

Back to Basics: Transfer pricing in Singapore

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Agenda

- 1 What are the transfer pricing (“TP”) rules in Singapore?
- 2 What are my TP compliance requirements for Year of Assessment (“YA”) 2019?
- 3 Common TP misconceptions
- 4 How can I assess my TP risk?
- 5 Q&A

TP rules in Singapore

What is TP? Why is TP important?

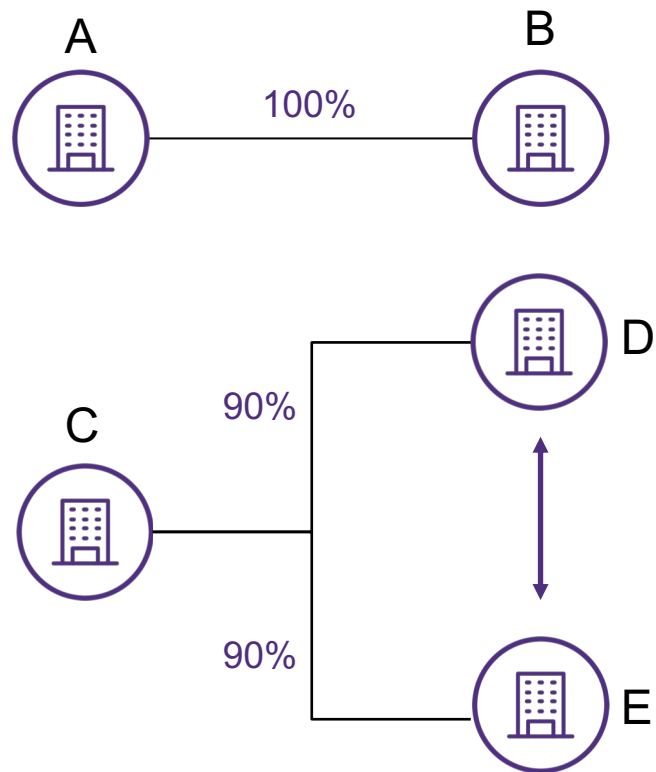
- The price at which goods, services, financing or intellectual property is transferred between related parties
- TP is important because it affects the amount of tax paid to tax authorities
- TP is a focus by the Organisation for Economic Co-operation and Development (“OECD”) and is an important part of the Base Erosion Profit Shifting (“BEPS”) Action Plans



What are related parties?

Two persons are related parties with respect to each other if:

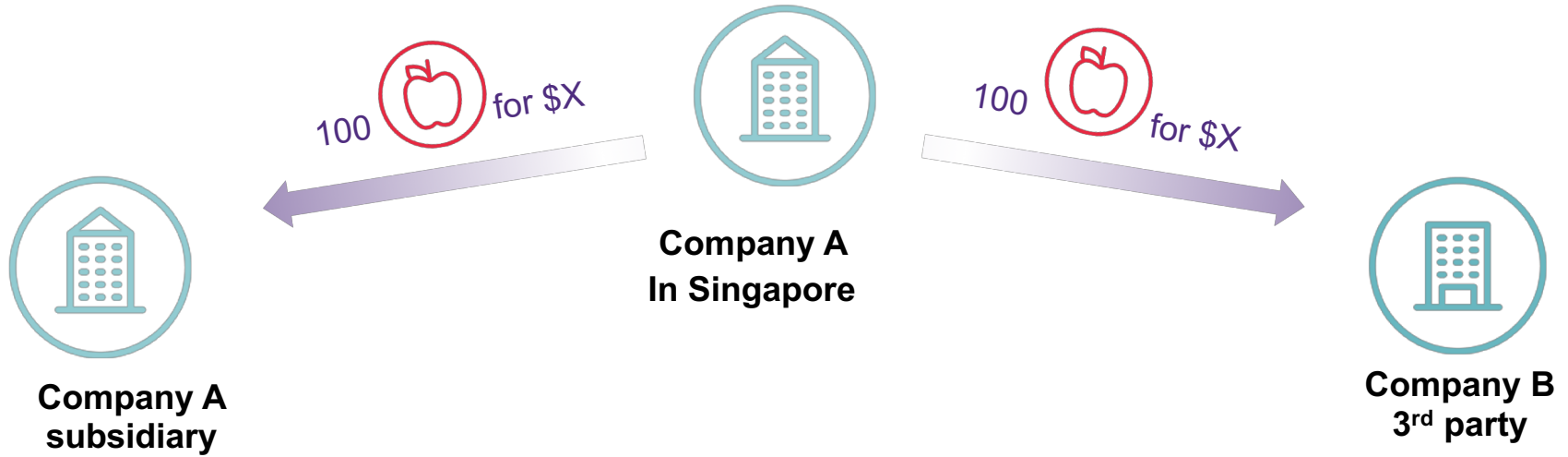
- Either person, directly or indirectly, controls the other person; or
- Both persons are, directly or indirectly, controlled by a common person.



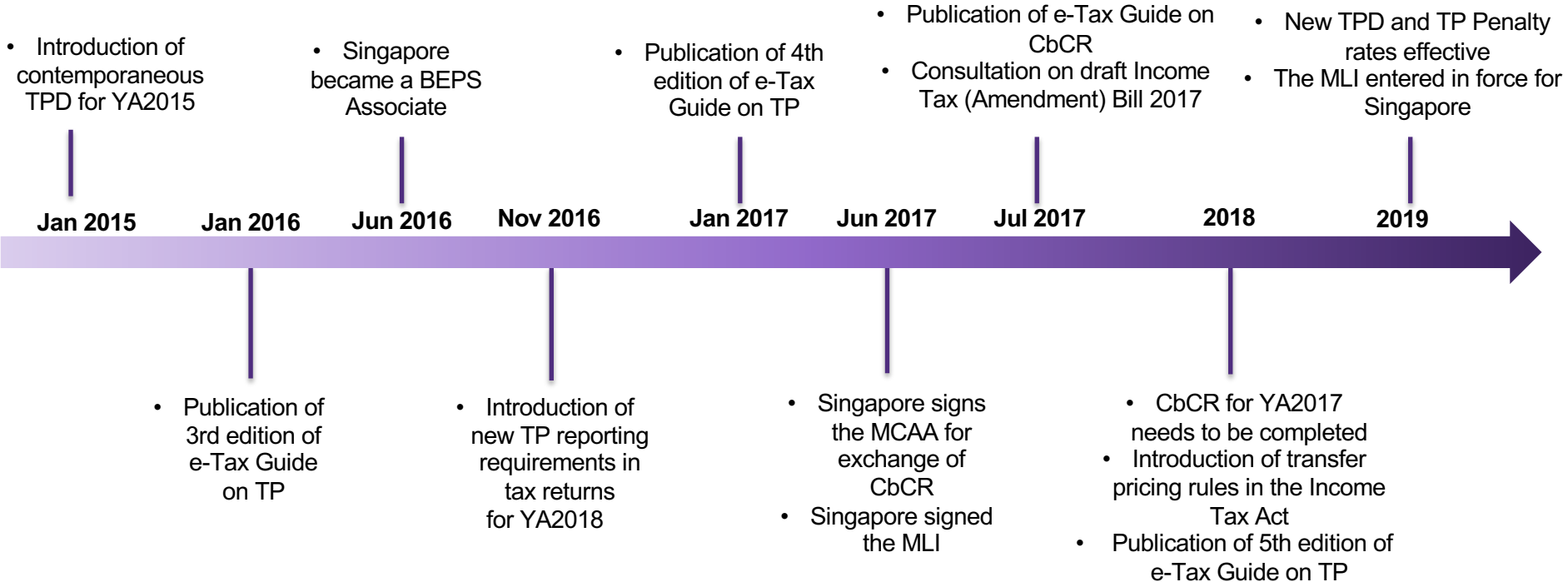
Arm's length principle

- International standard to guide TP
- Requires a transaction with a related party, made under comparable conditions and circumstances as a transaction with an independent party, to be treated comparably
- Sanity check: Would you do this with a third party?

Arm's length principle



A snapshot of the evolution of TP in SG



What are the TP compliance requirements for YA2019?

TP compliance requirements for YA2019



Transfer Pricing Documentation (“TPD”)



Form for Reporting Related Party Transactions (“RPT Form”)



Others

TPD for YA2019

Issue	Details
Who needs to prepare	<p>Singapore taxpayers who meet the following conditions:</p> <ul style="list-style-type: none">• Gross revenue > \$10 mil for the basis period; OR• TPD is required to be prepared for the previous basis period <p>Exemption conditions that existed in prior years still apply</p>
Due date	<p>Not later than the filing due date of the Corporate Income tax return (i.e. 30 Nov 2019 for paper filing and 15 Dec 2019 for e-filing)</p>

What are my TPD obligations for the years after?

Issue	Details
How often do I need to update my TPD	<ul style="list-style-type: none">• Every 3 years provided that the TPD prepared in the first year can be considered a qualifying past TPD.
What do I do if I don't need to prepare TPD?	<ul style="list-style-type: none">• Need to prepare a simplified TPD.

How can it be considered a qualifying past TPD?

- No change in transaction types
- No change in transacting parties
- Analysis conducted in the 1st year TPD is still relevant and were prepared within the last 3 years
- No significant business changes (e.g. business restructuring)

RPT Form

Part 2 - Ultimate Holding Company			
2a.	Name of ultimate holding company <State "NA" if the company is the ultimate holding company>	Country Code (See Note 2)	
Part 3 - Details of Related Party Transactions			
		Income/Receipt S\$	Expense/Payment S\$
3a.	Sale of goods to or purchase of goods from all related parties		
3b.	Services rendered to or received from all related parties		
3c.	Royalties, licence fees and other receipts/payments for intellectual property rights from/to all related parties (See Note 3)		
3d.	Interest from or to all related parties		
3e.	Other transactions with all related parties not falling under Boxes 3a to 3d		
3f.	Total of Boxes 3a to 3e	Total	
Part 4 - Information on Sale of Goods and Provision of Services			
Sale of goods and provision of services to the top 5 (based on total value) related parties <u>outside</u> Singapore:			
	Name of related party	Country Code (See Note 2)	Relationship Type Code (See Note 4)
4a.			Amount S\$
4b.			
4c.			
4d.			
4e.			
Part 5 - Information on Purchase of Goods and Services			
Purchase of goods and services from the top 5 (based on total value) related parties <u>outside</u> Singapore:			
	Name of related party	Country Code (See Note 2)	Relationship Type Code (See Note 4)
5a.			Amount S\$
5b.			
5c.			
5d.			
5e.			
Part 6 - Information on Loans and Non-Trade Amounts			
		Opening balance S\$	Closing balance S\$
6a.	Loans and non-trade amounts due from all related parties		
6b.	Loans and non-trade amounts due to all related parties		
Part 7 - Declaration			
I declare that the information given is true and complete			
Full name and signature of authorised person (See Note 5)		Designation	Date

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RPT Form

Issue	Details
Who needs to prepare?	<ul style="list-style-type: none">• Taxpayers whose aggregated amount of related party transactions exceeds S\$15m for the relevant YA
When is it due?	<ul style="list-style-type: none">• With the tax return for the relevant YA (i.e. 30 Nov 2019 for paper file and 15 Dec 2019 for e-file for YA2019) as part of Form C (Corporate Income Tax return)

Others

Other supporting documents that can be requested



**Intercompany
agreements**



Invoices

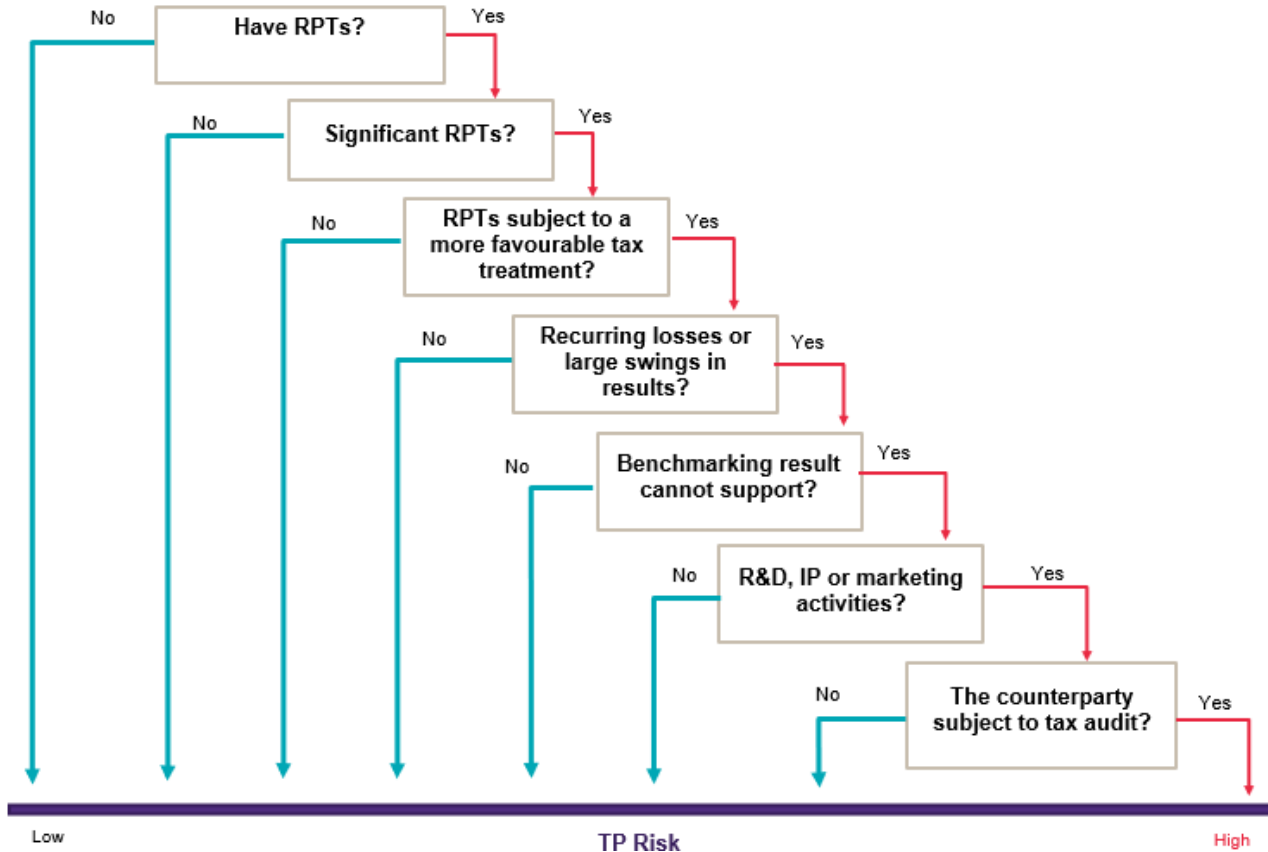
Common TP misconceptions

Common misconceptions about TP

- 1 Intercompany agreements are sufficient to prove my transactions are conducted at arm's length.
- 2 Arm's length principle are for bigger companies and those required to prepare TPD only.
- 3 TPD prepared for my overseas headquarter is sufficient for my company in Singapore.
- 4 My company pays more tax than other comparable companies, so we are not exposed to TP risk.
- 5 My company has RPTs and is incurring an operating loss. We will be penalized.

How can I assess my TP risk?

When am I exposed to a higher TP risk?



Any questions?



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