



Singapore Tax Developments

Singapore signs Multilateral Convention

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

Singapore Tax Developments: Singapore signs Multilateral Convention to implement tax treaty related measures to prevent Base Erosion and Profit Shifting

Singapore has signed the Multilateral Convention (“MLI”) to implement tax treaty related measures to prevent Base Erosion and Profit Shifting (“BEPS”) on 7 June 2017.

Briefly, the MLI seeks to facilitate the implementation of tax treaty related measures to counter BEPS. Signatories to the MLI can efficiently update their Double Tax Agreement (“DTA”) to incorporate the measures, without the need to re-negotiate each DTA.

The treaty-based BEPS measures and Singapore’s position on them are:

BEPS Action (* indicates minimum standards)	Singapore implementation notes
ACTION 2 Hybrid mis-matches	<ul style="list-style-type: none"> Singapore has reserved its right not to include treaty-based measures related to this Action

	<ul style="list-style-type: none"> Separately, the Inland Revenue Authority of Singapore ("IRAS") has issued an e-tax guide on 19 May 2014 on the income tax treatment of hybrid instruments, specifying factors generally considered in determining whether such an instrument is debt or equity for Singapore income tax purposes
<p>ACTION 6*</p> <p>Prevent treaty abuse</p>	<p>Singapore will:</p> <ul style="list-style-type: none"> Adopt the Principal Purpose Test ("PPT") only to prevent treaty abuse, along with a discretionary relief provision to allow it to grant, upon request, treaty benefits to taxpayers that fail the PPT; Include preamble text in its DTAs referring to a desire to develop an economic relationship or to enhance co-operation in tax matters; and Include a statement of intent that a DTA is to eliminate double taxation without creating opportunities for non-taxation or reduced taxation through tax evasion or avoidance
<p>ACTION 7</p> <p>Prevent Artificial Avoidance of Permanent Establishment Status</p>	<ul style="list-style-type: none"> Singapore has reserved its rights not to include treaty-based measures related to this Action, except to include / retain a list of activities that are deemed not to constitute a PE such that businesses with foreign operations do not unduly create a taxable presence in the foreign jurisdiction
<p>ACTION 14*</p> <p>Dispute Resolution</p>	<ul style="list-style-type: none"> Singapore will fully adopt the Mutual Agreement Procedure Article in its DTAs. When a Singapore resident taxpayer encounters taxation, which is not in accordance with the intended application of the DTA provisions, the taxpayer can seek assistance from Inland Revenue Authority of Singapore to contact the treaty partner to resolve the dispute. The BEPS minimum standard calls for a commitment to resolve MAP cases within 24 months Singapore has opted for mandatory binding arbitration provisions to be included in its DTAs. The default mode of arbitration is final offer arbitration, where the arbitrator chooses one of the parties' proposal on each disputed issue

ACTION 15 Multilateral Convention	<ul style="list-style-type: none"> • Singapore intends for the MLI to apply to DTAs with treaty partners that are members of the Ad Hoc Group that worked on drafting the MLI • The agreed changes to each DTA will enter into force after the MLI has been ratified by Singapore and the treaty partner; Singapore will work towards the ratification of the MLI at the earliest date • Clarification on the amendments to each DTA will be provided by the IRAS to taxpayers through its website
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