

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Singapore and India signed a new protocol to update tax treaty

Singapore and India have concluded a protocol on 30 December 2016 to amend certain terms of the Singapore-India double tax agreement (DTA). Very broadly, the key changes from the perspective of a Singapore resident investor are:

1. Grandfathering of capital gains tax exemption in India for disposal of shares in Indian resident companies acquired before 1 April 2017.
2. Introduction of a two-year transition period for shares acquired on or after 1 April 2017, where any gains on disposal of shares in an Indian resident company derived between 1 April 2017 and 31 March 2019 may be taxed in India but at no more than half of the applicable rate.
3. Inclusion of Article 9(2), which provides for the basis of making a corresponding adjustment in one state when a transfer pricing adjustment is made by another state to reflect adherence to the arm's length principle in related party transactions.
4. It is also provided that the DTA will not prevent each state from applying its domestic law and measures to curb tax avoidance or evasion.

Further, it was announced that the two governments have agreed on steps towards a set of new initiatives for joint promotion of bilateral investments with a view to concluding an agreement in the second half of 2017.

Details are available at:

<https://www.iras.gov.sg/irashome/News-and-Events/Newsroom/Media-Releases-and-Speeches/Media-Releases/2016/Singapore-and-India-Sign-New-Protocol-to-Update-Bilateral-Avoidance-of-Double-Taxation-Agreement--DTA-/>

Income Tax (Amendment No. 3) Act 2016

The Income Tax (Amendment No. 3) Act 2016 was published on 29 December 2016. There are no changes to the Bill.

Common Reporting Standard (CRS)

The Income Tax (International Tax Compliance Agreements) (Common Reporting Standard) Regulations 2016 ("CRS Regulations") incorporate the requirements of the CRS into Singapore's domestic legislative framework. The CRS Regulations will enter into force on 1 January 2017.

Details are available at:

<https://www.iras.gov.sg/irashome/CRS/>

Transfer Pricing

The Inland Revenue Authority of Singapore (IRAS) issued a revised circular entitled "Transfer Pricing Guidelines (Fourth edition)" on 12 January 2017. Amongst the changes, IRAS added a safe harbour margin which taxpayers can apply to each related party loan not exceeding S\$15 million. Our commentary is available in the attached link.

Details are available at:

<http://www.pwc.com/sg/en/tax-bulletin/assets/taxbulletin201701.pdf>

Mutual Agreement Procedure

The IRAS updated its website on 12 January 2017 to provide guidance on the Mutual Agreement Procedure under our Avoidance of Double Taxation Agreements.

Details are available at:

<https://www.iras.gov.sg/irashome/Quick-Links/International-Tax/Mutual-Agreement-Procedure/>

Total Asset Method for Interest Adjustment

The IRAS issued a new circular setting out the application of the total asset method of attributing common interest expense to income producing and non-income producing assets. This circular applies to any taxpayer who claims deduction of interest expense and borrowing costs akin to interest, incurred on loans or borrowings, under section 14(1)(a) of the Income Tax Act.

Details are available at:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguides_CIT_Total%20Asset%20Method%20for%20Interest%20Adjustment_2016-12-16.pdf

Real Estate Investment Trusts (REITs)

The IRAS issued a circular on 6 January 2017 to explain the income tax treatment for a real estate investment trust ("REIT") and an approved sub-trust of a REIT.

Details are available at:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_Income%20Tax%20Treatment%20of%20Real%20Estate%20Investment%20Trusts%20and%20Approved%20Sub-Trusts.pdf

YA 2018 Estimated Chargeable Income (ECI) Forms

The new YA 2018 ECI forms (for company and tax agent) are available for download from the IRAS website. The revenue field in the ECI form will be made a compulsory field with effect from January 2017.

Details are available at:

<https://www.iras.gov.sg/IRASHome/Quick-Links/Forms/Businesses/Corporate-Tax-forms/Estimated-Chargeable-Income--ECI--Forms/>

Overseas updates

Australia

The Administrative Appeals Tribunal of Australia in *Beng Tan v. Commissioner of Taxation* [2016] AATA 1062 found that an individual with residence in Australia and Malaysia was an Australian resident for tax purposes under the residence "tiebreaker" test in article 4(2) of the Australia-Malaysia tax treaty.

Hong Kong

The Hong Kong Financial Services and the Treasury Bureau has launched a public consultation on the development of a legislative proposal to increase transparency of corporate beneficial ownership.

Korea

PwC Korea has issued the latest Financial Services Tax Newsletter which covers various tax issues impacting companies in the financial services industry including:

- the introduction of country-by-country reporting, extension of deadline for submitting documentation
- potential tax implications of non-beneficial service charges
- potential tax refund opportunities for Luxembourg SICAVs
- updates on relevant rulings and court cases.

PwC Korea's newsletter is available at:

http://www.pwc.com/kr/ko/publications/fs/samilpwc_fs-tax-hot-topics_201701_en.pdf

Indonesia

The Minister of Finance (MoF) has issued Regulation No. 213/PMK.03/2016 (PMK - 213) that regulates new Transfer Pricing Documentation (TPD) requirements dated and effective since 30 December 2016. As such, the requirements under this regulation are applicable for the tax year ending on 30 December 2016 and onwards. PMK-213 prevails over the existing regulations to the extent that there are any inconsistencies.

PwC Indonesia's commentary is available at:

<http://www.pwc.com/id/en/taxflash/assets/english/2017/taxflash-2017-1.pdf>

Malaysia

Malaysia's Income Tax Act has been amended to add country-by-country reporting rules, effective from 1 January 2017.

International Tax News

Among the key topics featured in December 2016 are:

- The Italian government approves the draft 2017 budget
- New rules regarding supporting documentation for the taxation of Brazilian non-resident capital gains
- Cyprus amends IP box
- The US Treasury and IRS issue final section 385 regulations.

Details are available at:

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

Among the key topics featured in January 2017 are:

- Brazilian tax policy adopts international transparency standards
- Canada expands back-to-back rules
- The UK Autumn Statement 2016 and Finance Bill 2017
- US IRS releases final and temporary regulations under Section 987.

Details are available at:

<https://www.pwc.com/gx/en/tax/newsletters/international-tax-services/assets/pwc-international-tax-news-january-2017.pdf>



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