

SINGAPORE TP REGULATIONS

February 2018

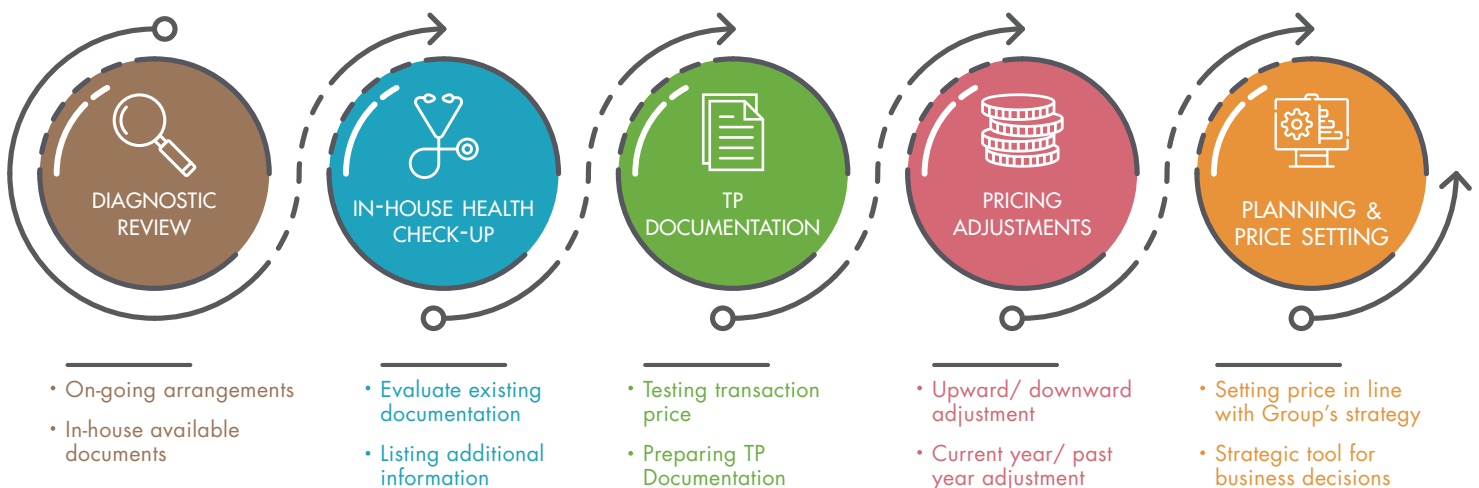
What do the new Transfer Pricing Regulations say?

The Singapore Transfer Pricing (TP) Regulations have seen considerable progress in past six months with a legislative amendment to the Singapore Income Tax Act in October 2017 which mandates preparation of TP Documentation (TPD) followed by the issuance of Income Tax (Transfer Pricing Documentation) Rules 2018 ('TPD Rules') and the release of 5th edition to the TP Guidelines in February 2018.

- ☑ Contemporaneous TPD mandated with effect from YA2019 under Section 34F
- ☑ Turnover-based criteria (Transaction criteria continues) – Turnover of more than S\$10 mn to prepare TPD
- ☑ Precedence based criteria – Taxpayer continue to prepare TPD if prepared for earlier year
- ☑ Taxpayers with consistent lower turnover (below S\$ 10 mn) need not prepare TPD in third year
- ☑ Qualifying Past TPD – TPD prepared for one year could be referred for subsequent two years
- ☑ Group level & entity level information in TPD is in line with OECD's Master File & Local File
- ☑ Comptroller authorised to disregard actual transaction on identifying non-arm's length conditions
- ☑ Comptroller can increase income or reduce deduction/ losses by imputing TP adjustment
- ☑ 5% surcharge proposed on value of TP adjustment so imputed by the Comptroller
- ☑ 5% surcharge effectively translates to penalty of ~30% on additional taxes (based on a 17% tax rate)
- ☑ Penalty for non-maintenance / non-furnishing of TPD increased 10-fold to S\$ 10,000
- ☑ Contemporaneous TPD mandatory to pursue MAP & APA process

What should the taxpayers do?

One of the key aspects of managing the TP risks would be to undertake a holistic review of arrangements/ documents as on date, identify improvement areas and prepare contemporaneous TPD to explain pricing approach and its consistency with the regulations



Taxpayers should analyse the regulations and exercise the benefits as provided in the Regs such as exemptions to prepare TPD, leverage from Qualifying Past TPD, undertaking year-end & retrospective price adjustments etc.

How we can help

3 YEARS COMPLIANCE BLOCK

ACTIVITY SCHEDULE	YEAR 1 (YA 2019)	YEAR 2 (YA 2020)	YEAR 3 (YA 2021)
DIAGNOSTIC REVIEW			
Evaluating TPD applicability	✓	✓	✓
Analysing on-going arrangements	✓	✗	✗
IN-HOUSE DOCUMENTATION REVIEW			
Assessing strength of existing documentation	✓	✗	✗
Gap analysis & listing additional documents	✓	✗	✗
PREPARING TP DOCUMENTATION			
Testing the arm's length price	✓	✓	✓
Finalising TP documentation	✓	✗	✗
Applicability test for <i>Qualifying TPD</i>	NA	✓	✓
YEAR-END / RETROSPECTIVE ADJUSTMENTS			
Computation of possible TP adjustments	✓	✓	✓
Preparing documents to give effect	✓	✓	✓
TP PLANNING & PRICE SETTING			
Review and reset existing transfer prices for future years in line with arm's length principle	✓	✗	✗

**It is assumed that the nature of related party transactions will remain constant in the three-year period.
Any new related party transaction in Year 2 or 3 would independently go through the compliance block starting from Year 1.*

Contact Us

Dinesh Kanabar
dinesh.kanabar@dhruvaadvisors.com

Dhruva Advisors LLP
1101, One Indiabulls Centre, 11th Floor, Tower 2B
841, Senapati Bapat Marg, Elphinstone Road (W)
Mumbai - 400 013 | Tel: +91-22-6108 1000/1900

Mahip Gupta
mahip.gupta@dhruvaadvisors.com

Dhruva Advisors (Singapore) Pte. Ltd.
20 Collyer Quay, #23-01, Singapore - 049319
Tel: +65 9105 3645

Disclaimer: The information in this email is confidential and may be privileged. It is intended solely for the addressee. If you are not the intended recipient, any disclosure, copying, distribution or any action taken or omitted to be taken in reliance on it, is prohibited and may be unlawful. If you have inadvertently received this email, we would request you to delete the same and inform us accordingly. We continue to retain ownership of the copyright and all other intellectual property rights in the product of our services. Any opinions or advice contained in this email are subject to the terms and conditions expressed in the governing client engagement letter. Dhruva allows reasonable personal use of e-mail by its Partners and employees. Views and opinions expressed in personal emails do not necessarily represent those of Dhruva.