



2025 Asia Pacific Financial
Services Tax Conference
Regional Transfer Pricing Updates



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TP developments across the Asia-Pacific (APAC) region

India – Proposed changes in the 2025 Budget / New Finance Bill, include a widened definition of associated enterprises, more prescriptive definition of arm's length range, thin capitalisation rules, and TP block assessment rules.

Vietnam – Decree 20 (10 Feb 2025), clarifies and tightens related party definitions, and empowers the **State Bank of Vietnam to provide related party loan / debt information at request of the Tax Authority**.

Malaysia – New Malaysia TP Guidelines (MTPG) and TP Audit Framework released in Dec 2024. Key highlights include revised thresholds of min vs full TPD; stricter enforcement of local comparables; **guidance on pass-through / low-value adding services**; and intangibles / restructuring.

Singapore – New TP Guidelines were released in June 2024, which included **additional requirements for domestic financial transactions** and increased certain thresholds for exemption from TP documentation starting from YA2026.

Indonesia – Increasing TP adjustments on Standby Letters of Credit (SBLCs); scrutiny has also heightened on brokerage fees (vs comparables) and **interco funding sources (looking at lender's margin)**. Related party transactions looked at by both OJK and DGT.

Japan – No changes to TP law / regulations. **TP audit focus increasingly on interco finance (including guarantees)**; and attributions for JP affiliates managing JPY funding.

Korea – Tax law / regulation updates requiring arm's length validation when seeking tax refunds / adjustments. Expect more precise targeting of taxpayers for audits (leveraging AI to identify risks). **Focus on loans, guarantees, cash pooling and service transactions (including IT / software development)**.

China – While there are no significant TP legislation developments. **Intragroup service charges continue to be audited extensively, and TP of financing arrangements becoming an increased area of STA interest**. Market focusing on new China VAT Law impact to intercompany financing.

Hong Kong – Proposed amendments were made to Part8AA of the Inland Revenue Ordinance, which **effectively adopts OECD guidance on financial transactions into Hong Kong's TP regulatory framework**.

Taiwan – **Intragroup service / cost charges continue to be challenged**, while **interco loans are now an area of focus across industries**. New benchmark rates (SOFR / SONIA etc) following IBOR transition are accepted by the authorities.

Philippines – BIR seeking establishment of an International Tax Law Division, focusing on TP and BEPS matters. **Intragroup services focus on utilization / benefits test, with a 3rd party AUP certificate often required**.

Australia – AU LFs expanded, requiring new international tax disclosures on restructuring, intangibles, and sources of AU tax risk (hybrid mismatch, PE, WHT etc). Heightened ATO scrutiny of intangible-related payments. AU public CbC reporting, with Singapore and HK requiring disaggregated reporting and additional explanations (ETR / stat rate reconciliation).

Asia Pacific Financial Services Transfer Pricing themes

01

Cost control measures

- Rising cost discipline driving companies to focus on measurement and control of internal costs – typically aligned with enhanced transfer pricing cost allocations
- Increasing management focus on cost allocation models / loss making transfer pricing (TP) models
- Restructuring taking account of authorities on intragroup services (e.g., shared services) and splits

02

Intragroup financing arrangements

- Increased sophistication and scrutiny from authorities on intra-group financing arrangements
- Debt vs equity classification, hybrid instruments, arm's length debt test, interest restriction and thin capitalisation rules

03

TP controversy & dispute resolution management

- Difficulties in managing inconsistent TP definitions and prescribed rules across the region
- Growing proactivity in TP dispute management (i.e., using Advance Pricing Agreements (APAs))
- Organisational resource management – could APAs be more resource efficient over multi-year periods?

FSTP financial transactions heatmap

Countries' conformity to OECD Guidelines Chapter X: Financial Transactions

Australia	China	Hong Kong	India
Although Australia follows the OECD's guidance on Financial Transactions, taxpayers must also comply with extensive local regulations and additional ATO guidance.	STA 2017 Bulletin 6 – The Administrative Regulation for Special Tax Audit Adjustment and Mutual Agreement Procedure	Proposed amendment to Part8AA of the Inland Revenue Ordinance – Expected to fully conform, subject to the passing of the Bill	No prescribed TP guidance
Indonesia	Japan	Malaysia	Philippines
Peraturan Menteri Keuangan (PMK)-172 2023 – Article 13, Paragraph 4	Commissioner's Directive on Interpretation of The Act on Special Measures concerning Taxation (ASMT) – 66-4(8)-5 Commissioner's Directive on the Operation of Transfer Pricing (CDOTP) – Chapter 3-7 to 3-8	Malaysia Transfer Pricing Guidelines 2024, Chapter 9 – Intra-group financial transactions	Republic of Philippines Bureau of Internal Revenue Revenue Audit Memorandum Order No. 1-2019 (TP Audit Guidelines), Chapter VIII – Interest Payment Transactions
Singapore	South Korea	Taiwan	Thailand
Singapore Transfer Pricing Guidelines (Seventh Edition), Chapter 15 – Related party financial transactions	Enforcement Decree of the Law for Co-ordination of International Tax Affairs (LCITA) Article 11 and 11-2	No prescribed TP guidance	No prescribed TP guidance
Vietnam	<div> <div></div> Does not reference or no prescribed guidance <div></div> Partial alignment with some local differences in interpretation <div></div> Full conformity with little / no differences in interpretation </div>		
No prescribed TP guidance			

FSTP controversy heatmap

Indicative views on common FS Intercompany transactions

	Hong Kong	China	Taiwan	Japan	S. Korea	Singapore	Malaysia	Indonesia	Thailand	Vietnam	Philippines	India	Australia
IT/software development services	Orange	Red	Red	Green	Orange	Orange	Orange	Orange	Red	Orange	Orange	Red	Red
HQ/shared support services	Orange	Red	Red	Orange	Red	Red	Red	Red	Red	Red	Orange	Red	Red
IM advisory services	Red	Green	Orange	Orange	Green	Orange	Green	Orange	Light Green	Red	Green	Red	Orange
Deal or AUM origination	Green	Green	Orange	Orange	Green	Orange	Orange	Green	Light Green	Orange	Green	Red	Green
Trade execution/risk management	Green	Green	Orange	Red	Orange	Orange	Orange	Red	Orange	Orange	Green	Orange	Orange
Offshore booking	Green	Green	Orange	Red	Orange	Orange	Orange	Green	Light Green	Orange	Green	Orange	Red
Loans, guarantees, cash pooling	Green	Orange	Orange	Red	Orange	Orange	Orange	Orange	Orange	Orange	Green	Red	Red
Reinsurance/ retrocession	Green	Green	Green	Red	Green	Orange	Orange	Green	Light Green	Green	Green	Green	Orange

No info/NA



Inquired about by tax examiner but not often adjusted

5

Scrutinised by tax examiners and sometimes adjusted

Highly scrutinised by tax examiners and frequently adjusted or attempted to adjust

FSTP controversy heatmap

Indicative views on domestic dispute resolution/MAP dispute resolution



Key takeaways / considerations checklist

▶ Service charges:



- Can benefits be articulated and is documentary evidence retained contemporaneously to support the charges?
- Have determination of the costs to be charged (base costs + overheads etc) been considered in arriving at the charge?
- Are mark-ups on service charges applied at safe harbour / low value-adding services rates?
- Has a 3rd party AUP procedure (i.e., validation of the charges) been obtained, where beneficial for supporting deduction?

▶ Funding / Financing transactions:



- Have OECD Chapter X guidance been considered for transaction characterisation?
- Are contemporaneous price testing of lending / financing transactions available, as rigor increases?
- Would review of fact pattern / documents indicate alternative profile that could be challenged?

▶ Dispute resolution approaches:



- Where TP transactions are disputed regularly, have efforts been taken to consider alternative policy approaches or documentation?
- If challenges to transactions are persistent, have either Mutual Agreement Procedure or Advanced Pricing Agreements been looked into?

Appendix: Jurisdiction TP updates



Australia TP Developments

- Some key highlights from the recent updates to the Australian public Country-by-Country (CbC) reporting requirements include:
 - Singapore and Hong Kong are listed as “specified countries”, subject to disaggregated reporting and additional data requirements.
 - Threshold of AUD10 million Australian sourced income could be challenging to track for companies in the financial services industry, given domestic sourcing rules on interest (impacting banks), dividends (impacting investment firms) and insurance premiums (impacting insurers/reinsurers).
- Expanded Australian Local File requires new international tax disclosures including significant new disclosures on “restructures” and intangibles. Other additional disclosures relate to transfer pricing and other Australian tax risks, such as hybrid mismatch, permanent establishment risk, withholding tax, etc.
- More broadly, Australia is seeing increased transparency and governance requirements, particularly around TP and international tax, with reputational risk and ATO engagement implications. Audits are increasingly focused on intangibles, whether Australia is appropriately rewarded for DEMPE functions, and whether outbound payments could be recharacterised as royalties.



China TP Developments

- Intragroup financing arrangements are increasingly being queried on a case-by-case basis, with some being included in ongoing and concluded APA cases.
- Intragroup service charges remain a heavily audited area in China. However, the STA recognises the regulatory and compliance restrictions faced by regulated FS taxpayers, particularly banks, when reviewing intercompany charges.
- The STA leverages its audit experience from other industries when reviewing financial services transactions, with an intention to develop specialized expertise in areas such as financial services industry-specific cost allocation, service recharges, financial guarantees, and derivatives.
- The STA has shown interest in enhancing the quality of local file reports by issuing internal guidance and organising training sessions.



Hong Kong TP Developments

- A proposed amendment to Part 8AA of the Inland Revenue Ordinance seeks to update its references to the 2022 edition of the OECD TP Guidelines, published on January 20, 2022. The current rules reference the 2017 edition.
- This update introduces several technical implications, including the direct incorporation of Chapter X (Financial transactions) of the OECD TP Guidelines into Hong Kong's approach to financing arrangements.
- In the TP audit landscape, there has been a recent increase in Local File requests by the Inland Revenue Department (IRD), often followed by additional queries regarding taxpayers' transfer pricing policies.
- The IRD has also been challenging cases where taxpayers have indicated in their tax returns that they are not required to prepare a Local File, particularly in instances where the IRD disagrees with this position.
- The investment management space continues to remain a key focus area for IRD audits, with ongoing scrutiny of service fee arrangements for investment advisors operating in Hong Kong.



India TP Developments

- Number of new taxpayer's case referred for TP audits has significantly increased in the last year compared to preceding 2-3 years.
- Some of the trending issues in audit in the FS sector include:
- Global Cost Center (GCC) of financial institutions: Use of higher mark-up by tax authorities for routine cost-plus activities.
- Intangibles: Tax authorities are analysing the DEMPE to delineate the legal vs. economic owner of the intangible properties, thereby determining the arm's length compensation in the supply chain.
- Quasi Equity Instruments: Tax authorities are questioning the nature of instruments and recharacterising them into debt / equity based on the facts of the case.
- Intra Group loans and other Financing Arrangements: Questions are raised by tax authorities pertaining to interest rate, foreign vs local benchmarking, most appropriate TP method applied, thin capitalisation, benchmarking approach, and other related questions.
- Intra-group services: Tax authorities question the documentation maintained and question the need, benefit and service rendition to disallow expenses incurred.
- The 2025 Budget / New Finance Bill has several proposed changes, which include a widened definition of associated enterprises, more prescriptive definition of arm's length range, thin capitalisation rules, and TP block assessment rules.



Indonesia TP Developments

- It is increasingly common for the Indonesian Tax Authority (ITA) to impose a TP correction adjustment to banking entities on their related party payments of fees, in view that they are excessive, for Stand-By Letters of Credit (SBLC) received from related parties that provide Indonesian banks increased capacity to lend.
- Securities companies are getting increased scrutiny on brokerage fees charged to related parties, especially when they are lower than rates applicable to third party customers.
- Tax authorities are increasingly tracing the source of funds used by Lenders. Even when the borrower's interest payment is at arm's length, authorities may still scrutinize the lender's margin.
- Indonesian Financial Service Authority ("OJK") regulations have their own definition of 'affiliated parties', which is broader than the definition under Indonesia's transfer pricing regulations. In addition, the OJK regulations also address the regulation of the Operating Expense-to-Operating Revenue ratio FSI companies and stipulates that these companies must be able to operate independently and have sufficient functions in Indonesia.
- OJK regulations also require that banks offering digital services have their IT infrastructure and services sourced domestically.



Japan TP Developments

- Overall tax audit data for the most recent financial year (year ended 30 June 2024) indicated that the number of audits were slightly down while the amount of additional tax has increased.
- The regional tax bureaus are increasingly investigating intercompany finance included in guarantee arrangements and some auditors are going so far as to propose adjustments on the notional amount of facilities guaranteed (not amount guaranteed amounts drawn down).
- We are seeing a rise in APA activity in investment management and reinsurance transactions. APAs involving offshore booking models and returns on regulatory capital continue to be a mainstay.
- There has been much more significant focus on Japan consumption tax ("JCT") which can have implications for intercompany transactions and simple service entity models for business-to-consumer (B2C) digital (financial and non-financial) services. The provision of B2C digital services by a foreign business via a digital platform for which consideration is received through a "specified platform operator" results in the specified platform operator having an obligation to charge and remit JCT. The delivery of digitally provided financial media and financial applications with Japanese related parties involved that could be deemed specific platform operators has both JCT and TP implications.



Malaysia TP Developments

- The new Malaysia TP Guidelines 2024 (MTPG) and TP Audit Framework (TPAF) were released in December 2024. The MTPG is effective from YA2023, in line with the new TP Rules 2023 released in 2023, while the TPAF is effective from 24 December 2024.
- Some key highlights from the new MTPG & TPAF include:
 - The relaxation of TP documentation-related compliance requirements for entities with only domestic related party transactions.
 - Revised thresholds for full TP documentation versus minimum transfer pricing documentation.
 - Stricter enforcement of the use of local comparable companies and single-year data for the comparability analysis.
 - Detailed guidelines are introduced on pass-through costs and low value-adding services.
 - Additional guidance is provided for certain transactions involving intangibles, financial assistance, and business restructurings.
 - Separate guidelines will be issued to address specific TP requirements in relation to intragroup financial transactions.
 - The TPAF sets out clearly the TP audit examination procedures, the TP penalty regime and appeal processes.



Philippines TP Developments

- The Bureau of Internal Revenue (BIR) is seeking to establish an International Tax Law Division separate from the International Tax Affairs Division for transfer pricing and BEPS practices.
- The Japan International Cooperation Agency presented its proposed institutionalization of an Intensive TP Team in the BIR, with capacity development in collaboration with the Asian Development Bank and the OECD.
- Some of the recent key TP audit issues and trends include:
 - Intra-group services – Revenue Audit Memorandum Order No. 1-2019 requires the application of the utilisation and benefits tests to determine if intra-group services provide economic value to the recipient. An Agreed-Upon Procedure certificate issued by a third party is usually needed.
 - Royalty payments – Royalty assessments require proof of economic ownership. Failure to substantiate ownership leads to the disallowance of the expense.
 - Profitability levels of routine entities – The profitability of routine entities that fall outside expected margins trigger scrutiny. Documentation with robust benchmarking studies that support the profitability level is a defence.



Singapore TP Developments

- The Inland Revenue Authority of Singapore (IRAS) announced updates to the TP Documentation Rules and released the latest edition of the Singapore TP Guidelines, namely the Seventh edition, in June 2024. Some of the key highlights include:
 - Loans between domestic related parties (domestic loans) entered into or re-financed on or after 1 January 2025 will require arm's length interest rates, even where the lender and the borrower are not in the business of borrowing and lending.
 - For years of assessment (YA) 2026 and after, simplified TP documentation prepared based on declarations confirming that qualifying past TP documentation (QTPD) is applicable must specify the date on which such declaration was made.
 - For YAs 2026 and onwards, the dollar value thresholds for TP documentation exemptions by transaction category for certain related party transactions have been increased from SGD 1 million to SGD 2 million per transaction category.
 - IRAS has provided new examples of some types of expenses which may be treated as strict pass-through cost



South Korea TP Developments

- The target number of investigations in 2025 is expected to be similar to that of 2024. The National Tax Service ("NTS") is expected to reduce investigations based on random selection that have little practical benefit but rather strengthen irregular investigations in cases where tax evasion is clearly suspected.
 - Recent audit cases of financial service companies indicate that the NTS is still focused on loans, guarantees, and service transactions with increased attention to cash pooling, and IT / software development services
- The NTS is planning to select target companies for investigation by utilizing big-data artificial intelligence (AI) based on investigation cases and reported data to ensure the effectiveness of tax investigations.
- Recent amendments in the Korean TP laws and regulations requires a taxpayer to submit documents verifying the arm's length price when filing a refund claim for the tax base or the amount of tax adjusted based on the arm's length price.
- Taxpayers are required to submit segmented financial data of related parties when filing the Local File.



Taiwan TP Developments

- Within the Taiwan tax audit landscape, a general corporate income tax audit including transfer pricing review is common. On the other hand, transfer pricing special audit for a taxpayer operating in the financial services industry is rare in practice.
- In recent tax audits, the tax authority tends to focus more on intercompany loan for all industries.
- Following the cessation of the London Interbank Offered Rate (LIBOR), new risk-free rates such as the Secured Overnight Financing Rate (SOFR) for USD, the Sterling Overnight Index Average (SONIA) for GBP, and the Tokyo Overnight Average Rate (TONA) for JPY, among others, are now primarily accepted by the tax authority.
- The alternative benchmark rates, along with certain basis point adjustments to determine the applicable interest rate range, should be supported by market rates and reviewed case by case.



Thailand TP Developments

- On 26 December 2024, the Thai government enacted the Emergency Decree on Top-up Tax, B.E. 2567 (2024). As part of the Global Anti-Base Erosion (GloBE) Rules in the BEPS 2.0 Pillar Two framework, this new legislation mandates a supplementary tax for in-scope multinational enterprises (MNEs) operating in jurisdictions where the effective tax rate (ETR) of their constituent entities (CEs) falls below the 15% threshold.
 - This applies to all CEs in Thailand that are members of an MNE group with an ultimate parent entity (UPE) that has consolidated revenues in Thai Baht equivalent to Euro 750 million or more in at least two of the four preceding fiscal years. This is effective for fiscal years beginning on or after 1 January 2025.
- Some of the recent TP audit triggers include consecutive loss making, negative gross profit, declining profitability, high fluctuation in profitability across the years, significant related party transactions, significant intercompany service fee / royalty expenses, uncommon TP policy, year-end adjustments, claim for tax refund, i.e. WHT or VAT refund, business restructuring/organizational changes, and transfer of intangibles.



Taiwan TP Developments

- Recently, Decree No. 20/2025/ND-CP was introduced and will effect on 27 March 2025. It applies to the 2024 fiscal year onwards.
- This decree amends and supplements Decree No. 132/2020/ND-CP, focusing on tax compliance for enterprises with related party transactions, with a particular impact on credit institutions:
- **Clarification on Relationship Types:** The decree removes the classification of related parties for enterprises that receive significant guarantees or loans from credit institutions without ownership or management ties. This change reduces compliance burdens for businesses with standard borrowing relationships.
- **Strengthening of Related Party Definitions:** The decree introduces clearer regulations on related parties of credit institutions by reinforcing ties with subsidiaries and associated companies, in line with the Law on Credit Institutions.
- **State Bank's Coordination Role:** The decree clarifies the State Bank's responsibility to provide information on related parties for tax management purposes upon the request of the Tax Authority.



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