



2024

SUMMARY OF AMENDMENTS MADE TO SINGAPORE TRANSFER PRICING DOCUMENTATION RULES

As part of their ongoing initiatives to constantly update the existing Transfer Pricing rules and regulations for making the overall compliance process simpler for taxpayers, the Singapore MoF has recently announced certain amendments to the existing Transfer Pricing Documentation rules.

These shall be known as Income Tax (Transfer Pricing Documentation) (Amendment) Rules 2024 and would come into operation on 10 June 2024. A summary of the key amendments is as follows:

i. Transfer Pricing Documentation exemption – Domestic loan

With respect to a loan transaction between Singapore entities, the rules have been amended wherein there shall be an exemption from preparation of a Transfer Pricing Documentation, if all the following conditions are met:

- the loan agreement is entered into before 1 January 2025;
- each party to the transaction is either incorporated or registered in Singapore or carries on a trade or business in Singapore;
- the party granting the loan is not in the business of borrowing and lending money; and
- the parties have agreed to apply the indicative margin for the year in which the loan is granted

ii. Transfer Pricing Documentation exemption – Cross-border loan

The amended provision states that in case of a cross-border loan not exceeding \$15 million, there shall be an exemption from preparation of a Transfer Pricing Documentation, provided that the parties have agreed to apply the indicative margin for the year in which the loan is granted.

iii. Amendments to transaction thresholds

In terms of intercompany transaction thresholds, the amended provision states that the individual quantum of (a) services provided by the Singapore entity or services received by the Singapore entity, (b) grant of a right to use movable property by the Singapore entity to its related party or vice-versa, (c) lease of any property by the Singapore entity to its related party or vice-versa, (d) grant of a guarantee by the Singapore entity to its related party or vice-versa, or (e) any other transaction, shall now stand at \$2 million or more instead of the earlier threshold of \$1 million.

PKF Comments

The above amendments are indeed a welcome sign for Singapore taxpayers in terms of reducing their compliance and administrative burden, to a certain extent. However, at the same time, the above amendments also indicate that depending on the nature, purpose and quantum of related party loans, a certain margin will have to be applied i.e. an interest free loan arrangement would not be typically considered as an appropriate arm's length price in most cases. Therefore, taxpayers are required to analyze the nature, purpose and quantum of related party loans in greater detail and apply the appropriate pricing policy, depending upon the facts and circumstances of the transaction.

Further, the amendments to intercompany transaction thresholds as mentioned above would still not preclude compliance with the primary and main requirement prescribed under Singapore Transfer Pricing rules i.e. all related party transactions, whether domestic or cross-border, must be transacted at an arm's length basis supported and validated by a robust benchmarking analysis as this primary requirement is not subject to any thresholds.

Accordingly, taxpayers must ensure that all their related party transactions are fully compliant with the prescribed arm's length principles and standards supported and validated by an appropriate analysis undertaken in complete accordance with the Transfer Pricing rules.

At PKF, we have a dedicated team of Transfer Pricing experts and specialists who have rich and significant experience spread across different industries and sectors and can provide all the necessary assistance and support in terms of Transfer Pricing compliance, advisory, dispute prevention and dispute resolution, in accordance with the Singapore rules and regulations as well as the global principles and standards prescribed by the OECD.





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