



Reporting of Related Party Transactions

1 Introduction

- 1.1 Taxpayers are expected to adopt arm's length pricing for their related party transactions. IRAS audits taxpayers' compliance with transfer pricing documentation and arm's length pricing requirements as part of its compliance programme.
- 1.2 IRAS has implemented a new related party transaction ("RPT") reporting requirement for companies with effect from Year of Assessment 2018. The RPT reporting requirement will provide IRAS with relevant information to better assess companies' transfer pricing risks and to improve on the enforcement of the arm's length pricing requirement.
- 1.3 IRAS has sought feedback from SIATP representatives and transfer pricing practitioners on the RPT reporting requirement. IRAS is mindful to minimise additional compliance costs arising from this reporting requirement. Companies are required to complete a new Form for Reporting of Related Party Transactions ("RPT Form") only if the value of RPT exceeds S\$15 million. The information necessary to complete the RPT Form can be obtained readily from the companies' financial statements and accounting systems.

2 RPT reporting requirement

- 2.1 Under the RPT reporting requirement, a company must state in the Form C whether the value of RPT as disclosed in the financial statements exceeds S\$15 million for the relevant Year of Assessment. If the value of RPT exceeds S\$15 million, the company has to complete the RPT Form and submit it together with the Form C.
- 2.2 From YA 2020, the RPT Form is available as part of the Income Tax Return (Form C) for e-filing mode and upload Form C. The company no longer has to submit the RPT Form as a separate form.
- 2.3 Also from YA 2020, the RPT reporting requirement does not apply to a dormant company where the value of the company's related party transactions disclosed in the financial statements for the financial period exceeds S\$15 million. Therefore, dormant companies which are qualified to file Form C-S or Form C for Dormant Company can continue to do so.
- 2.4 All amounts in the RPT Form are to be **declared in S\$** even if the company's functional currency in the financial statements is non-S\$. The rate used to translate non-S\$ to S\$ would follow the same rate as that used to complete the Form C.

How to submit revised RPT Form

- 2.5 If the company has to submit a revised RPT Form after its Income Tax Return has been submitted, the [RPT Form](#) is available at Home > Quick Links > Businesses > Corporate Tax forms. Submit the revised RPT Form via e-Services > myTax Mail. (Note that the maximum file size for attachment at myTax Mail is 4 MB.)

3 Determining whether the value of RPT exceeds S\$15 million

- 3.1 The value of RPT as disclosed in the financial statements is the aggregate of:
- a. All amounts received/ receivable from related parties and all amounts paid/ payable to related parties as reported in the Income Statement but excluding compensation paid to key management personnel and dividends; and
 - b. Year-end balances of loans and non-trade amounts due from/ to all related parties.

4 Details of RPT

4.1 The values of the following categories of RPT are to be reported in the RPT Form:

- ✓ Sales and purchases of goods
- ✓ Services income and expense
- ✓ Royalty and licence fee income and expense
- ✓ Interest income and expense
- ✓ Other income and expense
- ✓ Year-end balances of loans and non-trade amounts

4.2 In the case of a company with cross-border related party sales or purchases of goods and services, it has to list the top 5 foreign related parties that it transacts with (by value of sales or purchases respectively) and provide their entity details including entity names, countries, relationship and amounts transacted.

5 Frequently asked questions

Rationale for RPT Form

Qn (1): **Since most of the information required in the RPT Form could be obtained from the financial statements, why do companies need to complete the RPT Form?**

Ans (1): IRAS will use the information disclosed in the RPT Form to perform transfer pricing risk assessment. Although there is disclosure of RPT information in the notes to the financial statements, the RPT Form requires details of cross-border RPT for Part 4 and 5 of the RPT Form which are not currently disclosed in the financial statements, but which are collated by companies in the process of preparing their accounts.

Submission of Form C-S or Waiver of Income Tax Return

Qn (2): **If my company submits Form C-S or has been granted waiver from filing the Form C, must the RPT Form be completed?**

Ans (2): No, the company is not required to complete the RPT Form as the RPT Form is to be submitted together with Form C. However, IRAS may separately request for details of the RPT information from the company, where necessary.

Consolidated financial statements

Qn (3): **The RPT information disclosed in the financial statements are at the consolidated level. Do I complete the RPT Form using the consolidated financial data?**

Ans (3): As the RPT Form is to enable IRAS to assess the company's transfer pricing risks, please complete the RPT Form using the company's financial data and not the consolidated financial data.

Definition of "related party"

Qn (4): **Since the RPT Form is used for transfer pricing risk assessment, is the definition of "related party" the same as that for section 34D of the Income Tax Act?**

Ans (4): To minimise compliance cost, the data to be completed in the RPT Form will be consistent with the RPT disclosed in the companies' financial statements prepared according to the applicable accounting standards. In completing the RPT Form, there is no need for companies to determine whether a particular related party falls within the definition of section 34D.

Local and cross-border RPT

Qn (5): **If my company's RPT are all transactions with local companies in Singapore, must the RPT Form be completed?**

Ans (5): Yes, so long as the total value of RPT (local and cross-border) disclosed in the financial statements exceeds S\$15 million, companies are required to complete the RPT Form.

Threshold set at S\$15 million

Qn (6): **In IRAS Transfer Pricing Guidelines, the threshold for transfer pricing documentation requirement is S\$1 million for some types of RPT and S\$15 million for others. Why is the threshold for RPT Form set at S\$15 million?**

Ans (6): The threshold for RPT Form applies to the sum of all amounts of RPT while the threshold for transfer pricing documentation requirement applies to each type of RPT. IRAS has set the threshold at a reasonably high value of S\$15 million for RPT Form to reduce companies' compliance costs. Smaller companies whose RPT is below the threshold will not need to complete the RPT Form.

Determining whether the total value of RPT exceeds S\$15 million

Qn (7): My company has branches outside Singapore and my company's financial statements include the financials of the foreign branches. In determining whether the value of RPT exceeds S\$15 million, does the company have to include foreign branches' financials?

Ans (7): Yes, the company's RPT would include the RPT between a foreign branch and other related parties.

Qn (8): If the company meets the threshold value of RPT and has to complete the RPT Form, does it have to report compensation paid to key management personnel and dividends in the RPT Form?

Ans (8): No, the amounts of compensation paid to key management personnel and dividends are not required in the RPT Form.

Qn (9): In determining the value of the RPT, should the purchases from related parties be netted off against sales to related parties?

Ans (9): No, the value of purchases from related parties and the value of sales to related parties should be aggregated in determining the value of the RPT. This is regardless of whether the sales and purchases were carried out with the same related party.

Qn (10): Non-trade amounts due to/ from all related parties are to be included to determine the total value of RPT. What are some examples of non-trade amounts due to/ from all related parties? Should the amounts be gross or net of impairment losses?

Ans (10): Examples of non-trade amounts due to / from all related parties are "other receivables" and "other payables" from related parties. Where the amounts shown in the balance sheet are net of impairment losses, such net amounts may be used to determine the total value of RPT.

Qn (11): The RPT disclosure in the financial statements shows "purchase of tangible and intangible assets". Does the cost have to be included in determining the total value of RPT?

Ans (11): No, purchase of tangible and intangible assets does not have to be included in determining the total value of RPT. It is also not necessary to report these in Part 3e of the RPT Form.

Qn (12): **The RPT disclosure in the financial statements shows “sale/ disposal of tangible and intangible assets”. Does the gain or loss on sale/ disposal of assets have to be included in determining the total value of RPT?**

Ans (12): The gain or loss on sale/ disposal of assets has to be included in determining the total value of RPT and reported in Part 3e of the RPT Form.

Qn (13): **To determine year-end balances of loans, does the company have to distinguish between loans of revenue and capital nature?**

Ans (13): For the purpose of completing the RPT Form, all loans are to be included, whether they are revenue or capital in nature.

Financial statements with period more than 12 months

Qn (14): **Should I apportion the amounts disclosed in the financial statements with period more than 12 months when there is a change in accounting period?**

Ans (14): For Parts 3, 4 and 5 of the RPT Form, companies with financial statements that cover more than 12 months may apportion the income and expenses as per the apportionment basis in the Form C. If companies want to identify the actual transactions in the respective basis periods, they may do so.

For Part 6 of the RPT Form, companies should use the balances as at the end of the relevant basis periods to determine the amount of related party transactions for the respective YAs.

Example 1: Change in financial year-end (FYE) affecting two YAs

The FYE of the company is changed from Dec 2017 to Jun 2018.
Financial statements are prepared for financial period from 1 Jan 2017 to 30 Jun 2018.

Apportionment required for filing of income tax return:

YA	Basis Period
2018	1 Jan 2017 to 31 Dec 2017
2019	1 Jan 2018 to 30 Jun 2018

To complete Part 6 of the RPT Form, the company will need to take the loan and non-trade balances due from/ to all related parties as at the end of the respective basis period, i.e. Company will be required to determine these amount based on **actual ledger balance** as at 31 Dec 2017 for YA 2018 and 30 Jun 2018 for YA 2019.

Example 2: Change in FYE affecting one YA

The FYE of the company is changed from Jun 2018 to Dec 2018.
Financial statements are prepared for financial period from 1 Jul 2017 to 31 Dec 2018.

No apportionment required for filing of income tax return:

YA	Basis Period
2019	1 Jul 2017 to 31 Dec 2018

To complete Part 6 of the RPT Form, the company will need to take the loan and non-trade balances due from/ to all related parties as at the end of the basis period, i.e. Company will use the amount stated in the **financial statements**.

Part 2 of the RPT Form - Ultimate holding company

Qn (15): **How do I determine which entity is the ultimate holding company (UHC) in the case where the company is a joint venture or all its shareholders are individuals?**

Ans (15): The UHC of a company is usually stated in the financial statements. Where all the shareholders of a company are individuals, or where the company is a joint venture and no joint venture partner is stated as the UHC, the company is the UHC of its group. Please select "Yes" in Part 2a.

Part 3 of the RPT Form

Qn (16): What are some examples for Part 3e "other transactions with all related parties not falling under Boxes 3a to 3d"?

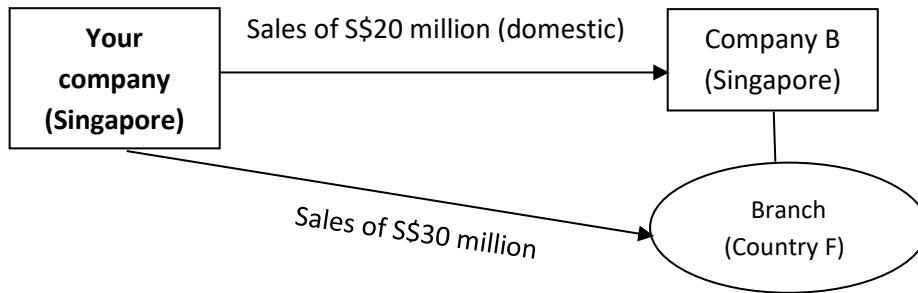
Ans (16): If any of the items in the RPT disclosed in the financial statements does not fit any of the descriptions under Boxes 3a to 3d, it should be completed in Part 3e. Some examples are gain or loss on disposal of tangible and intangible assets and reimbursement from/ to related parties.

Parts 4 and 5 of the RPT Form

Qn (17): Does the "country" of the related party outside Singapore in Parts 4 and 5 refer to the country where the related party operates its business or the country of incorporation of the related party?

Ans (17): It refers to the country where the related party operates from.

Example 1: Your company in Singapore has a Singapore subsidiary, Company B. Company B has a branch in a foreign country F which manufactures product X for sale. Your company sells raw materials of S\$30 million to Company B's branch in Country F. Your company also sells S\$20 million of another product Y to Company B.



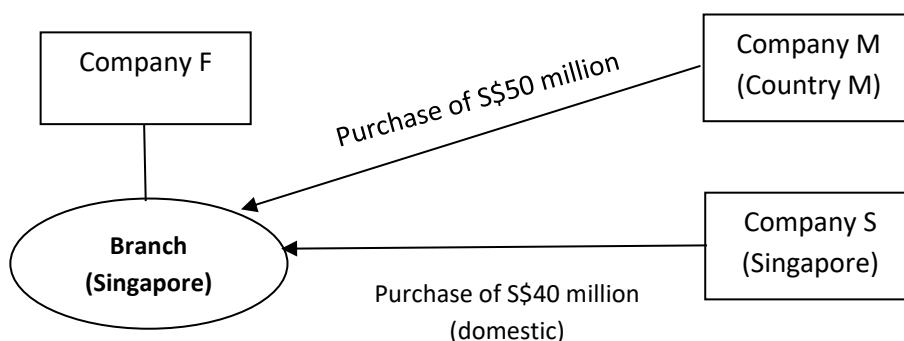
In your company's RPT Form, the total amount of S\$50 million is to be included in Part 3a (income/ receipt) as sale of goods to all related parties.

Part 4 is not applicable for the domestic sale of product Y to Company B. The sale of raw materials to Company B's branch in Country F is a sale of goods to a related party outside Singapore. Please select "Yes" in Part 4a. If the value of S\$30 million ranks in the top 5 cross border "sale of goods and provision of services", please complete Part 4b as follows:

Name of related party	Country	Relationship type	Amount S\$
Company B (Country F Branch)	Country F	Subsidiary #	30,000,000

Relationship type should be the relationship between your company and Company B.

Example 2: The Singapore branch of a foreign incorporated Company F purchases goods of S\$40 million from a Singapore subsidiary of Company F, Company S. The Singapore branch also purchases goods of S\$50 million from a related party outside Singapore, Company M in Country M. Company M is a subsidiary of Company F.



In the Singapore branch's RPT Form, the total amount of S\$90 million is to be included in Part 3a (expense/ payment) as purchase of goods from all related parties.

Part 5 is not applicable for the domestic purchase of goods from Company S. The purchase of goods from Company M is a purchase of goods from a related party

outside Singapore. Please select “Yes” in Part 5a. If the value of S\$50 million ranks in the top 5 cross border “purchase of goods and services”, please complete Part 5b as follows:

Name of related party	Country	Relationship type	Amount S\$
Company M	Country M	Subsidiary #	50,000,000

Relationship type should be the relationship between Company F and Company M.

Compliance cost

Qn (18): **Would the RPT reporting requirement increase compliance cost for companies?**

Ans (18): IRAS has set the RPT threshold at a reasonably high value of S\$15 million to reduce companies’ compliance costs and most companies do not have RPT exceeding this threshold. IRAS also minimised the data required in the RPT Form. The required RPT data can be readily collated by companies in the process of preparing their accounts. IRAS has consulted SIATP representatives and transfer pricing practitioners who have assessed that companies would have little difficulties in meeting this RPT reporting requirement.

Penalty for non-compliance

Qn (19): **Will penalty be imposed if companies do not submit the RPT Form?**

Ans (19): The RPT Form is part of the Form C. Penalty may be imposed for non-filing or incorrect filing of Form C.

TP documentation

Qn (20): **Do companies need to submit their transfer pricing documentation together with the RPT Form?**

Ans (20): Companies are not required to submit their transfer pricing documentation together with the RPT Form or Income Tax Return. As stated in Section 6 of our Transfer Pricing Guidelines, they should prepare and keep contemporaneous documentation to support the pricing of their RP; and submit it to IRAS within 30 days upon request.

6 Clarification

If you have any enquiries or need clarification, please email ct_transfer_pricing@iras.gov.sg.