong@sg.pwc.com
+65 6236 3838

Yip Yoke Har

Insurance
yoke.har.yip@sg.pwc.com
+65 6236 3938



This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Singapore Pte Ltd, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2016 PricewaterhouseCoopers Singapore Pte Ltd. All rights reserved. "PricewaterhouseCoopers" and "PwC" refer to PricewaterhouseCoopers Singapore Pte Ltd or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.