



# Tax trends and issues for financial services

Michael Velten, Southeast Asia Financial Services Industry Tax Leader



# Agenda

- Overview: Tax as a risk
- BEPS: A changing tax landscape
- CRS: Status in the region
- Tax Management: A framework

# Overview

# Tax as a risk

# 2013 Lloyd's Risk Index: Taxation is now the highest risk priority globally

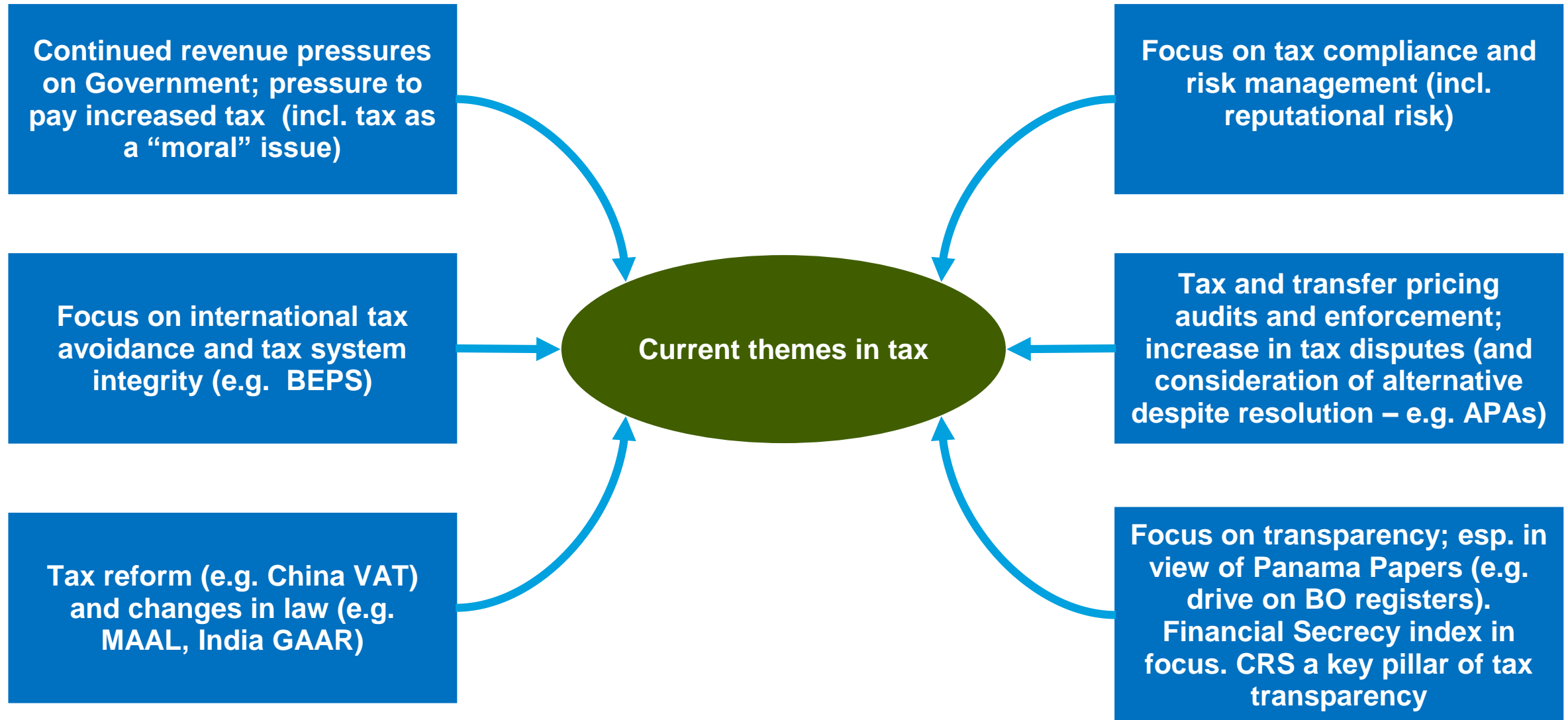
According to the Lloyd's Risk Index 2013<sup>1</sup>, **tax uncertainty** is the greatest fear for global businesses following more recent public and political exposure and debate

## Top 5 business risks overall

	2013	Rank in 2011	2011
	High taxation	1 (13)	1 Loss of customers / cancelled orders
	Loss of customers / cancelled orders	2 (1)	2 Talent and skills shortage
	Cyber risk	3 (12)	3 Reputational loss
	Price of material inputs	4 (7)	4 Currency fluctuation
	Excessively strict regulation	5 (10)	5 Changing legislation

<sup>1</sup> A global survey of over 500 C-suite and board level executives conducted by Ipsos MORI for Lloyd's during April and May 2013

# Current themes in taxation globally



# BEPS

## A changing tax landscape

# BEPS recap

## Implementation approach

Domestic law change	Transfer Pricing	Treaties	Monitoring
<p>Recommendations for national law, regulations, or administrative practice</p>	<p>Changes to the OECD's Transfer Pricing Guidelines</p>	<p>Signing of multilateral instrument, and changes to the OECD Model Treaty &amp; Commentary</p>	<p>Monitoring / reporting by OECD / Global Forum</p>
<ul style="list-style-type: none"><li>• <b>Action 1:</b> Digital Economy</li><li>• <b>Action 2:</b> Hybrid mismatches</li><li>• <b>Action 3:</b> CFCs</li><li>• <b>Action 4:</b> Limiting interest deductions</li><li>• <b>Action 5:</b> Harmful tax practices</li><li>• <b>Action 12:</b> Mandatory disclosure</li><li>• <b>Action 13:</b> TP documentation (incl CbC)</li></ul>	<ul style="list-style-type: none"><li>• <b>Actions 8 – 10:</b> Assure that transfer pricing outcomes are in line with value creation</li></ul>	<ul style="list-style-type: none"><li>• <b>Action 2:</b> Hybrid mismatches</li><li>• <b>Action 6:</b> Treaty abuse</li><li>• <b>Action 7:</b> Permanent establishments</li><li>• <b>Action 14:</b> Dispute resolution</li><li>• <b>Action 15:</b> Multilateral instrument</li></ul>	<ul style="list-style-type: none"><li>• <b>Action 5:</b> Harmful tax practices</li><li>• <b>Action 11:</b> BEPS information</li><li>• <b>Action 13:</b> TP documentation (incl CbC)</li><li>• <b>Action 14:</b> Dispute resolution</li></ul>

# BEPS actions: Response in Asia



## Country

## Type

Australia

First mover

Peoples Republic of China

First mover

Japan

First mover

South Korea

First mover

India

Fast follower

Hong Kong

Slow follower

Taiwan

Slow follower

**Singapore**

**Slow follower**

Indonesia

Slow follower

Malaysia

Slow follower

Philippines

Slow follower

Thailand

Slow follower

Vietnam

Slow follower



# BEPS

## Singapore: Position on key actions

	Action	Singapore's position
1	Digital economy	Unclear, may consider GST on e-services
2	Hybrids	Not expected to adopt recommendations
3	CFC	No change expected
4	Interest	Unclear, unlikely to adopt in short-term
5	Harmful tax practices	Singapore tax incentives to be examined as follow on work; although now unlikely that OECD will review in 2016. Government believes incentives are all substance based, to be seen whether OECD agrees. On transparency, taxpayer agreements may be shared spontaneously via AEOI in due course
6	Treaty abuse	Minimum standard likely to be adopted. Singapore has preference for Principal Purpose Test
7	PE status	Unlikely to actively push to adopt, but have indicated that the new version of the PE article may start to find its way into Singapore's treaties in the future over time
8-10	Transfer pricing	To consider adoption of updates to OECD TP Guidelines on case-by-case basis
11	Monitoring	Government considers this as important
12	Mandatory disclosure	Unclear

# BEPS

## Singapore: Position on key actions (cont.)

	Action	Singapore's position
13	CbC, master / local file	<p>No public announcement on CbCR yet, but Government is consulting widely and appears to generally be in favour of adoption. Local HQ companies seem to favour adoption</p> <p>Possible that a consultation document may be released following private/closed consultations. Assuming consultation proceeds as expected, Singapore would likely look to adopt CbCR in OECD prescribed format once sufficient OECD/G20 countries adopt</p> <p>Concerns about use of taxpayer data by other tax authorities to initiate "profit grabs" / disputes</p> <p>TP documentation requirements updated in January 2015</p>
14	Dispute resolution	Will adhere to minimum standard, considering mandatory binding arbitration
15	Multilateral instrument	Actively participating

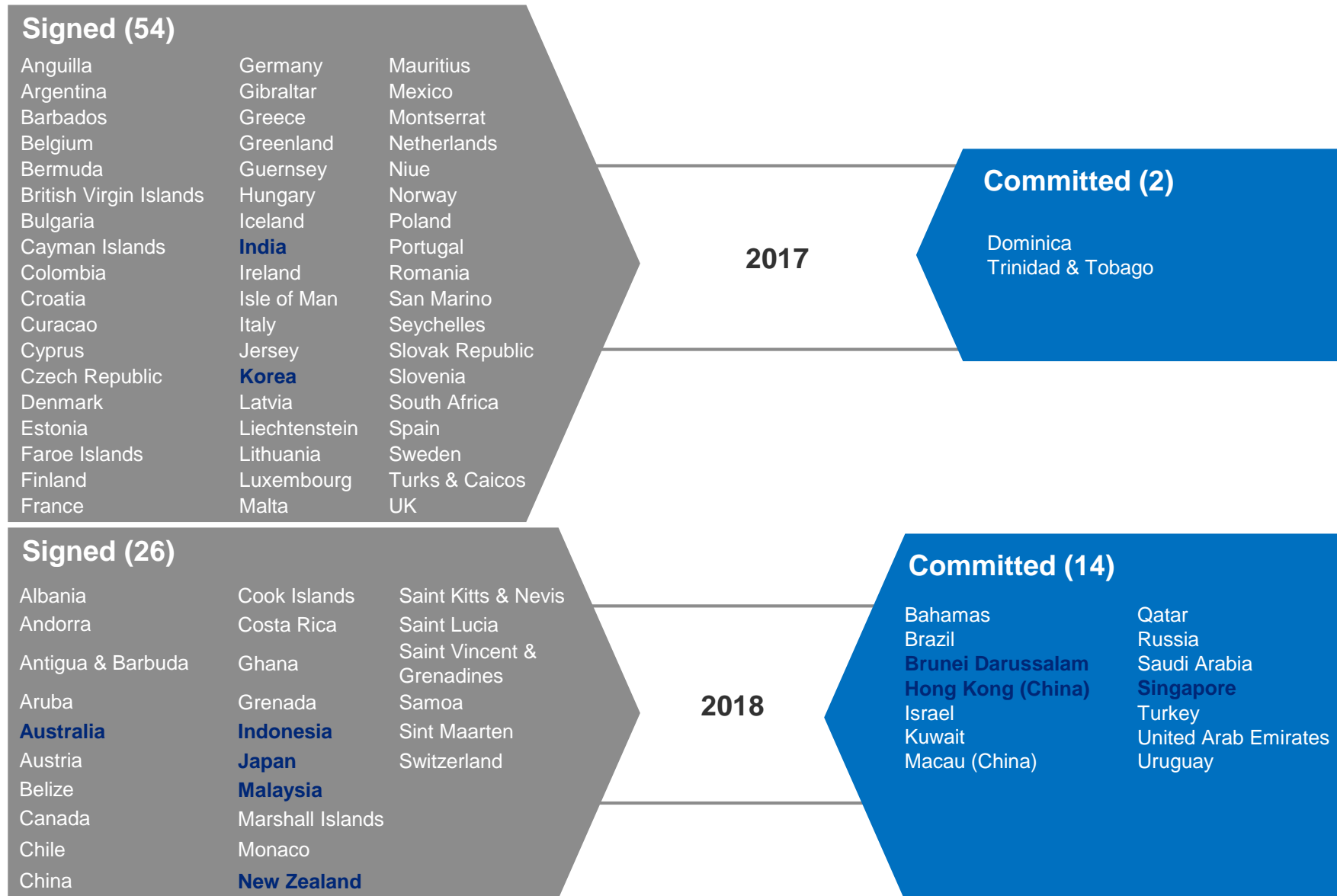
### In general, an increased focus on BEPS in Singapore:

- Proactive interactions from Government with taxpayers and interested parties
- Ministry of Finance has taken an active role at the OECD (Singapore has observer status)
- Media interest growing

# CRS

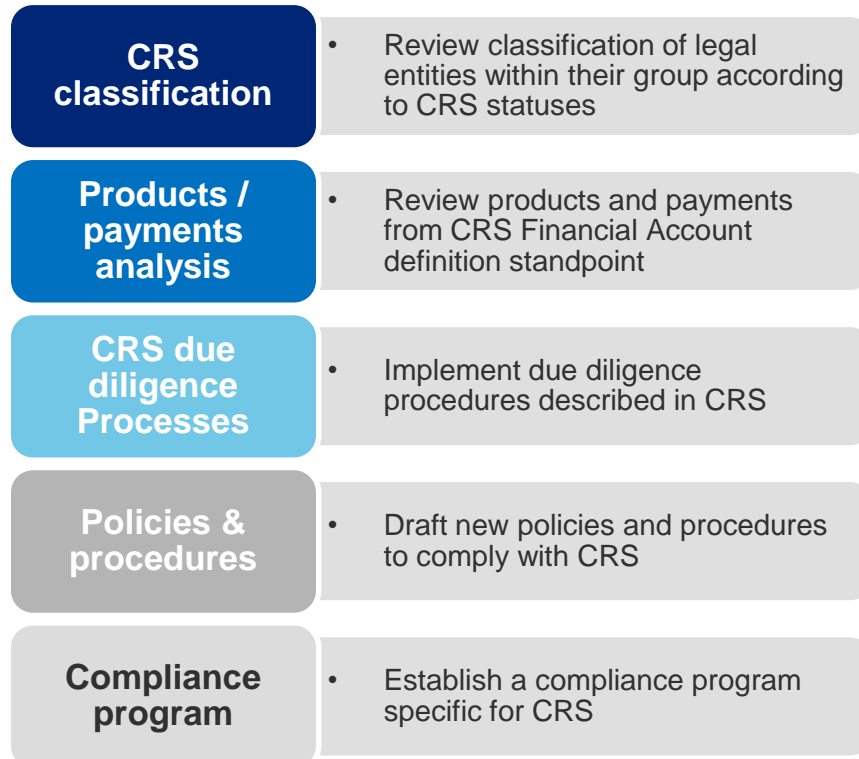
## Status in the region

# More than 90 countries to implement AEOI...

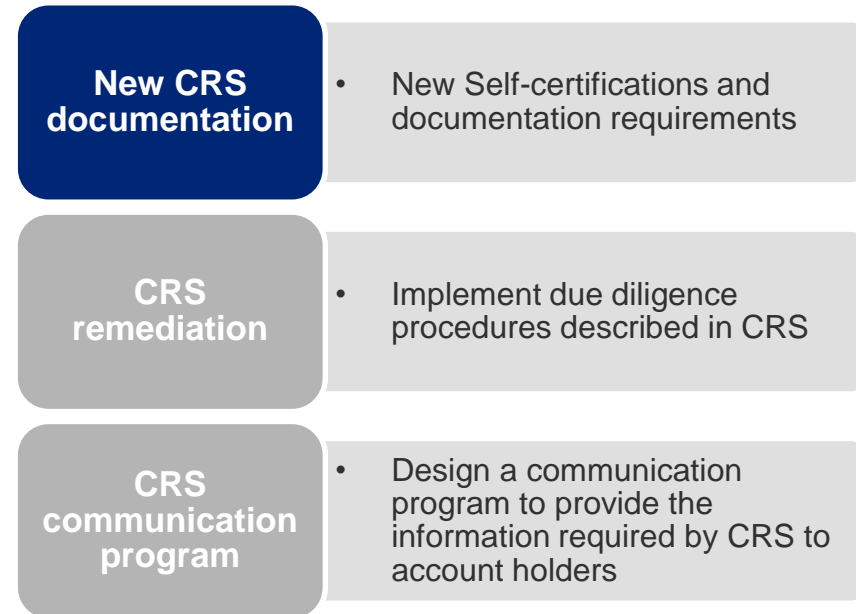


# CRS Implementation: Areas of focus

## From a group perspective



## From a business perspective

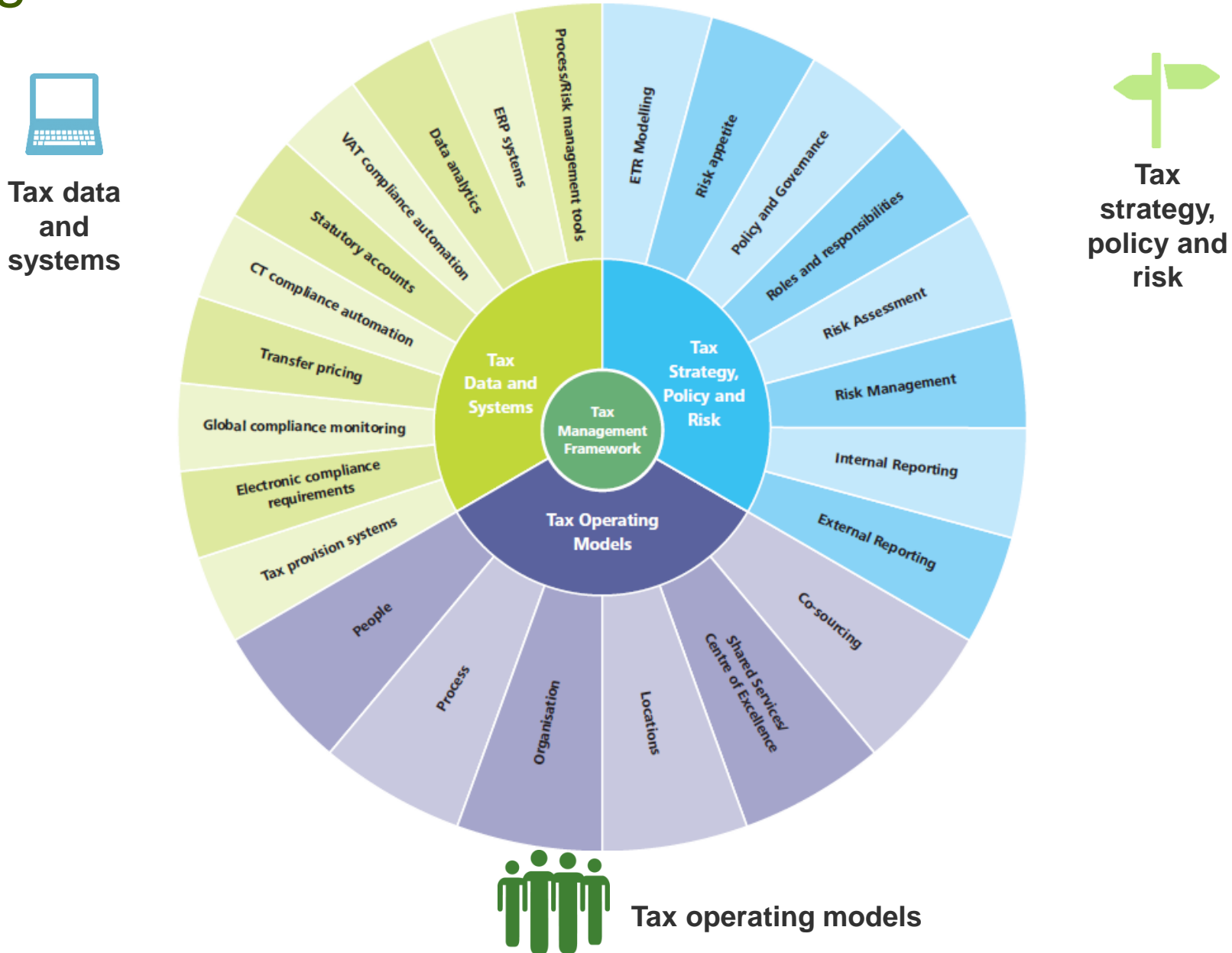


**Monitor country developments**  
**Monitor local regulations and local reporting requirements**

# Tax Management

## A Framework

# Tax management: A framework



# Speaker profile



## **Michael Velten**

SEA Financial Services Industry Tax Leader

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Michael is a Financial Services Tax Partner with Deloitte in Singapore and the firm's SEA FSI Tax Leader. Michael covers all area of Singapore tax (including GST and stamp duty) and specialises in Asia banking and capital markets. Michael's focus includes financial services transfer pricing and FATCA. Michael is a recognised industry tax expert.

Michael has been advising on Singapore and Asia regional tax since the early 1990s, having held senior tax roles in Asia with leading financial institutions and professional firms. Prior to joining Deloitte, Michael was Group Head of Tax at a leading brokerage and investment house and before that he headed the Asia ex-Japan Tax Department of a leading global investment bank. He was also a Tax Partner in a Big Four firm in Singapore and a Tax Partner in the Singapore office of a leading international law firm. Michael was held appointments as an Adjunct Associate Professor of Law at the National University of Singapore and Visiting Fellow to the University of Melbourne.





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