



## Overview

On 19 November 2025, the Inland Revenue Authority of Singapore (IRAS) unveiled the 8th edition of its e-Tax Guide on Transfer Pricing, marking a pivotal step toward reinforcing compliance and harmonizing Singapore's framework with global standards. This latest edition introduces noteworthy enhancements, including the Simplified and Streamlined Approach for baseline marketing and distribution activities as part of the OECD Pillar One Amount B initiative, as well as enforcing mandatory documentation and filing obligations by providing explicit penal consequences for non-compliance.

Collectively, these revisions reflect IRAS's strategic intent to elevate the quality and robustness of Transfer Pricing documentation while ensuring that Singapore's regulatory regime remains aligned with international best practices and evolving global norms.

This newsletter offers a succinct, yet comprehensive analysis of the key amendments introduced in the 8th edition, alongside a concise encapsulation of Singapore's Transfer Pricing regulations, designed to facilitate effortless understanding for our readers.



## Key Updates & Amendments

- a) Simplified and Streamlined Approach
- b) Related party Loan
- c) Strict Pass-through Cost
- d) Mandatory filing of declaration
- e) Capital Transaction
- f) Protective MAP
- g) Surcharge

### Simplified and Streamlined Approach (SSA)

- As part of Pillar 1 Amount B initiative the IRAS has introduced the Simplified and Streamlined Approach (SSA) for baseline marketing and distribution activities on pilot basis from 2026 to 2028. After the pilot period, IRAS will assess whether SSA should be continued.

- Eligible taxpayers who meet the qualifying conditions may elect to apply SSA for any financial year within the pilot period.
- Taxpayers opting for SSA on their qualifying transactions will be required to compute arm's length price and prepare TP Documentation in accordance with the principles set out in the TP Guidelines.
- For the purposes of SSA, the TNMM method is considered as the most appropriate method with ROS (i.e. EBIT/Revenue) as PLI. • The determination of the arm's length outcome follows a two-step approach as prescribed under the OECD guidelines:
  - Step 1: Identify the applicable ROS matrix based on industry group, asset intensity, and expense intensity.
  - Step 2: Conduct an operating expenses cross-check by calculating Return on Operating Expenses ("ROpex") (i.e. EBIT/Operating Expenses) and comparing the result against the cap-and-collar limits defined for the relevant category.
- The taxpayer's transfer pricing documentation should clearly delineate the qualifying transactions, supported by copies of written agreements or contracts related to those transactions, along with relevant calculations and schedules used to determine the arm's length outcome.
- In case double taxation arises from adjustments made by a covered jurisdiction to achieve the outcome under the SSA, the taxpayer may submit a MAP application to IRAS for resolution, in line with the political commitment.

### Related Party loan

- For domestic related-party loans entered into on or after 1 January 2025, where both related parties are not engaged in the business of borrowing or lending, taxpayers may adopt either the IRAS indicative margins or apply the arm's length principle to determine the appropriate interest rate.
- To alleviate compliance burdens, IRAS has clarified that transfer pricing adjustments will not be imposed on such domestic related-party loans, and preparation of transfer pricing documentation is not required in these cases. However, any interest deduction claimed will be subject to assessment under Section 14(1)(a) of the Income Tax Act, including interest restriction provisions if applicable.
- All other related-party loans, namely domestic loans between parties engaged in borrowing and lending businesses and cross-border related-party loans, must adhere strictly to arm's length pricing requirements. IRAS has further stipulated that failure to comply with arm's length pricing for such loans will attract penal consequences.
- IRAS has further emphasized that taxpayers should exercise prudence when structuring debt or equity financing arrangements, as the authority is vested with the power to disregard an actual related-party transaction and substitute it with an alternative arrangement where the original structure lacks commercial rationality.

## Strict Pass-through Cost

- In respect of Strict Pass Through costs, a member of the Group (i.e. Group Service Provider) arranges and pays for acquired services on behalf of and for the benefit of other related parties. The cost of such acquired services can be passed on by the Group Service Provider to the related parties without mark-up subject to various conditions, with one of the conditions being that the legal and contractual liability for payment of such acquired services rests with the related parties.
- For Strict Pass-Through costs, it is imperative that the group service provider executes a formal written agreement with its related parties, under which the latter expressly assume the liabilities arising from the procured services.
- The Inland Revenue Authority of Singapore (IRAS) has mandated that such agreements must be in place for Strict Pass-Through arrangements to be treated as such. While the agreement may take the form of a formal contract or even an email correspondence between the group service provider and its related parties, IRAS has now clarified that invoices issued by the service provider cannot be regarded as a valid substitute for a legal contract/ agreement for assumption of liabilities.
- In addition, taxpayers are required to substantiate, within their Transfer Pricing Documentation, the rationale for classifying certain costs as Strict Pass-Through costs, providing a clear basis for such treatment.

## Mandatory filing of Declaration

- In 2018, the Inland Revenue Authority of Singapore (IRAS) introduced a simplified transfer pricing (TP) documentation framework, permitting taxpayers to rely on Qualified Past TP Documentation for the current year, provided that a formal declaration is filed affirming the taxpayer's preparation of such documentation and accompanied by a copy thereof.
- Although the filing of this declaration has always been a mandatory requirement, IRAS has now explicitly stipulated that, in its absence, the simplified TP documentation shall be deemed invalid. Consequently, the failure to submit the requisite declaration constitutes non-compliance with Section 34F of the Income Tax Act, thereby invoking penal provisions and exposing the taxpayer to a fine not exceeding S\$10,000.

## Capital Transaction

- Gain, loss or deduction arising from Capital transaction (except for Fixed assets) is neither taxable nor deductible as per ITA. Accordingly taxpayers are not required to prepare TP Documentation for capital transactions for Singapore's tax purposes.
- The IRAS now requires taxpayers to substantiate the basis on which any gain, loss, or deduction is characterized as capital in nature when electing not to prepare transfer pricing (TP) documentation.

In addition, IRAS mandates that such characterization must be applied consistently for both income tax reporting and transfer pricing compliance.

- As regards to purchase/sale of Fixed assets (Fixed asset here means- intellectual property rights, machinery, plant and indefeasible right of use), there is no change in guidelines and IRAS may apply arm's length principle to determine the allowance ( where the purchase price is more than the open market prices) and balancing adjustment ( where sale price is less than open market prices) as per ITA. However, there is no TP documentation requirement for such fixed assets for Singapore Tax purposes.

## Protective MAP

- IRAS has introduced "Protective MAP" application that enables Taxpayer to submit MAP application within the time limit specified in the MAP article of the relevant DTA. This protects taxpayers against missing the timeline as it pursues other courses of action such as domestic legal remedies.
- Applications for a Protective MAP must clearly articulate the rationale for submission, and the taxpayer should formally request IRAS to defer the examination of the application until further notification.
- Upon notifying IRAS to commence the examination, the taxpayer is required to provide an update on the actions undertaken since the initial submission of the Protective MAP application. This enables IRAS to evaluate the MAP application and initiate the process. Should the taxpayer decide to withdraw the application then the same should be communicated to the IRAS and IRAS will promptly inform the relevant foreign competent authorities.

## Surcharge

- The Transfer Pricing Adjustment comes with surcharge of 5% regardless of whether there is tax payable on the adjustment. This is applicable even in cases of voluntary upward adjustments made by taxpayers for past financial years.
- Where the taxpayer objects to the adjustment, IRAS will issue the assessment order and a surcharge will be imposed once the assessment is issued. The taxpayer can object to the assessment following the IRAS Objection and Appeal process.
- The IRAS has now provided that where the adjustment increased/decreased, reduced or annulled, surcharge will be adjusted accordingly, and refund will be issued in case of excess surcharge paid.
- The surcharge is not deductible for tax purposes, and the refund of any surcharge is not taxable.

## Way Forward

The 8th edition of the E-Tax Guide promulgates a comprehensive and authoritative framework designed to reinforce stricter compliance with Transfer Pricing regulations and documentation requirements. At the same time, the revised framework thoughtfully addresses key taxpayer concerns by introducing greater clarity, predictability and calibrated relief from compliance burdens where appropriate. Notably, the introduction of SSA as a pilot initiative, advent of protective MAPs, exempting domestic related party loan transactions from TP adjustments and TP documentation requirements and explicit guidance on the surcharge applicable to transfer pricing adjustments. This forward-looking measure provide taxpayers with more definitive parameters for estimating potential adjustments, thereby reducing ambiguity and fostering a more transparent and balanced compliance environment.



## Encapsulation of Singapore TP Regulations

S. No	Particulars	Description
1	Return filing due date	30 <sup>th</sup> November of the succeeding year
2	Who should prepare TP Documentation	Taxpayers who meet either of the following conditions :- <ul style="list-style-type: none"> <li>• Gross revenue derived from their trade or business is more than \$10 million for that basis period; or</li> <li>• TP documentation is required to be prepared for the previous basis period.</li> </ul>
3	When to prepare TP Documentation	Requires maintenance of contemporaneous documentation and hence should be prepared not later than the due date for filing the tax return
4	Submission of TP Documentation	30 days upon request of IRAS
5	Content of TP Documentation	1) Date of TP documentation. 2) Business overview, group overview, Industry overview, value chain analysis, FAR analysis and economic analysis 2) TP Documentation needs to be maintained for at least 5 years. 3) For a simplified TP Documentation, a declaration along with past year TP documentation, revised margin computation (Updated) of comparables and tested party to be submitted before the due date for filing the ITR 4) TPD should be revised every 3 years though all underlying conditions and factors remain the same.
6	Penalty for Non-Compliance	A fine not exceeding S\$10,000
7	Exempted from TP Documentation	a) Taxpayers' Gross revenue is less than S\$10Million; or b) When the requirement to prepare the TP Documentation is met but the value of related-party transactions in case of specified transactions fall within the exemption threshold for preparation of TP Documentation



## How Can We Support

### Transfer Pricing Compliances

- Determining applicability of the Law to Entities within Singapore.
- Analysis of transactions that would be covered under the Singapore TP regime
- Undertake TP benchmarking analysis for the covered transactions to be in line with the arm's length principle.
- Assist with regular TP compliances Master file, Local file, CbC report

### Transfer Pricing Advisory

- Price Setting- Advice on suitable pricing model and transfer pricing policy
- Assistance in implementation of TP policy and periodic review of margins earned
- Review/Drafting of intercompany agreements for the covered transactions
- Supply chain Re-Structuring
- Advance Pricing Agreement
- Advice on Intra-Group Services, Management Charges, royalty, Cost Contribution Arrangements and financing transactions
- Support on estimating the profit attribution to Permanent Establishments
- Impact Analysis for Pillar 2

### About us



- VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of international taxation and transfer pricing having its offices in India and UAE. VSTN Consultancy has been awarded by International Tax Review (ITR) as Best Newcomer in Asia Pacific – 2024 | Middle East Transfer Pricing Practice Leader of the Year 2025 | Middle East Best Newcomer of the year - 2025 and is ranked as one of the recommended transfer pricing firms. VSTN Consultancy has been shortlisted in other awards as finalist by ITR for Tax Innovator, Tax Compliance and Reporting Firm, Transfer Pricing Leader, Transfer Pricing Rising Star in Asia Pacific – 2025 | Best Newcomer, Tax Innovator and Transfer Pricing Leader in EMEA – 2025. VSTNs senior partners have been ranked in ITR in the list of recognized Practitioners.
- Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy, drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, Global Transfer Pricing Documentation, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbor filing, audit defense before all forums and dispute prevention mechanisms such as Advance Pricing agreement.
- We are structured as an inverse pyramid where leadership get involved in all client matters, enabling clients to receive the highest quality of service. Being a specialized firm, we offer advice that is independent of an audit practice and deliver it with an uncompromising integrity.
- Our expert team brings in cumulative experience of over several decades in the transfer pricing space having worked with multiple Multinational Companies across sectors/industries and have cutting edge knowledge and capabilities in handling complex TP engagements.

