



Transfer Pricing Stay informed of new developments

Singapore Transfer Pricing Developments

Officials from the Inland Revenue Authority of Singapore (IRAS) participated as keynote speakers and panellists in a recent conference organized by the Tax Academy of Singapore titled *“Winds of Change in International Tax Rules – A Singapore Perspective”*.

Held on 20 May 2014, the conference discussed the latest international tax developments (such as the OECD Base Erosion and Profit Shifting (“BEPS”) project) and its impact on Singapore’s tax and investment policies.

At the conference, the IRAS provided key insights on the present level of transfer pricing compliance in Singapore, MAP/APA cases as well as the impending release of new transfer pricing guidelines.

Transfer Pricing Compliance

Based on the cases subject to transfer pricing audits and reviews, a significant majority (73%) of taxpayers did not have contemporaneous TP documentation.

The IRAS expressed concern that most taxpayers do not comply with the requirements to maintain contemporaneous documentation under the Singapore transfer pricing guidelines, and indicated that new guidelines will be released shortly (discussed in the next section) addressing documentation requirements.

Release of New Transfer Pricing Guidelines

The IRAS also announced that it would issue new transfer pricing guidelines on documentation as well as update the existing guidelines and circulars in 2014.

The indicative timeline for release is as follows:

- a) New guidelines on transfer pricing documentation to be released for public consultation – September 2014
- b) Release of new or updated guidelines or circulars, including guidelines on transfer pricing documentation – December 2014

The documentation content requirements are expected to largely be in line with the requirements under the current Singapore and OECD transfer pricing guidelines. In this regard, the master file / local file approach as proposed in the OECD discussion draft on transfer pricing documentation are expected to be acceptable and appropriate for Singapore documentation purposes.

As for country-by-country reporting, there appears to be no plan to implement or adopt this in the immediate future. We understand that the IRAS will continue to monitor OECD and international developments on this matter.

MAP / APA Case Load

IRAS has also received an increase in the number of MAP and APA cases in recent years. In 2013, the number of new cases exceeded 25, and the IRAS concluded between 10-15 cases in 2013.

The MAP / APA applications involved the following countries:

Australia	Canada	China	France
Germany	India	Indonesia	Israel
Japan	Korea	Luxembourg	Malaysia
Netherlands	Sweden	Thailand	UK

Conclusion of MAP / APA has been successfully achieved with the following countries:

Australia	Canada	China
France	Japan	Korea
Netherlands	Taiwan	UK

Our Observations

In view of the IRAS' findings on transfer-pricing compliance, it is anticipated that transfer pricing audit / review activity may be stepped up.

Also, the new or updated transfer-pricing guidelines to be released are expected to include more stringent requirements to prepare and maintain contemporaneous transfer pricing documentation. The planned issuance of new guidelines specific to transfer pricing documentation (which is currently addressed in one chapter of the Singapore transfer pricing guidelines) ahead of the other new or updated guidelines / circulars indicates the importance and emphasis that IRAS will place on taxpayers maintaining contemporaneous documentation.

Companies should evaluate their present level of documentation sufficiency, prepare or conduct an update to ensure that the documentation maintained is contemporaneous and adequate.

Though brief, the profile of the MAP / APA cases released by IRAS is helpful, providing an insight to the countries involved, which is a significant consideration for companies considering entering into MAP / APA. We look forward to the IRAS releasing more detailed information on the MAP / APA cases and process in future.

We expect the upward trend in MAP / APA requests to continue, and we anticipate this increased interest to be partly attributed to the impending changes from the BEPS initiatives.

Mr. **See Jee Chang**, Tax Partner, leads the transfer pricing practice at Deloitte Singapore. He was vitally involved in developing the Singapore TP Guidelines issued in 2006 in his former role as the Tax Director of the Tax Policy and International Tax Division of the IRAS. During his time at the IRAS, Jee Chang also served as the Competent Authority of Singapore, responsible for negotiation and settlement of transfer pricing disputes and Advance Pricing Arrangement negotiations.

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