

# Transfer Pricing recipe to a soaring Dragon Year!



## Transfer Pricing recipe to a soaring Dragon Year!

Chinese New Year is just around the corner. Many of us are thinking of and are in the final stage of preparing the freshest ingredients to execute that perfect recipe (secret or otherwise) for our loved ones so that all will be great in the dragon year ahead. Here, at CLA Global TS, we are happy to share our transfer pricing recipe so that companies can execute in the dragon year ahead and beyond. As a Chinese New Year bonus, we draw similarities between our transfer pricing recipe and cooking recipes.

### Tip 1: Review related party transactions

Before you plan to enter into any related party transactions, it would be good to review and assess the risks and implications for transfer pricing and beyond. While technically, you may have until the end of the financial year to ensure that your related party transactions are arm's length by making year-end adjustments at year-end closing of accounts, one may think twice before one leaves the dealing of transfer pricing issues till the end of the year. These year-end adjustments may be frowned upon by the authorities of the counterparty jurisdictions. Moreover, the large year-end adjustments will impact your Treasury department's cash management activities.

**Bonus:** Once you know that you have to prepare the reunion meal, you can start the preparations of that perfect recipe. However, it will be smart not to leave the preparation of the recipe and ingredients to the last minute as you may not be able to get just that Chinese pomfret that your parents-in-law wants or that particular brand of sauce that your distant auntie specifically insists that you use. Last minute tweaks of the recipe will be frowned upon especially by your parents-in-law and have impact to your other relatives.

## Tip 2: Importance of contemporaneous transfer pricing documentation (“TPD”)

Contemporaneous TPD means that the TPD must be prepared not later than the time of the tax return filing due date (i.e. 30 November for the Year of Assessment). For illustration, for companies with financial year ended 31 December 2023, the contemporaneous TPD must be prepared by 30 November 2024.

There are repercussions for not preparing contemporaneous TPD. The key implications of non-contemporaneous TPD are as follows:

- Taxpayers shall be liable on conviction to a fine not exceeding S\$10,000.
- Non-contemporaneous TPD is not a qualifying past TPD and thus taxpayers cannot rely on the non-contemporaneous TPD to prepare simplified TPDs for the following 2 years.
- IRAS will not consider partial or full remission of the 5% surcharge for taxpayers in the event there are transfer pricing adjustments.

**Bonus:** Not preparing your recipe in time for the planned mealtime will have repercussions beyond that mealtime. If you prepared one good elaborate recipe timely, you may be able to prepare a less elaborate recipe the following few years as you can rely on that elaborate recipe you prepared. However, if you fail to do that, there is no prior recipe that you can rely on the subsequent years, and you must prepare that elaborate recipe to impress your relatives. If you prepared that elaborate recipe timely, in the event that the taste is not up to your relatives’ expectations, they will be more forgiving.

### Tip 3: Importance of preparing TPD

In case taxpayers are already late in the preparation of the TPD, taxpayers are still encouraged to prepare TPD as there are benefits of preparing TPD. Some of the key benefits of preparing TPDs are:

- Taxpayers can readily demonstrate that their transfer prices are determined in accordance with the arm's length principle to manage domestic and cross-border transfer pricing risks;
- TPDs can be used to defend transfer prices in the event of a transfer pricing audit by the tax authorities;
- TPDs help tax authorities to resolve transfer pricing issues under the Mutual Agreement Procedure; and
- TPDs help to facilitate tax authorities in the discussion and conclusion of Advance Pricing Arrangement Agreements.

**Bonus:** Preparing your recipe helps you to manage the risk that your side of your family and your partner's side of the family do not like the taste of the meal as you can use the recipe to show that the meal was prepared in accordance with what their specific requests. Cooking recipe can be used to defend your meal in the event of the elderly questioning you on the dish that you have prepared. The recipe can be used to defend the meal where both sides of the family have disagreements. The current recipe facilitates the discussion and conclusion of the ingredients and steps used so that your relatives cannot come back to you to question the taste of the reunion meal that you prepared.

***There is no stopping the Chinese New Year festive cheer-not even transfer pricing management. Our transfer pricing team wishes everyone a soaring dragon year! HUATAH!!!***

# Contact Us

## Tax Advisory Specialists



**Edwin Leow**  
Co- Advisory Leader  
Director, Head of Tax  
edwinleow@sg.cla-ts.com



**Belinda Lim**  
Manager,  
Transfer Pricing Tax Lead  
belindalim@sg.cla-ts.com

CLA Global TS Holdings Pte. Ltd.

A: 80 Robinson Road, #25-00, Singapore 068898

T: (65) 6534 5700

E: connect@sg.cla-ts.com



CLA-TS.com



We have taken great care to ensure the accuracy of this newsletter. However, the newsletter is written in general terms, and you are strongly recommended to seek specific advice before taking any action based on the information it contains. No responsibility can be taken for any loss arising from action taken or refrained from on the basis of this publication © 2024 CLA Global TS.

CLA Global TS is an independent network member of CLA Global Limited (CLA Global), a leading global organisation which comprises independent accounting and advisory firms. CLA Global TS is the member firm for Singapore, Southeast Asia and China; and CLA Global's key leading firm in Asia. Led by leaders with more than 30 years of professional experience, CLA Global TS provides assurance, taxation, accounting, and various advisory services from locations in Singapore, China and Malaysia.

*CLA Global TS is an independent network member of CLA Global. See [CLAglobal.com/disclaimer](https://claglobal.com/disclaimer).*