

Regional Transfer Pricing update



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Agenda

1

Proactive change management

- How to navigate TP policy and model changes?
 - Managing and mitigating the impact of audit and controversy risk during change
 - When to engage tax authorities (and when to hold fast)
 - APA corridors: what's worth it and working?
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2

Organisation agility & controversy readiness

- Building agile TP governance and monitoring capability
 - Managing unexpected TP margin and profitability outcomes
 - Resourcing the tax function for audits and disputes
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3

Systems & AI

- Practical applications of AI in TP
 - Designing infrastructure to support systems and AI initiatives
 - Risks, controls, and other organisational considerations
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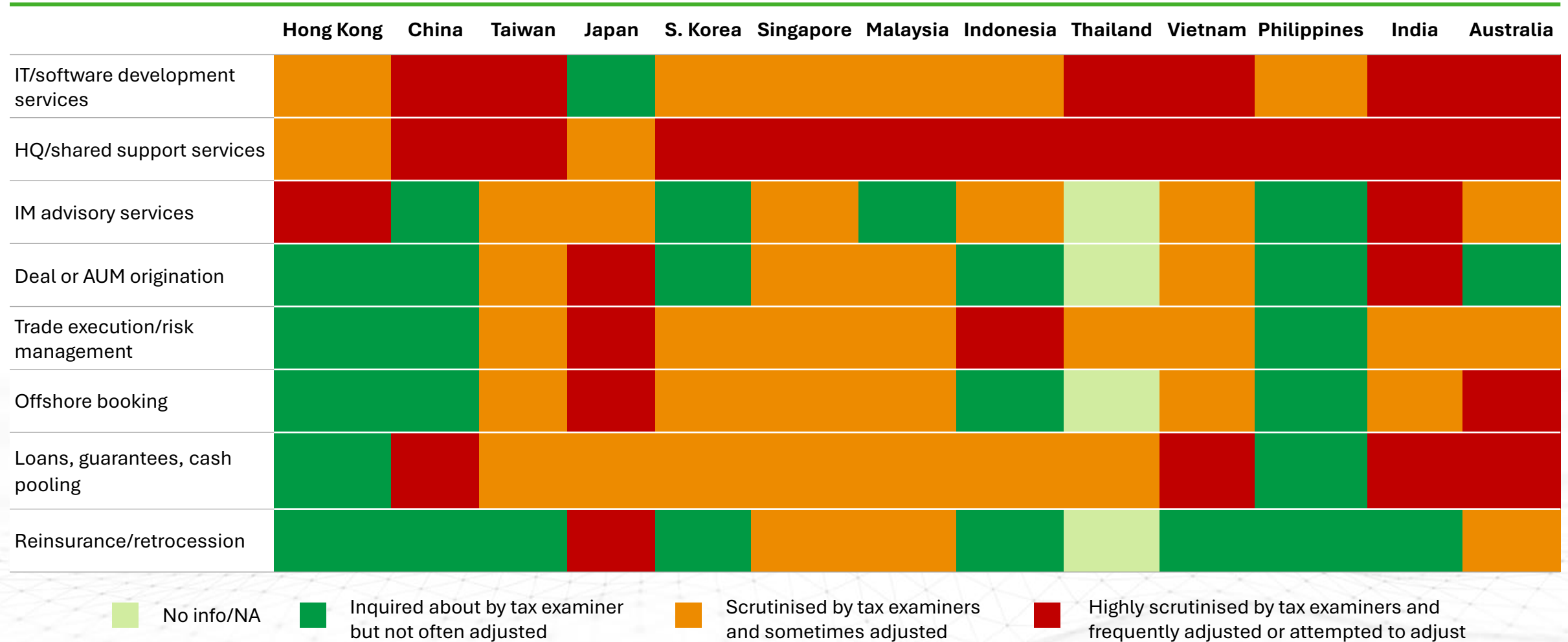
Regional Updates



FSTP controversy heatmap

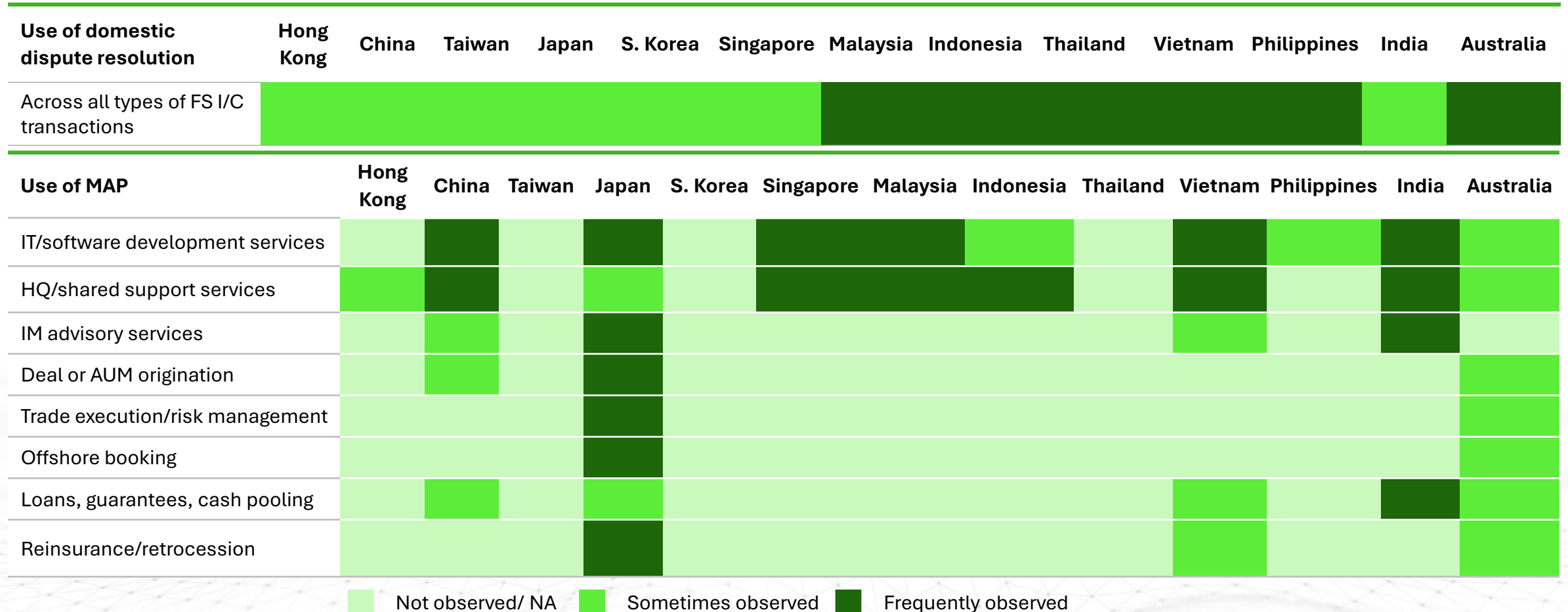
Indicative views on common FS

Intercompany transactions



FSTP controversy heatmap

Indicative views on domestic dispute resolution/MAP dispute resolution



TP developments across Asia-Pacific (APAC) region

India

- Proposed changes in the 2026 Budget, include rationalisation of safe harbour rules majorly pertaining to combined IT services (software development, IT enabled services, Knowledge process outsourcing and Contract R&D related to software development) and data centre services.
- Certain administrative changes in the APA rules and introducing definitive timelines for Unilateral APA in case of IT services.
- Draft Rules released for the implementation of the above amendments including block assessment provisions released in 2025.

Vietnam—Decree 20 (10 Feb 2025) clarifies certain related-party definitions, particularly in relation to lender–borrower relationships, and requires the State Bank of Vietnam to coordinate in providing information on foreign loans and debt repayments to the Tax Authority upon request.

Malaysia—Financial transactions TP Guidelines expected to be released soon. New TP Guidelines, Rules and Audit Framework introduced over last 2 years being practically applied by taxpayers and enforced by IRB. Key highlights include adherence to local comparable; date of finalisation of TP Documentation; business restructuring; ownership & remuneration of local market intangibles; etc.

Singapore—IRAS released 8th Edition of the TP Guidelines in Nov 2025 clarifying that IRAS will not make a Section 34D TP adjustment on a related party domestic loan, where both borrower and lender are not in the business of borrowing or lending and will pilot Simplified and Streamlined Approach (SSA) for baseline marketing and distribution will run from 1 Jan 2026 to 31 Dec 2028, alongside Singapore’s OECD/G20 BEPS implementation from 1 Jan 2025 to 31 Dec 2029.

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

Indonesia—Increasing TP adjustments on Standby Letters of Credit (SBLCs); scrutiny has also heightened on brokerage fees (vs internal comparables or adjustment in operating profit level), intragroup services or shared services, and interco funding sources (looking at lender’s margin). Related party transactions looked at by both OJK and DGT.

Korea—No changes to TP law/regulations. TP audits continue to focus on intragroup service/cost charges and there is increasing scrutiny on intercompany loans.

China—2025 witnessed extensive TP related tax scrutiny in various formalities, covering both cross-border and domestic transactions. Hot local jurisdictions for FS sectors, themed/special task-force (e.g., specific fund manager), specific examination list/area (e.g., financial transactions), bring in targeted scrutiny in waves of organised actions.

Hong Kong—An amendment to Part 8AA of the Inland Revenue Ordinance has updated its reference to the 2022 edition of the OECD TP Guidelines, published on 20 Jan 2022. The previous referenced the 2017 edition.

Taiwan—Intragroup service/cost charges continue to be challenged, while broader of transaction, including financial support, intercompany loan, cost contribution arrangements, intra-group restructurings and intangible asset related transaction, are increasingly under scrutiny in transfer pricing audits.

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

Australia—AU Public CbC reporting, with Singapore and HK requiring disaggregated reporting and additional explanations (ETR/stat rate reconciliation). New guidance expected from the ATO on risk-weighted asset attribution for inbound bank branches' thin capitalisation. Updated APA guidance issued by the ATO. Increased ATO activity on Combined Assurance Reviews.

Key highlights—Legislative changes



Hong Kong

The adoption of OECD Guidelines 2022 edition into the Inland Revenue Ordinance demonstrates the intention to align Hong Kong with the latest international TP guidance and practices.



China

There have been no major changes or updates to the TP legislation.



Taiwan

There have been no major changes or updates to the TP legislation.



Japan

There have been no major changes or updates to the TP legislation, however examinations into TP for intra-group financing transaction is expected to intensify.



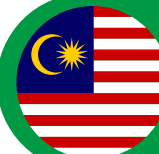
South Korea

There have been no major changes or updates to the TP legislation.



Singapore

New TP Guidelines were released in Nov 2025.



Malaysia

Financial transactions TP guidelines expected to be released soon.



Indonesia

There have been no major changes or updates to the TP legislation.



Thailand

Thailand government enacted the Emergency Decree on Top-up Tax, B.E. 2567 (2024) effective from 1 Jan 2025

Key highlights—Legislative changes (Cont.)



Vietnam

Decree No. 20/2025/ND-CP amends and supplements several articles of Decree No. 132/2020/ND-CP on tax administration for enterprises having RPTs, effective from 27 Mar 2025.



Philippines

There have been no major changes or updates to the TP legislation but the BIR has taken deliberate steps to strengthen its TP audit capability and enforcement mechanisms. TP documentation has become standard requisites in audits of taxpayers with RPT.



India

New Income-tax Act, 2025 along with Income-tax Rules, 2026 to come into force from Tax year starting on 1 Apr 2026



Australia

Public Country-by-country introduced (refer to appendix for more details).

Jurisdiction TP highlights



Australia TP Developments

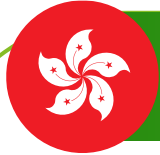
- Instructions on Australian Public Country-by-Country (CbC) reporting requirements have been finalised. Key highlights include:
 - Singapore and Hong Kong are listed as “specified countries”, subject to disaggregated reporting and additional data requirements.
 - Threshold of A\$10 mil Australian sourced income could be challenging to track for the financial services industry.
- Further to the ATO’s draft guidance on risk-weighted asset attribution for inbound bank branches' thin capitalisation, the ATO has indicated that it is in the process of drafting a Practical Compliance Guideline (PCG) to outline low and high-risk scenarios. This draft PCG is now expected to be released for consultation in 2026.
- Increased APAs particularly for GCCs and trading activities undertaken in India, noting that the ATO has recently updated its guidance on APA, which provides greater clarity on potential APA eligibility, processes, mutual expectations, and timing.
- Increased audit activity by the ATO: Australia is seeing increasing number of Combined Assurance Reviews by the ATO. Audits are increasingly focused on intangibles and the recent court case on PepsiCo challenged the conventional definition of a "royalty" and, importantly, providing the first judicial analysis of Australia's diverted profits tax (DPT).



China TP Developments

- Intensive TP investigations—2025 witnessed extensive TP related tax scrutiny in various formalities and covering both domestic and cross-border transactions.
- Informal TP audit—local-led, tax notice and “meeting” driven, self-adjustment concluded (hence MAP block), bringing increased complexities in managing interactions with the STA.
- Domestic transactions—delegation to Income Tax division of local tax offices, bringing potential challenges on audit targeting, defense process and resolution.
- Hotspot areas and transaction types—hot local jurisdictions for financial services sectors, themed/special task-force, specific examination list/area, bringing in targeted scrutiny in waves of organised actions.
- With the addition of general anti-avoidance rules under China’s new VAT law, business substance and purpose has become common tests for both EIT (TP) and VAT treatments.
- Number of bilateral APA case continue to lead ahead of unilateral APA, in anticipation of potential further increase in FS industry.

Jurisdiction TP highlights



Hong Kong TP Developments

- An amendment to Part 8AA of the Inland Revenue Ordinance has updated its reference to the 2022 edition of the OECD TP Guidelines, published on Jan 20, 2022. The previous referenced 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

Rationalisation of Safe Harbour Regime

Software development services, ITeS, KPO and contract R&D services relating to software development proposed to be clubbed under a single category of "Information Technology" Services.

- Uniform safe harbour margin of 15.5% proposed to apply for IT services.
- Threshold for availing safe harbour for IT services extended from INR 3bil to INR 20bil.
- Rule-based automated approval and valid for five years
- Safe harbour rules extended to data center services with a 15% safe harbour margin.

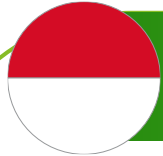
Amendment to APA Rules

- It is proposed to fast-track the conclusion of unilateral APAs within two years, with an option to extend by six months at taxpayer's request.
- Post APA conclusion, the facility of modified returns is proposed to be made available to the overseas/non-resident taxpayers whose income and tax liability in India is correspondingly modified.
- This enables such taxpayer to claim the refund of additional/withholding taxes.

Other Amendments

- Penalty for not furnishing the transfer pricing audit report is proposed to be replaced with a fee, set at INR 50,000 for delays up to one month and INR 100,000 for delays beyond one month.
- Specific due dates have been proposed to remove the ambiguity in the determination of the due date for the passing of the transfer pricing order.
- Clarified that the limitation period for the issuance of an assessment order is only for the draft assessment order and does not extend to the issuance of a final assessment order post DRP directions.

Jurisdiction TP highlights



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) arrangement with related party.
- 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. Netting approach in recording the securities brokerage revenue or expense accounts is also subject to challenge and adjustment by the ITA with impact to the operating margin ratio.
- The ITA is increasingly tracing the source of funds used by Lenders. Even when the borrower's interest payment is at arm's length, authorities may still scrutinise the lender's margin.
- The 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. 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.
- Intragroup services are still highly scrutinised by the ITA, particularly on the availability of evidence for the existence and benefits or the services.

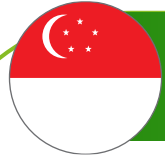


Japan TP Developments

- FY2026 tax reform impacts: New measures address situations where taxpayers fail to provide information necessary during audits. If required TP information is not made available, it may result in the tax authorities taking measures, such as revoking blue-form taxpayer status. This may particularly affect cases where taxpayers must prove and justify the deductibility of expenses allocated from overseas related parties.
- Business-Driven TP Planning: Asset management TP is receiving greater attention as asset managers expand in Japan. Reinsurance outflows that include related parties outflow are also under increased scrutiny from auditors and APA teams.
- Japan as global APA leader: NTA data for the 2024 operation year shows most APA cases involved the United States (25%), followed by India (15%), China (13%), Korea (12%), and Germany (5%).

OECD data for 2024 indicates Japan ranks #1 globally in prioritising dispute prevention in competent authority TP cases, measured by the APA-to-MAP ratio (86.8%). Financial services APAs commonly involve Japan and jurisdictions such as the US, UK, Germany, Switzerland, and Singapore.

Jurisdiction TP highlights



Singapore TP Developments

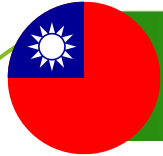
- The Inland Revenue Authority of Singapore (IRAS) released the latest edition of the Singapore TP Guidelines, namely the Eighth edition, in Nov 2025. Some of the key highlights include:
 - Loans between domestic related parties—IRAS will not make TP adjustments on domestic loans where both borrower and lender are not in the business of borrowing and lending nor will it request for TP documentation for such transactions.
 - IRAS has clarified that a regular review of outstanding related party loans is to be performed documented in TP documentation, where taxpayers should evaluate whether changes to facts and circumstances surrounding related party loans require amendments to the terms, conditions, and interest on said loans.
 - For taxpayers initiating MAP and also pursuing domestic legal remedies, IRAS has clarified that taxpayers may submit a MAP application within time limits stipulated in the respective tax treaty and inform IRAS to defer examination of the MAP application under further notice to protect the taxpayer from missing the time limit for MAP double tax relief.
 - IRAS is implementing a pilot for financial years beginning between 1 Jan 2026 and 31 Dec 2028 to allow taxpayers the option of applying the simplified and streamlined approach for baseline marketing and distribution activities as described in OECD’s “Consolidated Report on Amount B” published on 24 Feb 2025.



South Korea TP Developments

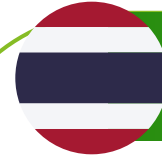
- The National Tax Service (NTS) is strengthening its comprehensive investigation framework against sophisticated offshore tax evasion.
 - NTS has announced its plan to target MNE group transferring profitable business segments to foreign affiliates without compensation through business restructuring.
 - NTS further targets MNE group retaining income in a foreign affiliate located in low-tax jurisdiction.
- “The Enforcement Fine for Failure to Comply with a Request for Documents in a Tax Audit” has been newly introduced and applies to tax audits initiated on or after 15 Sep 2025. It differs significantly from existing administrative fine in that it may be imposed without any statutory cap or limitation on the number of times, and it may continue to increase without limitation based on the period of non-compliance until the tax audit is concluded.
- The NTS is currently establishing an AI ISP (Information Strategy Planning) project with a budget of KRW130bil to be implemented by 2027. Once the proactive AI system is in place, it will be able to analyse unstructured, narrative-type data—such as the BEPS documentation, TP documentation, etc—which previously could not be effectively reviewed beyond numerical data.
- The NTS has proposed an amendment to the tax law to extend the statute of limitations in cases where documents are submitted late for the purpose of tax avoidance.
- NTS is implementing an advanced transaction tracing/tracking program that monitors and analyses collected virtual asset information in line with CARF (Crypto-Asset Reporting Framework) to be implemented in 2027.

Jurisdiction TP highlights



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 FSI taxpayers is rare in practice.
- In recent tax audits, the tax authority tends to focus more on regional service charge, intercompany loan, reasonableness of the allocation keys used for profit split etc.
- In addition to the transaction types mentioned above, certain TP audit selection criteria include the following:
 - Profitability red flag, such as margin significant below industry peers, local entity reports losses while group is profitable, or significant profit fluctuations over three years
 - Prior adjustments trigger continued review, including entities previously subject to TP adjustments or absence of required TP documentation in previous audits
- With respect to intercompany loan, the tax authorities will make currency adjustments where comparable financing transactions are denominated in USD while the tested transaction in Taiwan local file is made in a different currency, taking into account differences in prime lending rates between jurisdictions.



Thailand TP Developments

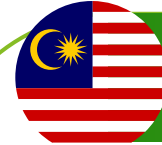
- On 26 Dec 2024, the Thai Government enacted the Emergency Decree on Top-up Tax, B.E. 2567 (2024). As part of the Global Anti-Base Erosion (GloBE) Rules in the BEPS 2.0 Pillar Two framework, this new legislation mandates a supplementary tax for in-scope multinational enterprises (MNEs) operating in 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 Euro750mil or more in at least two of the four preceding fiscal years. This is effective for fiscal years beginning on or after 1 Jan 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/organisational changes, and transfer of intangibles.

Jurisdiction TP highlights



Vietnam TP Developments

- **Decree No. 20/2025/ND-CP effective 27 Mar 2025.** The decree amends and supplements Decree No. 132/2020/ND-CP on tax administration for enterprises with RPTs and introduces important clarifications relevant to the financial services sector, particularly credit institutions:
 - **Clarification on Borrowing Relationships:** The decree removes the classification of related parties for enterprises that receive loans or guarantees from credit institutions where there is no ownership, control, or management relationship.
 - **Alignment with the Law on Credit Institutions:** The decree clarifies the identification of related parties for credit institutions by aligning the TP rules with the definitions of subsidiaries and associated companies under the Law on Credit Institutions.
 - **Enhanced Data Sharing for TP Monitoring:** The decree clarifies that the State Bank of Vietnam may provide information on loans, credit exposure, and related parties of credit institutions to the tax authorities upon request.
- **Heightened scrutiny on intra-group financing and financial guarantees:** Vietnamese tax authorities are increasingly reviewing related-party financing arrangements, including intra-group loans and parent guarantees. Key TP considerations include whether interest rates and guarantee fees reflect arm's-length conditions, supported by appropriate benchmarking and evidence of the commercial rationale for the financing structure.
- **Emerging TP issues in fintech and digital financial services:** As fintech platforms and digital payment businesses expand in Vietnam, TP challenges are arising around the allocation of technology development costs, licensing of platforms, and the remuneration of local operating entities within multinational groups.



Malaysia TP Developments

- Malaysia tax authorities are increasingly challenging the ownership and development of technology solutions by various technology centres in Malaysia. Even the tax incentives are designed with the aim that technology developments and resultant IP resides with Malaysia entity.
- Offshore loan booking transactions especially with loan bookings happening in Labuan branch is being questioned from a substance perspective of the Labuan set-up. Accordingly, the tax authorities are looking at amending the revenue/profit split ratio and allocating higher revenue to Peninsular Malaysia entity.
- The new Malaysia TP Guidelines 2024 (MTPG), TP Rules and TP Audit Framework (TPAF) released over last 2 years, have been complied with by taxpayers and enforced by the tax authorities. Some of the topics which tax authority is focusing on includes dating of TP Documentation; presence of local comparables; etc.
- Based on our understanding TP Guidelines specific to financial transactions is expected to be issued in next few months.



Philippines TP Developments

Capacity Building and Enforcement Enhancements

- **Training and Workshops:** BIR has actively participated in TP workshops and capability-building programs in partnership with international organisations (e.g., JICA, ADB). Deloitte Philippines has also conducted TP audit workshops with various Regional District Offices (RDOs).
- **Integration of Form 1709 into Risk Profiling:** The BIR is exploring to digitalise Form 1709 to integrate it into their risk analytics systems.

The following risk areas reflect key focal points of the BIR current audit practices.

- **Transaction Volumes and Margins:** The BIR places particular attention on the materiality of related party transactions and profitability deviations. Margins are typically benchmarked against industry comparables, and entities with unusually low profitability may be selected for further scrutiny.
- **Business Restructuring:** Group restructurings involving the transfer of functions, assets, or risks—such as changes in operating models, centralisation of functions, or intellectual property (IP) migration—are areas of concern, particularly when there is no clear commercial justification or compensating adjustments.
- **Cross-Border Services under RMC 5-2024:**
 - RMC No. 5-2024 clarifies that payments to non-resident foreign corporations (NRFCs) for services utilised in the Philippines are considered Philippine-sourced income and are subject to 25% Final Withholding Tax and 12% Final Withholding Value Added Tax (VAT). This circular has led to increased BIR focus on intercompany service arrangements, particularly where taxpayers claim deductions or apply TP without proper substantiation.
 - Payments to foreign affiliates for services are more likely to be challenged when:
 - There is insufficient documentation to prove that services were actually rendered;
 - The economic benefit to the Philippine entity is unclear or not supported; or
 - The arrangement lacks commercial rationale or fails to comply with sourcing and withholding tax rules.
- **Intragroup Royalties:** Royalty payments between related parties are a high-risk area in TP audits due to their potential to erode the local tax base if not properly substantiated. The BIR closely examines such payments to ensure they reflect arm's length pricing and are supported by clear business rationale.



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