



**Income Tax (Transfer Pricing Documentation)  
(Amendment) Rules 2024 (“Rules 2024”) and  
The 7<sup>th</sup> Edition Singapore Transfer Pricing  
Guidelines**

# INTRODUCTION

In 2018, the Ministry of Finance ("MoF") introduced the Income Tax (Transfer Pricing Documentation) Rules 2018 ("Rules 2018") which came into effect from the Year of Assessment (YA) 2019. Under these rules, taxpayers are required to prepare transfer pricing documentation ("TPD") under Section 34F of the Income Tax Act 1947 if they meet certain conditions, unless exemption for specified transactions applies.

The MoF has recently announced certain amendments to the Rules 2018 as part of its ongoing initiative to make the overall compliance process simpler for taxpayers. The Income Tax (Transfer Pricing Documentation) (Amendment) Rules 2024 ("Rules 2024") came in operation with effect from 10 June 2024. Reflecting these changes, the Inland Revenue Authority of Singapore ("IRAS") also issued the 7<sup>th</sup> edition of the Singapore Transfer Pricing Guidelines ("SGTP Guidelines" or "the Guidelines") to provide further clarity and guidance on the adoption of Rules 2024.

A summary of amendments under Rules 2024 and the 7<sup>th</sup> edition of the SGTP Guidelines are as under:

### **(A) Rule 3: Form and content of transfer pricing documentation**

According to Paragraph 2 of the Rules 2018, if an entity has prepared a qualifying past TPD ("QTPD"), then the subsequent TPD in relation to a transaction must contain a declaration by the entity that it has prepared a QTPD and include, by way of an attachment, a copy of the QTPD.

The Rules 2024 have now inserted Paragraph (2A) which requires that the **declaration by the said entity must specify the date on which it is made**, where the subject transaction is undertaken in the basis period for the YA 2026 or later.

### **(B) Rule 4: Exemption from documentation in relation to loans**

Under the Rules 2018, for domestic related party loans of any amount, TPD need not be prepared if:

- (i) the transaction is a loan of any amount between related parties incorporated in Singapore or carrying on trade or business in Singapore, and
- (ii) the party making the loan is not in the business of borrowing or lending money.

Under Rules 2024, the above conditions apply if the loan agreement is entered into before 1 January 2025. For loan agreements entered into on or after 1 January 2025, all of the following conditions need to be satisfied:

- (i) Each party is either incorporated in Singapore or carries on trade or business in Singapore;
- (ii) Neither party is in the business of borrowing or lending money; and**
- (iii) The parties have agreed to apply the indicative margin for the year in which the loan is granted.**

Further, the Rules 2024 have also amended some of the threshold for exemption from TP documentation provided under Sub-paragraph (1)(h). Under the Rules 2024, **the threshold for the following categories of transactions has been revised upwards from \$1 million to \$2 million**, if the transactions are undertaken in the basis period for the YA 2026 or a subsequent YA:

- (i) Provision of service to the applicable entity by a related party;
- (ii) Provision of service by the applicable entity to a related party;
- (iii) Grant of a right to use movable property to the applicable entity by a related party;
- (iv) Grant of a right to use movable property by the applicable entity to a related party;
- (v) Lease of any property to the applicable entity by a related party;
- (vi) Lease of any property by the applicable entity to a related party;
- (vii) Grant of a guarantee to the applicable entity by a related party;
- (viii) Grant of a guarantee by the applicable entity to a related party;
- (ix) Any other transaction

## (C) Additional proposed changes in the 7th edition of the SGTP Guidelines

Other proposed changes outlined in the revised SGTP Guidelines include,

- a. Introduction of working capital adjustments:  
The IRAS has noted that working capital adjustments can be used to improve comparability. In a Frequently Asked Question, the IRAS has outlined when working capital adjustments may be used, and what interest rates can be used to estimate the time value of money.
- b. Transfer pricing adjustments & surcharge:  
The IRAS has also provided additional clarification on surcharges and transfer pricing adjustments for capital transactions.
- c. Strict pass-through costs:  
The IRAS has provided additional clarity on strict pass-through costs by noting that whether a certain cost is considered to be "*strict pass-through cost*" depends on specific facts and circumstances. Several examples were provided to explain this point.
- d. Government assistance:  
A new chapter on how government assistance should be handled from a transfer pricing perspective has been included in the Guidelines. Given the lag that exists from when a tax return is filed to when it is reviewed by the IRAS, guidance on this issue is timely to explain how the IRAS is likely to treat grants provided by the Singapore government when reviewing tax returns from the COVID period.

## Conclusion

The above amendments provide further clarification in relation to preparation of TPD for intercompany related party loans. While there has been no change to the conditions for exemption from preparing TPD in relation to foreign related party loans (i.e. where either the borrower or the lender or both are incorporated outside Singapore), the amendment pertaining to domestic related party loans reduces the TPD burden on domestic transacting parties, provided that they have agreed to apply the indicative interest rate margin prescribed by the IRAS for each YA. This further clarifies the IRAS' expectation that an interest-free loan arrangement would typically not be considered as an arm's length arrangement in most cases.

Similarly, an upward revision in the intercompany transaction thresholds for exemption from preparation of TPD aims to provide relief to greater number of taxpayers whose related party transactions are consistently of a smaller quantum. However, taxpayers must undertake regular review of their transfer pricing arrangements to ensure that all their related party transactions are fully compliant with the arm's length requirements.

DFDL commits to provide further practical guidance on how the changes in Rules 2024 as well as the revised Guidelines are likely to impact Singapore taxpayers.

# Contacts



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