

SPEECH BY MRS LIM HWEE HUA, SENIOR MINISTER OF STATE FOR FINANCE AND TRANSPORT, AT THE SEMINAR ON THE REGIONAL PERSPECTIVES ON TRANSFER PRICING ON FRIDAY, 17 OCTOBER 2008, 9.05 AM AT GRAND HYATT SINGAPORE

Commissioner of Inland Revenue

Chairman and CEO of Tax Academy

Distinguished Guests

Ladies and Gentlemen,

It is my pleasure to join you this morning at the Tax Academy's Signature Conference on the Regional Perspectives on Transfer Pricing. I would first like to extend a warm welcome to all our delegates and especially our overseas speakers who have travelled some distance to join us here. It is a commendable effort on your part to contribute towards the sharing of knowledge in the field of taxation.

Transfer Pricing

2 Transfer Pricing, which is the focus of today's conference, is an important area in an increasingly global business environment where companies establish different activities across borders to enjoy locational advantages. It is rare in today's business world to find companies whose operations are restricted within their own domestic markets. More often than not, transactions take place between related entities in different countries, in which goods, services or even intangible property are exchanged. The pricing of these related party

transactions, or transfer pricing, which usually involves more than one tax jurisdiction, is one of the most difficult and challenging issue facing us today.

3 Most countries adopt the arm's length principle, which approximates the price that independent parties will pay each other for similar transactions. Although the arm's length principle is an universally accepted concept, numerous issues arise in its practical application. As global transactions become increasingly complex, the task of determining an appropriate transfer price becomes all the more challenging. Today's conference is a good opportunity for tax experts who are familiar with the transfer pricing regime in their home countries to share their insights on this pressing topic. The issues will be relevant for all regardless of which jurisdiction we come from. It is also useful to bring together tax officers, tax practitioners and taxpayers to explore how interactions amongst them may be enhanced to facilitate the resolution of transfer pricing issues.

4 Continuing dialogue will ensure that companies continue to recognise the importance of ensuring that the pricing policies and practices of their intra-group transactions remain robust and compliant with respect to the transfer pricing regulations in each country. In this aspect, tax agents, and some of you who are present this morning, play a significant role in helping clients understand the tax rules and fulfill tax obligations.

IRAS partners Tax Agents for facilitating Tax Compliance

5 A recent OECD study on the relationship between the tax authority and tax agents shows that most tax agents have a positive impact on the compliance behaviour of taxpayers. In fact, many tax authorities recognised the importance of the roles tax agents play and have proactively implemented strategies to engage them to help bring about voluntary tax compliance.

6 IRAS recognises that tax agents play an important role in facilitating tax compliance. Indeed, about half of our 130,000 corporate taxpayers are represented by tax agents. As tax agents work closely with their clients, they also glean valuable insights into the business needs and concerns of their clients. They serve as a valuable channel of feedback for IRAS in the formulation and refinement of tax policies and practices.

7 Given that IRAS and tax agents share the same objective of ensuring tax compliance by the businesses and facilitating business growth, there are opportunities for closer partnership and collaboration particularly in the area of training and improving the competence of tax agents. IRAS sees the need for tax agents to keep abreast with changes in tax policies and practices in order to service taxpayers well.

An Industry-Wide Capability Development Roadmap

8 Indeed I am happy to note that the Tax Academy - a collaboration between IRAS, the key stakeholders in the tax industry,

ICPAS and the Law Society - has developed an industry-wide capability development roadmap to raise the professional competency and standards of tax professionals in Singapore. The Tax Academy has a Structured Tax Training Framework that provides the essential building blocks in tax education for professionals who are serious about gaining a high level of competency in taxation. The building blocks begin with the Basic Tax Course which gives a proper grounding in the fundamental concepts of taxation. This is followed by, the Intermediate Tax Course that equips one with the principles and applications in business and company taxation, and finally culminating in the Advanced Tax Programme – which offers broader and deeper perspectives to advanced topics in taxation like tax incentives, international tax planning and regional taxation. Together with IRAS' annual seminars on basic filing obligations and compliance, and ICPAS's training in professional ethics, the Tax Academy and its partners have laid out a comprehensive and robust roadmap for professionals keen on the pursuit of a rigorous education in tax.

Over \$1 million funding by IRAS and ICPAS for Structured Tax Training and more than 90% of tax agents will enjoy the subsidy

9 We see the Structured Tax Training Framework as a significant tool to grow talent and encourage tax professionals to be firmly grounded in tax principles essential for advisory and compliance work. Smaller tax agents will get more help in this respect. IRAS understands the challenges and constraints smaller tax agents face in going for training.

10 I am pleased to announce that IRAS will be setting up a fund of \$1 million to encourage tax agents to attend the essential training courses. This will be disbursed by way of a subsidy of 50% of the course fees for courses conducted by the Tax Academy. ICPAS has also contributed a further \$300,000 to provide its members who take up the courses an additional 15% subsidy. In all, a tax agent who is an ICPAS member can look forward to up to 65% subsidy of the course fees for the courses conducted by the Tax Academy while non-ICPAS members will receive up to 50% of subsidy. This means that more than 90% of tax agents will benefit from the subsidy.

11 The \$1.3 million training fund is expected to provide support to more than 1,600 trainees over a 5-year period with effect from 1 Jan 09. We hope the incentive will encourage tax agents to upgrade themselves continually.

12 In addition, IRAS will be providing more services and tools to facilitate the tax agents in their work. A Tax Agent website and database will enable timely dissemination of the latest tax information. Tax Agents would also be informed of the latest seminars, workshops and focus groups via this channel. In the process IRAS hopes to engage a larger group of tax agents through these channels and have more regular Tax Agents dialogues.

Conclusion

13 These collaborations will bring about closer relationships between IRAS and Tax Agents. Consequently, it will reduce the compliance cost for taxpayers to do business in Singapore.

14 On this note, it is my pleasure to declare the Conference on the “Regional Perspectives on Transfer Pricing” open. I wish all tax regulators, professionals and practitioners here fruitful discussions, warm company and an enjoyable stay in Singapore. Thank you.