



Business Tax Alert

Keeping you informed

Greetings from your tax team at Deloitte Singapore. We are pleased to update you on the following tax development:

Singapore Joins Inclusive Framework for Implementing Measures Against Base Erosion and Profit Shifting (BEPS)

As announced by the Singapore government on 16 June 2016, Singapore joins the inclusive framework for the global implementation of the BEPS Project as proposed by OECD and endorsed by G20 in February 2016. By joining this framework, Singapore will work with other participating jurisdictions to ensure the consistent implementation of measures under the BEPS Project, and a level playing field across jurisdictions.

Singapore supports the key principle underlying the BEPS Project, i.e. that profits should be taxed where the real economic activities generating the profits are performed and where value is created. This is in line with

Singapore's tax policies, which have been designed to support substantive economic activities, in order to create skilled jobs and build new and enduring capabilities in Singapore.

Singapore's position on the four BEPS minimum standards

Singapore is committed to implementing the four minimum standards under the BEPS Project:

- (a) the standards on countering harmful tax practices;
- (b) preventing treaty abuse;
- (c) transfer pricing documentation; and
- (d) enhancing dispute resolution.

In keeping with this commitment, Singapore intends to implement the Country-by-Country Reporting (CbCR) for Singapore-headquartered multinational enterprises for financial years beginning on or after 1 January 2017. Please refer to [Annex A on IRAS' website](#) for more details on Singapore's position on the four BEPS minimum standards.

Deloitte's view

In regard to CbCR, Singapore-headquartered multinational enterprises will have a "gap" year, i.e. the 2016 financial year is not covered by Singapore's requirements, but is covered by almost all other countries which have implemented the CbCR rules. This will mean that Singapore-headquartered multinational enterprises will likely have to adopt one of the secondary measures (i.e. use of a surrogate parent company or multiple local filings); or alternatively, the IRAS could perhaps allow voluntary filing for the 2016 financial year.

This same issue is faced by most U.S. groups and by all Swiss groups.

In accordance with the BEPS Action 13 Report, we would expect that the CbCR filing obligation would fall on a Singapore-resident company, which is the ultimate parent company of a multinational group with global turnover over the designated threshold – and no such obligation would fall on an ultimate parent company which is Singapore-incorporated, but not Singapore-resident. However, this point has not been specifically confirmed by the Singapore government.

The government has indicated that the implementation details for CbCR will be released by September 2016, after consultation with Singapore-headquartered multinational enterprises.

In view of the "gap" year issue, we would recommend that Singapore ultimate parent companies consider their position now in respect of CbCR. Specifically, such companies should consider which particular countries (in which their group has operations) will require a CbC Report to be filed for the 2016 financial year. Issues to consider would include: IT systems aspects in regard to compiling the relevant information,

judgment calls in regard to the particular information to include in the Report (e.g. exchange rates, reconciliation to financial statements), and filing dates in various countries.

If you would like assistance with any of these issues, please speak to your usual Deloitte contact or any member of the Singapore tax team listed below.

Best regards

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