

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Base Erosion and Profit Shifting (BEPS)

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

On 11 July 2017, the Organisation of Economic Co-operation and Development (OECD) issued the beta version of the matching database for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI). This comes on the back of widespread support of the MLI, with Mauritius and Cameroon signing the treaty in early July, bringing the total number of signatories to 70.

Singapore signed the MLI on 7 June 2017, as an early adopter, and lodged with the OECD a provisional list of reservations and notifications. Consistent with its commitments as a member of the inclusive framework for implementing measures to counter base erosion and profit shifting (BEPS), Singapore had adopted the MLI articles relating to preventing treaty abuse (adopting the principal purpose test) and enhancing dispute resolution. It has also adopted the mandatory binding arbitration (choosing the final offer option). At the same time of signing, 68 of Singapore's 82 in-force double tax agreements (DTAs) have been identified as the covered tax agreements to be updated through the MLI. It should be noted that while Mauritius has signed the MLI, the Singapore-Mauritius DTA has not been listed by Mauritius as a covered tax agreement.

[Click here](#) for more details.

Intellectual property (IP)

Update on IP Development Incentive (IDI) and Changes to Pioneer Certificate Incentive and Development and Expansion Incentive (DEI)

The Economic Development Board of Singapore (EDB) has released an update on Intellectual Property Development Incentive (IDI) which was announced in the Singapore Budget 2017.

As stated by the EDB, the introduction of the IDI has been deferred to a later date and an announcement is expected in late 2017. In the meantime, the scope of the current Development and Expansion Incentive and Pioneer Incentive (DEI/PC) will be amended to exclude IP income, unless the DEI/PC awards are for production and manufacturing activities. Current "non-manufacturing" DEI/PC incentive holders have up to 30 June 2021 to continue treating IP income as qualifying income for their incentives. However, new IP assets owned after a certain "cut-off date" (to be announced) will not enjoy this grandfathering benefit.

It is important that businesses holding the DEI/PC incentive take note of the impending changes and assess if there could be potential impact to their business projections or tax

positions from their IP income not qualifying for the incentive tax rate.

[Click here](#) for more details.

Draft Income Tax (Amendment) Bill 2017

The MOF has published the draft Income Tax (Amendment) Bill 2017 for public feedback on 19 June 2017. The consultation period ended on 10 July 2017.

The Bill proposes incorporating 34 legislative amendments to the Income Tax Act, including 8 tax changes announced in Budget 2017, amendments to introduce Mandatory Transfer Pricing Documentation Requirement, and 25 non-Budget changes to tax policies and administration which have been identified from periodic reviews of the income tax system.

[Click here](#) for more details.

Common Reporting Standard (CRS)

Singapore signs Multilateral Competent Authority Agreements on Exchange of Information

On 21 June 2017, Singapore signed the Multilateral Competent Authority Agreements (MCAA) on:

- the Automatic Exchange of Financial Account Information under the Common Reporting Standard (CRS); and
- the Exchange of Country-by-Country Reports (CbCR).

The signing of the MCAAs reaffirms Singapore's commitment to the international standards on tax co-operation. The MCAAs have gained recognition as multilateral framework agreements for bilateral cooperation on Automatic Exchange of Information (AEOI). Under the MCAAs, AEOI relationships remain bilateral – signatories to the MCAA enter into AEOI on a bilateral basis with another signatory on a mutual consent basis. With the signing of the MCAAs, Singapore will continue to abide by the principles for establishing bilateral AEOI relationships for both CRS and CbCR.

[Click here](#) for more details.

Indonesia signed a Joint Declaration on the Automatic Exchange of Financial Account Information with Switzerland and Hong Kong

On 4 July 2017, Indonesia and Switzerland signed a joint declaration committing to implement the automatic exchange of financial account information in accordance with the common reporting standard, with data collection beginning in 2018 and transmissions beginning in 2019. Indonesia has also signed a similar agreement with Hong Kong and has announced its intention to sign more agreements with other jurisdictions.

Overseas updates

Australia

The Australian Taxation Office has issued draft guidance that explains what "carrying on a similar business" means under the business continuity test recently proposed to be incorporated into the company loss rules by the Treasury Laws Amendment (2017 Enterprise Incentives No. 1) Bill 2017.

Indonesia

- The Minister of Finance (MoF) has updated the Controlled Foreign Company (CFC) rules through the issuance of Regulation No. PMK-107 / PMK.03/2017 (PMK-107) which is dated and effective 27 July 2017, and applicable starting fiscal year 2017.

[Click here](#) for more details.

- Indonesia has issued a new Certificate of Domicile forms for Foreign Taxpayers (New Form DGT-1) which is effective 1 August 2017.

[Click here](#) for more details.

International Tax News

International Tax News is designed to help multinational organisations keep up with the constant flow of international tax developments worldwide. Among the topics featured in the July 2017 edition are:

- Australian government committed to company tax cut
- Brazil officially requests to join the OECD
- New Zealand's proposed permanent establishment rules
- Cyprus clarifies rules on embedded IP income for the new nexus compliant Cyprus IP Box.

[Click here](#) for more details.

Among the topics featured in the August 2017 edition are:

- Hungary introduces a more beneficial capital gains tax exemption
- Turkey introduces legislative provisions affecting Technology Development Zones
- US Treasury to review debt reclassification, international, partnership regulations
- European Commission proposes mandatory disclosure for advisers and tax payers.

[Click here](#) for more details.

Global VAT Online – a summary of updates

PwC's Global VAT Online provides up-to-date business critical information on VAT/GST rates, rules and requirements around the world to help you maintain control, mitigate risk and improve the overall effectiveness of your VAT/GST function. It is a subscription service for all of your indirect tax needs in a digital world.

[Click here](#) for more details.



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