



## BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT



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# Raising Tax Certainty Virtual Seminar

28 March 2024



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# Raising Tax Certainty Singapore's practices

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# Major challenges impacting tax certainty



## **Increased number of globalized businesses**

*Businesses today operate in a globalized/ complex operating environment with numerous cross-border transactions and activities.*



## **Increased complexity of cases**

*As MNEs expand, business models evolve, issues become increasingly complex – taxpayers demand greater tax certainty.*



## **Increased scrutiny resulting in increasing no. of tax disputes**

*International developments, e.g. BEPS, and increase in capabilities and capacities of many jurisdictions lead to increased scrutiny of cross-border operations.*



## BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Dispute prevention and resolution mechanisms in the international context



**01**

**Develop a Comprehensive Tax Treaty Network**

**02**

**Mutual Agreement Procedures (“MAPs”)**

**03**

**Arbitration**

**04**

**Advance Pricing Arrangements (“APAs”)**

**05**

**International Compliance Assurance Program (“ICAP”)**

**06**

**Participation in international forums**



### 01

## Develop a Comprehensive Tax Treaty Network



- Tax Treaties or Avoidance of Double Taxation Agreements (“DTAs”) provide:
  - Certainty to taxpayers engaged in cross-border activities on the tax treatment for their activities
  - Legal basis for jurisdictions to resolve cross-border tax disputes (Mutual Agreement Procedure (“MAP”))
- Singapore has developed a network of around 100 DTAs
- All of Singapore’s DTAs contain the MAP article that enables taxpayers to request for the Inland Revenue Authority of Singapore (“IRAS”) to resolve cross-border disputes (through MAP) or provide advance tax certainty (through bilateral or multilateral APAs) with foreign tax authorities



### 02

## Mutual Agreement Procedures (“MAPs”)

- Dispute resolution facility under the DTA which allows tax authorities to interact with the intent of resolving international tax disputes and to assist taxpayers to eliminate double taxation
- Jurisdictions should ensure taxpayers have access to MAP and that MAP functions are adequately resourced to ensure that cases are resolved in a timely manner
- In Singapore, MAP is available to:
  - a) Taxpayers who are Singapore tax residents; and
  - b) Taxpayers who are not Singapore tax residents but have a branch in Singapore
- Taxpayers can initiate a MAP when the actions of one or both of the Contracting States result or will result in taxation not in accordance with the provisions of the relevant DTA, within the time limits as specified in the MAP article
- Singapore is also a member of the FTA-MAP Forum and is subject to peer reviews to ensure that its practices comply with the BEPS Action 14 Minimum Standard. For instance, Singapore strives to resolve its MAP cases with its treaty partner within an average period of 24-months.



### 03

### Arbitration

- Alternative dispute resolution mechanism if tax authorities are unable to reach agreement or are unable to do so in a timely manner under MAP
- To provide more certainty and timeliness to taxpayers for cross-border disputes, Singapore opted for the mandatory binding arbitration provisions to be included in our DTAs when she signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (“MLI”)
- 22 of Singapore’s DTAs have been updated to include the arbitration provisions under the MLI
- Arbitration provisions may also be included in Singapore’s DTAs through bilateral discussion with our DTA partners





04

**Advance Pricing Arrangements (“APAs”)**

- Dispute prevention facility under the MAP article or domestic tax law
- Provides advance certainty to taxpayers on the pricing of their transactions
- All three types of APAs are available to taxpayers in Singapore, i.e., Unilateral, Bilateral, and Multilateral
  - Bilateral or Multilateral APAs will provide the most certainty to taxpayers as these are agreed with other jurisdictions
- Majority of Singapore’s APA cases are bilateral APA cases
- In relation to the APA period, generally, IRAS would accept:
  - For forward years, to cover 3 to 5 future financial years
  - For roll-back years, up to 2 prior financial years



**05**

**International Compliance Assurance Programme  
("ICAP")**

- Voluntary risk assessment and assurance programme to facilitate open and cooperative multilateral engagements between MNE groups and the tax administrations in jurisdictions where they have activities
- Singapore participates in the ICAP developed by the OECD since 2021
- Under ICAP, IRAS works with the MNE group and other participating tax administrations to reach a mutual understanding of the tax risks present in the activities and transactions carried out by the MNE group
- ICAP is designed to provide an efficient and coordinated approach to multilateral tax certainty for both the MNE group and tax administrations



06

Participation in international forums

OECD Forum on Tax Administration  
– Mutual Agreement Procedures  
("FTA-MAP Forum")

Belt and Road Initiative Tax  
Administration Cooperation  
Mechanism ("BRITACOM")

FTA Tax Certainty Focus Groups –  
APA best practices, multilateral  
APAs/MAPs and benchmarking

Study Group on Asian Tax  
Administration and Research  
("SGATAR")



## BUILDING A GROWTH-FRIENDLY TAX ENVIRONMENT

Dispute prevention and resolution mechanisms in the domestic context



**01**

**Educating Taxpayers**

**02**

**Compliance Initiatives**



### 01

## Educating Taxpayers

- To minimise ambiguities and facilitate compliance by taxpayers, jurisdictions should provide clear and consistent interpretations of laws and regulations
- IRAS regularly provides guidance through its website and publishes its technical positions through electronic Tax Guides}
- IRAS conducts seminars/ workshops to educate taxpayers and engages in regular dialogues/ consultations with the business community. This enables IRAS to co-create new rules with taxpayers, taking into account their feedback.



### 02

## Compliance Initiatives

- Enhanced Taxpayer Relationship (“ETR”) programme for large corporations
- Advance Ruling System
- Tax Governance Framework (“TGF”) and Tax Risk Management and Control Framework for Corporate Income Tax (“CTRM”)
- Assisted Compliance Assurance Programme (“ACAP”) for Goods and Services Tax



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**THANK YOU**