

Tax updates for the period
1 September 2020 to
31 October 2020

Tax Newsbites

PwC Singapore | Tax Services

Singapore updates

Income Tax (Amendment) Bill 2020

The Income Tax (Amendment) Bill 2020 was published on 5 October 2020. The bill contains changes announced in the 2020 Budgets and the Ministerial Statement by the Deputy Prime Minister, Mr Heng Swee Keat on 17 August 2020 on supporting workers, protecting jobs and creating opportunities. Non-budget changes include amendments to the general anti-avoidance provision and the introduction of a surcharge for tax avoidance arrangements (similar amendments to the Stamp Duties Act are also proposed), and other technical amendments.

The Ministry of Finance (MOF) has also published a summary of its responses to key feedback received during the public consultation held on the draft bill.

[Click here](#) for information on the public consultation.

[Click here](#) for details on the MOF website.

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

Goods and Services Tax (Amendment) Bill 2020

The Goods and Services Tax (Amendment) Bill 2020 was published on 6 October 2020. The bill includes a surcharge on tax avoidance arrangements, enhancement to the powers of the Comptroller of Goods and Services Tax to safeguard public monies, investigate tax offences and counter Goods and Services Tax (GST) fraud, as well as amendments to improve GST administration and the clarity of existing legislation.

The MOF has also published a summary of its responses to key feedback received during the public consultation held on the draft bill.

[Click here](#) for information on the public consultation.

[Click here](#) for details on the MOF website.

FRS 116 tax treatment

The Inland Revenue Authority of Singapore (IRAS) revised its circular "Tax Treatment Arising from Adoption of Financial Reporting Standard 116 or Singapore Financial Reporting Standard (International) 16 – Leases" on 27 October 2020.

[Click here](#) for details.

Income tax treatment of digital tokens

The IRAS revised its circular "Income Tax Treatment of Digital Tokens" on 9 October 2020. The

revised circular clarifies that a security token can be in the form of any other security or investment assets/ instruments. Accordingly, the nature of the returns derived from the security token could be interest, dividends or other distributions.

[Click here](#) for details.

Variable capital companies

The IRAS issued a circular on the “Tax Framework for Variable Capital Companies” on 28 August 2020. The circular covers the income tax, GST and stamp duty treatment applicable to variable capital companies.

[Click here](#) for details.

Shipping companies

Following *GCN v CIT* [2020] SGITBR 2, the IRAS has updated its website to clarify how notional capital allowances are to be calculated when computing the residue of expenditure of a ship upon its deregistration as a Singapore ship.

[Click here](#) for details.

Research and development expenses under a cost-sharing arrangement

In *Intervac Asia Pte Ltd v Comptroller of Income Tax* [2020] SGHC 218, the High Court dismissed the appeal of the taxpayer’s claim for deduction of certain research and development (R&D) expenses incurred under a cost-sharing agreement in the basis periods for the years of assessment 2010 and 2011.

Singapore – US competent authorities’ arrangement on exchange of country-by-country reports

The Singapore and US competent authorities have provided for the reciprocal automatic exchange of country-by-country reports in an arrangement signed on 6 October 2020. The arrangement, which entered into force and applies from 6 October 2020 is based on the 2018 Singapore-US tax information exchange agreement.

Individual tax treatment of redundancy-related payments

The outcome of *GCT v Comptroller of Income Tax* [2020] SGITBR 3 reinforces the principles for determining the taxability of redundancy-related payments.

Generally, a payment made by an employer to an employee as compensation for loss of office is considered a capital receipt and not taxable in Singapore. In practice however, determining the taxability of redundancy-related payments can be complicated, due to various nuances, such as the nature and intent of the payment (i.e. is it redundancy or retirement gratuity, circumstances leading to the payment, components of the payment, company’s redundancy policy, and expression of intent and impact of termination agreement).

The Income Tax Board of Review rejected the position taken by the Comptroller of Income Tax that an ex-gratia payment, which is otherwise in the nature of a “compensation for loss of office”, would be subject to tax merely because its entitlement was provided for in the employment agreement.

[Click here](#) for PwC’s commentary.

COVID-19 support measures

The IRAS has published transfer pricing guidance for taxpayers which may be affected by COVID-19 developments. The guidance addresses the effects of COVID-19 on transfer pricing documentation requirements, term testing and advance pricing agreement requests.

[Click here](#) for details.

The IRAS has announced that individuals will be exempt on payments received for accommodation, food, transport, and daily necessities (subject to conditions and caps) in 2020.

The IRAS also has provided clarity on the allowable tax deductions for non-reimbursed telecommunications and utilities costs incurred by individuals working from home.

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

Tax relief for stranded individuals in Singapore

The outbreak of COVID-19 at the start of this year brought about unprecedented volatility for business operations worldwide, pushing companies to alter the way they operate as they adapt to the new normal. As travel restrictions were imposed globally, some individuals were forced to work remotely in a country that is not their country of residence, which could have tax implications for employers and employees.

[Click here](#) for PwC's commentary which provides an overview of the recent measures that the IRAS has issued in response to COVID-19 and the resulting implications for businesses and their employees.

Jobs Growth Incentive

The IRAS has provided details of the Jobs Growth Incentive (JGI), as introduced in the Ministerial Statement on Continued Support for Workers and Jobs on 17 August 2020. The JGI provides salary support to employers who increase their local workforce from September 2020 to February 2021.

[Click here](#) for details.

Overseas updates

Australia

The Australian 2021/2022 Federal Budget was announced on 6 October 2020.

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

China

The State Taxation Administration addressed permanent establishment and residency issues due to COVID-19 in Guo Shui Fa [2010] No. 75, Circular 75.

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

Hong Kong

Longstanding US-Hong Kong shipping agreement terminated

The US Department of State officially notified Hong Kong on 19 August 2020 of the suspension or termination of three bilateral agreements signed between Hong Kong and the US, including the Agreement concerning Tax Exemption from the Income Derived from the International Operation of Ships.

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

Tax treatment of income and capital expenditure arising from intellectual properties

On 11 August 2020, the Inland Revenue Department (IRD) issued revised Departmental Interpretation and Practice Notes (DIPN) No. 22 and 49 in relation to the profits tax treatment of income and capital expenditures arising from intellectual properties (IP).

The DIPNs were mainly revised to reflect the recent tax legislative amendments and case law in relation to IP and provide more comprehensive guidance on taxation of royalty income in Hong Kong.

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

Tax concession for carried interest

After months of anticipation, the Hong Kong SAR Government released its proposal to provide a tax concession for carried interest for industry consultation on 7 August 2020. Financial Secretary Paul Chan Mo-po first proposed a tax concession for carry in Hong Kong's 2020/21 Budget in February 2020. Since then, the industry has been eagerly anticipating the details of the proposal, as taxation of carry was and remains a complex and contentious industry issue both domestically and internationally. A task force led by the Financial Services and the Treasury Bureau was formed, with members from the Hong Kong Monetary Authority, the Securities and Futures Commission, and the IRD to formulate the proposal.

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

Netherlands

The 2021 Dutch tax package was presented, together with certain other tax measures, on 15 September. Highlights of relevance to multinationals include modifications to the corporate income tax rate, clarifications of the interest deduction limitation rules, a restriction in the liquidation loss regime, and the announcement of a wage tax discount for investments in the Netherlands. In addition, the legislature proposed changing the loss utilisation rules effective 1 January 2022 and expects to propose additional legislation in 2021 intended to better align the treatment of a fiscal correction based on the arm's-length principle. The 2021 tax proposals are currently being discussed in parliament and are expected to be approved by the Senate in early December. During this process some small amendments may be made to the proposals, but no major changes are expected at this stage.

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

International Tax News

Organisation for Economic Co-operation and Development

Tax challenges arising from the digital economy

On 12 October 2020, the Organisation for Economic Co-operation and Development (OECD) released a series of documents regarding the ongoing work of the OECD/G20 Inclusive Framework. Key takeaways from the Blueprints and related documents include:

- The Inclusive Framework has agreed to continue discussions on the Pillar One and Pillar Two frameworks with a view to reaching political agreement by mid-2021.
- The Blueprints show that technical progress has been made on agreeing to the intermediate architecture of the plans.
- Significant elements of both Pillar frameworks remain to be resolved, such as the scope of Amount A and reallocation rate under Pillar One, and the minimum tax rate and 'whitelisting' of deemed compliance regimes under Pillar Two.
- The updated economic impact analysis states that reallocated profits to market jurisdictions could reach up to USD 100 billion each year under Pillar One, and new revenues raised under Pillar Two (combined with the effects of global intangible low-taxed income (GILTI) and Pillar One) could be in the range of USD 60-100 billion annually.
- The US position in the negotiations remains uncertain with the upcoming national presidential election expected to clarify how the US might proceed in 2021.
- The Blueprints are the subject of a public consultation seeking stakeholder input running from 12 October – 14 December, with a virtual hearing to take place in January 2021.

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

Tax treatment of virtual currencies

The OECD has released the paper "Taxing Virtual Currencies: An overview of tax treatments and emerging tax policy issues".

The report addresses the rapid change in this emerging asset class, as well as the breadth of the applications of virtual currencies. In addition, the increased interest in virtual currencies that we have seen from tax authorities and other regulators shows that this asset class is now getting serious attention from policymakers.

The report has been prepared for presentation to the October 2020 meeting of G20 Finance Ministers and Central Bank Governors. It provides key insights and a number of considerations to help policymakers wishing to improve their tax policy frameworks for virtual currencies and is an important development in the evolution of tax guidance regarding virtual currencies internationally.

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

Global tax reporting framework

The OECD has released a new global tax reporting framework that would require digital platforms to collect and report information on certain gig economy services offered by sellers. The 'Model Rules' have not changed significantly since the previous consultation and refer to sellers offering accommodation, transport, and personal services. These rules were approved by the G20/OECD Inclusive Framework (IF) on BEPS, so one would expect most of the current IF 137 members to adopt them. To support implementation of the rules, the OECD will develop the necessary international legal and technical framework to facilitate the automatic exchange of the information collected. A sellers' Code of Conduct will also help them meet their tax obligations.

In [this Alert](#), we summarise:

- The background to the publications, including previous consultation
- The scope of the Model Rules with regard to services, platforms, and sellers
- The nature of the Code of Conduct

PwC Singapore International Tax site

For more tax updates from around the region and globally, please [click here](#) .

Analysis of tax developments worldwide

International Tax News is designed to help multinational organisations keep up with the constant flow of tax developments. Among the topics featured in the August 2020 edition are:

- China released preferential tax policies to promote development of integrated circuit and software industries
- Cyprus Parliament votes to adopt EU ATAD exit taxation and hybrid mismatch rules
- 2020 Kenya Finance Act highlights

[Click here](#) for details.

Among the topics featured in the September 2020 edition are:

- Mexico's Executive branch proposes 2021 tax law changes
- Kenya and Mauritius tax treaty ratified
- 2021 Dutch tax package would modify corporate income tax rate and clarify interest deduction limitation rules
- Refinements to Australian hybrid mismatch rules and reforms to foreign investment framework

[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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