

IRAS CIRCULAR

TRANSFER PRICING CONSULTATION



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Published by
Inland Revenue Authority of Singapore

Published on 30 July 2008

Revised on 6 August 2008
[A copy of the Transfer Pricing Questionnaire is attached as Annex 1.]

© Inland Revenue Authority of Singapore

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

TRANSFER PRICING CONSULTATION

1 INTRODUCTION

- 1.1 IRAS issued its circular on Transfer Pricing Guidelines in February 2006 to provide guidance to Singapore taxpayers on applying the arm's length principle. The guidelines also provide the key concepts and guiding principles on the preparing and maintaining of adequate documentation
- 1.2 The main objective of preparing and maintaining documentation is to place the taxpayer in a position where it can readily demonstrate that it has exerted reasonable efforts to ensure that its transfer prices are consistent with the arm's length principle. Please refer to "Section 4 Documentation" of the 2006 Guidelines for details.
- 1.3 To further help taxpayers comply with the arm's length principle in related party transactions, IRAS will now carry out Transfer Pricing Consultation with selected taxpayers. Through this consultative process, IRAS will assess taxpayers' transfer pricing risks, review their transfer pricing documentation and provide recommendations for managing risks. This e-tax guide explains how IRAS carries out Transfer Pricing Consultation.

2 OBJECTIVES OF TPC

- 2.1 Taxpayers should exert reasonable efforts to undertake sound transfer pricing analysis to ascertain arm's length pricing and demonstrate that such efforts have been undertaken. Notwithstanding this, IRAS will monitor the ease and level of compliance by taxpayers with the guidelines. The Transfer Pricing Consultation is a process designed for IRAS to engage taxpayers to further assist and advise on guidelines and potential risks identified.
- 2.2 The objectives of the Transfer Pricing Consultation are to:
 - a. Assess the level of compliance with the TP guidelines;
 - b. Identify potential areas where IRAS can further facilitate and advise taxpayers on good practices in TP.

3 TRANSFER PRICING QUESTIONNAIRE¹

- 3.1 IRAS will send questionnaires to selected taxpayers who have or appear to have significant amount of related party transactions, especially with overseas parties, over a period of time.

¹ Please refer to Annex 1 for a copy of the questionnaire. The format and contents of the questionnaire may be revised from time to time or customised for specific taxpayers.

- 3.2 In the questionnaire, the taxpayer is required to provide the following information:
- Principal activities and detailed description of products/services;
 - Group of companies and other related entities;
 - Types and values of all transactions with each related party;
 - Extent of documentation maintained, with reference to the detailed description in Annex G of the 2006 Guidelines.
- 3.3 Based on the response to the questionnaire, IRAS will assess if a Transfer Pricing Consultation should be undertaken for the taxpayer.

4 TRANSFER PRICING CONSULTATION

- 4.1 The Transfer Pricing Consultation entails a field visit to the taxpayer to conduct discussion with the taxpayer to better understand the taxpayer's business and physical review of documentation if necessary. Where IRAS decides to proceed with Transfer Pricing Consultation with a taxpayer, IRAS will write to the taxpayer on the following matters:
- Additional information or clarification required from the taxpayer after reviewing the response to the questionnaire;
 - Copies of documents such as contracts / agreements;
 - Proposed date and time for a visit by IRAS officers to the taxpayer's business premises;
 - Contents of presentation by the taxpayer during the field visit.
- 4.2 During the field visit by IRAS officers, the taxpayer is expected to make available the relevant personnel to make a presentation on its business structure, activities and mode of operations, and explain how certain factors in its business or industry affect its operating results. In particular, the presentation should cover in detail the related party transactions and how they are priced, compared to transactions with unrelated parties. IRAS officers may also review the manner in which documentation is prepared and maintained, and the contents of the documentation.
- 4.3 Based on the findings, IRAS will provide the taxpayer with its opinion on the following:
- Adequacy and timeliness of the taxpayer's documentation;
 - Any reservation regarding the transfer pricing methodology adopted by the taxpayer;
 - IRAS' assessment of the taxpayer's transfer pricing risk, taking into account the commercial realism of its business results and the quality of its documentation; and
 - How the documentation or methodology may be improved.

- 4.4 The Transfer Pricing Consultation is a process designed to further facilitate taxpayers' compliance with the transfer pricing guidelines. Nonetheless, in the event that the taxpayer's pricing deviates significantly from IRAS' opinion of arm's length pricing, IRAS will express its position and make arrangements with the taxpayer to review the issue at an appropriate time.

5 PREPARATION AND SELF-REVIEW OF DOCUMENTATION

- 5.1 Taxpayers with significant related party transactions should ensure that they have a system in place to prepare and maintain adequate and timely transfer pricing documentation to demonstrate compliance with the arm's length principle. They may use Annex G of the 2006 Guidelines as a general checklist of the usual types of information in such documentation, to help them prepare their documentation or conduct self-review of their documentation.

6 ENQUIRIES

- 6.1 For enquiries or clarification on this e-tax guide, please email us at ctmail@iras.gov.sg or call 63513367.

Inland Revenue Authority of Singapore

Transfer Pricing Questionnaire

Name of Company :

ROC Reference Number :

Notes:

1. Please attach separate Appendices if space below any question is insufficient.
2. Do not leave any question blank; state "NA" or "Nil" where appropriate.
3. "Related party" has the same definition as in FRS 24.

Information provided below relates to the Company for the
Year of Assessment 200x

1) Principal Activities :

2) Detailed Description of Products / Services :

3) Ultimate Holding Company (& Country of Incorporation) :

4) Immediate Holding Company (& Country of Incorporation) :

5) Please attach a chart showing the Group of Companies to which the Company belongs to, from the ultimate holding company to the direct and indirect subsidiaries and associated companies of the Company and other related companies. Please ensure that the chart includes companies with which the Company entered into related party transactions.

6) Amount of Sales to Unrelated Parties (state currency used) :

7) Sales to Related Parties

Name of Related Party	Country of Incorporation / Domicile	ROC Ref No.	Description of Goods/Services	Amount (state currency used)

8) Amount of Purchases from Unrelated Parties (state currency used) :

9) Purchases from Related Parties

Name of Related Party	Country of Incorporation / Domicile	ROC Ref No.	Description of Goods/Services	Amount (state currency used)

10) Other Income / Gains from Related Parties

Name of Related Party	Country of Incorporation / Domicile	ROC Ref No.	Description of Goods/Services	Amount (state currency used)

11) Other Expenses / Losses to Related Parties

Name of Related Party	Country of Incorporation / Domicile	ROC Ref No.	Description of Goods/Services	Amount (state currency used)

12) Was any of the related parties subject to any transfer pricing queries, audit or tax adjustment by any foreign tax jurisdiction in respect of transactions with the Company? If so, please provide details of the affected transactions, current status of the issue and further action to be taken by the related party.

- 13) Tick the most appropriate column to indicate the extent of the Company's documentation according to the detailed description in Annex G of IRAS Transfer Pricing Guidelines 2006.

(a)	General information on the Group	None	Partial	Complete
(i)	Worldwide organisational structure			
(ii)	Group's line of business, etc			
(iii)	Group's business models & strategies			
(iv)	Principal business of each party			
(v)	Business relationships of related parties			
(vi)	Consolidated financial statements			

(b)	Information on each Related Party in Singapore	None	Partial	Complete
(i)	General information			
(ii)	Entity's line of business, etc			
(iii)	Entity's business models & strategies			
(iv)	Entity's functions, risks and assets			
(v)	Financial statements			

(c)	Transactions between Company and all Related Parties	None	Partial	Complete
(i)	All transactions with related parties			
(ii)	Contracts & agreements			
(iii)	Segmented financial accounts			

(d)	Transfer Pricing Analysis	None	Partial	Complete
(i)	Choice of tested party & reasons			
(ii)	Comparables & screening criteria			
(iii)	Comparability analysis			
(iv)	Adjustments to achieve comparability			
(v)	Transfer pricing method chosen & reason			
(vi)	Computation of arm's length price/margin			
(vii)	Reasons for arm's length range			

14) Declaration

I certify that the information given in this Questionnaire is true and complete.

Full name, capacity & signature of person completing this Questionnaire

Date

Tel. No.