



Transfer Pricing Requirements in Singapore



TRANSFERPRICING
SOLUTIONS ASIA

■ ABOUT **TRANSFER PRICING SOLUTIONS**

Transfer Pricing Solutions (or TPS) specialises in providing Practical, Proactive and Cost-Effective transfer pricing advice from our experienced team to a global list of clients.



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Arm's length Principle

1.



What is the Arm's Length Principle?

- The arm's length principle is the **international standard** to guide transfer pricing (i.e. pricing of transactions between related companies within the same group) which requires related parties to enter into transactions under comparable conditions and circumstances as entered with an independent third party.
- In other words, related party transactions (“RPT”) have to:
 - i. Make commercial sense; and
 - ii. Reflect an arm's length pricing i.e. market price.

2.



Transfer Pricing Environment in Singapore

How is the Transfer Pricing Environment in Singapore?

- Singapore is an attractive place to do business and hence attracts many foreign multinational companies to set up offices in the country, thereby giving rise to many cross-border RPTs.
 - As such, the Inland Revenue Authority of Singapore (“IRAS”) has been active in monitoring Singapore taxpayer’s compliance with the transfer pricing regulations.
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3.



Transfer Pricing Requirements in Singapore

What are the Transfer Pricing Requirements in Singapore?

- All Singapore taxpayers engaged in RPTs have to comply with the arm's length principle. From Year of Assessment (YA) 2018, Singapore taxpayers must state in the corporate tax return whether the value of RPT exceeds SG\$15 million for the relevant YA.
 - If exceeded, taxpayers have to complete the Form for Reporting of Related Party Transactions ("RPT Form") and submit it together with the tax return. The RPT Form serves as a risk assessment tool by IRAS and can be considered as the starting point for IRAS to select cases for a transfer pricing audit.
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What are the Transfer Pricing Requirements in Singapore?

- Furthermore, under Section 34F of the Income Tax Act, it is **mandatory** for Singapore taxpayers who meet certain conditions to prepare and maintain transfer pricing documentation to demonstrate compliance with the arm's length principle.
 - Transfer pricing documentation should be **contemporaneous** to the related party transactions (i.e. latest by the time of filing the tax return for the financial year in which the transaction takes place) and be submitted within **30 days** to IRAS upon request.
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4.



Benefits of Preparing Transfer Pricing Documentation

What are the Benefits of Preparing Transfer Pricing Documentation?

- ✓ Reduce the risk of transfer pricing audit and dispute with IRAS
 - ✓ Helps to explain the taxpayer's position to IRAS
 - ✓ Minimise penalties in the event of an audit adjustment
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What are the Benefits of Preparing Transfer Pricing

Documentation?

- Preparation of transfer pricing documentation does not only demonstrate the taxpayer's commitment in adhering to transfer pricing laws, it also provides IRAS with useful information to conduct an informed transfer pricing risk assessment and thorough audit.
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Risks for non-compliance

What are the risks for non-compliance?

Non-compliance with TPD requirements

- Penalty of up to SG\$10,000 for each year of non compliance

Non-compliance with arm's length principle

- Transfer pricing adjustments resulting in:
- Additional tax payable
 - Surcharge of 5% on the adjustments
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What are the risks for non-compliance?

Furthermore, taxpayers are NOT allowed to:

- Perform year-end adjustments (e.g. adjustments leading to reduction of income for the Singapore taxpayer, but not allowed for tax deduction due to non-compliance)
- Request assistance from tax authority in case of double taxation issues.

Thank You

Adriana Calderon

Director

Transfer Pricing Solutions Asia Pte Ltd

8 Marina View, Asia Square Tower 1

#42-01 Singapore. 018960

adriana@transferpricingsolutions.asia

T +65 3158 5806



www.transferpricingsolutions.asia



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