

SINGAPORE

LEGISLATION	
Existence of Transfer Pricing Laws/Guidelines	<p>No specific transfer pricing legislation exists. There are, however, various provisions of the Singapore Income Tax Act (SITA), such as Sections 33 and 53, imply or refer to the concept or use of the arm's length principle. In addition, the arm's length principle is found in all of Singapore's double tax agreements, under Article 7 – Business Profits and Article 9 – Associated Enterprises.</p> <p>Formal documentation guidelines were published by the IRAS on 23 February 2006, which outlines:</p> <ul style="list-style-type: none"> • Its approach to the application of the arm's length principle to domestic and international related party transactions. • Its recommendation for the taxpayer to prepare transfer pricing documentation as a means of being readily able to demonstrate that it has exerted reasonable efforts to ensure that its transfer prices are consistent with the arm's length principle. • Its APA process.
Definition of Related Party	<p>A 'related party' means any other entity who, directly or indirectly, controls that entity, or is controlled, directly or indirectly, by that entity, or where both entities, directly or indirectly, are under the common control of a common entity. This means that related parties include associated enterprises and separately taxable entities of an enterprise, such as permanent establishments of the enterprise.</p>
Transfer Pricing Scrutiny	<p>A low risk of transfer pricing audit. IRAS may review transfer pricing as part of a general tax audit.</p>
Transfer Pricing Penalties	<p>No specific transfer pricing penalties. Under Section 96(3) of the SITA, penalties of up to 100% to 200% of the tax underpaid may be imposed, and a fine of up to S\$5,000 and/or imprisonment of up to 3 years. Cases of tax evasion attract more severe penalties.</p>
Advance Pricing Agreement (APA)	<p>APAs are available to taxpayers. Applications may be on a unilateral, bilateral or multilateral basis and can be sought for a three to five year period. Approved APAs can expect to have the terms and conditions rolled back to 1-2 immediate prior years.</p>
DOCUMENTATION AND DISCLOSURE REQUIREMENTS	
Tax Return Disclosures	<p>There are no specific tax return disclosure requirements.</p>

Level of Documentation	<p>IRAS recommends an adequate level of documentation be prepared, leaving taxpayers to use their judgement on the level of detail to be included. The IRAS guidelines are said to follow the OECD approach to preparing transfer pricing documentation and provides a list of the type of information and analysis that could be included. IRAS recommends this information and analysis be documented following a 3-step approach:</p> <ul style="list-style-type: none"> • Review comparability of potential benchmark third party transactions by conducting a company analysis, industry analysis and functional analysis • Choose a transfer pricing method that produces the most reliable results • Determine the arm's length result/s.
Record keeping	<p>IRAS recommends that taxpayers fulfill their record keeping requirements and includes transfer pricing documentation with this. From year of assessment 2008, the statute of limitation is reduced from 7 to 5 years.</p>
Language for documentation	<p>English</p>
Small and medium sized enterprises (SMEs)	<p>There are no specific transfer pricing rules for SMEs. However, IRAS Guidelines state that taxpayers are not expected to go to such lengths that the compliance costs from the preparation of documentation are disproportionate to the amount of tax revenue at stake, or to the complexity of the transactions.</p>
Deadline to Prepare Documentation	<p>Documentation is not required to be prepared by a certain deadline, however, IRAS does recommend that documentation be prepared in a timely manner, particularly to support the local transfer pricing position in the event of a future dispute with IRAS or an overseas tax authority.</p>
Deadline to Submit Documentation	<p>Documentation is only required to be submitted to IRAS following the notification of an IRAS transfer pricing documentation review, which may be part of a general tax audit.</p>
STATUTE OF LIMITATIONS	
<p>There is no specific statute of limitations for transfer pricing adjustments.</p>	

TRANSFER PRICING METHODS

The transfer pricing methods specified in Singapore's transfer pricing guidelines are the methods also outlined in the OECD Transfer Pricing Guidelines: comparable uncontrolled price (CUP), resale price, cost plus, profit split and transactional net margin method. IRAS allows a modified method of the five accepted methods as long as it provides a reliable arm's length analysis. There is no hierarchy of methods, rather, IRAS encourages taxpayers to use the method that produces the most reliable results.

COMPARABLES

There is no formal guidance requiring the use of local comparables. IRAS accepts the use of regional comparables as long as reasonable effort has been made by the taxpayer to ensure that the selected are the best available.

Date: 3 July 2008