INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide

GST: Transfer Pricing Adjustments
(Second Edition)

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1 Aim

1.1 This e-Tax guide explains the GST treatment for adjustments on the transfer prices (“price”) of transactions between related parties (“TP adjustments”).

1.2 This guide is relevant to you when you have TP adjustments made to your transactions with your related parties[1].

2 At a Glance

2.1 Transfer pricing concerns the prices charged in transactions between related parties. When you transact with your related parties, you must price those transactions at arm’s length (i.e. the transactions should be made under comparable conditions and circumstances as transactions with independent parties). Where you do not, tax authorities may make TP adjustments to bring the transfer prices to arm’s length. At times, you may make TP adjustments to arrive at the arm’s length outcome, for example in accordance with your contemporaneous TP documentation at year-end closing of your accounts or to comply with the terms in an Advance Pricing Arrangement with the Comptroller of Income Tax.

2.2 A TP adjustment for income tax purposes may indicate that you have understated or overstated the value of your supply or import of goods or services for GST purposes. Therefore, you may be required to make certain GST adjustments.

2.3 Broadly, you may[2] need to make a corresponding GST adjustment where the TP adjustment results in:

a) An increase in the price of your supply or import of goods or services and:

  i. the TP adjustment is effected through your financial statements; **or**

  ii. the TP adjustment is taxable or allowable for income tax purposes.

b) A decrease in the price of your supply or import of goods or services and:

  i. the TP adjustment is effected through your financial statements; **and**

  ii. the TP adjustment is taxable or allowable for income tax purposes.

2.4 For local purchases, however, you should follow the GST adjustment made by your related party local supplier that is reflected in the credit notes or tax invoices issued by the supplier. The adjustments that the purchaser has to make generally will depend on the adjustments of the supplier.

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[1] If you have TP adjustments relating to your transactions made prior to the publication of this guide and have yet to make any GST adjustments, you may also apply the guidance and administrative concessions set out in this e-Tax Guide.

[2] No GST adjustments are required if the TP adjustments relate to out-of-scope supplies of goods or services, non-taxable imports of goods, or imports of services not subject to reverse charge.

2.5 You do not need to make GST adjustments for TP adjustments that do not fall under paragraph 2.3. For example, if you reduce the price of your supply retrospectively for past financial years and the Comptroller of Income Tax does not allow the reduction, no GST adjustment is needed.

2.6 To ease business compliance, the Comptroller of GST will also waive the requirement for GST adjustments where certain conditions are met.

3 Glossary

3.1 Advance pricing arrangement ("APA")

This is an arrangement between the Comptroller of Income Tax and the taxpayer to agree in advance an appropriate set of criteria to ascertain the transfer pricing for the taxpayer's related party transactions for a specific period of time.

3.2 Arm's length principle

The arm's length principle is the international standard to guide transfer pricing. It requires the transaction with a related party to be made under comparable conditions and circumstances as a transaction with an independent party.

3.3 Related party for income tax purpose

Two persons are related parties with respect to each other if:

(a) Either person, directly or indirectly, controls the other person; or

(b) Both persons are, directly or indirectly, controlled by a common person.

The specific definition is provided under section 13(16) of the Income Tax Act.

3.4 Taxable imports

Imports of goods other than an exempt import, and imports of services that are subject to reverse charge ("RC").

3.5 TP adjustments that are taxable or allowable for income tax purposes

A TP adjustment is taxable for income tax purposes if the amount is subject to income tax. A TP adjustment is allowable for income tax purposes if the deduction and/or allowance is deductible for income tax.

4 Background

4.1 Related party transactions can be the sale or purchase of goods, the provision of services, the borrowing or lending of money, the use or transfer of intangibles, etc. Related party transactions like any other transactions will form a supply of goods or services for GST purposes if there is a direct link between the supply made and the consideration received. GST is accountable on the value of supply of goods or services, depending on the nature of the supply (i.e. standard-rated, zero-rated, exempt or out-of-scope). For taxable imports, GST is accountable based on the value of the import.

4.2 When you transact with your related parties, you must price those related party transactions at arm's length as required under section 34D of the Income Tax Act. A TP adjustment made to increase income or reduce loss will be taxable for income tax purposes in certain situations, where the adjustment has the effect of increasing the business's gross sales (i.e. price of goods or services) or decreasing the price of imported goods or services. Conversely, a TP adjustment made to reduce income or increase loss will be allowed for income tax purposes under certain situations, where the adjustment has the effect of decreasing the business's gross sales (i.e. price of supply goods or services) or increasing the price of imported goods or services.

4.3 Where a supply exists and a TP adjustment is made, a corresponding GST adjustment would be required where the TP adjustment would:

(a) Result in a change in the original value of the supply of goods or services (other than out-of-scope supplies). The nature of GST adjustment will depend on whether the original supply is zero-rated, standard-rated or exempt; or

(b) Result in a change in the original value of imported goods or services[3].

4.4 This guide will help you in determining 4.3(a) and 4.3(b). This e-Tax guide does not address how you should determine the arm's length transfer price, the circumstances under which TP adjustments should be made and whether those TP adjustments are taxable or allowable for income tax purposes. Please refer to the principles and guidance set out in the IRAS' e-Tax Guide on Transfer Pricing Guidelines ("the TP Guidelines").

5 Administrative Concession

5.1 As an administrative concession, the Comptroller of GST and Singapore Customs will not require GST adjustments for TP adjustments in the following circumstances, regardless whether it is an increase or decrease in price:

[3] With the implementation of RC from 1 Jan 2020, TP adjustments affecting the value of imported services supplied on or after 1 Jan 2020 and subject to RC may give rise to GST adjustments.

(i) Taxable imports: You are entitled to full input tax credit on the imported goods or your imported services are not subject to RC at the time when the TP adjustment is made[4]. If you belong to a GST group, the group must be entitled to full input tax credit. You can also qualify for the concession on your imported goods if you are under an import GST suspension scheme (e.g. Major Exporter Scheme)[5].

(ii) Standard-rated supplies: Your related party customer is entitled to full input tax credit on the supply you made, and you are also entitled to full input tax credit[6] on your purchases and expenses, at the time when the TP adjustment is made.

(iii) Zero-rated and exempt supplies: You are entitled to full input tax credit[6] on your purchases and expenses at the time when the TP adjustment is made.

5.2 The administrative concession will not apply to imports of dutiable motor vehicles.

5.3 The administrative concession is granted to reduce compliance costs on businesses and recognises that the GST adjustments would not have an overall tax impact; the additional GST to be accounted on that supply would have been fully claimable by the purchaser if the corresponding GST adjustment were to be required, and the supplier himself would have been entitled to full input tax on his purchases and expenses. This concession is hence allowed where there is no impact on the input tax claimable by both the related party supplier and customer.

5.4 You need not write in to IRAS or Singapore Customs (for TP adjustments affecting import of goods) to request for the concession. Instead, you should self-assess whether you meet the conditions. You are still required to maintain the relevant supporting documents and records such as invoices issued to or received from your related party and produce them upon request by either authority. If the concession applies and no GST adjustments are required, you need not issue an additional invoice or credit note to your customer for GST purposes, or correct any past import or export permits. You also need not make any adjustments in your GST returns. For Paragraph 5.1(ii), you will also need to maintain documents to prove that your related party customer was entitled to full input tax credit in the prescribed accounting

[4] You must be entitled to full input tax credit in the prescribed accounting period and relevant longer period when the TP adjustment is made. For more information on longer period adjustments, please refer to the e-Tax Guide "GST: Partial Exemption and Input Tax Recovery".
[5] Excludes the Import GST Deferment Scheme (IGDS). If you are under IGDS and would like to apply the concession, you must be entitled to full input tax credit on the imported goods.
[6] If there is an increase in exempt supplies as a result of the TP adjustment, the supplier must be entitled to full input tax credit even after the increase.

period and relevant longer period when the TP adjustment was made (e.g. a written confirmation from your related party customer).

5.5 If you do not qualify for the above concession, please refer to the paragraphs below to determine the GST treatment for your TP adjustments. A partially exempt business may still apply the concession, provided the conditions in paragraph 5.1 are met.

6 GST Treatment for TP Adjustments

TP adjustments resulting in increase in the price of your supply or import of goods and services

6.1 An increase in the price of your supply or import of goods or services will[7] require you to make GST adjustments if:

(a) You effect the increase in price through your financial statements (e.g. as changes in the sales revenue of your supply of goods or services or purchase price of your import of goods or services, or as prior year adjustments to the financial statements); **or**

(b) The TP adjustment is taxable or allowable for income tax purposes.

6.2 By reflecting the TP adjustments in your financial statements, you are recognising that there is a change in the original value of your supply of goods or services or a change in the original value of your import of goods or services. Therefore, you are required to make GST adjustments depending on the GST nature of your supply or import.

6.3 Where the TP adjustments resulting in the increase in the price of your supply or import are taxable or allowable for income tax purposes, regardless of whether you reflect the increase in your financial statements, you must make GST adjustments to the value of your supply or import. This is because the TP adjustments are made to reflect the open market value of the supply or import.

6.4 The required GST adjustment depends on the GST nature of the supply (i.e. standard-rated, zero-rated, exempt or out-of-scope). If the adjustment relates to a past standard-rated supply, you will need to increase the value of your standard-rated supply and account for the additional output tax accordingly. If the adjustment relates to past zero-rated or exempt supplies, you will need to increase the value of these supplies.

[7] No GST adjustments are required if the supply of goods or services is out-of-scope, the import of goods is non-taxable, or the import of services is not subject to RC. In addition, for an increase in value of zero-rated supplies, no GST adjustments are required if you are prepared to forgo the additional input tax claimable that will arise from the increased value of taxable supplies in your input tax apportionment formula.

<u>Example 1 - TP adjustment effected through financial statements</u>

SingCo 1, a Singapore manufacturer, manufactures dishwashers and exports them to its overseas related party, Company A.

SingCo 1 determines the transfer price for its sale of dishwashers to Company A using the cost plus method with a cost plus mark-up of X%. SingCo 1 invoices Company A on a monthly basis by applying the mark-up of X% on budgeted cost and makes TP adjustment at the year-end closing of its accounts to reflect sales based on actual cost.

SingCo 1 invoiced Company A $8,000 based on its budgeted cost. The sales based on actual cost is $8,800. SingCo 1 makes a TP adjustment at the closing of its accounts to increase its sales to Company A by $800 ($8,800 - $8,000). Assuming the exports qualify for zero-rating, SingCo 1 should correspondingly increase the value of its zero-rated supply by $800.

<u>Example 2 - TP adjustment taxable or allowable for income tax purposes</u>

SingCo 2, a Singapore manufacturer, manufactures dishwashers and exports them to its overseas related party, Company B.

SingCo 2 determines the transfer price for its sale of dishwashers to Company B using the cost plus method with a cost plus mark-up of X%. SingCo 2 invoiced Company B $8,000 based on the mark-up of X%. The Comptroller of Income Tax determines that the cost plus mark-up should be X% + Y% and makes a TP adjustment to increase the sales from $8,000 to $8,800. Assuming the exports qualify for zero-rating, SingCo 2 should correspondingly increase the value of its zero-rated supply by $800.

6.5 For imported goods or services, GST adjustments are required only if the goods are subject to GST or the services are subject to RC:

- **For imported goods subject to GST**

  You would have to pay the additional GST to Singapore Customs[8]. Please refer to paragraphs 7.4 and 7.5 on the procedure for payment of the additional import GST and the documents you are required to submit to Singapore Customs. If you are GST-registered, you may increase the value of your taxable purchases and claim the GST paid as your input tax subject to the normal input tax recovery rules.

[8] You need not pay the tax to Singapore Customs or make adjustments in your GST return if you qualify for the administrative concession under paragraph 5. If you are under IGDS and do not qualify for the administrative concession under paragraph 5 as you are not entitled to full input tax credit, additional tax need not be paid to Singapore Customs but adjustments to your GST return will still be required.

- **For imported services subject to RC**

  You would need to increase the value of your imported services[9] and your standard-rated supplies, and account for the additional output tax accordingly. You may increase the value of your taxable purchases and claim input tax according to the normal input tax recovery rules.

Example 3 – TP adjustment relating to taxable imported services SingCo C procures administrative and management services from its overseas related entity. As SingCo C is a GST-registered partially exempt business that is not entitled to full input tax credit, the services that it procures are subject to RC. Its overseas related entity charges SingCo C $5,000 for the services provided. Based on a revised TP analysis, the overseas related entity determines that the revised charge is $5,200. SingCo C makes a TP adjustment and records an increase in the purchase value by $200 in its financial statements. Regardless of whether the additional charge of $200 is allowable for income tax purposes, as SingCo C has recorded the increase in its financial statements and recognised that the value of the imported services should be higher at $5,200, SingCo C should increase the value of its standard-rated supplies by the difference of $200 and output tax by $14. It can claim the corresponding input tax according to the normal input tax recovery rules.

6.6 No GST adjustments are required where the TP adjustment relates to non-taxable imports, such as imported investment precious metals and imported services that are not subject to RC.

6.7 You should issue an invoice to your related party customer to support the increase in the value of your supply of goods or services[10]. For the increase in the value of import of goods or services, you should obtain the relevant invoice from your related party overseas supplier. For RC supplies, you may seek the Comptroller of GST's approval for maintaining alternative supporting document if your related party overseas supplier is not able to issue an invoice.

TP adjustments resulting in decrease in the price of your supply or import of goods and services

6.8 Following a decrease in the price of your goods and services, you would have over-accounted for output tax in your earlier GST return (if the decrease relates to your standard-rated supply or imported services subject to RC), or

[9] By including the increase in Box 14 of your GST return.
[10] Where there are ongoing queries by the Comptroller of Income Tax on the TP adjustment, you may issue a consolidated invoice/ credit note when the TP adjustments are finalised with the Comptroller of Income Tax, and make the relevant GST adjustments mentioned in paragraph 6.

overpaid GST to Singapore Customs (for your imported goods). In this instance, you must satisfy the following conditions before making any GST adjustments:

(a) You effect the reduction in price through your financial statements; **and**

(b) The TP adjustment is taxable or allowable for income tax purposes

6.9 Both conditions must be met before you can claim the over-accounted output tax or overpaid import GST. You should have effected the reduction in price through your financial statements as this recognises the change in the original value of your supply or import of goods and services. In addition, to satisfy the Comptroller of GST that the reduced price reflects the open market value of your supply or import, the TP adjustment should be taxable or allowable for income tax purposes.

6.10 For TP adjustments that decrease the value of your standard-rated supplies, in addition to meeting the above conditions, you must also issue a credit note to your related party customer to reflect the reduction in the price of the goods or services and the GST amount before you can reduce the value of your standard-rated supplies and output tax.

6.11 Where credit notes are issued for foreign currency denominated tax invoices, you should use the exchange rate reflected on the tax invoice (i.e. the historical exchange rate)[11]. If you cannot trace the TP adjustment to individual invoices, for example as the adjustments are not specific to individual transactions and straddle a few prescribed accounting periods, as an administrative concession, you may use the average exchange rate for the credit notes. This average exchange rate is computed using the average of the month-end exchange rates throughout the period that the TP adjustment relates to.

6.12 For imported goods or services that are not taxable, no GST adjustments need to be made. For imports that are taxable:

- **For imported goods subject to GST**

  If you are GST-registered and you have claimed in full the import GST paid earlier in your GST return, no refund will be due to you for the overpaid amount. If you are not entitled to and have not claimed the import GST in full (for example, because the import GST was attributed to both your exempt and taxable supplies), you can claim the excess overpaid GST in your GST return.

  If you are not GST-registered, you may apply to Singapore Customs for a refund.

[11] If your customer is GST-registered, you can choose to use the prevailing exchange rate instead. Whether you choose the historical or prevailing exchange rate, you are required to apply the chosen rate consistently.

- **For imported services subject to RC**

  If the imported services are subject to RC, you may reduce the value of your imported services[12], your standard-rated supplies and output tax. You may also reduce the value of your taxable purchases and input tax according to your normal input tax recovery rules.

6.13 In respect of a decrease in the value of your taxable imported goods or services, you should obtain a credit note or revised invoice or any other document as allowed by the Comptroller of GST from your related party overseas supplier to reflect the reduction in price of the imported goods or services.

7 Making GST Adjustments

7.1 You should make the necessary adjustments to your supply of goods/ services[13] or imported services in the prescribed accounting period:

a) at the earlier of when you issue an invoice/ credit note or receive payment in respect of the TP adjustment for your supplies; and

b) at the earlier of when an invoice/ credit note is issued or you make payment in respect of the TP adjustment for your imported services.

7.2 For GST adjustments relating to RC supplies, you should make the adjustments based on the same time of supply rule which you have consistently applied for other RC supplies. For example, if you have accounted for GST on your RC supplies at the earlier of posting date of the transaction in your business accounts or payment date, you should similarly make the necessary adjustments at the earlier of posting date of the TP adjustment or payment date. Alternatively, if you have elected to account for GST on your RC supplies at the end of the longer period, you should also make the adjustments in respect of the TP adjustments at the end of the longer period.

7.3 For adjustments relating to the accounting of additional output tax, if you do not issue any invoice or receive any payment from your related party customer for the TP adjustments, you must make the GST adjustment in your GST return in the prescribed accounting period when the TP adjustment is made. For example, in the prescribed accounting period when you make the TP adjustment in your financial statements for the services provided to your related party customer. This represents the point in time where it has been

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[12] By including the decrease in Box 14 of your GST return.

[13] You should take into account the GST adjustments on your supply of goods or services when performing the longer period adjustment for the tax year of the current-dated invoice/ credit note or date of payment received. There is no need to re-compute the longer period adjustments for the preceding years in which the original supplies relate to.

recognised that the value of the supply does not reflect its open market value. Similarly, for the accounting of additional output tax on RC supplies, if you do not receive any invoice from or make any payment to your related party for the TP adjustments, you must make the GST adjustment in your GST return in the prescribed accounting period when the TP adjustment is made.

7.4 Where there is an increase in the value of your imported goods and you are required to pay additional GST to Singapore Customs, you should submit the adjustments via Singapore Customs' Voluntary Disclosure Programme and take up a short payment permit with Singapore Customs upon their notification. You may claim the additional tax paid as your input tax (in accordance with your input tax recovery rules) in your GST return for the prescribed accounting period where the short payment permit is taken up. You will be required to submit the following documents for Singapore Customs' review:

a) Transfer Pricing Policy and Study
b) Clear explanation on how the adjustment made achieves the arm-length range for the value of imported goods
c) Invoice(s) showing the value of TP adjustment made
d) Any other documents or information that may be required by Singapore Customs

7.5 Businesses do not need to tabulate the list of original import permits and invoices in relation to the TP adjustment. To ease compliance, Singapore Customs will allow you to take up a single short payment permit for the TP adjustment for each year of assessment ("YA"), without having to attribute the TP adjustment to each import permit.

To illustrate:

- TP adjustment for YA 2017 – to take up one short payment permit;
- TP adjustment for YA 2018 – to take up another short payment permit.

7.6 The procedure above does not apply to imports of dutiable motor vehicles. Please refer here for Singapore Customs' guidance.

8 Proxies to Apportion the Value of Supply and Imported Goods and Services

8.1 Generally, where businesses adjust the value of goods and services, they are required to trace the adjustments to individual transactions and make the corresponding GST adjustments by issuing credit notes or additional invoices. However, as TP adjustments are usually made periodically, the adjustments may relate to transactions that span a period of time. It may thus be difficult for the business to trace the TP adjustments to specific transactions.

8.2 To ease compliance, the Comptroller of GST will allow businesses to make GST adjustments to the value of their supplies by apportioning the TP adjustments using the following proxies:

- Proportion of standard-rated, zero-rated, exempt or out-of-scope supplies**:** You should first identify the categories of transactions to which the TP adjustments relate, before applying the proxy.

- Amount of time spent/ sales revenue supported/ number of end customers serviced: This proxy is suitable for allocation of charges relating to services performed for regional or global entities. The proxy should again be applied only after you have identified the categories of transactions to which the TP adjustments relate.

8.3 Similarly, for GST adjustments to be made on account of changes in the value of imported services subject to RC, you may use the above proxies. For example, for TP adjustments relating to services purchased from a specific overseas related party, you may determine the required GST adjustments based on the proportion of the value of that imported service subject to RC over the total value of imported services[14] procured from that related party.

8.4 For GST adjustments in relation to imported goods from a specific related party, you may use the proportion of taxable imported goods over all your purchases of goods from that related party as a proxy.

8.5 The proxy used should be consistently applied to all relevant transactions. For other proxies, you may seek approval in writing from the Comptroller of GST by explaining how the proxy reasonably reflects the type of supplies made.

Example 4 - Proxy by proportion of supplies

Parent Company D imports the products into its third-party logistics service provider's warehouse in a Free Trade Zone ("FTZ") and sells the products to Company E, a related party distributor for the Group products in Singapore:

- within the FTZ — out-of-scope supplies ("OOS"); or
- after the products are imported into customs' territory — standard-rated supplies ("SR")

YA2019 (prices are GST-exclusive)

Total Value of SR supplies	$80,000

[14] Some of the imported services acquired from an overseas related party may not be subject to RC such as those that are directly attributable to the making of taxable supplies.

Total Value of OOS supplies	$400,000
Total	$480,000

A TP adjustment is made that results in an increase of $20,000 in the price of Parent Company D's goods. Parent Company D has assessed that a corresponding GST adjustment is required, as it has effected the increase through its financial statements. This amount is also taxable for income tax purposes.

GST adjustment

Strictly, the TP adjustment should be traced to the individual invoices, and the GST treatment should follow the treatment originally adopted for the supply of goods [i.e. standard-rated ("SR") or out-of-scope ("OOS")].

As there are numerous invoices issued by Parent Company D, it would be difficult to trace the TP adjustment to each individual invoice. Parent Company D may adopt the proportion of supplies proxy (i.e. Value of SR Supplies/(Total value of SR Supplies and OOS Supplies)) to arrive at the additional value of standard-rated supplies and output tax for GST reporting purposes:

Additional value of standard-rated supplies= ($80,000/480,000) x $20,000
= $3,333.

Additional output tax to be accounted = $3,333 x 7% GST
= $233.33

Example 5 – Proxy based on amount of time spent

SingCo F provides regional support services to the related parties in Singapore and outside Singapore for its headquarter company ("HQ").

SingCo F is remunerated by HQ and there are no separate billings made to each related party. SingCo F's support services to its Singapore related party are standard-rated, while those to related parties outside Singapore are zero-rated under section 21(3)(j) of the GST Act.

As a proxy to quantify the value of standard-rated supplies to its Singapore related party, SingCo F can use the time spent by its staff. SingCo F's staff spent approximately 15% of their time providing support services to the Singapore related party and 85% of their time to the related parties outside Singapore.

A TP adjustment is made for the provision of regional support services that results in an increase of $50,000 in SingCo F's total remuneration for the year. A corresponding GST adjustment is required, as the TP adjustment is taxable for income tax purposes and the adjustment is also reflected in its financial statements. SingCo F should increase the value of its standard-

rated supplies by $7,500 (15% x $50,000) and account for additional output tax of $525 ($7,500 x 7% GST), and increase the value of its zero-rated supplies by $42,500 (85% x $50,000).

9 Maintenance of Supporting Records and Documents

9.1 As part of GST record-keeping requirements, you have to maintain the following records, where applicable:

- Affected invoices and credit notes issued showing the amount of TP adjustment made and evidence that you have received payment, if any
- Affected purchase invoices and evidence that you have made payment, if any
- Affected import permits and price adjustments made to the shipments
- Relevant contracts and agreements
- Documentation to explain the proxies (if any) chosen for the allocation and apportionment of the TP adjustments. Your documents should also clearly show the category of transactions that the TP adjustments relate to and the computation of your allocation to the GST adjustments.

9.2 Unless requested, these documents need not be submitted to IRAS. Business and accounting records must be kept for a period of 5 years from the end of the prescribed accounting period in which the TP adjustment was made.

10 Waiver of Penalties

10.1 Generally, penalties will not be imposed on GST adjustments arising from TP adjustments, provided that they are made in accordance with the time specified in Paragraph 7, and where all the conditions below are met:

- You must cooperate fully with IRAS or Customs when queried on the TP adjustments; and
- You must pay or make arrangements with IRAS or Customs to pay the additional GST and honour such arrangements till all payments are made.

10.2 The waiver will not apply to any other GST errors that IRAS or Customs may uncover whether directly or indirectly from the disclosure of the TP adjustments.

11 Frequently Asked Questions

Q1 I understand that where a supply exists and a TP adjustment is made, I may have to make GST adjustments to my related party transactions. How do I know if my related party transaction is a supply?

A1 Generally, for there to be a supply, there must be consideration received in return for the provision of goods or services, that is, there must be a direct link between the goods and services supplied and the consideration. This same requirement would apply for your related party transactions to be treated as a supply.

For example, you provide management services and accounting services to your overseas related parties in return for payments from these parties in the form of service fees. These services constitute a supply of services made by you as there is a direct link between the functions performed and the payments received.

In contrast, if you receive payments with no requirement to perform any services or provide any goods, those payments will not give rise to a supply. For example, you receive payments from your related party to tide over periodic local market downturns or initial losses, with no obligation to provide goods or services in return. Those payments would not give rise to any supply.

Q2 My overseas head office ("HO") allocated certain management expenses ("HO expenses") to my branch in Singapore. These management expenses are in respect of services that the HO renders to the Singapore branch. A TP adjustment is made which increases the cost allocation of HO expenses to my branch. The increase in cost allocation is recognised in my financial statements. Is RC applicable and do I have to make GST adjustments relating to the TP adjustment to increase the value of my imported services?

A2 As the increase in cost allocation is recognised in your financial statements and is made in respect of services rendered by the head office, you will need to make GST adjustments to increase the original value of your imported services.

Q3 The Comptroller of Income Tax has made TP adjustments to decrease the value of my customer's standard-rated purchase. Can I decrease the value of my supply and output tax?

A3 You may decrease the value of your supply and output tax if you effect the reduction in price through your financial statements. You should also issue a credit note to your customer to reflect the reduction in the price and the corresponding GST amount.

Q4 I am appointed as a section 33(2) agent. Do I have to make GST adjustments if my overseas principal makes TP adjustments to the value of the imports and/or the supply of the imported goods?

A4 As a section 33(2) agent, the goods are treated as imported and supplied by you on behalf of your overseas principal. Hence, if your overseas principal makes TP adjustments to the import or supply value of the goods, you will be required to make GST adjustments (see paragraph 6) unless you qualify for the administrative concession explained under paragraph 5.

Q5 A TP adjustment may arise in various scenarios (e.g. voluntary TP adjustment, TP audit by the Comptroller of Income Tax, adjustment to effect the agreed outcome under Advance Pricing Arrangement or Mutual Agreement Procedure). What is the GST treatment for each scenario?

A5 The GST treatment in paragraph 6 applies regardless of the scenario under which a TP adjustment may arise.

Q6 I do not qualify for the administrative concession (under paragraph 5) for the TP adjustments to my zero-rated supplies. These supplies relate to the exports of goods. Am I required to make any adjustment to my past export permits?

A6 No, you are not required to make any adjustment to past export permits. However, you will need to make the GST adjustment in your GST returns and maintain sufficient supporting documents to show how the adjustments are arrived at.

Q7 I currently adopt IRAS' administrative concession of not adjusting the GST amount when issuing credit notes on my supplies. Can I also apply this administrative concession for TP adjustments?

A7 Yes. In your credit note, you can choose not to adjust the GST amount charged on the original tax invoice, subject to the existing conditions[15].

12 Contact Information

12.1 For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at www.iras.gov.sg (select "Contact Us").

[15] For more information on the concession, please refer to www.iras.gov.sg > GST > GST-registered businesses > Learning the basics > How to implement GST > Invoicing, Price Display and Record Keeping > Invoicing Customers

13 Updates and Amendments

	Date of Amendment	Amendments made
1.	1 Jun 2021	(i) Revised paragraph 5.1 to extend the administrative concession for taxable goods imported under an import GST suspension scheme. Added Footnote 5 to clarify that import GST suspension schemes exclude IGDS. (ii) Added Footnote 8 to clarify that no tax needs to be paid to Singapore Customs and no adjustments needs to be made to GST returns if the person qualifies for the administrative concession under paragraph 5. If the person is under IGDS and is not entitled to full input tax credit, additional tax need not be paid to Singapore Customs but adjustments to the GST return will still be required. (iii) Revised paragraph 7.3 on when to make GST adjustments in the event that no invoice is issued and no payment is made/received for the TP adjustment. (iv) Other editorial amendments.