KPMG Be in Front

Tax alert

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Singapore Transfer Pricing Guidelines (Eighth Edition) Issued

The Inland Revenue Authority of Singapore (IRAS) has published the eighth edition of the e-Tax Guide on Transfer Pricing Guidelines (TPG8) on 19 November 2025. This KPMG Tax Alert summarises the key changes and how Singapore taxpayers might be affected.

Background

On 19 November 2025, IRAS issued TPG8, which contains important guidance on how IRAS will apply Transfer Pricing (TP) principles in Singapore. The principles in TPG8 apply to all businesses in Singapore with domestic and/or cross-border related-party transactions.

Main Changes and Implications

TPG8 contains a number of key changes, which are summarised below.

1. Treatment of Certain Domestic Related-Party Loans

TPG8 represents a significant change in the way that IRAS will treat domestic related-party loans entered into on or after 1 January 2025, where neither party is in the business of borrowing and lending.

Under TPG7, taxpayers were required to apply IRAS' indicative margin to derive the interest rate or to determine the interest rate for the above domestic related-party loans by way of a TP analysis.

This is no longer mandatory under TPG8. Under TPG8, taxpayers "may apply" IRAS' indicative margin or determine the interest rate by way of a TP analysis. Most notably, IRAS will not make any TP adjustments[1] in respect of the above domestic related-party loans.[2] Consequently, IRAS will also not request for any TP Documentation (TPD) in relation to the above domestic related-party loans.

This is a welcome change for taxpayers which are not in the business of borrowing and lending, as it will reduce their TP compliance burden. This change will also provide taxpayers with more flexibility on how to structure their domestic intragroup financing arrangements.

2. Annual Review of Related-Party Loans

TPG8 provides detailed guidance on how a taxpayer should review its related-party loans.

Under TPG7, IRAS clarified that taxpayers were required to review their related-party loans each year. This requirement applies to domestic and cross-border related-party loans, including long term loans.

1. Under Section 34D of the Income Tax Act 1947 (ITA).
2. Irrespective of the interest rate on these loans, taxpayers should be aware that any interest deduction claims will be assessed under Section 14(1)(a) of the ITA and subject to interest restriction.

In TPG8, IRAS extended its guidance on how these reviews should be conducted. Specifically, the review of related-party loans should involve the following steps:

a) First, the taxpayer must determine if there is a significant change to the facts and circumstances. This includes considering any relevant changes to the economic environment, value of collateral and the borrower's financial status.

b) Second, if there are significant changes, the taxpayer must evaluate the impact of these changes on the interest rate of the related-party loan, if any. For example, if a loan is refinanced, this is likely to require repricing of the loan. Conversely, a significant change in the facts and circumstances may not result in a new interest rate if there are existing internal comparable uncontrolled transactions (i.e. third-party loans with similar terms as the related-party loan) with interest rates that are fixed for the entire tenor.

c) Third, the taxpayer must document these outcomes in its TPD. In this regard, TPG8 expressly clarifies that taxpayers who meet the conditions for a simplified TPD (STPD) can take advantage of this regime if there are no significant changes to the underlying facts and circumstances.

While TPG8 provides more detail on how taxpayers should conduct their annual review of related-party loans, it also confirms that annual reviews may not necessarily lead to changes in the terms of these loans, including the applicable interest rate.

3. IRAS' Ability to Recharacterise or Disregard Funding Arrangements

TPG8 reminds taxpayers that IRAS has the ability and power to recharacterise or disregard funding arrangements under certain circumstances.

When structuring funding arrangements between related parties, IRAS emphasizes that taxpayers must determine whether such funding arrangements should be characterised as debt or equity. In addition, taxpayers must be cognisant of IRAS' ability to "disregard or vary" arrangements, including hybrid arrangements.

IRAS may disregard an actual related-party transaction when the arrangement (i) lacks commercial rationality and (ii) is structured such that the parties could not have agreed on the pricing after considering the options realistically available to them at the time the transaction was entered. For hybrid instruments, IRAS may disregard or vary the arrangement where it constitutes tax avoidance. The latter may trigger a challenge under Section 33A of the ITA.

The additional guidance provided by IRAS underscores the need for a rigorous characterisation analysis grounded in all relevant facts and circumstances when it comes to funding arrangements between related parties. In addition, it means that taxpayers should maintain robust documentation to substantiate the chosen characterisation.

4. STPD

TPG8 clarifies that, if a relevant TPD does not contain an express declaration that the taxpayer had prepared a qualifying past TPD previously, it would not qualify as a STPD.

Taxpayers who satisfy certain conditions can prepare STPD. In practice, this means that the taxpayer does not have to refresh its TPD each year. Rather, the taxpayer can rely on TPD that was prepared previously (i.e. qualifying past TPD) to support the transfer prices in the current period.

TPG8 does not change the eligibility conditions for STPD. However, TPD8 clarifies that it is mandatory for a taxpayer to declare that it had prepared a qualifying TPD previously. Without this declaration, the TPD would not constitute a STPD.

5. Pilot Implementation of Amount B in Singapore

TPG8 introduces a Simplified and Streamlined Approach (SSA) for marketing and distribution activities, which will apply on a 3 year pilot basis from 1 January 2026 to 31 December 2028.[3]

When relying on the SSA, a taxpayer would no longer have to conduct a detailed TP analysis (in particular the benchmarking analysis) for each related-party transaction arising from its marketing and distribution activities. IRAS' pilot of the SSA allows for a streamlined approach for qualifying taxpayers and qualifying transactions.[4]

In determining the pricing for the qualifying transaction, a return on sales (ROS) is determined based on a two-step approach.

a) First, the taxpayer must identify the ROS for the qualifying transaction using the prescribed pricing matrix.

b) Second, the taxpayer must check that its operating expenses fall within the pre-defined cap and collar ranges set out in TPG8 and where applicable, adjust its earnings before interest and taxes.

During the pilot period, a tested party in Singapore can apply the SSA even if its counterparty jurisdiction does not adopt the SSA or a similar mechanism. In addition, where the SSA applies, it will be treated by IRAS as satisfying the arm's-length condition without the need for a specific benchmarking analysis.

The SSA is intended to simplify the TP process for eligible taxpayers with qualifying transactions arising from marketing and distribution activities. It is important to note that taxpayers relying on the SSA are still required to comply with Singapore's TPD requirements. TPG8 sets out the information that needs to be included within the TPD to support the SSA application.

Please refer to KPMG's upcoming tax alert on IRAS' pilot implementation of Amount B for more details.

3. SSA is also known as Amount B under Pillar One of the OECD 'BEPS 2.0' project.

4. For the SSA to apply, three conditions must be satisfied. First, the transaction must fall within a list of qualifying transactions under TPG8. Second, it must be possible to price the qualifying transaction reliably using a one-sided transfer pricing method. Third, the annual operating expenses of the tested party must be between 3 percent and 30 percent of its annual net revenues.

6. **Other Key Updates in TPG8**

IRAS has made other key updates in TPG8, which are not covered in detail in this tax alert. In TPG8, IRAS:

- Outlines the options available to a taxpayer if it disagrees with IRAS' TP adjustments;
- Articulates the protective MAP mechanism, which has been in use in practice, and the accompanying procedural requirements;
- Further clarifies the application of strict pass-through costs, explaining that invoices cannot be regarded as written agreements to substantiate the use of strict pass-through costs as well as the requirement to explain in TPD the basis for treating costs as strict pass-through costs;
- Clarifies that IRAS will not make TP adjustments on interest-free related-party cross border loans where the Singapore taxpayer is the lender since there is no interest income remitted into Singapore;
- Emphasises the requirement to substantiate the basis for treating a gain, loss, or deduction as capital in nature, to support why such a transaction was not included in the TPD;
- Clarifies that surcharges will be adjusted if the corresponding TP adjustment made by IRAS is subsequently changed; and
- Updates the tax filing obligations for permanent establishment under specific circumstances.

Key Takeaways

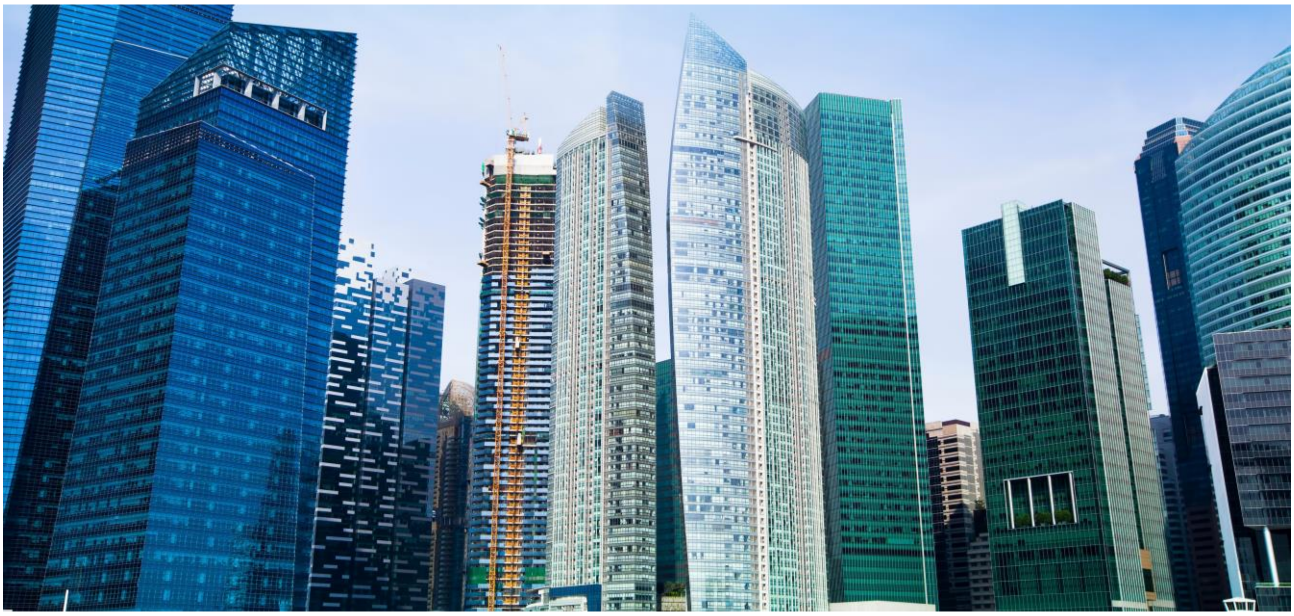
The updates within TPG8 illustrate continued focus on intercompany financing transactions. While the TPG8 contains welcome developments that will allow taxpayers to reduce their TP compliance burden for certain domestic related-party loans, the updates also strongly articulate the need to analyse and document intercompany financing transactions carefully. It is important for taxpayer to consider if they have done enough to support their intercompany financing transactions.

A noteworthy development is the pilot introduction of the SSA for marketing and distribution activities. This pilot program reminds us that in the midst of the global changes and increased complexity to the tax landscape, there is still a desire to streamline and simplify the existing frameworks.

TPG8 also contains several important clarifications since TPG7 was released in June 2024. For example, TPG8 includes more detail on the steps that taxpayers are required to take to review their related-party loans each year. IRAS has also clarified the application of strict pass-through costs. The ongoing process of updating IRAS' TPG reflects IRAS' viewpoints and experience in enforcing compliance, as well as IRAS' consideration of taxpayer and practitioner feedback. This is a document that will continue to evolve, as transfer pricing continue to be a critical focus area of tax authorities.

How We Can Help

As a committed tax advisor to our clients, we welcome the opportunity to discuss the relevance of the above matters to your business.



Authors

Felicia Chia
Partner
Head of Transfer Pricing
T: +65 6213 2525
E: fchia@kpmg.com.sg

Lee Jingyi
Partner
Transfer Pricing
T: +65 6213 3785
E: jingyilee@kpmg.com.sg

Denis Philippov
Partner
Transfer Pricing
T: +65 6213 2528
E: denisphilippov@kpmg.com.sg

Yong Sing Yuan
Partner
Transfer Pricing
T: +65 6213 2050
E: singyuanyong@kpmg.com.sg

Contact us

Ajay K Sanganeria
Partner
Head of Tax
T: +65 6213 2292
E: asanganeria@kpmg.com.sg

FINANCIAL SERVICES

Corporate Tax

Alan Lau
Partner
T: +65 6213 2027
E: alanlau@kpmg.com.sg

Lum Kah Wai
Partner
T: +65 6213 2690
E: kahwailum@kpmg.com.sg

Indirect Tax

Sharon Cheong
Partner
T: +65 6213 2399
E: sharoncheong@kpmg.com.sg

Transfer Pricing

Felicia Chia
Partner
Head of Financial Services
Head of Transfer Pricing
T: +65 6213 2525
E: fchia@kpmg.com.sg

ENERGY & NATURAL RESOURCES AND TELECOMMUNICATIONS, MEDIA & TECHNOLOGY

Corporate Tax

Gordon Lawson
Partner
Head of Energy & Natural Resources
T: +65 6213 2864
E: glawson1@kpmg.com.sg

Harvey Koenig
Partner
T: +65 6213 7383
E: harveykoenig@kpmg.com.sg

Mark Addy
Partner
T: +65 6508 5502
E: markaddy@kpmg.com.sg

Vishesh Dhuldhoya
Partner
T: +65 6213 2074
E: vdhuldhoya@kpmg.com.sg

Transfer Pricing

Denis Philippov
Partner
T: +65 6213 2866
E: denisphilippov@kpmg.com.sg

Indirect Tax

Elaine Koh
Partner
Head of Indirect Tax
T: +65 6213 2300
E: elainekoh@kpmg.com.sg

INFRASTRUCTURE, GOVERNMENT & HEALTHCARE AND INDUSTRIAL MANUFACTURING

Corporate Tax

Chiu Wu Hong
Partner
Co-Head of IGH & Industrial Manufacturing
T: +65 6213 2569
E: wchiu@kpmg.com.sg

Pauline Koh
Partner
T: +65 6213 2815
E: paulinekoh@kpmg.com.sg

Chris Roberts
Partner
T: +65 6411 8923
E: christopherroberts@kpmg.com.sg

Leo Yang
Partner
T: +65 6213 3721
E: leoyang5@kpmg.com.sg

Yong Jiahao
Partner
T: +65 6213 3777
E: jiahaoyong@kpmg.com.sg

Contact us

Transfer Pricing

Lee Jingyi
Partner
Co-Head of IGH & Industrial Manufacturing
T: +65 6213 3785
E: jingyilee@kpmg.com.sg

Yong Sing Yuan
Partner
T: +65 6213 2050
E: singyuanyong@kpmg.com.sg

Indirect Tax

Elaine Koh
Partner
Head of Indirect Tax
T: +65 6213 2300
E: elainekoh@kpmg.com.sg

REAL ESTATE & ASSET MANAGEMENT

Corporate Tax

Teo Wee Hwee
Partner
Co-Head of Real Estate & Asset Management
T: +65 6213 2166
E: weehweeteo@kpmg.com.sg

Anulekha Samant
Partner
Co-Head of Real Estate & Asset Management
T: +65 6213 3595
E: asamant@kpmg.com.sg

Agnes Lo
Partner
T: +65 6213 2976
E: agneslo1@kpmg.com.sg

Pearlyn Chew
Partner
T: +65 6213 2282
E: pchew@kpmg.com.sg

Evangeline Hu
Partner
T: +65 6213 2597
E: evangelinehu@kpmg.com.sg

Transfer Pricing

Felicia Chia
Partner
Head of Transfer Pricing
T: +65 6213 2525
E: fchia@kpmg.com.sg

Indirect Tax

Sharon Cheong
Partner
T: +65 6213 2399
E: sharoncheong@kpmg.com.sg

CORPORATE TAX PLANNING & COMPLIANCE

Audrey Wong
Partner
Head of Corporate Tax Planning & Compliance
T: +65 6213 2010
E: audreywong@kpmg.com.sg

Lim Geok Fong
Principal Advisor
T: +65 8118 1129
E: geokfonglim@kpmg.com.sg

TAX GOVERNANCE

Pauline Koh
Partner
T: +65 6213 2815
E: paulinekoh@kpmg.com.sg

TAX TECHNOLOGY & TRANSFORMATION

Lee Bo Han
Partner
T: +65 6508 5801
E: bohanlee@kpmg.com.sg

TAX REIMAGINED

Abad Dahbache
Partner
T: +65 6213 2034
E: abadullahdahbache@kpmg.com.sg

GLOBAL COMPLIANCE MANAGEMENT SERVICES

Cristina Alvarez-Ossorio
Partner
T: +65 6213 2688
E: cristinaalvarez@kpmg.com.sg

PERSONAL TAX & GLOBAL MOBILITY SERVICES

Murray Sarelius
Partner
Head of Personal Tax & Global Mobility Services
T: +65 6213 2043
E: murraysarelius1@kpmg.com.sg

Barbara Kinle
Partner
T: +65 6213 2033
E: bkinle@kpmg.com.sg

Eugenia Tay
Partner
T: +65 6213 2039
E: eugeniatay@kpmg.com.sg

Garren Lam
Principal Advisor
T: +65 9728 1502
E: garrenlam@kpmg.com.sg

Contact us

FAMILY OFFICE & PRIVATE CLIENT

Teo Wee Hwee
Partner
Head of Family Office
T: +65 6213 2166
E: weehweeteo@kpmg.com.sg

Pearlyn Chew
Partner
T: +65 6213 2282
E: pchew@kpmg.com.sg

MANAGED SERVICES

Larry Sim
Partner
Head of Managed Services
T: +65 6213 2261
E: larrysim@kpmg.com.sg

PROPERTY TAX & DISPUTE RESOLUTION

See Wei Hwa
Partner
T: +65 6213 3845
E: wsee@kpmg.com.sg

Leung Yew Kwong
Principal Advisor
T: +65 6213 2877
E: yewkwongleung@kpmg.com.sg

R&D AND INCENTIVES ADVISORY

Lee Bo Han
Partner
T: +65 6508 5801
E: bohanlee@kpmg.com.sg

TAX – DEALS, M&A

Julie Garside
Partner
T: +65 6213 2013
E: juliegarside@kpmg.com.sg

Adam Rees
Partner
T: +65 6213 2961
E: adamrees@kpmg.com.sg

BASE EROSION AND PROFIT SHIFTING (BEPS)

Andy Baik
Partner
Co-Head of BEPS COE
T: +65 6213 3050
E: andybaik1@kpmg.com.sg

Harvey Koenig
Partner
Co-Head of BEPS COE
T: +65 6213 7383
E: harveykoenig@kpmg.com.sg

Priscilla Koh
Partner
T: +65 6213 2070
E: priscillakoh@kpmg.com.sg

TRADE AND CUSTOMS

Shafiqah Binte Abdul Samat
Principal Advisor
T: +65 8518 7867
E: shafiqahabdulsamat@kpmg.com.sg

INDIA TAX SERVICES

Lata Daswani
Partner
T: +91 9892 015185
E: latadaswani@kpmg.com

US TAX SERVICES

Andy Baik
Partner
Head of US Tax Desk
T: +65 6213 3050
E: andybaik1@kpmg.com.sg

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KPMG
12 Marina View, #15-01
Asia Square Tower 2
Singapore 018961
T: +65 6213 3388
F: +65 6225 0984
E: tax@kpmg.com.sg

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