



Transfer Pricing  
**Country Summary**

**Singapore**

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## 1. Introduction

Singapore provides follow the OECD TP Guidelines. The Singapore TP Guidelines are outside of its domestic legislation and their role is to provide guidance to the taxpayers on how to ensure compliance with the arm's length principle. The arm's length principle is stipulated in section 34D of the Singapore Income Tax Act.

## 2. Laws & Regulations

### a) References to OECD/EU/Local Rules

- Section 34D of the Singapore Income Tax Act.
- Section 13(16) of the Singapore Income Tax Act.
- Section 34F of the Income Tax Act.

### b) Definition of Related Party

'Related parties' are defined in section 13(16) of the Singapore Income Tax Act. Accordingly, 'related parties':", in relation to persons, means any other persons who, directly or indirectly, controls those persons, or is controlled, directly or indirectly, by those persons, or where they and that other persons, directly or indirectly, are under the control of common persons.

### c) Nature of Transfer Pricing Documentation

From fiscal year 2019 taxpayers are required to file Transfer Pricing Documentation, in accordance with Section 34F of the Income Tax Act. Consequently, taxpayers who Gross revenue derived from their trade or business is more than S10 million for the basis period concerned; or Transfer pricing documentation was required to be prepared for the basis period immediately before the basis period concerned; must file TP documentation. Documentation needs to be submitted to the Tax authorities by the filing due date of the income tax return.

### d) Tax Havens & Blacklists

Singapore is known as a tax haven, since there are several favourable policies for people doing business there. The country offers several tax breaks, boasts a relatively low corporate tax rate and top personal tax bracket, and it does not levy taxes on capital gains.

### e) Advance Pricing Agreement (APA)

The Singapore Tax Authorities allow for the APA procedure, and they encourage taxpayers to proceed with APA for efficiency. There are three types of APAs accepted in Singapore, namely Unilateral APAs, Bilateral APAs and Multilateral APAs. APAs are consider as the most prominent dispute prevention method in Singapore.

### f) Audit Practice

The Tax Authorities perform audits to review the TP Documentation of taxpayers and to ensure that they comply with the arm's length principle and the documentation requirements. First, taxpayers choose which companies they will review, and thus the first step in the process is that of Fact finding and discussion. Usually, in that stage the Tax authorities request information and documents, while also conducting interviews. The second stage comprises of the completion of the review. In that stage the Tax authorities give suggestions to the taxpayers on how to improve their TP documentation and they also comment on whether the appropriate TP method was used. If the transfer prices are not in arm's length the Tax authorities may make a TP adjustment and impose a surcharge of 5%.

### 3. Transfer Pricing Documentation

#### a) Level of Documentation

In Singapore, taxpayers are required to produce a local TPD and CbCR. There is no separate requirement to keep a Master file, as some of the information that normally needs to be kept as part of the master file is contained in the local TPD file. The parent company of the MNE Group in Singapore must submit CbC reports for all companies in the group if certain conditions are met: The parent company of the MNE group resides in Singapore for tax purposes. In the previous fiscal year, MNE Group's consolidated group sales were at least S\$ 1.125 billion. A multinational corporation has a subsidiary or business in at least one foreign jurisdiction. The CbC report must be submitted to the Tax authorities by the parent company within 12 months of the end of the fiscal year.

#### b) Industry Analysis

By identifying value drivers for the relevant industry, a first indication of the level of profitability common in the industry is being given.

#### c) Company Analysis

A description of the management structure of the local entity, a local organisation chart, and a description of the individuals to whom local management reports and the country(ies) in which such individuals maintain their principal offices.

A detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity.

#### d) Functional Analysis

In conducting a functional analysis, an assessment is made of the significant activities and responsibilities that are performed by the related parties relevant to the Intercompany Transactions under review, the tangible and intangible assets that are employed and the risks that are borne in undertaking the business activities. Such an assessment is consistent with the recommendations that have been made in the OECD Guidelines at paragraph 1.51.

#### e) Choice of Transfer Pricing Method

The Singapore accepts the TP methods specified in the OECD guidelines. Namely, Singapore accepts:

- CUP method;
- resale price method (RPM);
- cost-plus method (CPM);
- profit split method;
- transactional net margin method (TNMM).

Sections 5.104 to 5.106 of the Singapore TP Guidelines specify that there is not a coherent hierarchy of the TP Methods. Nevertheless, it is noted that there may be conceptual strengths in using the most direct methods (CUP, RPM, CPM). In principle, the method that produces the most reliable results, taking into account the quality of available data and the degree of accuracy of adjustments, should be selected. Taxpayers may also choose other more appropriate methods or use a combination of various methods to ensure compatibility with the arm's length principle.

#### f) Economic Analysis – Benchmark Study

Singapore requires taxpayers to perform Benchmark studies in order to determine the relevant arm's length price.

#### g) Inter-company (IC) Legal Agreement

Although an Inter-company legal agreement formalizes the business and financial relationship between group entities, the legal agreements have a lower ranking since the OECD 2017 Guidelines made the "conduct of parties" the prevailing concept.

#### h) Financial Statements

Taxpayers need to disclose their financial statements as part of their TP documentation.

#### i) Production Process for TP Relevant Returns, Documents, Forms and Financials

In the chart below, the existence of the filing requirements with the details of which format is used, the latest filing date, notification requirement and its deadline, thresholds to be applied in case it exists, and the required languages are demonstrated. This information can be seen respectively for CIT, master file, local file, CbCR, local forms, annual accounts and segmented P&L documentations.

	Prepare or File?	Format	Deadline	Notification on Deadline*	Threshold* (Yes/No)	Local Language (Yes/No)*(If "No", it can be filed in English)
<b>Corporate Income Tax</b>	Prepare	Special form	November 30 <sup>th</sup> 2022	30 days upon request	No	No
<b>Master File</b>	Prepare	OECD Guidelines	November, 30 <sup>th</sup> .	Yes	No	No
<b>Local File</b>	Prepare	OECD Guidelines	November, 30 <sup>th</sup> .	Yes	Yes	No
<b>CbCR</b>	File	Form No. 15	December, 31 <sup>st</sup> .	Yes	Yes	No
<b>Local Form</b>	File	Related Party Transaction Form	November, 30 <sup>th</sup> .	Yes	No	No
<b>Annual Accounts</b>	N/A	N/A	N/A	N/A	N/A	N/A

Segmente dP/L	N/A	N/A	N/A	N/A	N/A	N/A
* Singapore has signed the MCAA agreement for the filing of CBCR.						
* Country does not request as much and detailed information from smaller and less complex enterprises (SME's included) than it does from large and complex enterprises.						

#### j) Mandatory Language

In Singapore, the taxpayers must prepare their TP documentation in English.

#### k) Notification Requirement

The Tax Authorities must inform the taxpayer, who is under review. Then, the taxpayer has 30 days to provide all the relevant documentation.

#### l) Record Keeping

- TP documentation and records, must be kept for at least 5 years from the end of the basis period in which the transaction took place. Liability for the penalty arises in cases where there is: Failure to prepare transfer pricing documentation in accordance with the prescribed timing or content; Failure to submit transfer pricing documentation within 30 days of a request by IRAS;
- Failure to retain transfer pricing documentation for at least 5 years; or
- Provision of any documentation that is false or misleading.

#### m) Penalties and Interest Charges

The penalty for non-compliance is a fine that does not exceed 10,000S.