

Tax Alert

Wednesday, 10 December 2025

The Inland Revenue Authority of Singapore (IRAS) issued the Eighth Edition of the Transfer Pricing Guidelines (TPG8) on 19 November 2025. This high-level summary is intended to provide an insight into the nuanced updates and amendments resulting from the publication of TPG8.

1. Updates to treatment of related party domestic loans where both parties are not in the business of lending and borrowing

In TPG8, IRAS introduced measures to ease taxpayers' compliance burden for related party domestic loans where both parties are not in the business of lending and borrowing.

More specifically, the IRAS has clarified that it will not make transfer pricing adjustment in respect of related party domestic loan where the Singapore lender and Singapore borrower are not in the business of borrowing and lending.

This essentially means that the IRAS has taken away a lot of the practical implications for taxpayers for such loans including potentially the imposition of the 5% transfer pricing (TP) surcharge. However, please note that the parties' claim for deduction of interest expense will be subject to the normal tax rules including application of interest restriction, where appropriate.

It is also important to note that this recent update from the IRAS will not benefit taxpayers in certain sectors such as banks, insurance companies or financial treasury centres.

2. New simplified and streamlined Approach/Amount B framework

A new section highlights the pilot implementation of a Simplified and Streamlined Approach (SSA) for qualifying baseline marketing and distribution activities (informally referred to as 'Amount B') for any financial years beginning between 1 January 2026 and 31 December 2028. Related non-exhaustive highlights include:

- SSA is a voluntary measure, broadly aligned with the Organisation for Economic Co-operation and Development (OECD) framework.
- Qualifying transactions – Application of SSA is limited to transactions involving purchases from related parties and wholesale to third parties, or sales agency/commissionaire arrangements contributing to related party's wholesale distribution to third parties. Sales to end consumers do not qualify unless within 'de minimis' threshold.
- Exclusions – Limited to tangible transactions only (commodities excluded) and entities with no other substantial functions, like manufacturing (unless segmentation possible). Entities with too low or too high operating expenses are excluded, as per TPG8 thresholds.
- Application – TPG8 includes a pricing matrix which determines acceptable return on sales based on tested party's industry grouping and asset and operating expense intensity. There will be an additional cap-and-collar check based on the return on operating expenses.
- Documentation requirements – As a minimum, documentation should include functional analysis of involved parties and commercial context of the transaction, quantitative testing of respective thresholds and financial parameters, reconciliation of the testing and underlying parameters with annual financial statements and related contractual documentation, including delineation of the transaction subject to SSA from other transactional arrangements or business segments.
- Dispute resolutions – Acceptance of the SSA result by counter-party's jurisdiction is not guaranteed and resulting dispute may be resolved via a mutual agreement procedure (MAP), consistent with other appropriate MAP cases.

Companies can assess whether this voluntary measure is appropriate for their footprint and would bring benefit to the group. While general TP documentation requirements still apply, some administrative relief could materialise in situations where otherwise a benchmarking analysis is required. Further, application of SSA could bring additional tax certainty to the taxpayers engaging in qualifying transactions. Although this is hindered by a number of discretionary factors which still need to be evaluated in determining qualification for SSA, and the fact that SSA-like mechanism is not universally adopted across all the OECD member states or treaty partners of Singapore. Hence, even with a substantiated SSA in place, companies can continue to expect challenges in seeking maximum certainty on their related party transactions.

3. Other notable updates

- Clarified that where Singapore permanent establishments (PE) of foreign taxpayers meet certain conditions such that there is no attribution of profit to the PE under treaty principles and has no other taxable income, the Singapore PE is not required to file tax returns in Singapore.
- Added formal requirement to substantiate the basis behind treating specific gains, losses, or deductions as capital in nature, to justify relief from IRAS making any related TP adjustment and/or taxpayer needing to prepare underlying TP documentation. In practice, this should not pose an additional compliance burden as taxpayers taking a capital position for their transactions will in any case need to have contemporaneous documentation to support the treatment).
- More specific guidance regarding options for pursuing recourse in case of disagreement with TP adjustments assessed by IRAS.
- Formalisation of a protective MAP mechanism and specific guidance on application and processing of such cases.
- Specification of availability of a pre-filing discussion as part of a MAP application, upon taxpayer's discretion.
- Emphasis on the need to prepare and date the declaration as part of simplified TP documentation (extension of previously introduced concept of qualifying past TP documentation).
- Expanded guidance on annual TP documentation requirements for long-term loan transactions.
- Specification of documentation requirements for pass-through cost transactions, including need for justification of basis for treating certain costs as pass-through, and clarification that an invoice would not be viewed as evidence of agreeing critical commercial terms of such pass-through cost arrangements (while formal legal contracts are still not exclusively required and other documents with sufficient terms can be relied upon).

Contacts

PwC would be happy to assist you in clarifying the above updates to the TPG8. Please reach out to your existing PwC contact or one of our specialists below if you have questions

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