



New Transfer Pricing Reporting Requirement in Singapore, are you prepared?

On November 2016, the IRAS released a sample of the **Form for Reporting Related Party Transactions**. The form is part of Singapore's income tax return and will have to be completed by Singapore taxpayers.

We have compiled below in the form of **Frequent Asked Questions** what you need to know to be prepared for completing this new form.

Who will need to complete the new form?

The form will need to be completed by Singapore taxpayers with related party transactions exceeding SG\$15 million during the income year.

When is the reporting requirement starting?

The new form will be submitted to the IRAS as part of the company's income tax return for years of assessment 2018 onwards.

How is the SG\$15 million thresholds calculated?

The threshold is calculated by adding **ALL** related party transactions, including local and cross-border transactions with related parties. Please note that the threshold for transfer pricing documentation is calculated differently as it applies to each type of related party transaction.

In practice, this means that even if a company is not required to prepare transfer pricing documentation because a particular transaction doesn't breach the threshold indicated in IRAS' transfer pricing guidelines paragraph 6.19, it may still have to complete the form for reporting related party transactions.

Example

Company A has the following related party transactions for the financial year:

- Sales of finished goods to related parties SG\$10 million
- Management services received from related parties SG\$900,000
- Loans owed to related parties SG\$ 10 million

Company A does not have to prepare transfer pricing documentation for the related party transactions above because their value is below the thresholds provided by IRAS' Transfer Pricing Guidelines.

Company A has to complete the form for reporting of related party transactions as the sum of all its related party transactions is SG\$20.9 million and above the threshold.

How is the IRAS going to use the information contained in this new form?

The objective with this new form is to improve the IRAS' transfer pricing risk assessment with more visibility about related party transactions entered by taxpayers. The form will be used as a risk assessment tool to monitor compliance with transfer pricing documentation.

The IRAS will analyze the information in the form when selecting taxpayers for a review under the transfer pricing consultation programme together with other information such as level of profitability and tax paid in Singapore.

How would the new form affect taxpayers?

In practice the new form will give the IRAS more visibility on the following:

1. Total gross amounts (separate income and expenses) of related party transactions by type of transaction.
2. The countries with whom the Singapore taxpayer has entered into sales/purchases of goods or services transactions and details about the foreign related party entity.
3. Whether the taxpayer should prepare transfer pricing documentation for a particular transaction that breaches the thresholds provided by the IRAS Guidelines.

Example

Company A reports in Question 3a that has SG\$20 million of sales to related parties. From the IRAS point of view Company A should have transfer pricing documentation to support the pricing of the sales to related parties.

Explanation of each Section in the form

Section	Comments
Part 1	General information about the company
Part 2	Ultimate Holding Company details and country
Part 3	Summary of ALL related party transactions by type of transaction
3a. Sales and purchases of goods	
3b. Services rendered or received	
3c. Royalties, license fees and any other receipts/payments for intellectual property rights	
3d. interest income and expenses	
3e. other transactions with related parties not reported above	
3f Total related party transactions reported above	
Part 4 - Total income related to the provision of goods or services.	<p>Report only the top 5 transactions per country based on value</p> <p>Do not include domestic related party transactions</p> <p>Provide details of the foreign related party entity including name, country, and relationship</p>
Part 5 - Total expenses related to purchases of goods or services	<p>Report only the top 5 transactions per country based on value</p> <p>Do not include domestic related party transactions</p> <p>Provide details of the foreign related party entity including name, country, and relationship</p>
Part 6	Loans and non-trade amounts due from and to related parties

Section	Comments
Part 7	Declaration from authorised person (e.g. Company Director, Principal Officer that the information is true and complete)

To see the complete draft form released by the IRAS please click [here](#)

Questions?

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