



Does your  
foreign parent  
company documentation  
provide Singapore  
compliance?



**TRANSFERPRICING**  
SOLUTIONS ASIA

# ■ ABOUT **TRANSFER PRICING SOLUTIONS**

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



**PRACTICAL,  
PROACTIVE &  
COST EFFECTIVE**



**25+ YEARS  
EXPERIENCE**



**FLEXIBLE  
TEAM**

## WHY TRANSFER PRICING SOLUTIONS

# 'SHIELD' 6-POINT GUARANTEE

- **SECURITY**  
Security of your commercial information
- **HIGH QUALITY**  
Team with 5 years or more of TP advisory experience
- **INTEGRITY**  
Every quote we provide is final, fixed and all-inclusive
- **EXECUTION**  
Seamless execution
- **LEADERS**  
Thought leaders
- **DIRECTORS**  
Director involvement in projects and available.



# **TRANSFER PRICING FOR SINGAPORE OPERATIONS**

## **TRANSFER PRICING DOCUMENTATION POLICY**

- Adherence to laws and regulations
- Perform local benchmarking
- Penalty protection and reduce risk of audit
- Relevance to local operations

## **IRAS GUIDELINES AND RECOMMENDATIONS**



# FOREIGN TP AND SINGAPORE OPERATIONS





● Will this documentation policy be accepted in Singapore?

#### CASE STUDY

## FOREIGN TP & SINGAPORE OPERATIONS

A US multinational company with subsidiaries around the world, including Singapore, recently prepared new US transfer pricing documentation.

The company applies their transfer pricing policies on a global basis.

The US tax director instructs the Singapore tax director to use this documentation to support the prices charged by the US Company to the Singapore subsidiary.

**Is the US documentation acceptable in Singapore?**



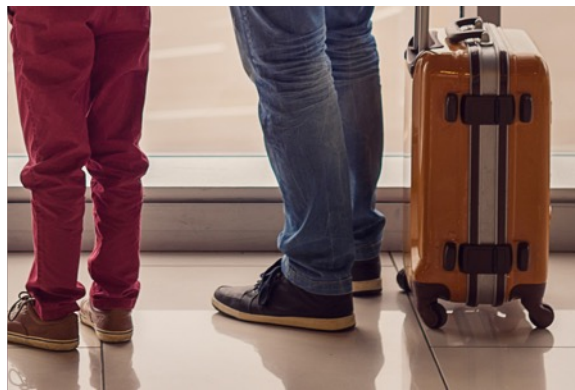
## FOREIGN TP AND SINGAPORE OPERATIONS

# THE CHILD PASSPORT

Imagine going on a holiday overseas with your parents. What is the one essential item that gets you entry into another country? Your passport!

Even whilst travelling with your parents, would the immigration officer accept your entry into their country by only accessing your parents' passports?

Clearly, the answer would be a strict NO. You must present your individual passport comprising your unique passport number, photo and other identification details.



## FOREIGN TP AND SINGAPORE OPERATIONS

The same concept is applied with transfer pricing documentation. You may have documentation prepared by your parent entity with information of the overall business operations and supply chain, but does the transfer pricing documentation reflect your local business operations and circumstances in detail?

There are several reasons on why having a transfer pricing documentation prepared by your parent company may not meet the Singapore transfer pricing requirements.





# TP DOCUMENTATION POLICY



## ■ ADHERENCE TO SINGAPORE LAWS AND REGULATIONS

Does transfer pricing documentation drive the obligation to comply with the arm's length principle?

The arm's length principle applies to all Singapore taxpayers that entered into a controlled transaction.



## ■ ADHERENCE TO SINGAPORE LAWS AND REGULATIONS

Most countries have local transfer pricing regulations in place that require taxpayers to analyse and document their intercompany transactions.

Singapore is no different.

In fact, the **requirements under IRAS are fairly detailed and complex.**

Taxpayers that do not prepare transfer pricing documentation accordingly face **higher penalties** if they receive a transfer pricing adjustment that increases their tax liabilities in Singapore.



## ■ ADHERENCE TO SINGAPORE LAWS AND REGULATIONS

### TRANSFER PRICING RULES

- ✓ To ensure that the amount of tax brought into Singapore from cross-border conditions between entities reflects the arm's length contribution made by Singapore operations.
- ✓ The amount should reflect the conditions that might be expected to operate between entities dealing at arm's length, by:
  - considering any connection between the entities and;
  - any other relevant circumstance.



## ■ ADHERENCE TO SINGAPORE LAWS AND REGULATIONS

### TRANSFER PRICING RULES

- ✓ Extensive transfer pricing documentation requirements outlined in Singapore Transfer Pricing Guidelines may add to taxpayers' ongoing tax and transfer pricing compliance costs
- ✓ Without such documentation **taxpayers will not be able to defend their position** in the event that penalties are imposed following a transfer pricing adjustment.



## ■ ADHERENCE TO SINGAPORE LAWS AND REGULATIONS

Singapore TP Guidelines states having transfer pricing documentation in compliance with the Singapore TP requirements in place will:

- ✓ reduce the risk of audit and dispute with IRAS;
- ✓ help explain the taxpayer's position to IRAS and
- ✓ minimise penalties in the event of an audit adjustment.
- ✓ Avoid Non compliance penalties

Having transfer pricing documentation prepared by the Singapore taxpayers will provide IRAS with useful information to conduct an informed transfer pricing risk assessment and thorough audit.



## ■ PERFORM LOCAL BENCHMARKING

**IRAS generally prefers Singapore and Regional comparable companies during review or audit.**

Where a global or different regional set is used for Singapore purposes, IRAS will challenge the set and its results.

**Therefore, the benchmarking study conducted for the purposes of the global parent company's operations may not be acceptable for the Singapore transfer pricing regime.**



## ■ PERFORM LOCAL BENCHMARKING

The **five comparability factors** proposed by the Organisation for OECD guidelines will not be analysed accurately between the Singapore taxpayer and the global comparable companies incorporated in the global transfer pricing documentation.

A benchmarking study tailored to the taxpayers' circumstances is our recommended approach because:

- ✓ It appropriately addresses all of the comparability factors as per the OECD Guidelines and;
- ✓ provides a strong basis to defend against any transfer pricing challenge.





## ■ PENALTY PROTECTION AND REDUCED RISK OF AUDIT

Having a transfer pricing documentation prepared for the compliance of a country other than Singapore may lead to enormous tax consequences and penalty payments in Singapore.

Taxpayers seeking penalty protection will need to keep contemporaneous documentation in respect of conditions that are both material and relevant to their transfer pricing position for the relevant income year in Singapore.



## ■ PENALTY PROTECTION AND REDUCED RISK OF AUDIT

Failure to prepare documentation contemporaneously in accordance with the Singapore transfer pricing requirements will:

- ✓ prevent accessing lower penalties if the taxpayers receive a transfer pricing adjustment that increases their tax liabilities in Singapore.
- ✓ Prevent from performing year-end and retrospective adjustments
- ✓ Prevent to request assistance from tax authority in case of double taxation issues

**Failure to prepare contemporaneous documentation cannot be remedied later.**



An aerial photograph of a plantation, likely rubber or palm, showing neat rows of trees. A dirt road runs diagonally across the center. Two workers in bright clothing are visible on the road. The image is partially obscured by a white text box on the right side of the slide.

## ■ RELEVANCE TO LOCAL OPERATIONS

**Locally prepared transfer pricing documentation represents the local operations accurately whilst meeting the local transfer pricing requirements.**

This means that the transfer pricing documentation will include:

- ✓ an overview of the Singapore business operation;
- ✓ the industry in which the Singapore entity operates;
- ✓ information on the local competitors, customers and suppliers.

An aerial photograph of a vast agricultural field, likely a plantation, showing neat rows of green and brownish plants. A long, straight dirt road or path runs diagonally across the field from the bottom left towards the top right. A few small figures or vehicles are visible on the road in the lower-left quadrant.

## ■ RELEVANCE TO LOCAL OPERATIONS

The local transfer pricing documentation provides the IRAS with access to the financial performance of the business and compare it with the Singapore market.

Disclosing details of the Singapore operations only, as opposed to the global business operations, will render IRAS less likely to probe further.

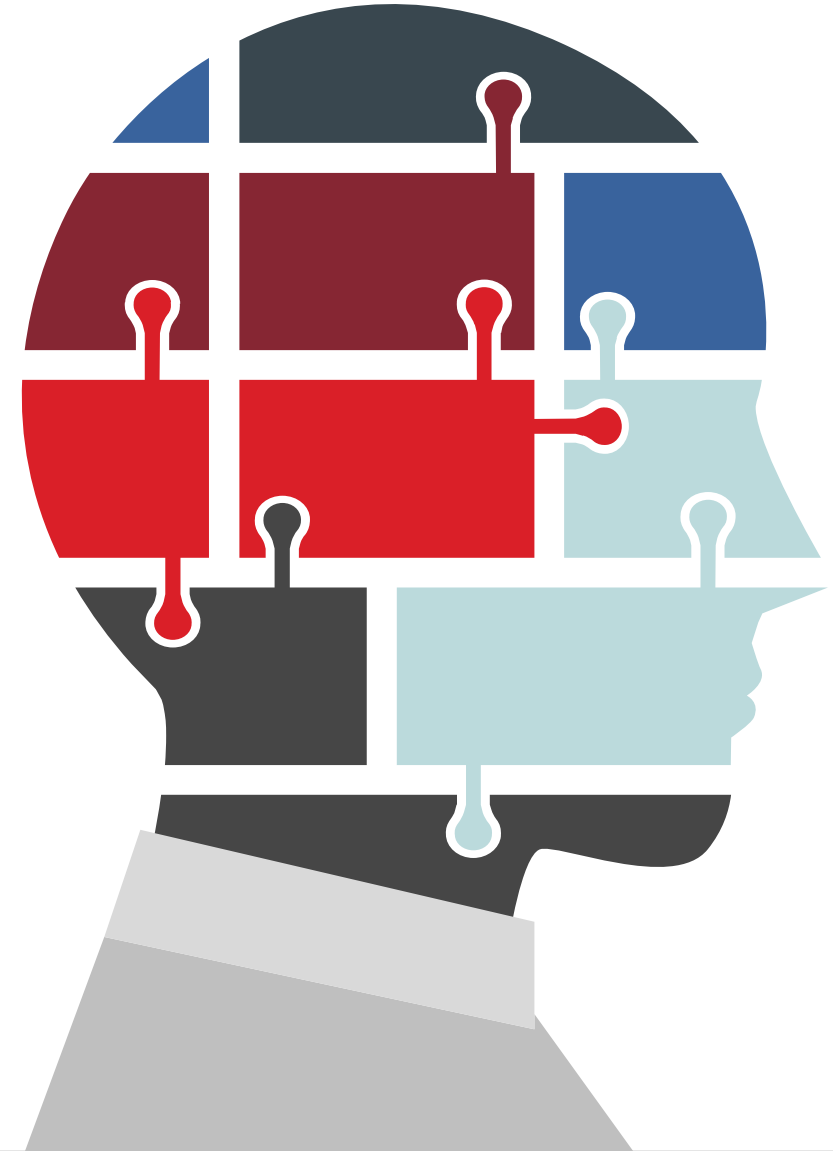
# IRAS RECOMMENDATIONS



# ■ SINGAPORE TP GUIDELINES

## THREE STEP APPROACH

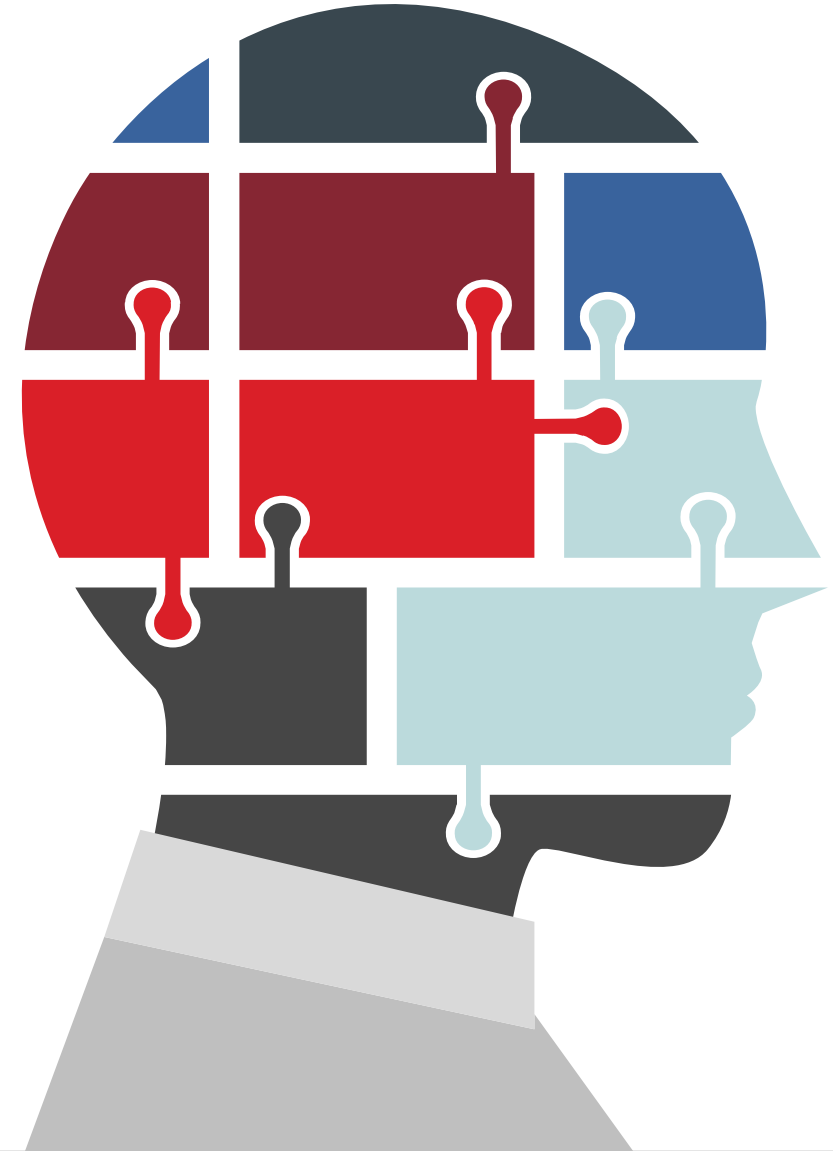
1. Step One Comparability analysis



## ■ SINGAPORE TP GUIDELINES

### THREE STEP APPROACH

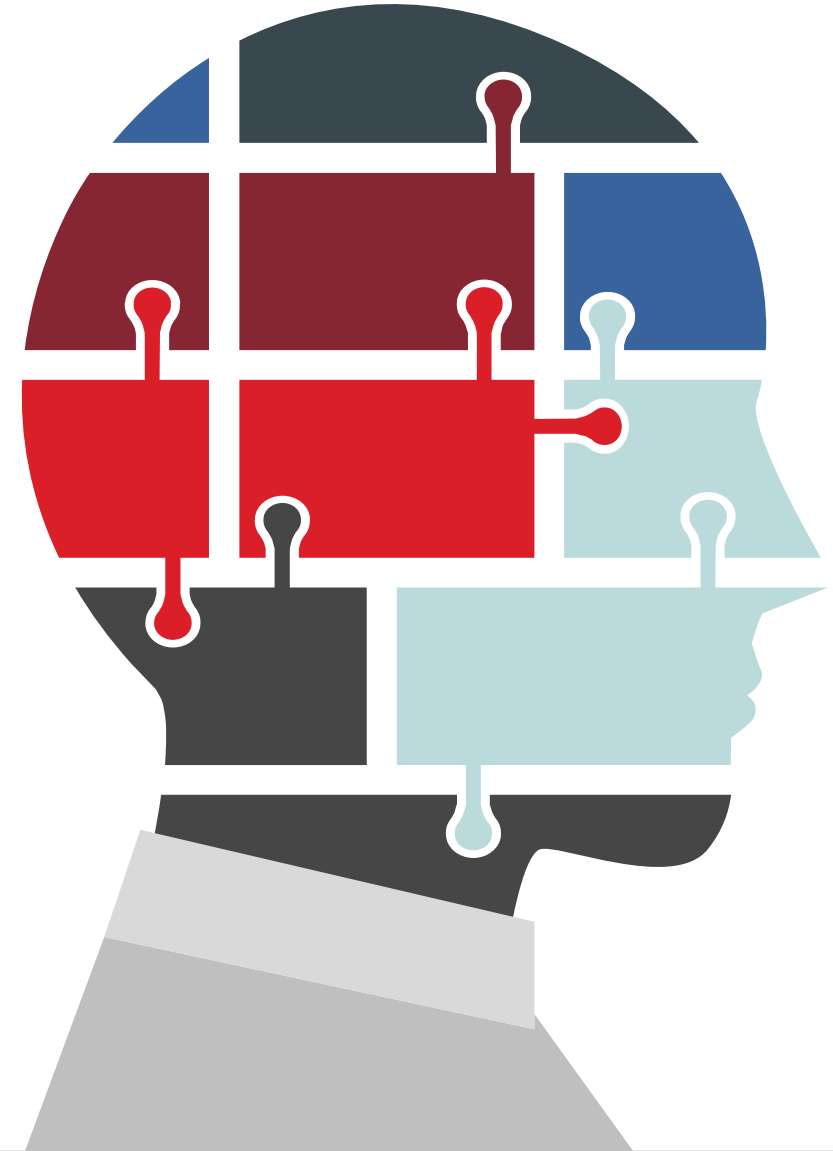
1. Step Two Appropriate TP method and tested party



## ■ SINGAPORE TP GUIDELINES

### THREE STEP APPROACH

1. Step Three Determine the arm's length result

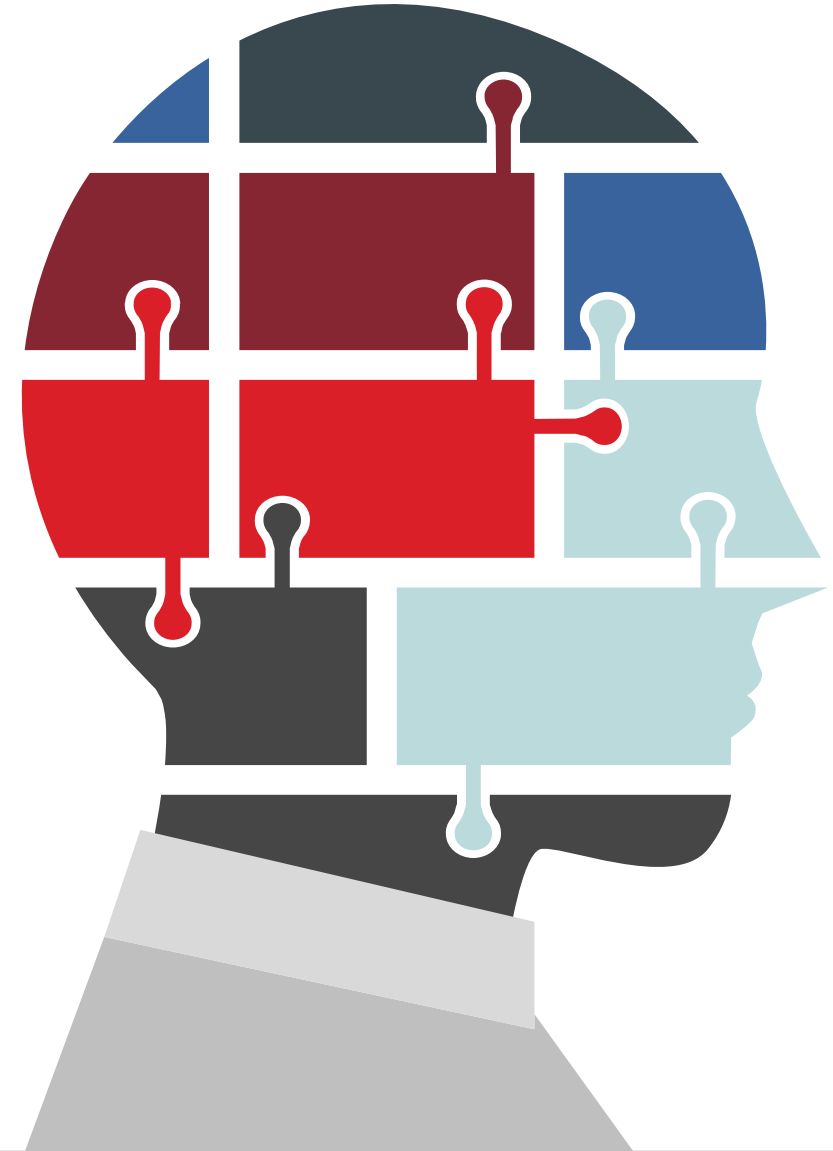




# ■ SINGAPORE TP GUIDELINES

## ADDITIONAL ANALYSIS

1. Group level analysis
2. Entity Level analysis
3. Contemporaneous TPD – Ready by lodgment of tax return

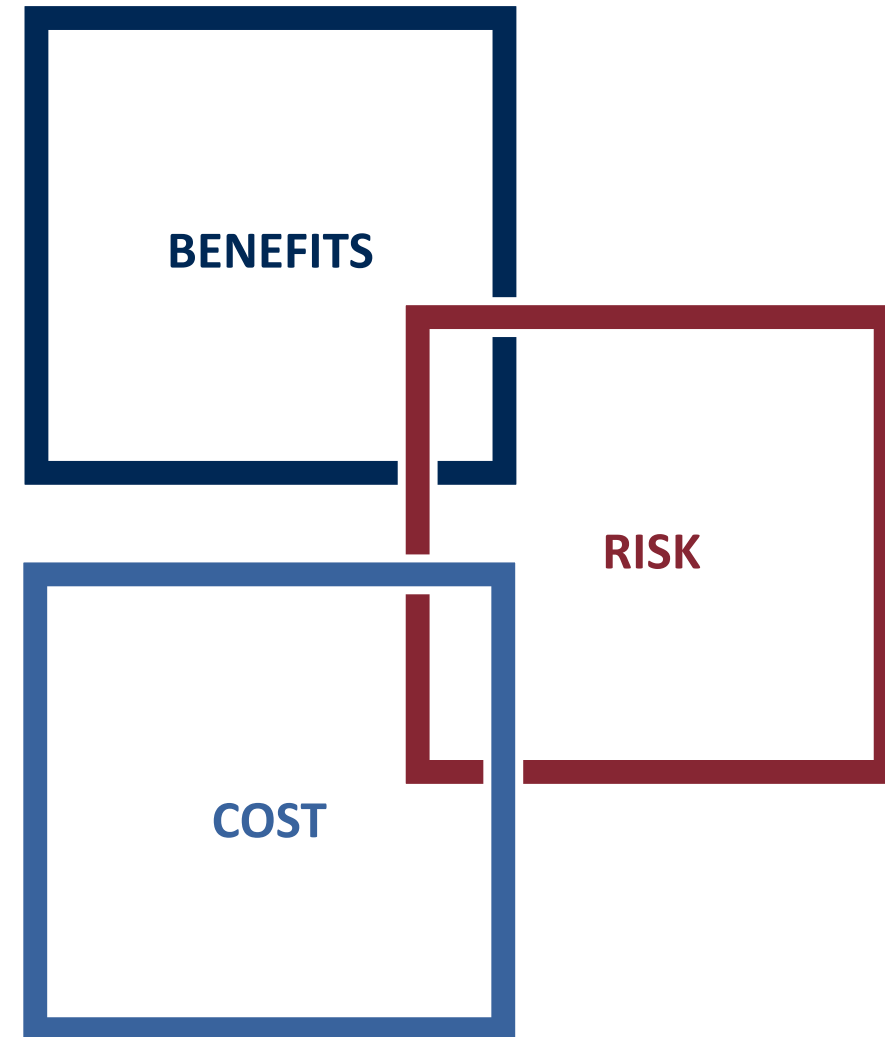


## ■ BENEFITS AND RISK

It's important to weigh up the convenience of retaining a transfer pricing documentation prepared by the parent company versus the consequences of non-compliance.

A locally prepared transfer pricing documentation will focus on local operations and will comply with the relevant Singapore transfer pricing requirements.

We look forward to assisting you prepare your Singapore Transfer Pricing Documentation.



## CONTACT AND FOLLOW

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