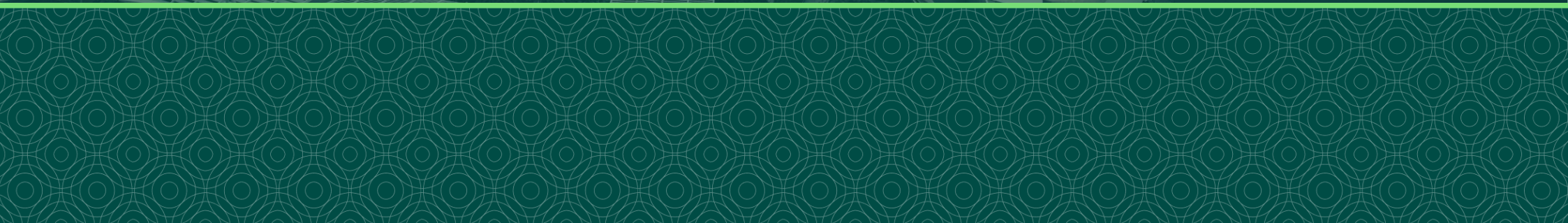




TRANSFER PRICING THRESHOLDS IN SOUTHEAST ASIA



In today’s interconnected global economy, Transfer Pricing (“TP”) has become a critical focus for tax authorities in Southeast Asia (“SEA”). To ensure that transactions between related parties are conducted at arm's length, many jurisdictions have implemented detailed TP regulations and thresholds, which define the scope of compliance for multinational enterprises (“MNE’s”). Understanding these thresholds is essential, as they determine whether companies are required to maintain TP documentation (“TPD”).

Given how onerous the preparation of a TPD can be, these thresholds simplify compliance and reduce administrative burdens for MNE’s by allowing taxpayers to prepare a more simplified version of the TP analysis required to support the arm's length nature of the related party transactions (“RPT”).

This publication provides an overview of the TP thresholds for SEA. By providing a clear comparison of these rules, this publication will help businesses operating in the region better navigate the diverse TP regulatory landscape and ensure adherence to local tax authority expectations. Additionally, it highlights how thresholds can influence compliance obligations and reduce the risk of disputes with tax authorities.

The table provides an overview of the local file thresholds for the 10 SEA countries and the corresponding exemptions and compliance conditions.

Country	TPD requirements	Exemptions and conditions
Singapore	Exemptions available are based on revenue thresholds, other conditions, and specific transaction exemptions.	For certain RPT taxpayers may be exempt from preparing TPD if they meet the following conditions ¹ : <ol style="list-style-type: none"> 1. Domestic RPT (other than loans) are subject to the same tax rate. 2. Related party domestic loan (where the lender is not in the business of borrowing or lending) entered before 1 Jan 2025. 3. Related party domestic loan (where the lender is not in the business of borrowing or lending) entered on or after 1 Jan 2025, on which an indicative margin as issued by the IRAS has been applied.

¹ The conditions mentioned here are as per the 7th edition of the Singapore Transfer Pricing Guidelines published on 14 June 2024, and effective from FY 2025.

Country	TPD requirements	Exemptions and conditions
		<p>Related party loans not exceeding SGD 15 million on which indicative margins as issued by the IRAS have been applied.</p> <p>4. RPT not exceeding certain values of:</p> <ul style="list-style-type: none"> - SGD 15 million for purchases. - SGD 15 million for sales. - SGD 15 million for loans provided/ obtained. - SGD 2 million for each category of services transaction.² <p>5. Routine support services with a 5% mark-up.</p> <p>6. Transactions covered under Advance Pricing Arrangements (“APA”).³</p>
Malaysia	Mandatory TPD for all taxpayers that enter into RPT.	<p>A simplified TPD option is available, provided ANY of the following conditions are met:</p> <ol style="list-style-type: none"> 1. Gross income below RM 25 million and total RPT is below RM 15 million; or 2. Provision of financial assistance below RM 50 million (<i>does not apply to financial institutions</i>).
Cambodia	Mandatory TPD for all taxpayers that enter into RPT.	<ul style="list-style-type: none"> • Loans under specific conditions are exempt from arm's length principle (<i>Instruction 10979 dated 25 May 2022</i>) (i.e., follow the interest rate under the loan agreement; interest must not exceed market interest rates as issued annually by the General Department of Taxation; and maintain specific documents are required under the instruction). • The arm's length principle excludes short-term cash advances between related parties.

² This includes provision of services to/ by a taxpayer by/ to a related party; Grant of a right to use movable property to/ by the taxpayer by/ to a related party; Lease of any property to/ by the taxpayer by/ to a related party; Grant of a guarantee to/ by the taxpayer by/ to a related party; and any other related party transaction.

³ In certain jurisdictions, Advance Pricing Arrangements may also be referred to as Advance Pricing Agreements.

Country	TPD requirements	Exemptions and conditions
Vietnam	Exemptions available are based on revenue thresholds, other conditions, and specific transaction exemptions.	<p>Exemption from preparing TPD if ANY of the following conditions is met:</p> <ul style="list-style-type: none"> • Revenue below VND 50 billion and total value of RPT below VND 30 billion in a tax period. • Concludes an APA and submits annual APA report(s). • Revenue below VND 200 billion, performs simple functions, and achieves at least the following ratios of EBIT margins: 5% for distribution, 10% for manufacturing, and 15% for processing (incl. toll manufacturing companies). • Has only domestic RPT, where taxpayers and their related parties have the same tax rate, and none enjoy tax incentives.
Thailand	Exemptions are available based on a revenue threshold. Other benchmarking exemptions are also available.	<ol style="list-style-type: none"> 1. <i>TPD exemption:</i> Taxpayers with an annual income below THB 200 million are exempt from mandatory TPD requirements. 2. <i>Benchmarking analysis exemption:</i> <ul style="list-style-type: none"> • Transactions covered under an effective APA. • Taxpayers who do not have an effective APA in place but meet all the following conditions: <ul style="list-style-type: none"> ○ Total revenue of less than THB 500 million. ○ No domestic RPT with related parties with a different tax rate. ○ No cross-border RPT. ○ The taxpayer or the transacting related party brought forward no losses.
Philippines	Exemptions are available based on revenue thresholds and specific transaction thresholds.	Taxpayers must submit TPD and other supporting documents only if they reach the "materiality thresholds."

Country	TPD requirements	Exemptions and conditions
		<p>The <i>materiality thresholds</i> are:</p> <ul style="list-style-type: none"> • Annual gross revenue exceeding PHP 150 million and total RPT (domestic and foreign) exceeding PHP 150 million; or • For RPTs: <ol style="list-style-type: none"> a. In aggregate amount exceeding PHP 60 million within the taxable year for the sale of tangible goods; or b. In aggregate amount exceeding PHP 15 million within the taxable year for payment of interest, utilization of intangible goods, or other RPT for services transactions.
Indonesia	Exemptions are available based on revenue thresholds, other conditions, and specific transaction exemptions.	<p>Taxpayers with RPT must prepare and maintain TPD if they meet any of the following criteria:</p> <ol style="list-style-type: none"> 1. Their prior fiscal year's gross revenue exceeds IDR 50 billion; or 2. Their prior fiscal year's annual RPT exceeds: <ul style="list-style-type: none"> • IDR 20 billion for tangible goods transactions, or • IDR 5 billion for each service, interest payment, utilization of intangible properties, or other affiliated transactions. 3. They engage in transactions with related parties in countries or jurisdictions with lower income tax rates than Indonesia.
Brunei	Mandatory TPD for all taxpayers that enter into RPT.	<i>There are no specific thresholds currently in place for businesses operating in Brunei. RPT involving resident and non-resident entities must be at arm's length.</i>
Myanmar	No specific TP rules or TPD requirements exist for businesses operating in these countries.	
Laos		

The introduction of TP thresholds in SEA simplifies processes, reduces administrative burdens, and provides much-needed clarity for taxpayers who need to prepare TPD. By aligning with international standards and best practices, SEA countries promote greater tax compliance and enhance their attractiveness to foreign investors.

However, the development of TP rules and thresholds in SEA has been uneven and exhibits significant variations, reflecting the diverse economic and regulatory landscapes of the region.

Countries like Singapore have implemented a comprehensive and well-established TP regime, aligning closely with international standards such as those set by the OECD. Singapore's regime includes detailed guidelines on arm's length pricing, robust documentation requirements, and high thresholds that guide compliance, contributing to reduced tax disputes.

On the other hand, Laos and Myanmar currently lack formal TP rules, which can lead to ambiguity and potential tax risks for MNEs operating in these jurisdictions. Without established frameworks, tax authorities may rely on ad-hoc approaches, potentially increasing the likelihood of tax controversies. Positioned between these two extremes are emerging economies such as Vietnam and Indonesia have opted for lower thresholds, aiming to cast a wider net for tax compliance and revenue generation. Although Cambodia, introduced its TP rules in 2017, the TP regime is still in its early stages. Thailand and the Philippines occupy a middle ground, balancing the need for tax revenue with the desire to maintain an attractive business environment. In addition to the implementation of thresholds, these tax authorities have updated their guidelines.

While the introduction of regulations and thresholds is a positive step in the region, enforcement and tax authority capacity remain key challenges.

As the region continues to integrate economically, there may be pressure for greater harmonization of these thresholds. However, the unique economic priorities and fiscal policies of each nation suggest that some level of disparity is likely to persist in the foreseeable future. Businesses operating in SEA must remain vigilant of these differences and adapt their TP strategies accordingly to ensure compliance and optimize their regional operations.

The TP thresholds play a significant role in reducing tax controversy, as they offer clarity on which transactions require documentation and compliance. However, it is worthwhile to note that even though a taxpayer may not be required to prepare TPD in accordance with the thresholds, the tax authorities are well within their rights to ask the taxpayer to substantiate and support the arm's length nature of its RPT.

Finally, these thresholds help focus tax authority scrutiny on high-value transactions or those most likely to raise issues of profit shifting, while smaller, less material transactions may be excluded from complex TPD requirements. By setting clear parameters, these thresholds provide certainty for businesses and help tax authorities prioritize their resources, ultimately leading to more efficient dispute resolution and a reduction in the potential for tax controversies across the region. However, the effectiveness of thresholds in reducing disputes depends on the quality of the TP regime's enforcement, consistency, and alignment with international norms.

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