

Tax updates for the period
5 June 2018 to
6 July 2018

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Draft Income Tax (Amendment) Bill 2018

The Ministry of Finance (MOF) has published the draft Income Tax (Amendment) Bill 2018 for public feedback on 20 June 2018. The consultation period ended on 11 July 2018.

Key 2018 Budget proposals include:

- Enhancement of tax deductions for qualifying research and development performed locally
- Enhancement of the Double Tax Deduction for Internationalisation (DTD_i) scheme
- Enhancement and extension of the Corporate Income Tax rebate
- Adjustments to the Start-Up Tax Exemption Scheme and Partial Tax Exemption Scheme from Year of Assessment (YA) 2020

Other changes include:

- Introduction of the Intellectual Property Development Incentive (IDI)
- Tax deduction for motor car-related expenses for private hire car drivers
- Enhancement of the Inland Revenue Authority of Singapore's (IRAS) powers to investigate tax crimes and to share information with law enforcement agencies to combat serious crimes

[Click here](#) for details.

Draft Goods and Services Tax (Amendment) Bill 2018

The MOF has published the draft Goods and Services Tax (Amendment) Bill 2018 for public feedback on 28 June 2018. The consultation period ended on 18 July 2018.

The draft Bill proposed amendments to the Goods and Services Tax Act (the GST Act), including the introduction of GST on imported services from 1 January 2010, which was announced in the 2018 Budget Statement. The draft bill also incorporates feedback received from public consultation conducted in February 2018 by the IRAS on its draft circulars relating to the Reverse Charge and Overseas Vendor Registration.

The draft bill also provides for five other changes to existing tax policies and administration, arising from periodic review of Singapore's GST system as well as enhances the IRAS powers to investigate tax crimes and to share information with law enforcement agencies to combat serious crimes.

Intellectual Property Rights

The IRAS issued a circular on 27 June 2018 to provide guidance on when an independent valuation report on qualifying intellectual property rights is to be submitted for the purposes of Section 19B of the Income Tax Act and the relevant information to be provided in the valuation report.

[Click here](#) for details.

Form C - Online

The YA 2018 Online Form C is now available on the IRAS website.

[Click here](#) for details.

Singapore-Kenya Tax Treaty

The competent authorities of Singapore and the Republic of Kenya signed a comprehensive Agreement for the Avoidance of Double Taxation (DTA) on 12 June 2018. The DTA has not yet been ratified and does not have the force of law.

[Click here](#) for details.

Singapore-South Korea Tax Treaty

Singapore and South Korea have agreed to amend the income tax treaty. This would be the second amendment to the treaty, which was signed on 6 November 1979, and amended by a protocol signed on 24 May 2010.

Overseas updates

Hong Kong

Hong Kong's Financial Services Development Council has proposed tax changes to make Hong Kong more attractive to the maritime financing and leasing industry. One of the proposals include reducing the standard profits tax of 16.5% by half or setting it to no higher than 8.25% for maritime and shipping-related support services.

Mauritius

The Mauritius Budget 2018-2019 announced on 14 June 2018 provides a number of measures to promote economic growth. Further, in the wake of the Action Plan on Base Erosion and Profit Shifting (BEPS Action Plan), the Budget has brought tax reforms that will comply with the proposals made by the Organisation for Economic Co-operation and Development (OECD). One of the proposals include replacing the deemed foreign tax credit (FTC) regime with an exemption regime beginning 1 January 2019. The deemed FTC regime would be replaced with a corporate income tax exemption for 80 percent of specified income. The exemption would be available to all companies in Mauritius except banks, and would apply to foreign-sourced dividends and profits attributable to foreign permanent establishments, interest and royalties, and income from the provision of specified financial services.

[Click here](#) for PwC's commentary and [here](#) for a summary of the Budget changes.

Organisation for Economic Cooperation and Development

Hard-to-value Intangibles and Profit Splits

The OECD released the following reports under Actions 8 – 10 (Transfer Pricing) of the BEPS project:

- [Guidance for Tax Administrations on the Application of the Approach to Hard-to-value Intangibles](#) - this document is being formally incorporated into the Transfer Pricing Guidelines as an annex to Chapter VI
- [Revised Guidance on the Application of the Transactional Profit Split Method](#) – this revised guidance is being incorporated into the Transfer Pricing Guidelines, replacing the previous text on the transactional profit split method in Chapter II (the revised guidance retains the basic premise that the profit split method should be applied where it is found to be the most appropriate method).

Financial Transactions

The OECD released its BEPS discussion draft on the transfer pricing aspects of financial transactions on 4 July 2018. The paper focuses, in particular, on the accurate delineation of financial transactions under Chapter 1 of the OECD Guidelines. The paper also targets specific issues related to the pricing of financial transactions such as treasury functions, intra-group loans, cash pooling, hedging, guarantees and captive insurance.

[Click here](#) for details.

Ukraine

Ukraine's State Fiscal Service has issued a letter clarifying the application of the Singapore-Ukraine tax treaty to income that a Ukrainian resident individual derives from employment in Singapore. The letter notes that resident individuals are subject to individual income tax in Ukraine on income (including wages paid under labour contracts) derived from both Ukrainian and foreign sources. However, the letter clarifies that if the three conditions in Article 15 paragraph 2 of the treaty are met, the income derived by a Ukrainian resident from employment in Singapore will be taxable only in Ukraine.

International Tax News

Analysis of tax developments worldwide – June 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:

- Europe's Directive on Administration (DAC6) adoption means taxpayers should start documenting reportable transactions
- Public consultation on measures relating to tax avoidance
- Spain proposes a digital services tax
- US - Business decision-making in the post-reform world: early observations

[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.



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