

## Singapore's tax incentives meet international BEPS standards



### Overview

On 16 June 2016, Singapore announced that it will join the inclusive framework for the global implementation of the base erosion and profit shifting (BEPS) project. As a BEPS Associate, Singapore is committed to implementing the 4 BEPS minimum standards, in the areas of harmful tax practices, tax treaty abuse, country-by-country reporting requirements for transfer pricing and improvements in cross-border tax dispute resolution.

Under the inclusive framework, the Forum on Harmful Tax Practices (FHTP) has the mandate to monitor and review the tax practices of jurisdictions, including reviewing preferential tax regimes. This review involves participating jurisdictions identifying their own preferential tax regimes that fall within the FHTP peer review scope. The process is supplemented by the ability of a peer jurisdiction to alert the FHTP to a regime. With Singapore's status as a BEPS Associate, a number of its tax incentives underwent the FHTP peer review process.



## FHTP Peer Review and Results

The following tax incentives underwent FHTP's peer review:

- Development and Expansion Incentive - Services
- Pioneer Service Company Incentive
- Aircraft Leasing Scheme
- Finance and Treasury Centre Incentive
- Insurance Business Development Scheme
- Financial Sector Incentive
- Global Trader Programme
- Maritime Sector Incentive

The review focused on geographically mobile activities, such as financial and other service activities. Thus, tax incentives awarded for manufacturing activities, such as Pioneer Manufacturing Company Incentive, Development and Expansion Incentive – Manufacturing, and Investment Allowance, were not reviewed as they were outside the scope of the FHTP review.

All of the above tax incentives were not harmful as they met FHTP peer review standards.

The FHTP report also noted that the Development and Expansion Incentive – Services, Pioneer Service Company, and Insurance Business Development incentives, were currently undergoing changes. We have previously covered the proposed changes to be made to the Development and Expansion Incentive – Services and Pioneer Service Company Incentive in Incentive Snippets Issue 3.

## Our comments

The FHTP peer review outcome indicates that Singapore's tax incentives meet international tax standards. This is a positive and significant development for Singapore, and reinforces the assertion that Singapore's tax incentives are awarded on the basis of substantive activities in Singapore such as creation of jobs and high-value added activities.

With country-by-country reporting being implemented globally, which seeks to increase transparency of companies' activities around the world, the importance of Singapore's incentives being recognised as internationally-compliant is a significant step forward in helping tax incentive recipients in Singapore manage their tax risks.

At the same time, as economic agencies continue to leverage on tax incentives to anchor substantive economic activities in Singapore, it is possible that we may continue to see ongoing refinement of these tax incentives due to the peer review process.

For example, in recent incentive awards, there are more transfer pricing compliance requirements (e.g. specific request for transfer pricing documentation to be submitted) that companies will need to adhere to. As such, businesses that have been awarded the above tax incentives or are seeking to apply, should understand the compliance requirements and implications as a result from our tax incentives being reviewed by FHTP.

## How KPMG can help

KPMG's Enterprise Incentives Advisory team has extensive experience assisting clients on a range of incentives. We can assist you with the following:

With our experience, we can assist your business in the following areas:

- Assess your company's current and future planned activities to determine if they meet the substantive economic requirements for tax incentives, and identify potential qualifying activities in your expansion plans,
- Assist your company in reviewing and structuring your operations to ensure that economic substance requirements are met,
- Provide support and guidance throughout the incentive application and incentive implementation process,
- Understand and support to meet the compliance requirements of the tax incentives, in view of the BEPS landscape and tax incentive changes.



*Asia Tax Firm of the Year – Asia Tax Awards 2016 & 2017, International Tax Review.*

*Ranked Tier 1 Firm in Singapore – World Tax 2017, International Tax Review.*

*Asia International Tax Firm, Asia Indirect Tax Firm; Asia Global Executive Mobility Firm and National Firm for Transfer Pricing in Singapore – Asia Tax Awards 2016, International Tax Review.*

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