KPMG

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Overview of Country-by-Country Reporting in Singapore

On 10 October 2016, IRAS released its e-Tax Guide on Country-by-Country Reporting (CbCR). In a nutshell, CbCR requires multinational enterprise (MNE) groups with a Singapore-based ultimate parent to compile information on the group's profits from operations worldwide.

IRAS' position on CbCR follows Singapore's decision to participate in the OECD's Inclusive Framework, for the implementation of measures against Base Erosion and Profit Shifting (BEPS). The Framework calls for the implementation of four minimum standards under the BEPS Project, one of which is the implementation of CbCR.

Requirements

CbCR will only be applicable to MNE groups, where:

- the MNE group's ultimate parent entity is in Singapore;
- the consolidated group revenue in the preceding financial year is at least SGD 1.125 billion (roughly equivalent to the OECD's €750 million threshold);
- the MNE group has subsidiaries or operations in at least one foreign jurisdiction.

Where the Singapore entity is not the ultimate parent, it will not be required to prepare a Country-by-Country Report (CbC Report). This is because the foreign ultimate parent may be responsible for filing the CbC Report in its home country. However, the Singapore company may still be involved internally, by providing the required information to its ultimate parent.

Affected Singapore MNE groups will need to submit the CbC Report within 12 months from the end of any financial year which begin on or after 1 January 2017.

Format of CbC Report

The CbC Report is a document that collates information on an MNE's international related-party dealings, revenues, profits, and taxes paid by each jurisdiction. Essentially, it enables a tax authority to draw inferences on the substance and scale of operations in a particular country, and the taxes paid there. The CbC Report format set out by IRAS is identical to that proposed by the OECD under BEPS Action 13 and consists of three tables:

- Table 1 - Overview of group income, taxes, headcount and assets;
- Table 2 – Overview of the entities of the group; and
- Table 3 – Any additional relevant information;

Further details and guidance on the information required to complete the above is provided within the IRAS e-Tax Guide.

Submission and penalties

Details on the mode of submission of CbC Reports will be released at a later date. Taxpayers that fail to submit a CbC Report may be penalised under Section 105M (Part XXB: International Agreements to Improve Tax Compliance – Offences) of the Singapore Income Tax Act.

Others issues

Also covered in the e-Tax Guide are:

- clarification on the definition of key concepts/terms;
- guidance on completing the template;
- emphasis that the CbC Report is intended to supplement a taxpayer's transfer pricing documentation and cannot be used as a substitute for transfer pricing documentation;
- clarification that non-Singapore headquartered MNE groups will not be required to submit a CbC Report to IRAS; and
- clarification that IRAS does not intend to implement secondary mechanisms (i.e. whereby the filing obligation would fall on any 'constituent entity' of the MNE group operating in a country adopting the OECD's recommended approach) on non-Singapore headquartered MNE groups.

KPMG's observations

Taxpayers with group revenues exceeding or nearing the specified threshold should be "CbCR-ready". As a starting point, taxpayers should review and consider whether the information required by IRAS is readily available. Due to the complexities of business structures and differences in accounting standards/systems, there may be challenges in gathering the required information. MNEs should therefore start the process as early as possible, perhaps even conducting a "dry run" of the CbCR process to identify any difficulties upfront.

Apart from assessing the information gathering process, MNCs should review the CbCR information to be presented and consider how it could be interpreted by the respective tax authorities. For example, a CbC Report that highlights large profits in low-tax countries could be interpreted negatively. Accordingly, support for the substance and value created in these countries may be very much in order. Taxpayers should also ensure that their transfer pricing policies are supported with robust transfer pricing documentation that will resonate with the impression formed by the CbC Report.

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of CbCR to your business.

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