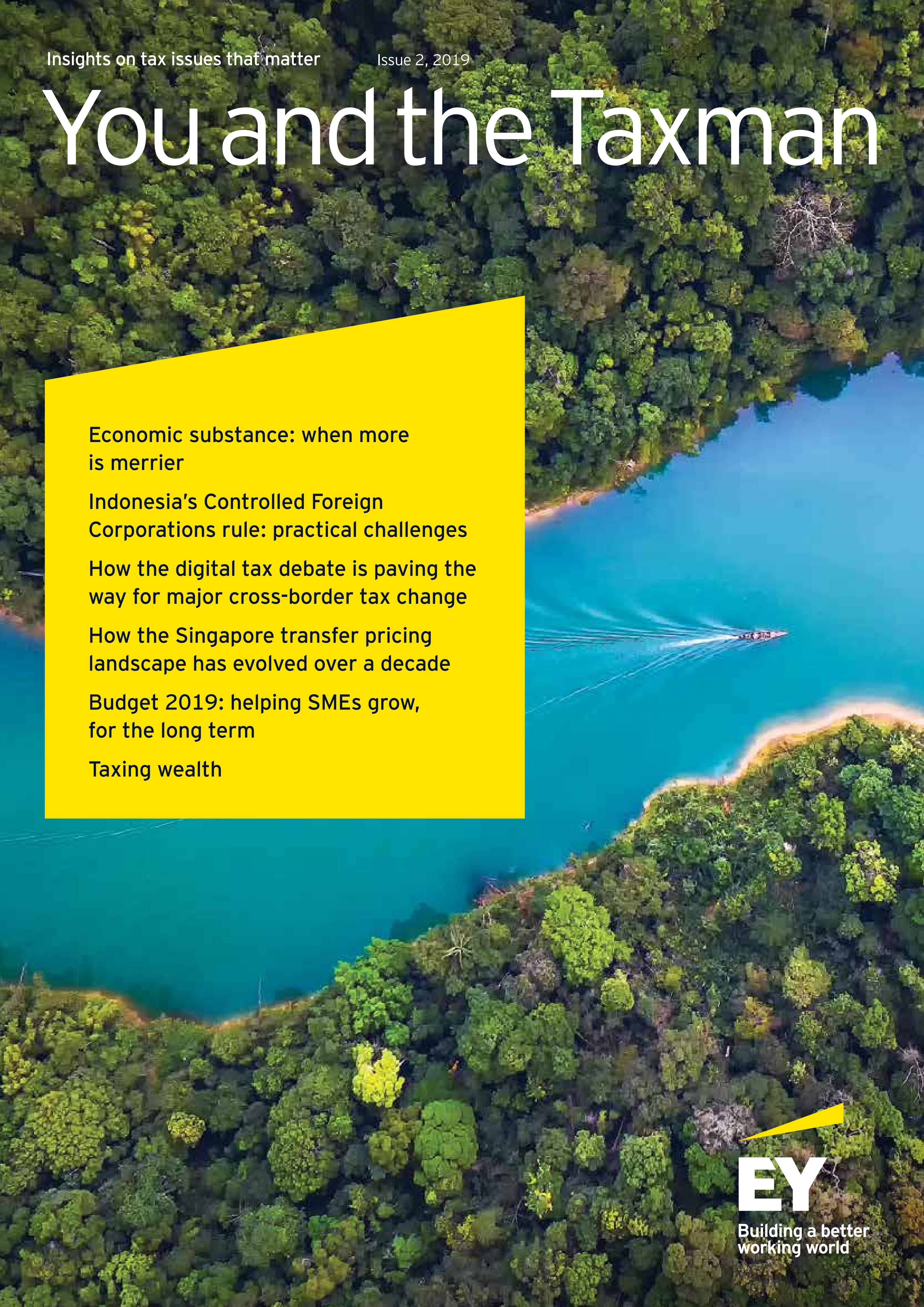

Insights on tax issues that matter

Issue 2, 2019

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Tax watch

It has been a busy first quarter of 2019 – there was much buzz in the lead-up to the Singapore Budget and following its announcement – an energetic national conversation on the key measures that have been announced.

Singapore Budget 2019 is a forward-looking statement with a strong underlying tone of optimism. In the same way that the Singapore government adopts a forward-looking stance in its Budget, businesses must similarly plan ahead, prepare for digital disruption and stay up to date with the latest developments in the new world order of taxation.

Tax developments, regulatory changes and technological advancements across the globe continue to change the way businesses and tax authorities function and interact. In this issue, we explore some of the hot topics in the international tax landscape that companies should be acutely aware of, including those relating to having adequate economic substance and the current digital tax debate.

On the local tax scene, the Income Tax (Transfer Pricing Documentation) Rules 2018 have also come into effect for the Year of Assessment (YA) 2019 and every subsequent YA. Revenue authorities are focusing more widely and intensely on transfer pricing issues and Singapore is no exception. We reflect on how Singapore's transfer pricing landscape has evolved over the past 10 years.

With the Budget measures now unveiled, we look at the various schemes that SMEs can tap on to help them innovate and grow. We also discuss what more can be done to further encourage SMEs to make use of these opportunities.

I hope our latest offering of articles will leave you with useful insights. Have a good read.

Soh Pui Ming
Partner and Head of Tax
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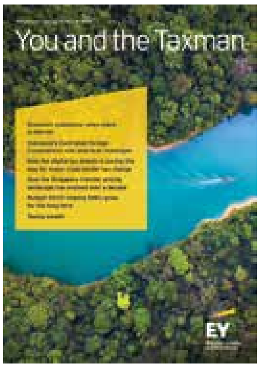

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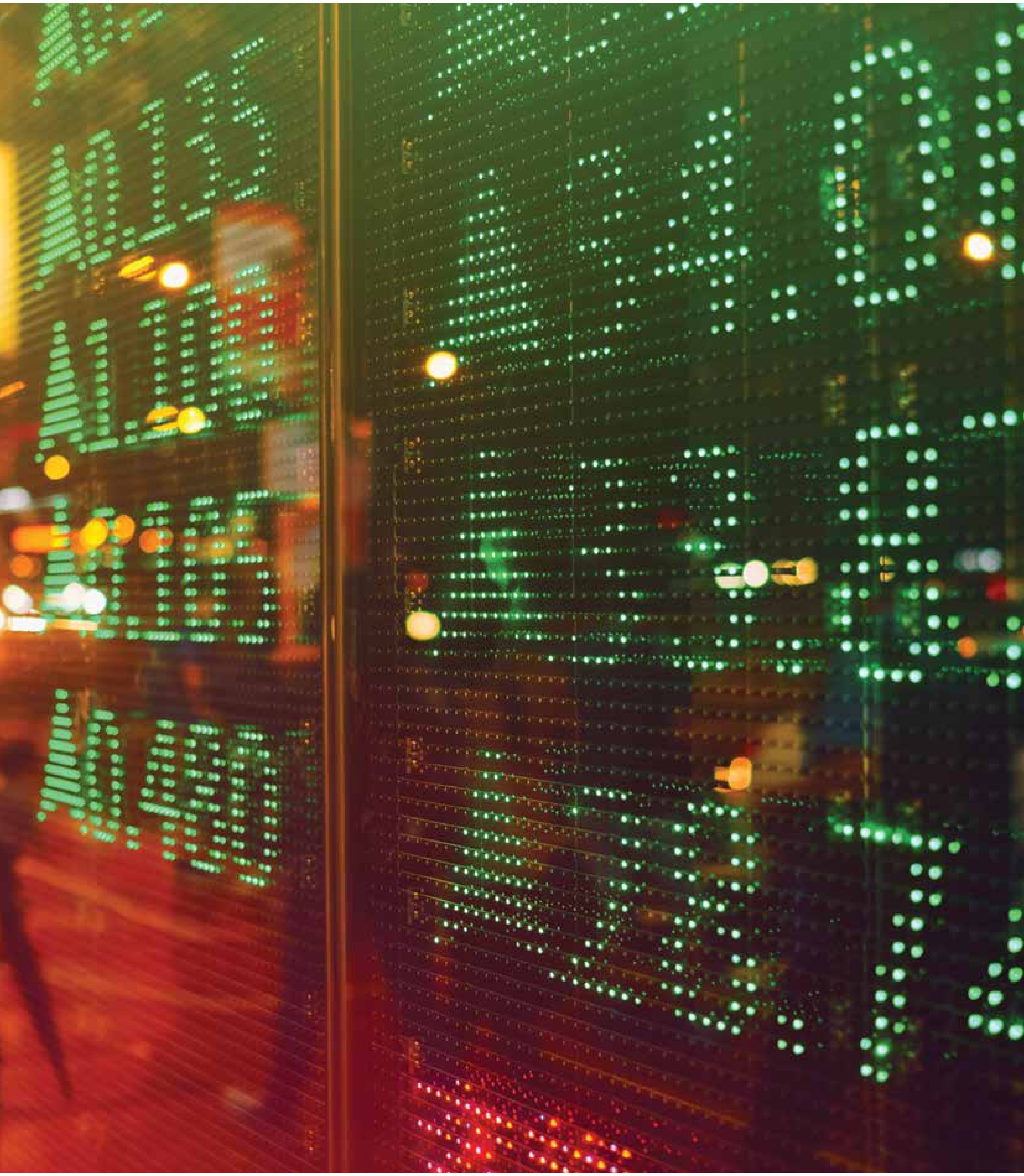
In this issue

Economic substance: when more is merrier

In recent months, several offshore jurisdictions have introduced new legislation that requires companies and limited liability partnerships registered in their jurisdiction that undertake certain geographically mobile activities to have "adequate" economic activities (also known as "economic substance"). Chester Wee examines what businesses should take note of.



Whilst the instruments developed by the Organisation for Economic Co-operation and Development (OECD) to address base erosion and profit shifting (BEPS) are being implemented, some developed countries are still concerned that these BEPS counter-measures do not yet provide a comprehensive solution to the risks that continue to arise from structures that shift profits to entities subject to no or very low taxation.

As a quick recap, the OECD's BEPS Action 5 on countering harmful tax practices requires substantial core income-generating activities to be conducted in the jurisdiction where preferential tax regime is granted. Table 1 shows examples of such activities. The work of the OECD's Forum for Harmful Tax Practices (FHTP) focuses on reducing the distortionary influence of taxation on the location of geographically mobile activities, thereby encouraging an environment in which free and fair tax competition can take place.

Table 1: Core income-generating activities provided in BEPS Action 5 final report

Type of geographically mobile activities	Examples of core income-generating activities (CIGA)
Headquarters	▸ Taking relevant management decisions ▸ Incurring expenditures on behalf of group entities ▸ Coordinating group activities
Distribution and service centers	▸ Transporting and storing goods ▸ Managing the stocks and taking orders ▸ Providing consulting or other administrative services
Financing or leasing	▸ Agreeing funding terms ▸ Identifying and acquiring assets to be leased ▸ Setting the terms and duration of any financing or leasing ▸ Monitoring and revising any agreements ▸ Managing any risks
Fund management	▸ Taking decisions on the holding and selling of investments, calculating risks and reserves ▸ Taking decisions on currency or interest fluctuations and hedging positions ▸ Preparing relevant regulatory or other reports for government authorities and investors
Banking	▸ Raising funds ▸ Managing risks including credit, currency and interest risks ▸ Taking hedging positions ▸ Providing loans, credit or other financial services to customers ▸ Managing regulatory capital ▸ Preparing regulatory reports and returns
Insurance	▸ Predicting and calculating risks ▸ Insuring ▸ Re-insuring against risks ▸ Providing client services
Shipping	▸ Managing the crew (including hiring, paying, and overseeing crew members) ▸ Hauling and maintaining ships ▸ Overseeing and tracking deliveries ▸ Determining what goods to order and when to deliver them ▸ Organising and overseeing voyages
Pure holding company	▸ Respecting all applicable corporate law filing requirements ▸ Both people and the premises necessary to engage in holding and managing equity participation

Following initial work by the OECD under BEPS Action 5, the EU's Code of Conduct Group (Business Taxation) (COCG) also put forward a guidance in June 2018 to address economic substance matters that jurisdictions must adopt to avoid being included in the so-called blacklist list of non-cooperative jurisdictions for tax purposes. In response, several offshore jurisdictions have recently introduced economic substance legislation.

New economic substance legislation

In recent years, the Economic and Financial Affairs Council (ECOFIN) of the European Union (EU) has stepped up its efforts to encourage jurisdictions to actively resolve the issues identified by the COCG in the areas of tax transparency, fair taxation and implementation of anti-BEPS standards. A set of tax good governance criteria have been used to screen EU and non-EU jurisdictions and an EU blacklist of non-cooperative jurisdictions for tax purposes has been created to promote compliance with the criteria. On 12 March 2019, the ECOFIN adopted a revised blacklist by adding 10 new jurisdictions that either did not commit to address the EU concerns or did not deliver their commitments on time. The revised list now includes the following jurisdictions: American Samoa, Aruba, Barbados, Belize, Bermuda, Dominica, Fiji, Guam, Marshall Islands, Oman, Samoa, Trinidad and Tobago, United Arab Emirates, the US Virgin Islands and Vanuatu.

In relation to fair taxation, criterion 2.2 states that: "the jurisdiction should not facilitate offshore structures and arrangements aimed at attracting profits which do not reflect real economic activity in the jurisdiction". On 22 June 2018, the COCG published the Code of Conduct (Business Taxation) Guidance on the interpretation of the third criterion (commonly referred to as the "Scoping Paper") as to the specific measures and conceptual definitions they are expecting jurisdictions assessed against criterion 2.2 to meet.

The Scoping Paper broadly asserts that the expected substance requirements for various geographically mobile activities should mirror those used by the OECD's FHTP. Many of the affected jurisdictions — including the Bahamas, Bermuda, the British Virgin Islands, the Cayman Islands, Guernsey, the Isle of Man and Jersey — responded by enacting economic substance legislation effective from 1 January 2019.

The new substance requirements apply only to companies (and other body corporates with separate legal personality) performing relevant activities in the following sectors:

- Banking
- Insurance
- Shipping
- Fund management
- Financing and leasing
- Headquarters
- Distribution and service centers
- Holding company
- Intellectual property (for which there are specific requirements in high-risk scenarios)

A legal entity that carries on more than one relevant activity will be required to comply with the economic substance requirements in respect of each activity.

Currently, Cayman Islands and BVI have taken the view that the business of an "investment fund" is outside of the scope of the economic substance requirements. In its conclusions on the revised list of non-cooperative jurisdictions for tax purposes dated 12 March 2019, ECOFIN acknowledged that further work will be needed to define acceptable economic substance requirements for collective investment funds under criterion 2.2, and that the COCG will be providing further technical guidance on this issue by mid-2019.

Companies will be required to provide prescribed information on an annual basis to enable the tax authorities to monitor whether the company is carrying on the relevant activities and if so, whether it is complying with the economic substance requirements. In some jurisdictions, there is a six-month window before compliance is required by 1 July 2019.

In general, the legislation includes robust and dissuasive sanctions for failure to meet the substance requirements. The sanctions are generally progressive and include financial penalties, with the ultimate sanction leading to the striking-off of the company from the corporate registry. For example in Cayman Islands, the penalty for not satisfying the economic substance test is a CI$10,000 fine, and then a CI$100,000 fine if the failure is repeated for a subsequent financial year.

Exchange of information mechanisms may be put in place for automatic notifications to be made to the foreign tax authorities regarding any company that is found to be in breach of the substance requirements and in certain other circumstances.

What businesses are asking

The following questions often come up in discussions on the new substance requirements introduced by the offshore jurisdictions:

Is it relevant only to EU-headquartered companies?

The new legislation generally imposes economic substance requirements on relevant legal entities that carry on a relevant activity. The substance requirements can potentially apply to any company incorporated in the offshore jurisdiction, regardless of whether they belong to a European multinational group. Each jurisdiction is likely to issue further guidance on the "in-scope" entities.

Can it be argued that the "adequate" number of personnel for a pure equity holding company is nil since it is quite impractical to hire full-time staff in those offshore jurisdictions?

For pure equity holding companies that only hold equity participations and earn only dividends and capital gains or incidental income, the Scoping Paper states the following:

> *"Pure equity holding companies must respect all applicable corporate law filing requirements in order to meet the substantial activities requirement and it is suggested that they should have the people and the premises for holding and managing equity participations. Since such regimes are provided to avoid double taxation, there should be no expectation of a correlation between income-generating activities and benefits."*

The above position taken by ECOFIN in relation to holding companies is consistent with the position stated in the BEPS Action 5 final report as follows:

> *"... ... to the extent that holding company regimes provides benefits only to equity holding companies, the substantial activity factor requires, at minimum, the companies receiving benefits from such regimes respect all applicable corporate law filing requirements and have the substance necessary to engage in holding and managing equity participations (for example, by showing that they have both the people and the premises necessary for these activities). This precludes the possibility of letter box and brass plate companies from benefiting from holding company regimes."*

Given the above, this is an area that should be monitored closely. It is unclear whether outsourcing the conduct of CIGA to another person would satisfy the new economic substance test. Even if it is accepted, there may be a requirement that the relevant person is able to monitor and control the carrying out of such activities.

A "pure equity holding company" has generally been defined to mean a company that only holds equity participations in other entities and only earns dividends and capital gains. For a company of any investment other than equity participations (e.g., interest-bearing notes), it is likely that it may not be regarded as a "pure equity holding company". Given so, such company may not be able to avail of the reduced economic substance test applicable to pure equity holding companies.

Is it possible to avoid the need to comply with the substance requirements in the offshore jurisdiction by being a non-resident company?

The answer is probably yes in the very short term but it depends on the specific legislation and implementation guidance to be issued by the relevant jurisdiction. The company must support the claim that it is tax residence outside the offshore jurisdiction by such evidence (e.g., assessment to tax, certificate of tax residence) as is required by the legislation. Also, the possible tax implications (e.g., Controlled Foreign Corporations, country-by-country reporting and withholding taxes) arising from declaring the group holding company as tax resident in another jurisdiction have to be carefully considered.

Similar developments elsewhere

Of late, Mauritius has also made major changes to its Global Business License (GBL) regime to address concerns of harmful tax practices, including the elimination of Category 2 GBL, which provides full tax exemption. Companies receiving a GBL are required at all times to carry out their core income generating activities in, or from, Mauritius by employing, either directly or indirectly, a reasonable number of suitable qualified persons and having a minimum level of expenditure (MLE) that is proportionate to its level of activities. In October 2018, the Financial Services Commission (FSC) issued certain guidelines on substance requirements with references to minimum employment of one to three personnel and MLE ranging from US$12,000 to US$100,000, depending on the activities of the company.

Closer to home, Malaysia issued regulations on 31 December 2018 on the minimum number of full-time employees and amount of annual expenditure for Labuan companies carrying on certain activities. The minimum requirements range from two full-time employees and annual operating expenditure of RM50,000 for holding company activity to four full-time employees and annual operating expenditure of RM150,000 for certain insurance activities. For Labuan companies that do not meet the substance requirements, they would not be treated as carrying on a Labuan business activity and the consequence would be taxation under the normal Malaysian income tax regime. These regulations are effective from 1 January 2019.

It is worth noting that the recent increased focus on economic substance is nothing new. Back in 2013, before the OECD released its final report on Action 5, the Netherlands had already taken steps to codify its administrative guidance on substance requirements for companies engaged in intercompany financing and/or licensing activities. Since 1 January 2014, Dutch companies claiming benefits either under a tax treaty or EU directive are required to make a declaration in their annual corporate income tax return whether or not they have met a defined set of substance requirements continuously throughout the year. In cases where one or more of a list of substance requirements are not met, penalties may be imposed and the Dutch tax authorities will spontaneously notify the foreign tax authorities.

Last year, China and Indonesia have also revisited their anti-treaty abuse rules. Not surprisingly, the applicant's substance is one of the key considerations in determining whether it is the beneficial owner of the income.

What's next for businesses?

Clearly, the trend is moving towards requiring more substance as different jurisdictions work together to ensure that profits are taxed where economic activities generating the profits are performed and where value is created. While the legislations governing the new economic substance requirements are somewhat unclear and the determination of what is "adequate" is highly subjective, businesses may seek guidance from the minimum substance requirements prescribed by countries such as Malaysia (Labuan), Mauritius and the Netherlands.

Businesses should continue to monitor these developments and assess whether their legacy structures and arrangements are sustainable and develop their "plan B" where necessary.

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Indonesia's Controlled Foreign Corporations rule: practical challenges

It has been more than a year since major changes were introduced to Indonesia's Controlled Foreign Corporations (CFC) rule. How aligned is the updated rule with the recommendations under the OECD BEPS Project and what are the key implementation challenges? Melyana Trisanty, Peter Mitchell and Aw Hwee Leng take a closer look.

Indonesia first introduced a CFC regime in 1994, with the aim to prevent taxpayers from shifting incomes from Indonesia to a foreign low-tax jurisdiction through the setting up of foreign subsidiaries. When the CFC regime was first introduced in 1994, the CFC rule only applied to a list of 32 "low-tax jurisdictions". Subsequently, changes were made to the regulations in 2008 where the authorities abolished the CFC country list.

Notable changes in 2017

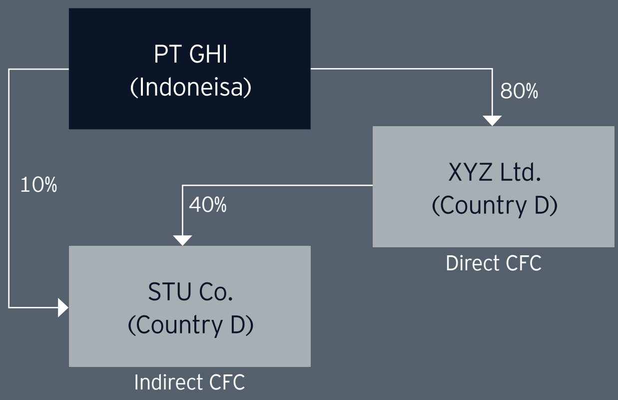
In 2017, the Indonesian Minister of Finance issued regulation No. 107/PMK.03/2017 (PMK-107), which sets out major changes to the country's CFC regime. The changes capture direct and indirect foreign shareholdings and introduce new foreign tax credit provisions, amongst others. Stock exchange-listed entities remain excluded from the regulations.

Broadly, a foreign non-listed company is considered a CFC if an Indonesian taxpayer, together with other Indonesian taxpayers or other CFCs, have investment of 50% or more of the paid-up capital of the foreign company. Under the CFC rules, a dividend is deemed to be received by an Indonesian tax resident calculated with reference to investments in both direct and indirect CFCs.

The regulatory changes in 2017 saw the introduction of the related concepts of direct and indirect CFCs. These can be surprisingly broad and include entities where the effective ownership percentage falls below 50%, as illustrated in the example on the right.

Alignment with international tax rules

The Action 3 report under the OECD/G20 Base Erosion and Profit Shifting (BEPS) Project sets out recommendations to strengthen the rules for the taxation of CFCs. The recommendations take the form of six building blocks, namely: (1) definition of a CFC (including definition of control), (2) CFC exemptions and threshold requirements, (3) definition of CFC income, (4) computation of income, (5) attribution of income, and (6) prevention and elimination of double taxation. These are not intended as minimum standards but are meant to ensure that jurisdictions that choose to implement them have rules that effectively prevent taxpayers from shifting income into foreign subsidiaries.



Some countries have amended their CFC rules to correspond to Action 3 of BEPS. Although Indonesia is a G20 member and is part of the inclusive framework on BEPS, its CFC rules do not align with the Action 3 approach in significant areas. For example, one of the building blocks under Action 3 of BEPS is "CFC exemptions and threshold requirements". Other than the exclusion of listed companies, there are no exemptions under Indonesia's CFC rule (i.e., no de minimis threshold, anti-avoidance requirement or focus, nor are there limitations based on foreign jurisdiction tax rates). This appears to be rather at odds with the purpose of only combating abuse or BEPS. Without such exemptions, the rules could capture genuine investments, which may discourage Indonesian outbound investments, and put such CFCs at a competitive disadvantage when reinvesting profits.

Furthermore, Indonesia's CFC rule has always been based on the full-inclusion system where all types of income, regardless of its passive or active character, is regarded as CFC income. Having said that, recent announcements suggest that the CFC rules may be refined to target only passive forms of income.

The final building block covers prevention and elimination of double taxation. This appears to have incomplete coverage in Indonesian regulations. There is a mechanism to use already taxed deemed dividends to reduce tax on actual declared dividends. However, there is no relief upon disposal of a CFC – full taxes would be payable on disposal even where retained earnings have already been taxed as deemed dividends.

Foreign tax credit is used as a mechanism under the CFC rule to prevent double taxation. However, the foreign tax credits available are potentially limited.

Challenges in implementation

More than a year after PMK-107 was introduced, it is observed that there are some uncertainties in the CFC regulations, which would benefit from clarity that further regulations could bring. Companies have faced various challenges in applying the CFC rules to their circumstances.

First, the mechanism to relieve tax on already taxed profits does not always achieve this effect as under the current CFC rule, there is a five-year carry forward period where deemed dividends can only be carried forward for five years to reduce the amounts included in the taxable income for the Indonesian taxpayer when the CFC actually declares and pays a dividend.

Second, transitional arrangements remain unclear. Dividends are deemed to be received by the Indonesian shareholder four months after the CFC's due date to file its local corporate tax return. It is uncertain whether a dividend paid under the previous regulation can be deducted from the calculation of a deemed dividend for the following year.

Third, investment through trusts or transparent entities appeared to be excluded under the previous regulation as the CFC was defined with reference to share investments. Under the current regulation, trusts or similar entities will be looked-through as if the CFC was held directly by the Indonesian taxpayer. Unfortunately, the regulation does not provide any further details. For an Indonesian-owned group of foreign companies that are typically owned through trusts for wealth management purposes, the group may need to look into the CFC aspects or revisit the structure, especially when the intention is not to make distributions in the short term.

Fourth, there have been some cases where the Indonesian Tax Authority (ITA) questioned multi-layer offshore structures (either ownership or financing structures) where the profit was not kept at the level of the direct CFC. Under the old CFC rule, the ITA had less grounds to bring the profit of the underlying (indirect) foreign entity into the Indonesia tax net. However, the current CFC rules make it clear that the income of the indirect CFC will be attributable to tax in Indonesia.

Given the broad scope of the CFC regulations, Indonesian taxpayers holding foreign investments may need to revisit their group structure and consider, for example, whether to streamline it and collapse unnecessary entities. This is to minimise leakage or prevent double taxation due to some uncertainties in the CFC regulation.

Looking ahead, the issuing of an updated regulation to modify the CFC rules announced in 2017 is likely to be in the works.

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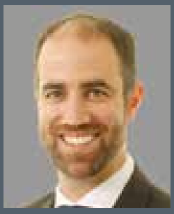

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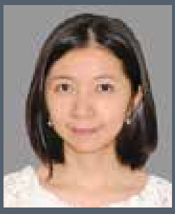

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How the digital tax debate is paving the way for major cross-border tax change

Any new tax regime developed for digital activity could have enduring impact on cross-border taxation, and should be guided by the key tenets of certainty, consistency and currency, while reducing complexity and confusion. Chung-Sim Siew Moon examines the issue.

Half a decade ago, the Group of 20 came together in the wake of the global financial crisis, vowing to address challenges to the international tax system. Even as the Organisation for Economic Cooperation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) project passed from concept to reality, one area — how to tax highly digitalised businesses — proved to be different in nature, being more of a discussion about which country should tax what profits, rather than a discussion of BEPS. BEPS refers to tax avoidance strategies that the OECD felt some companies may have been using to exploit gaps.

Some European nations, as well as the European Commission (EC), have grown impatient with the slow progress on this front. And so in March last year, two European Union (EU) directives were proposed — one short-term, interim solution and one longer-term, comprehensive proposal. The latter of these would have potentially required change to the very fabric of cross-border taxes.

What's driving the debate?

At the heart of the debate is the belief by some countries that there is a mismatch between where profits of highly digitised companies are taxed and where (and how) certain digital activities create value.

The debate at the digital level is also about how taxing rights are divided among countries in consideration of how their residents contribute to the profits made by some companies.

The EC believes this value creation "mismatch" results from a combination of several factors.

First, that businesses can supply digital services where they are not physically established. Second, that digital companies tend to rely heavily on intellectual property (IP) assets, which are harder to tax. Third, and perhaps the biggest challenge, that a higher level of value than currently assessed comes from end users' participation in business models. In essence, users are now fulfilling many of the tasks that a business would previously have delivered and that would have necessitated a taxable presence in the country of the customers.

One year on

The European debate has ignited new discussion among some of the biggest countries, again under the purview of the OECD. In the wake of the debate lies a trail of draft laws in the form of "interim" measures.

On the table from the EC still remains – albeit with little consensus in sight – a Digital Services Tax (DST), to be levied at a rate of 3% on the turnover of certain business activities. But the challenges of agreeing to a DST are vast: it would tax turnover, not profits – but making sales is not the same as making profits.

There is also an issue in introducing a "one-size-fits-all" tax as the profit margins of different businesses vary. Those businesses in scope may also find it impossible to report exactly where, when and to whom their services (such as algorithm-led advertisements) are being delivered.

> "With the digital economy growing at an exponential speed and presenting enormous opportunities for Singapore, ensuring a robust tax regime for digital activity becomes increasingly important.

As a result of these and other technical challenges, European consensus has been elusive. Despite high hopes, the EC was unable to secure political agreement and on 12 March this year, effectively abandoned its hopes for a DST. However, this has not stopped countries – both within and outside the EU – from moving forward with their own national digital taxes.

A sea change in global tax system?

All this legislative action has gripped tax professionals around the world. It has also paved the way for what, after BEPS, could be a further significant, multi-year phase of change to global tax rules.

Three alternative proposals have been put forward to the OECD, each of which would revise profit allocation and nexus rules to account for the value that digital businesses create through an active and engaged user base.

In essence, the proposals would allocate an additional element of profit to the countries in which users reside, based upon some definition of how users themselves add to the value being created by the company. Such an allocation would be accomplished by some yet-to-be-decided formulaic approach.

The revised nexus concept is equally unique and new. Unlike the traditional definition of nexus which refers to a company's physical location, the revised concept may see companies paying corporate income taxes in countries where they may have many users, but zero physical presence. This in theory could apply to any digital applications that have end users in Singapore even where there is no office here.

Why are such changes so important? Because while the OECD has initially described this work as being a digital project, it has implications far beyond digital companies and digital businesses, affecting all cross-border business activity broadly. A tax regime initially developed for digital activity could therefore equally apply to any other businesses that rely, even in part, on intangible assets such as trademarks, patents, copyrights, goodwill and brand recognition. The contribution by these assets to balance sheets has greatly expanded in recent years.

In addition to the proposals on profit allocation and nexus, the OECD also has proposed a series of global anti-base erosion measures to address what is described as continuing BEPS concerns.

Many people argue that the measures already implemented in the original BEPS project should be allowed to fully play out before adding additional layers of complexity. Essentially, however, policy-makers want to ensure that all internationally operating businesses pay a minimum level of tax, wherever they operate.

While the prospect of a refreshed tax system is interesting, the road to global consensus — should it occur — may not be smooth.

Any of the OECD proposals, if implemented, would represent a significant departure from current international tax systems. Moreover, they have implications for a very wide range of businesses, whether digitalised or more traditional.

Closer to home

With the digital economy growing at an exponential speed and presenting enormous opportunities for Singapore, ensuring a robust tax regime for digital activity becomes increasingly important.

From January next year, Singapore will be applying a GST to non-resident suppliers of digital services, as recommended by the OECD in the BEPS action plan. On the taxation of company profits (or turnover, in the case of Europe), Singapore has thus far watched closely and assessed carefully the current debate without making any immediate responses to its income tax legislation. That is a good thing.

Having said that, Singapore will need to be more active in the OECD debate moving forward. The make-up of our economy with a hub status and small population is unique in Asia-Pacific and the wider world. So the government will need to study all the options on the table at the OECD level, and carefully assess the merits and downsides of each.

In doing so, I hope that the government will continue to follow solid guiding principles: Certainty in the outcomes for taxpayers and government alike; consistency in the application of tax laws; currency in terms of timely resolution of issues; and avoiding complexity and confusion.

With the ongoing work on the OECD project, close consultation with the business community — a trait that Singapore possesses with its pro-business mindset — will help Singapore avoid disrupting and damaging the massive potential that the digital economy brings to the country.

This article was first published in The Straits Times on 29 March 2019.

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How the Singapore transfer pricing landscape has evolved over a decade

The local transfer pricing landscape has evolved in no small measure over the past 10 years. Luis Coronado and Jow Lee Ying highlight some of the key developments over this period and look at their implications.

The recent "10 year challenge" that went viral on social media saw people comparing photos of themselves in 2009 to those taken in 2019. If a snapshot of Singapore's transfer pricing landscape in 2009 were juxtaposed with the current state, it would certainly show a marked difference, given the slew of developments that have taken place over the past 10 years.

2009: enactment of arm's length principle

2009 was a landmark year in Singapore's transfer pricing landscape as it was the year that the arm's length principle was enacted explicitly for the first time under section 34D of the Income Tax Act (ITA). Prior to that, references to the arm's length principle were made primarily in Singapore's tax treaties. The Singapore Transfer Pricing Guidelines issued in 2006 provided detailed guidance on the arm's length principle, but these were, arguably, guidelines that did not have the force of law.

While section 34D enacted in 2009 was kept succinct with wording largely similar to that of the Associated Enterprises Article of the OECD Model Tax Convention, its enactment provided the legal basis for the Comptroller of Income Tax to make upward adjustments on transfer pricing between related parties that is not conducted on an arm's length basis. It signalled Singapore's desire for detailed transfer pricing legislation to be put in place to ensure that its transfer pricing rules are adhered to, and heralded a series of legislative changes on transfer pricing over the next 10 years.

2015: contemporaneous transfer pricing documentation requirement

Fast forward to 2015 — the year Singapore's Transfer Pricing Guidelines underwent a major revamp. Notably, the 2015 update to the Guidelines included — for the first time — the requirement for contemporaneous transfer pricing documentation. Alongside this requirement, the 2015 Guidelines introduced various categories and dollar value thresholds below which there would be no need for transfer pricing documentation.

The 2015 Guidelines also introduced the "group level" and "entity level" approach towards transfer pricing documentation, perhaps a hint on closer alignment with the impending OECD's Base Erosion and Profit Shifting (BEPS) Project initiatives.

Suffice to say, the 2015 Singapore Transfer Pricing Guidelines made many taxpayers sit up and take notice of the contemporaneous transfer pricing documentation requirement, in particular. However, it remained unclear how strictly the Inland Revenue Authority of Singapore (IRAS) would enforce the contemporaneous transfer pricing documentation requirement, since the question of penalties for the failure to prepare transfer pricing documentation was not addressed specifically in the 2015 Guidelines nor in the ITA. This question would eventually be addressed through legislation three years later.

2016 — 2017: BEPS Project initiatives take centrestage

The next two years were largely dominated by the BEPS Project initiatives, which were moving globally at an unprecedented fast pace. The BEPS Project final reports were released by the OECD in October 2015 and within two years, the recommendations in the BEPS Project final reports on Actions 8-10: Aligning Transfer Pricing Outcomes with Value Creation and Action 13: Transfer Pricing Documentation and Country-by-Country Reporting were formally incorporated into the 2017 update of the OECD Transfer Pricing Guidelines.

With such rapid changes taking place globally, it would be unwise for Singapore to take a backseat and not be involved in the refinement of the BEPS Project initiatives that could impact its economy.

In June 2016, Singapore became one of the first jurisdictions to join the Inclusive Framework for the global implementation of the BEPS Project as a BEPS Associate. As a BEPS Associate, Singapore must adopt the four minimum standards under the BEPS Project. It also allows Singapore to partake in the further development of the BEPS Project initiatives on an equal footing with other participating jurisdictions. This move reiterated Singapore's commitment to combat tax evasion and adopt internationally accepted standards of tax policy, with the aim for the country to be seen as a reputable tax jurisdiction.

What followed shortly after was the implementation of Country-by-Country Reporting (CBCR) in Singapore. Singapore's CBCR requirements came into effect for financial years beginning on or after 1 January 2017 for Singapore-headquartered multinational enterprises, with voluntary filing allowed for financial year 2016. Besides the fact that CBCR is one of the four minimum standards under the BEP Project that Singapore must adopt as a BEPS Associate, the secondary reporting mechanism of CBCR means that Singapore would be better positioned to adopt CBCR rather than be kept out of the loop on information shared by Singapore-headquartered multinational enterprises with other tax jurisdictions.

At the same time, it is observed that the IRAS started taking into account the BEPS Project Action 8-10 concepts on value creation and substance in their transfer pricing audits. More considerations seem to be made for unilateral Advance Pricing Arrangements (APAs) as well since they would now need to be shared with counterparty jurisdictions under the BEPS Project Action 5. All in all, the BEPS Project has left its mark on Singapore's transfer pricing landscape and the impact of its presence will only increase thereafter.

2017-2018: transfer pricing penalties and documentation rules

In tandem with its international commitments, Singapore took the next step in its domestic transfer pricing legislation in 2017 and substantially revised section 34D of the ITA to be aligned with the additional guidance on the arm's length principle arising from the BEPS Project. Furthermore, to quell any doubts on whether Singapore is serious about enforcing its transfer pricing rules, new sections 34E and 34F were introduced in the ITA to provide for specific transfer pricing penalties.

The transfer pricing penalties that have been passed into law and are effective from the Year of Assessment (YA) 2019 consist of a 5% surcharge on transfer pricing adjustments as well as penalties for non-compliance with transfer pricing documentation requirements.

Since penalties now apply to non-compliance with transfer pricing documentation requirements, detailed transfer pricing documentation rules were gazetted in February 2018 and are similarly effective from YA 2019. Documentation requirements are therefore no longer merely guidelines without the force of law.

These transfer pricing legislative changes in 2017 and 2018 were the logical next steps in the development of a transfer pricing regime and should come as no surprise to observers. To help the IRAS in its transfer pricing audit process, a disclosure form on related party transactions is now required to be submitted together with the corporate tax returns starting from YA 2018.

What remains to be seen is how tightly the IRAS will interpret and enforce the laws, although it would be unwise for taxpayers to treat the new transfer pricing penalties lightly.

Next 10 years: controversy is the name of the game

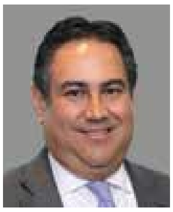
What lies ahead in the next 10 years of Singapore's transfer pricing landscape? With international and domestic transfer pricing measures in place, increased transparency on related party transactions and the continued need to raise revenues, transfer pricing audit activity is expected to increase globally and in Singapore.

At the same time, Singapore has made a commitment to the minimum standard under BEPS Action 14: Making Dispute Resolution Mechanisms More Effective, to ensure that tax treaty disputes, including transfer pricing disputes, are resolved in a timely and efficient manner. Singapore has also committed to mandatory arbitration under the BEPS Multilateral Instrument (MLI) and the Mutual Agreement Procedure.

In fact, mandatory arbitration may become a feature of Singapore's tax treaties earlier than anticipated. On 21 December 2018, Singapore deposited its instrument of ratification for the MLI and it enters into force for Singapore on 1 April 2019. As at 21 December 2018, Singapore listed a total of 86 tax treaties intended to be amended via the MLI. These tax treaties will only be amended if Singapore's treaty partners also choose to amend the tax treaties via the MLI and both treaty partners share the same position on the MLI provisions. In the course of this year, we therefore expect to see more developments on exactly which treaties will contain the mandatory arbitration clause.

To address the increasing scrutiny on transfer pricing while eliminating double taxation, dispute resolution will be key and will likely be the next phase of change in Singapore's transfer pricing landscape.

Contact us



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Budget 2019: helping SMEs grow, for the long term

Singapore Budget 2019 continues to pave the way in the transformation journey for small and medium enterprises (SMEs). Chai Wai Fook and Lee Vin Wee take a closer look at the various schemes available for SMEs to help them innovate and grow and discuss what more can be done to further prod SMEs to avail themselves of these opportunities.

SMEs seeking short-term measures to relieve upward cost pressures or labour market challenges might have come away disappointed from the Budget 2019 announcement. While no short-term fixes were announced, Budget 2019 pushes on the journey of transformation with a laser focus on three key thrusts: build deep enterprise capabilities, build deep worker capabilities and encourage strong partnerships within Singapore and across the world.

For SMEs, this means measures to help them build expertise and scale, with a longer-term view.

SMEs comprise a diverse group of companies at various stages of development – from start-ups and growth companies with access to finance as a primary concern, to larger enterprises with more complex needs. Budget 2019 recognises this and continues to introduce new initiatives and extend existing measures to address the different needs.

For example, Scale-up SG, a partnership between Enterprise Singapore and the private and public sectors is designed to work with SMEs to innovate, grow and internationalise; while the Innovation Agents programme offers experienced industry professionals with deep expertise in technology and business to provide mentorship to SMEs in the use of technology in their businesses.

For SMEs looking to embrace and harness technology, the SME Go Digital programme will also be useful in helping them adopt and grow digital capabilities. The programme has now been expanded with the roll-out of the Industry Digital Plans to more sectors and widening of pre-approved digital solutions to include more advanced digital solutions.

SMEs seeking to grow and regionalise can also tap on trade associations and chambers (TACs) as a source of guidance. The TACs are now further enabled with the new Local Enterprise and Association programme, which will see the development of five-year roadmaps with Enterprise Singapore to drive industry transformation. There are also opportunities for SMEs to draw on the TACs' local and international networks to establish connection and gain knowledge of new markets.

Other measures that are more transitional in nature to partially alleviate the cost burden on SMEs include the enhancements to the Enterprise Development Grant (EDG) and Productivity Solutions Grant (PSG), and the extension of the Automation Support Package.

Overcoming barriers to adoption

Many of the government support schemes for SMEs include a set of requirements that companies need to commit to if they tap on the support provided. For example, as announced in Budget 2019, enterprises will need to commit to positive outcomes for their workers in order to qualify for funding from the EDG.

Many speculated that this could dampen the attractiveness of the EDG scheme. Industry feedback gathered by EY, however, appeared to prove otherwise. At the EY Budget Seminar 2019, 84% of the respondents said that given the opportunity, they would embark on the EDG incentive and commit to the workers-related outcomes. This suggests that Singapore companies are prepared to commit to requirements that are aligned to sound business practice and outcomes.

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At the EY Budget Seminar 2019, 84% of the respondents said that given the opportunity, they would embark on the EDG incentive and commit to the workers-related outcomes.

If the requirement of committing to workers' outcomes is less of an issue than one would have thought, what may be the other factors that are holding back SMEs from tapping on the available schemes? Based on our conversations with various local companies, we have found that the clarity and certainty of the application process play a key role in affecting whether they would apply for the schemes.

Firstly, a key barrier that may hinder SMEs from taking advantage of the schemes and opportunities is a lack of understanding of the assistance available. This is not surprising. While start-ups and smaller SMEs seeking access to financing have had numerous schemes to tap on, such as the SME Working Capital Loan, SME Micro Loan, and SME Micro Loan for Young Companies, it can create confusion as they struggle to determine the option most viable for them. As well, SMEs with limited resources may face inertia due to the various requirements of the schemes, or are held back by the uncertainty of success.

The government recognises the complexity and has taken the step to streamline eight existing SME financing schemes into one — the Enterprise Financing Scheme (EFS). The EFS will provide financing means to cover the areas of working capital, fixed assets, trade, venture debt, mergers and acquisitions, and project financing. Aside from making it easier for SMEs to apply for the scheme, with Enterprise Singapore partnering banks to co-share 50% on loan default risks (increased to 70% of the risk for companies incorporated for less than five years), it is expected that SMEs will enjoy overall reduced interest costs.

Secondly, for schemes to be effective in helping SMEs to build deep capabilities, the application process should not be too onerous. Otherwise, the efficacy of the schemes may be undermined and deserving SMEs may not qualify.

For example, to apply for the grants under the EDG scheme, applicants are required to complete a project proposal detailing their key business activities, customer segments and markets, growth and internationalisation plans, and explanation of how the project will help the company build new capabilities and contribute to growth. SMEs that are already facing resource constraints will have difficulties in putting up a requisite project proposal for the application.

To encourage more SMEs to tap on these schemes, the government can consider further streamlining the existing qualifying requirements of the various schemes such as the enhanced EDG and PSG schemes for smaller SMEs that are resource-constrained. For example, the EDG scheme could be streamlined to provide grants below a certain amount, e.g., S$20,000, to applicants without the need for detailed project proposals. SME Centres can also be deployed to help SMEs complete the project proposals through interview sessions.

In addition, the government can consider streamlining the various existing schemes for SMEs into one that is targeted at start-ups and smaller SMEs below a certain turnover.

As with any transformation, there are invariably challenges but also new opportunities. The government has invested heavily to bring SMEs onboard the journey of transformation. While continual review of the various support schemes should be undertaken, that does not diminish the urgent imperative for SMEs to be proactive in working together with the different agencies and leverage the available schemes to innovate, grow and develop partnerships in Singapore and beyond to capture new opportunities.

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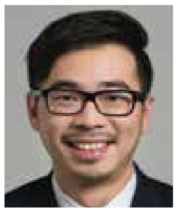

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Taxing wealth

There has recently been renewed interest by some countries in the use of net wealth taxes as a means to raise revenues and address wealth inequality. With Singapore home to a growing number of high net worth individuals, the debate on taxing wealth continues to be topical. We speak with Koh Chin Chin (KCC), who sizes up the key areas of the debate.

EY: Globally, what are the trends we see in the use of net wealth tax?

KCC: While there has recently been renewed interest in wealth taxation, the use of net wealth taxes has actually declined globally. In 2018, the OECD published a tax policy study on net wealth taxes, defined as recurrent taxes on individual net wealth, which covers a wide range of movable and immovable property, net of debt. The study found that net wealth taxes are less widespread than they used to be: in 2017, only four OECD countries – France, Norway, Spain and Switzerland – levied recurrent taxes on individuals' net wealth, compared to 12 countries that did so in 1990.

One of the key reasons cited in the study for removing net wealth tax is the inefficiencies and administrative burden of collection and, more often than not, it does not meet the objective of redistributing wealth.

EY: Besides net wealth taxes, what are the other means of taxation with regard to high net worth individuals?

KCC: From what we have observed in other countries, some of the other taxes in relation to high net worth individuals include capital gains tax, property tax, and inheritance and gift tax. Singapore has property taxes, in addition to taxes relating to the purchase, sale or rental of property. The OECD report puts forth that there are limited arguments for having a net wealth tax where capital gains tax, inheritance tax or gift tax already exist. The imposition of any form of wealth tax needs to consider the country's overall tax system and must be viewed holistically with its economic and social circumstances.

EY: What has been Singapore's approach to date on wealth taxation?

KCC: Over the years, the government has been monitoring and making tweaks to the existing tax system. For example, in 2016, personal income tax rates were raised for taxpayers with chargeable income of S$160,000 or more and the top rate currently is 22%.

In Budget 2019, there were no changes to the personal income tax rates, as the current personal income tax regime is deemed to be sufficiently progressive and equitable. The audience at the flagship EY Budget Seminar seem to reflect the same sentiments: of 203 respondents, 3 in 4 agreed that Singapore's individual tax rates are fair and progressive.

In 2018, the stamp duty rate was increased from 3% to 4% for residential properties exceeding S$1m. Additional buyer's stamp duty (ABSD) was also raised to range up to 20% for individuals who purchase Singapore residential properties – the focus being to impose higher taxes on taxpayers who purchase property for investment. Rates differ for Singapore citizens, permanent residents and foreigners. Singapore citizens who are purchasing their first residential property are not affected by the ABSD.

To a certain extent, such measures not only meet the objective of cooling down the property market, they also impose more taxes on individuals with a higher net worth than the average man on the street.

Estate duties are one form of wealth tax that had been in use before but was later abolished by the government in 2008. This was because the government recognised that estate duties do little to tax more of the wealthy, as this group tends to manage their financial assets globally. Instead, estate duties had the impact of affecting middle and upper-middle-income estates disproportionately. These duties were eventually eliminated so that Singapore can continue to be an attractive place for wealth to be invested and built up. Without estate duties, ordinary Singaporeans have a greater incentive to pass on their assets to their families.

Over the years, the Singapore government has been working to position Singapore as a financial hub to bank and manage a significant proportion of Asia's wealth. The experience from elsewhere has been that capital flight risks are heightened when the tax burden on the wealthy increases. Hence, any policy such as a net wealth tax may run counter-intuitive to the country's pursuit to be a premier private banking and wealth management hub.

EY: If the tax revenue base needs to be expanded to meet future social spending needs, how can the tax revenue pie be grown other than the use of new taxes?

KCC: What may help would be reinforcing the efforts spent on attracting businesses to be based here, which would in turn create jobs and benefit the domestic economy and population. For example, given the sheer size and volume of wealthy Asian families' wealth and assets under management, Singapore could tap on the rise of family offices, which is growing in popularity as a vehicle for wealthy families to better manage and tailor their investment strategy with well-rounded consideration of the family's needs, assets and liabilities, long-term goals and objectives, and dynamics.

Promoting the growth of the family office sector in Singapore is a way to expand the tax revenue pie, without having to introduce new taxes or increase current tax rates.

> "The experience from elsewhere has been that capital flight risks are heightened when the tax burden on the wealthy increases. Hence, any policy such as a net wealth tax may run counter-intuitive to the country's pursuit to be a premier private banking and wealth management hub.

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What's new

IRAS e-Tax guides issued or revised from 1 December 2018 to 30 April 2019

Income tax	
26 April 2019	Tax framework for corporate amalgamations (third edition)
9 April 2019	Carry-back relief system (fourth edition)
4 April 2019	Corporate income tax – objection and appeal process (second edition)
29 March 2019	Group relief system (second edition)
14 March 2019	Income tax treatment of foreign exchange gains or losses for businesses (second edition)
22 February 2019	Income tax: tax treatment of public-private partnership arrangements (third edition)
14 February 2019	Tax deductibility of general insurers' reserves against incurred but not reported claims (IBNR claims) (third edition)
23 January 2019	Tax exemption for foreign-sourced income (third edition)
15 January 2019	Income tax: tax deduction for borrowing costs other than interest expenses (third edition)
8 January 2019	Income tax treatment of a trust registered under the Business Trusts Act (second edition)
14 December 2018	Change in basis for computing taxable car benefit

Goods and Services Tax (GST)	
22 April 2019	GST: transfer of business as a going concern and other excluded transactions (third edition)
5 April 2019	GST: advance ruling system (fourth edition)
1 April 2019	GST: concession for REITs and qualifying registered business trusts listed in Singapore (fourth edition)
27 March 2019	GST: guide on exemption of investment precious metals (IPM) (ninth edition)
22 March 2019	GST: for retailers participating in tourist refund scheme (refund claims made on or after 4 April 2019)
22 March 2019	GST guide for visitors on tourist refund scheme (refund claims made on or after 4 April 2019)
22 March 2019	GST: the electronic tourist refund scheme (eTRS) (refund claims made on or after 4 April 2019)
11 March 2019	GST: approved third party logistics company scheme (third edition)
4 February 2019	GST: taxing imported services by way of an overseas vendor registration regime
4 February 2019	GST: taxing imported services by way of reverse charge (first edition)
18 January 2019	GST: guide on exemption of investment precious metals (IPM) (eighth edition)
3 January 2019	GST: general guide for businesses (eighth edition)
3 January 2019	GST: major exporter scheme (ninth edition)
3 January 2019	GST: assisted self-help kit (ASK) annual review guide (seventh edition)
3 January 2019	Record keeping guide for GST-registered businesses (fifth edition)
13 December 2018	GST: customer accounting for prescribed goods (second edition)
3 December 2018	GST: assisted self-help kit (ASK) annual review guide (sixth edition)
3 December 2018	GST: exhibition, convention and ancillary services

Monetary Authority of Singapore (MAS) circulars issued from 1 December 2018 to 30 April 2019

28 February 2019	Tax incentive schemes for trusts
28 February 2019	Goods and services tax remission on expenses for prescribed funds managed by prescribed fund managers in Singapore
22 February 2019	Expansion and renaming of the Green Bond Grant (GBG) scheme to Sustainable Bond Grant (SBG) scheme
20 December 2018	Refinement of the tax incentive scheme for approved special purpose vehicle (ASPV) engaged in asset securitisation transactions (ASPV Scheme)
20 December 2018	Enhancement to Qualifying Debt Securities (QDS) scheme

Agreements for Avoidance of Double Taxation (DTAs) signed or ratified from 1 December 2018 to 30 April 2019

DTAs ratified	
12 April 2019	Singapore – Ghana

Tax services in Singapore

Our tax professionals in Singapore provide you with deep technical knowledge, both globally and locally, combined with practical, commercial and industry experience. We draw on our global insights and perspectives to build proactive, truly integrated direct and indirect tax strategies that help you build sustainable growth, in Singapore and wherever else you are in the world.

Business Tax Services

Tax Policy and Controversy Services

EY's global tax policy network has extensive experience helping develop policy initiatives, both as external advisors to governments and companies and as advisors inside government. Our dedicated tax policy professionals and business modelers can help address your specific business environment and improve the chance of a successful outcome.

Our global tax controversy network will help you address your global tax controversy, enforcement and disclosure needs. In addition, support for pre-filing controversy management can help you properly and consistently file returns and prepare relevant backup documentation. Our professionals leverage the network's collective knowledge of how tax authorities operate and increasingly work together to help resolve controversy and pre-filing controversy issues.

Quantitative Services

EY's Quantitative Services network offers a scalable set of services to assist clients with analysing tax opportunities, typically related to large data sets, systematically and efficiently. This helps clients identify multi-country tax regulations and the benefits that can be attained. Our services can include assistance with:

- Accounting methods and inventory – advising on the application of tax rules and regulations related to income and expense recognition
- Research incentives – identifying tax incentives associated with a company's qualifying research investments
- Flow through – tax planning and advice related to partnerships, joint ventures and other tax flow-through legal entities
- Capital assets and incentives – our technological capabilities help streamline fixed asset analysis and identify tax deductions

These approaches can help clients improve cash flow, plan for cash tax and effective tax rates in upcoming years, and create refund opportunities. Our process improvements can help streamline tax compliance.

Private Client Services

EY's Private Client Services offers tax-related domestic and cross-border planning and compliance assistance to business-connected individuals and their associated entities. In addition, in today's global environment, cross-border services can help meet the ever-growing needs of internationally positioned clients. Our dedicated resources in major markets around the world serve individual clients needing a wide range of tax services, including tax compliance, tax planning and tax advice relating to their business interests, investments and other financial-related assets.

We have experience working with individuals and companies of all sizes across many aspects of the tax life cycle – planning, provision, compliance and controversy.

Business Tax Advisory Services

EY Business Tax Advisory practice combines technical skills with practical, commercial and industry knowledge to give you advice tailored to your business needs. Our tax professionals bring you their deep understanding of tax issues.

We can help you reduce inefficiencies, mitigate risk and make the most of opportunities, building sustainable tax strategies that can help your business succeed.

Tax Technology and Transformation Services

EY's Tax Technology and Transformation (TTT) is a global practice that better connects the 1,000+ professionals focused on helping organisations meet their tax operating and compliance challenges whilst redefining their tax function for the digital age, whether full-scale transformation or strategic incremental improvements. TTT brings together a new breed of tax professionals, specialising in technology and innovation, along with operational and transformation strategy. The TTT team will help accelerate your ability to deliver on a tax function that is cost-effective whilst it keeps pace with escalating trends toward business globalisation, digital tax administration/regulation, transparency and technology.

Global Compliance and Reporting

Our Global Compliance and Reporting (GCR) can help you meet your reporting requirements wherever you do business. GCR comprises the key elements of a company's finance and tax processes used to prepare statutory financial and tax filings in countries around the world. These include:

- Business tax compliance services
- Tax accounting and risk advisory services
- Corporate services (which comprise company secretarial and accounting support)
- Payroll services

Business Tax Compliance Services

Compliance and reporting make huge demands on tax and finance functions today. So how do you reduce risk and inefficiencies and improve value cost-effectively? Our market-leading approach combines a standard global compliance process and tools with extensive local compliance and accounting experience, giving you the access, visibility and control you want. In one country or many, you can benefit from an integrated, consistent, flexible quality service with tax compliance, statutory accounts preparation and tax accounting calculation support. This can enhance your compliance function whilst improving efficiencies across your financial supply chain.

Tax Accounting and Risk Advisory Services

To help you meet the challenges of today's complex business environment, including demands for more transparency and greater tax department effectiveness, we provide assistance in three key areas:

- Tax accounting: under IFRS and local GAAP
- Tax function performance: improving organisational strategy, processes, and data and systems effectiveness
- Tax risk: identifying, prioritising, monitoring and remediating risk

Our talented people, consistent global methodologies and tools, and unwavering commitment to quality service can help you build strong compliance and reporting foundations, sustainable organisational strategies and effective risk management protocols to help your business succeed.

Corporate Services

Our Corporate Services team supports your business in the following areas: entity formation and company secretarial matters, the preparation of management and statutory financial statements, monthly book-keeping and payroll outsourcing. We work with all stakeholders to help you meet deadlines and comply with statutory requirements.

Company secretarial: We help our clients and their officers comply with the Singapore Companies Act requirements principally and other relevant regulations from a company secretarial perspective. In addition to compliance matters, we are often involved in corporate structuring work such as share capital reduction and share buy-back initiatives.

Accounting: From day-to-day to complex transactions, our accounting professionals assist to facilitate that the transactions are recorded accurately, timely and in accordance with applicable accounting standards. We are also familiar with all aspects of the accounting function like management reporting, debtors/creditors control and XBRL conversion.

Payroll: We provide broad payroll outsourcing services. We assist to facilitate that your employee payrolls are computed in accordance with the Singapore Employment Act and with the Ministry of Manpower regulations.

Financial Services Tax

Our Financial Services Tax team is dedicated to providing value to our clients in the financial services industry who are facing a constantly evolving tax landscape. Whether you are in Banking and Capital Markets, Wealth and Asset Management, or the Insurance sector, we will be able to assist you in issues including managing your direct and indirect tax obligations and tax risks, navigating the complex tax rules across jurisdictions, pursuing tax incentives or concessions, dealing with transfer pricing issues, handling tax authority queries, assessing your tax provisions, and analysing your uncertain tax positions.

We can also advise you on the tax implications of new financial products or transactions, and assist in applying for Revenue rulings where applicable. We can advise on the structuring of your new businesses and new funds, or on the review of such structures in an internal reorganisation or in the event of mergers or acquisitions, from the tax perspective.

Indirect Tax Services

Global Trade

In today's global economy, moving goods across borders can be complex and costly. More than ever before, effective management of customs and international trade issues is crucial to maintaining a competitive advantage.

EY's customs and international trade professionals can help you manage costs and reduce the risk of penalties and significant supply chain disruption. Our core offerings include strategic planning to manage customs and excise duties, trade compliance reviews for imports and exports, internal controls and process improvement, and participation in customs supply chain security programs.

We develop proactive, pragmatic and integrated strategies that can help you address the challenges of doing business in today's global environment and help your business succeed.

GST Services

Indirect taxes affect the supply chain and the financial system. They can have significant impacts on cash flow, absolute costs and risk exposures. Our network of dedicated indirect tax professionals combines technical knowledge with industry understanding and access to technologically advanced tools and methodologies. We identify risk areas and sustainable planning opportunities for indirect taxes throughout the tax life cycle, helping you meet your compliance obligations and your business goals around the world. We can provide you with effective processes to help improve day-to-day reporting, reduce attribution errors and costs, and make certain indirect taxes are handled correctly in transactions. Our globally integrated teams will give you the perspective and support you need to manage indirect taxes effectively.

International Tax Services

International Tax Services

Executives are constantly looking to align their global tax position with their overall business strategy. We can help you manage your tax responsibilities by leveraging the global EY network of dedicated international tax professionals – working together to help you manage global tax risks, meet cross-border reporting obligations and deal with transfer pricing issues.

EY's multidisciplinary teams can help you assess your strategies, assisting with international tax issues, from forward planning through reporting, to maintaining effective relationships with the tax authorities. We can help you build proactive and integrated global tax strategies that address the tax risks of today's businesses and achieve sustainable growth.

Global Tax Desk

Our market-leading Global Tax Desk network – a co-located team of highly experienced professionals from multiple countries – is located strategically in major business centers so that our desks can respond to your challenges immediately and cost-effectively, avoiding time zone barriers and the high price of international travel.

The desks work as a team – tackling the same problem from all sides – thoughtfully identifying considerations with your cross-border transaction. We work with you to help you manage global operational changes and transactions, capitalisation and repatriation issues, transfer pricing and your supply chain – from forward planning, through reporting, to maintaining effective relationships with tax authorities.

Transfer Pricing

Our Transfer Pricing professionals help you build, manage, document, review and defend your transfer pricing policies and processes – aligning them with your business strategy.

Here's how we can help you:

- Strategy and policy development
- Governance optimisation and decision making process to help:
  - Reduce impact of year-end adjustments
  - Monitor transfer pricing footprint
  - Coordinate across organisation
- Global or regional assistance to support transitions to new documentation requirements
- Controversy risk assessment, remediation or mitigation as a result of documentation requirements
- Global transfer pricing controversy and risk management

Operating Model Effectiveness

Our multi-disciplinary Operating Model Effectiveness teams work with you on operating model design, business restructuring, systems implications, transfer pricing, direct and indirect tax, customs, human resources, finance and accounting. We can help you build and develop the structure that makes sense for your business, improve your processes and manage the cost of trade.

People Advisory Services

As the world continues to be impacted by globalisation, demographics, technology, innovation and regulation, organisations are under pressure to adapt quickly and build agile people cultures that respond to these disruptive forces. EY People Advisory Services believes a better working world is helping our clients harness their people agenda – the right people, with the right capabilities, in the right place, for the right cost, doing the right things.

We work globally and collaborate to bring you professional teams to address complex issues relating to organisation transformation, end-to-end employee lifecycles, effective talent deployment and mobility, gaining value from evolving and virtual workforces, and the changing role of HR in support of business strategy. Our EY professionals ask better questions and work with clients to create holistic, innovative answers that deliver quality results.

Transaction Tax Services

Every transaction has tax implications, whether it's an acquisition, disposal, refinancing, restructuring or initial public offering. Understanding these implications can mitigate transaction risk, enhance opportunity and provide crucial negotiation insights. Transaction Tax Services comprises a worldwide network of professional advisors who can help you navigate the tax implications of your transaction. We mobilise wherever needed, assembling personalised, highly integrated global team, to work with you throughout the transaction life cycle, from initial due diligence through post-deal implementation. And we can suggest structuring alternatives to balance investor sensitivities, promote exit readiness and raise opportunities for improved returns.

Tax leadership in Singapore

If you would like to know more about our services or the issues discussed, please contact our Singapore Tax Partners, Associate Partners and Directors below.

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You and the Taxman
Issue 2, 2019

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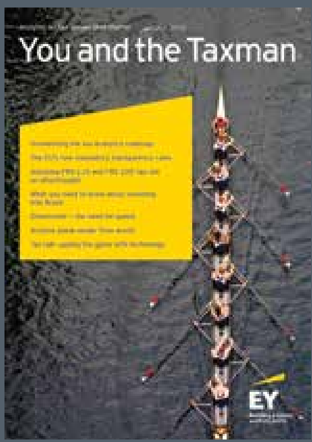

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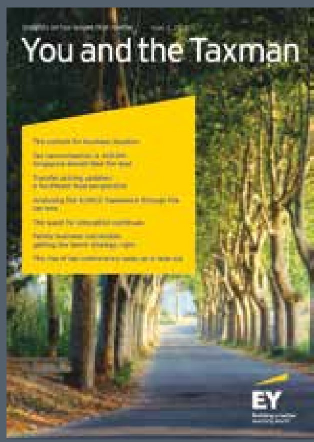

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