

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Intellectual Property Development Incentive

The Economic Development Board of Singapore (EDB) issued a circular on 22 March 2018 titled “Update on the Intellectual Property Development Incentive (IDI) and Changes to the Pioneer Service Companies Incentive (PC-S) and the Development and Expansion Incentive (DEI)”. The new IDI will take effect on 1 July 2018.

[Click here](#) for a copy of the circular.

The relevant legislation was published on 4 May 2018:

- Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2018
- Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2018 (Commencement) Notification 2018
- Economic Expansion Incentives (Relief from Income Tax) (Intellectual Property Income) Regulations 2018

Employee Equity-Based Remuneration Scheme

The Inland Revenue Authority of Singapore (IRAS) issued a revised circular on “Tax Deduction for Shares used to Fulfil Obligations under an Employee Equity-Based Remuneration (EEBR) Scheme” on 10 April 2018. This circular consolidates the two circulars issued previously, and sets out the expanded scope of tax deduction where a special purpose vehicle administers the EEBR scheme.

[Click here](#) for details.

Real Estate Investment Trusts

The IRAS issued the following circulars on 12 April 2018:

- [Income Tax Treatment of Real Estate Investment Trust Exchange-Traded Funds](#)
The circular explains the income tax treatment of a real estate investment trust exchange-traded fund which has been accorded tax transparency.
- [Income Tax Treatment of Real Estate Investment Trusts and Approved Sub-Trusts \(Second edition\)](#)
The circular is updated to reflect the changes announced in the Budget 2018.

Transfer Pricing

Service companies that do not qualify for the “Cost Plus Mark-Up” (CM) basis but which have been adopting the CM basis in the past will have to switch to the normal

trading company basis by the Year of Assessment (YA) 2020. The IRAS website has been updated to clarify the transitional rules relating to some of the brought forward tax items such as capital allowances on qualifying plant and machinery, section 14Q deduction for renovation and refurbishment expenditure, and general and specific provisions. Additional FAQs have also been added.

[Click here](#) for details.

Common Reporting Standard

Singapore has activated new Automatic Exchange of Financial Account Information (AEOI) relationships under the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information under the Common Reporting Standard with China, Malaysia and Panama for exchange in 2018.

[Click here](#) for details.

Stamp Duties

The Stamp Duties (Agreements for Sale of Equity Interests) (Remission) Rules 2018 was gazetted on 10 April 2018 and came into operation on 11 April 2018. This rule applies to remit (i) duty on agreements for sale of stock or shares that are not subject to additional conveyance duty under section 23 of the Stamp Duties Act, (ii) duty on agreements for sale of book-entry securities subject to additional conveyance duty, and (iii) duty on aborted agreements subject to conditions.

Tax Cases

BQY v Comptroller of Income Tax [2018] SGHC 75

In *BQY and another v Comptroller of Income Tax* [2018] SGHC 75, the High Court upheld the decision of the Income Tax Board of Review and found that the profits derived by the appellants from the resale of three residential properties were taxable under section 10(1)(g) of the Income Tax Act.

[Click here](#) for PwC's commentary.

GCH v The Comptroller of Income Tax [2018] SGITBR 1

The Board of Review in *GCH v The Comptroller of Income Tax* [2018] SGITBR 1 held that the taxpayer's gains from the sale of certain immovable properties are chargeable as trading profits under section 10(1)(a) of the Income Tax Act.

Singapore - Bangladesh Tax Treaty

Singapore has expressed interest in updating the Singapore-Bangladesh tax treaty. This would be the first update to the existing agreement. It has not yet been negotiated, signed or ratified and does not have the force of law.

Singapore – Ukraine Tax Treaty

The Ukrainian Cabinet of Ministers has authorised the signing of an amending protocol to Ukraine's tax treaty with Singapore. The draft protocol reportedly updates the article on exchange of information. The protocol has not yet been signed or ratified, and does not have the force of law.

Overseas updates

China

On 28 March 2018, the Ministry of Finance, State Administration of Taxation, National Development and Reform Commission, and the Ministry of Industry and Information Technology jointly issued Public Notice [2018] No. 27 on the corporate income tax policy for integrated circuit (IC) enterprises. The Notice provides incentives to qualified

IC enterprises or projects established after 1 January 2018, and to qualified IC enterprises established before 31 December 2017 that have not yet made a profit.

Public Notice 27 is effective from 1 January 2018. IC enterprises should review whether this tax policy could apply to a newly established company or project, and whether previous tax holidays can be extended.

[Click here](#) for details.

Germany

German tax authorities released a circular on 4 April 2018, addressing the EU law-compliant interpretation of the German anti-treaty/directive-shopping rules (the 'Rules'). The circular was issued in response to recent judgments of the Court of Justice of the European Union, holding that the previous version of the Rules breached EU law.

As a result of this circular, more taxpayers should benefit from the withholding tax reduction under the EU Parent-Subsidiary Directive.

[Click here](#) for details.

Hong Kong

Enhanced deduction for qualifying research & development expenditure

Hong Kong companies conducting research and development (R&D) may be eligible for a 300% tax deduction for the first HK\$2 million of qualifying R&D expenditure and a 200% tax deduction for the remaining amount, subject to certain conditions. R&D expenditure that does not qualify for the enhanced deduction may continue to enjoy a normal 100% tax deduction subject to fulfilment of the specified conditions. Once the relevant legislation is enacted, these changes will take retrospective effect for expenditure incurred or payment made on or after 1 April 2018.

[Click here](#) for details.

Capital expenditures on three more specified intellectual property rights are proposed to be tax deductible

The Inland Revenue (Amendment) (No. 2) Bill 2018 (the Bill) was gazetted on 23 March 2018. It expands the existing scope of tax deduction for capital expenditures incurred on the purchase of specified intellectual property rights (IPRs) to cover three additional types of IPRs, namely protected layout-design (topography) rights in respect of integrated circuits, protected plant variety rights and performer's economic rights.

The Bill also seeks to expand the current deeming provisions on royalty income derived from IPRs such that sums received by or accrued to a person for the use, or right to use, of the additional IPRs in Hong Kong or outside Hong Kong (if the sums are deductible for profits tax purposes) are deemed as taxable even if they are not otherwise caught under the normal charging section of the Inland Revenue Ordinance.

To maintain tax symmetry, a new provision is proposed to deem sums received by or accrued to a performer or an organiser for the assignment of, or an agreement to assign, a performer's right in relation to a performance in Hong Kong as taxable trading receipts.

[Click here](#) for details.

New Zealand

New Zealand's Labor government has announced that it will propose a 12.5% R&D credit beginning in April 2019. The credit seeks to increase R&D spending to 2% of gross domestic product, and would be available to businesses that spend more than NZ\$100,000 per year on R&D.

Organisation for Economic Cooperation and Development

Guidance on attribution of profits to permanent establishments leave unanswered questions

The Organisation for Economic Cooperation and Development (OECD) released a final report on 22 March 2018 containing additional guidance on the attribution of profits to permanent establishments (PE). The Report sets forth high-level principles for attributing profits PEs, following the publication of two discussion drafts and public discussions. The Report further provides guidance on the Final Reports on Base Erosion and Profit Shifting (BEPS) published in October 2015.

[Click here](#) for PwC's commentary. This Insight provides an overview of the 22 March OECD Report, covering the background, the mandate, content and main takeaways.

OECD and European Commission release disparate recommendations on tax and the digitalisation of the economy

The OECD Inclusive Framework on BEPS ('IF', a group of 113 countries) issued its paper Tax Challenges Arising from Digitalisation – Interim Report 2018 (the 'Report') on 16 March 2018, and held a public webcast to discuss its findings. This was followed by the European Commission's (EC) recommendations for EU-wide adoption on similar topics, which were published on 21 March 2018. A number of countries around the world, including within the EU, have also proposed or adopted unilateral measures in recent months.

While some countries in the IF and EU are keen to move quickly towards a new international basis for allocation of corporate taxation rights that takes certain digital factors (such as contributions from users) into account, there are also countries that do not believe that this is necessary. The EC and the OECD recommend very different solutions to this divergence - where the OECD has proposed a two year, detailed review of the issues, aiming to bring countries together, the EC has recommended that EU countries assert the right to tax the (direct and indirect) profits generated from provision of digital services to users in the EU, and levy turnover taxes until treaty partners agree to recognise this right.

The potential implications for businesses, governments and tax administrations will depend on the extent to which countries proceed with unilateral action, at least until other measures are agreed. There is a significant risk of double or multiple taxation in these situations and the number of cross-border disputes may rise, while the economic incidence of a turnover-levy most likely would be on consumers.

[Click here](#) for PwC's commentary.

OECD publishes updated Common Reporting Standard implementation handbook

The OECD published the second edition of the Common Reporting Standard (CRS) Implementation Handbook (see Handbook [here](#)) on 5 April 2018. This edition includes new guidance on how to promote and review compliance by financial institutions, and guidance on identifying controlling persons for trusts that are passive non-financial entities.

[Click here](#) for details.

International Tax News

Analysis of tax developments worldwide – April 2018 edition

International Tax News is designed to help multinational organisations keep up with the constant flow of tax developments. Among the topics featured in this month's edition are:

- Australian government releases draft law on hybrid mismatch rules
- European Commission proposes new rules on taxing the digital economy
- European Commission finds that Luxembourg granted unlawful State aid to Amazon

- Dutch government provides further guidance on anti-tax avoidance directive implementation, tax avoidance measures.

[Click here](#) for 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 details.

Key tax developments for global companies operating in the US

This publication provides timely updates on a range of recent tax issues and developments that may be of interest to global companies operating in the United States. In this edition of Tax & Investment in the USA, the following topics are covered:

- State responses to federal tax reform will affect US inbounds
- Tax reform updates for US inbounds
- Uncertainties on dispositions of partnership interests by foreign persons
- European Securities and Markets Authority issues statement on accounting for the tax law changes enacted in the United States.

[Click here](#) for details.



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 9118 0811

Indirect Tax

(Goods and Services Tax)

Koh Soo How

soo.how.koh@sg.pwc.com
+65 9623 6091

International Assignment Services

Sakaya Johns Rani

sakaya.johns.rani@sg.pwc.com
+65 9088 8347

Margaret Duong

margaret.duong@sg.pwc.com
+65 9723 8238

Worldtrade Management Services

(Customs and International Trade)

Frank Debets

frank.debets@sg.pwc.com
+65 9750 7745

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.

Natarajan

natarajan.s@camfordlaw.com
+65 6597 3339

Joanna Teng

joanna.teng@camfordlaw.com
+65 6597 3331

Corporate Tax

Sunil Agarwal

Technology, Media & Telecommunication
sunil.agarwal@sg.pwc.com
+65 8218 8320

Allison Cheung

International Tax
allison.cheung@sg.pwc.com
+65 8218 8350

Paul Cornelius

Energy, Utilities & Mining
paul.cornelius@sg.pwc.com
+65 9633 5834

Brendan Egan

Insurance
brendan.m.egan@sg.pwc.com
+65 9627 4720

Andrew Fairfoull

Transfer Pricing
andrew.fairfoull@sg.pwc.com
+65 9620 7417

Abhijit Ghosh

Healthcare & Pharmaceutical,
India Desk
abhijit.ghosh@sg.pwc.com
+65 8223 0698

Anuj Kagalwala

Financial Services,
Asset & Wealth Management
anuj.kagalwala@sg.pwc.com
+65 9671 0613

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 9787 7782

Jun Igarashi

Transfer Pricing
jun.igarashi@sg.pwc.com
+65 9627 3842

Lennon Lee

Treasury, Consumer & Retail,
China Desk
lennon.kl.lee@sg.pwc.com
+65 9800 0848

Lim Hwee Seng

Mergers & Acquisitions
hwee.seng.lim@sg.pwc.com
+65 9758 7049

Lim Maan Huey

Financial Services, Treasury
maan.huey.lim@sg.pwc.com
+65 9734 0718

Florence Loh

Consumer & Retail
florence.ch.loh@sg.pwc.com
+65 9815 9327

Ketan Madia

International Tax
ketan.madia@sg.pwc.com
+65 9725 8453

Elaine Ng

Transport & Logistics
elaine.ng@sg.pwc.com
+65 8223 1126

Rose Sim

Financial Services
rose.sim@sg.pwc.com
+65 9623 9817

Tan Ching Ne

Technology, Media & Telecommunication,
Research & Development,
Digital Tax Leader
ching.ne.tan@sg.pwc.com
+65 9622 9826

Tan Hui Cheng

Financial Services
hui.cheng.tan@sg.pwc.com
+65 8338 5182

Tan Tay Lek

Conglomerates & Industrial Products
tay.lek.tan@sg.pwc.com
+65 9179 2725

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 9634 7984

Sarah Wong

Mergers & Acquisitions
sarah.wc.wong@sg.pwc.com
+65 9817 6501