



## Base Erosion and Profit Shifting The Global Tax Reset

### In a nutshell

What exactly is base erosion and profit shifting (BEPS)? BEPS simply means strategies used by multinational groups to achieve global tax efficiencies by taking advantage of the differences in taxation systems and treatment of income/expenses in different jurisdictions. Whilst international tax planning is not illegal, the tax authorities around the globe are certainly not prepared to lose their "fair share" of tax collection. In 2012, the G20 commissioned the Organisation for Economic Co-operation and Development (OECD) to look into this matter. The OECD Secretariat published 13 final reports and an explanatory statement outlining consensus actions under the BEPS project which were subsequently endorsed by the G20 leaders on 15-16 November 2015.

### What does this mean for Singapore

Whilst Singapore is neither a member of OECD nor G20, the Singaporean authorities are fully aware of the BEPS developments and have repeatedly made public statements confirming their support for the BEPS project. All Singapore groups operating internationally will be impacted by BEPS developments in some way.

### What does it mean for you

As the BEPS project moves from design to implementation, the time for companies to sit back and observe is gone. It is critical for companies to understand the potential impact and to plan how to react. Double taxation, increasing number of disputes and diminishing returns to shareholders are all potential consequences for companies who do not take action.

### The 15 BEPS Actions

The 15 actions set out below equip governments with domestic and international instruments to address tax avoidance, ensuring that profits are taxed where economic activities generating the profits are performed and where value is created.

- Action 1: Addressing the Tax Challenges of the Digital Economy
- Action 2: Neutralising the Effects of Hybrid Mismatch Arrangements
- Action 3: Designing Effective Controlled Foreign Company Rules
- Action 4: Limiting Base Erosion Involving Interest Deductions and Other Financial Payments
- Action 5: Countering Harmful Tax Practices More Effectively, Taking Into Account Transparency and Substance

- Action 6: Preventing the Granting of Treaty Benefits in Inappropriate Circumstances
- Action 7: Preventing the Artificial Avoidance of Permanent Establishment Status
- Actions 8-10: Aligning Transfer Pricing Outcomes with Value Creation
- Action 11: Measuring and Monitoring BEPS
- Action 12: Mandatory Disclosure Rules
- Action 13: Guidance on Transfer Pricing Documentation and Country-by-Country Reporting ("CbC")
- Action 14: Making Dispute Resolution Mechanisms More Effective
- Action 15: Developing a Multilateral Instrument to Modify Bilateral Tax Treaties

### How we can assist your organisation

We can add value through:

- Comprehensive review of how BEPS impacts your international business model from the following aspects:
  - Holding structure
  - Financing structure
  - Permanent establishment risk
  - Continued reliance on tax treaties
- Strategic reviews to identify tax and/or reputation risk and whether present and proposed modus operandi are BEPS compliant
- Review of current and proposed transfer pricing positions, for alignment with BEPS:
  - Intragroup agreements – assess orientation of contractual terms with actual conduct, as well as revisiting existing agreements
  - Advise on risk re-allocation and returns for funding activities
  - Evaluation of DEMPE functions and pricing of hard-to-value intangibles
  - Management fee structure, including assistance with identification, aggregation and documentation of low-value-adding intragroup services
- Assistance with preparing CbC report and masterfile, as well as robust, consistent and defensible local files, in a centrally coordinated manner
- Consultation on audit readiness, including proactive measures for avoiding disputes
- Review of historic tax mitigation in light of the new environment
- Proactive management of tax authorities' queries and audits
- BEPS/Tax governance workshops

# Introducing your Deloitte team

## Business Tax Services

### Low Hwee Chua

Singapore Leader

+65 6216 3290

hwlow@deloitte.com

### Ajit Prabhu

+65 6530 5522

aprabhu@deloitte.com

### Ben Pickford

+65 6530 8002

bpickford@deloitte.com

### Daniel Ho

+65 6216 3189

danho@deloitte.com

### Lee Siew Ying

+65 6216 3120

sylee@deloitte.com

### Lee Tiong Heng

+65 6216 3262

thlee@deloitte.com

### Linda Foo

+65 6530 5562

lfoo@deloitte.com

### Michael Pfaar

+65 6530 8038

mpfaar@deloitte.com

### Michael Velten

+65 6531 5039

mvelten@deloitte.com

### Ong Siok Peng

+65 6216 3257

spong@deloitte.com

### Rohan Solapurkar

+65 6531 5027

rohans@deloitte.com

### See Jee Chang

+65 6216 3181

jcsee@deloitte.com

### Steve Towers

+65 6216 3227

stowers@deloitte.com

### Wong Chee Ming

+65 6530 5595

cwong@deloitte.com



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see [www.deloitte.com/sg/about](http://www.deloitte.com/sg/about) for a more detailed description of DTTL and its member firms.

## Disclaimer

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the "Deloitte network") is, by means of this communication, rendering professional advice or services. No entity in the Deloitte network shall be responsible for any loss whatsoever sustained by any person who relies on this communication.