

## **Implications of BEPS on company taxation in Singapore**

**28<sup>th</sup> June 2016**

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**Duration:** 60 minutes

Please check both at receipt as well as at submission of the exam the number of question sheets. This examination paper contains 1 page and 1 compulsory question.

### **Notes on marking**

The answer to the compulsory question carries 100% of the total points.

### **Question:**

“The scope of the G20/OECD BEPS project is truly ambitious. The impact of the impending changes to the rules in the international tax system as well as the uncoordinated reforms in the domestic tax laws of certain jurisdictions is a significant increase in the uncertainty of tax liabilities. This is particularly true in the case of multi-national corporations with corporate structures and diverse business operations across many jurisdictions. While the principal objective of the BEPS project is to reduce the erosion of tax base resulting from aggressive tax planning schemes implemented to obtain unintended tax benefits, there is a real risk that it might lead to a dramatic increase in the number of tax disputes and instances of unrelieved double taxation of income. It appears that what constitutes legitimate tax planning is no longer possible to state with any degree of certainty.”

Do you agree? Critically analyse the validity of this statement and support your views with examples from Singapore or any other jurisdiction.

**“Implications of BEPS on company taxation in Singapore”**  
**By A/P Stephen Phua**  
**A suggested Guide for an answer to the Examination Paper**

**Introduction: BEPS Project (10%)**

- A brief description of the BEPS project and its rationale
- State basis or criteria as to why the BEPS project might be regarded as being ambitious

**Taxation of MNC income (20%)**

- Explain how double taxation occurs when MNCs operate in multiple jurisdictions
- Explain how such double taxation is being relieved by DTAs
- Illustrate how MNCs use aggressive tax planning methods to engage in BEPS

**Impact of BEPS project on tax planning by MNCs (50%)**

- Illustrate with simple examples of how the income of MNCs engaged in BEPS or enjoy double non-taxation may be subject to the proper taxation if some of the proposals in the BEPS Action Plans are implemented
- An analysis of the implications for taxation of MNC income if such proposals are implemented at different times and in different ways by different countries. Cite examples from Singapore or any other jurisdiction to demonstrate the impact of uneven and uncoordinated implementation of the BEPS reforms

**Conclusion: Uncertainty (20%)**

- Assess the likelihood of increased tax disputes between MNCs and tax authorities
- Visualize the new international tax system under the BEPS project and how it will affect tax planning opportunities by MNCs to shift income to minimize or avoid tax
- Is it likely to reduce aggressive tax planning
- Who are the likely winners or losers