

Singapore TP Guidelines:  
9<sup>th</sup> Edition Update

June 2026

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**Introduction**

The Inland Revenue Authority of Singapore (IRAS) released the 9<sup>th</sup> Edition of the Transfer Pricing Guidelines on 4 June 2026, succeeding the 8<sup>th</sup> Edition issued on 19 November 2025. The 8<sup>th</sup> Edition had introduced several substantive changes including the Simplified and Streamlined Approach (Amount B pilot), domestic loan exemptions, and enhanced transfer pricing documentation requirements. The 9<sup>th</sup> Edition reaffirms the TP principles established in the 8<sup>th</sup> edition and introduces a new FAQ under Paragraph 5.120 on treatment of Share Based Compensation (“SBC”) costs, serving as an additional interpretative layer rather than recalibrating the existing TP framework.

This clarification by the IRAS provides important guidance for multinational groups operating in cost-plus models in Singapore, particularly where employee stock options or equity-settled compensation form part of employee remuneration.



**SBC – Introduction to the concept**

The newly inserted FAQ considers a situation where a Singapore entity provides intra-group services under a cost-plus arrangement and incurs (or is deemed to incur) SBC costs relating to employees performing those services.

IRAS confirms that Share Based Compensation constitutes remuneration for services performed by employees and therefore forms part of the service provider's cost of rendering services. Consequently, such costs should generally be included in the cost base when applying a transfer pricing mark-up. The position is stated to be aligned with the OECD's guidance in *'The Taxation of Employee Stock Options'*.



**SBC - Technical standpoint explained**

When Company A (Singapore entity) provides services to Company B (USA) and uses the TNMM with a cost-plus mark-up of X%, any share-based compensation (employee stock option expense) relating to

employees performing those services are treated as an employee cost and should generally be included in the cost base.

**Example:**

- Service costs = \$200,000
- Share-based compensation cost = \$10,000
- Total cost base = \$210,000

The mark-up of X% is applied on \$210,000, not just \$200,000.

IRAS has identified three distinct scenarios in relation to Share Based Compensation (SBC) and has provided explicit technical clarification on whether such costs should be added to the cost base to derive the service income under each such scenario. The table below presents a comparative summary of the SBC treatment across these scenarios, both prior to and from Year of Assessment (YA) 2026.

**Treatment of SBC before and from YA 2026**

Scenario	Description	YA 2025 and before	From YA 2026
<b>Scenario 1 - Incurred Share-Based Compensation</b>	Related party (Company B) charges Company A \$10,000 and Company A records it in its books.	Include \$10,000 in cost base and service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$210,000 + X% mark-up on \$210,000	No change. Include \$10,000 in cost base and service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$210,000 + X% mark-up on \$210,000
<b>Scenario 2 - Uncharged Share-Based Compensation</b>	Related party (Company B) should have charged Company A \$10,000 but does not, and Company A does not record it in its books.	Include \$10,000 in cost base and service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$210,000 + X% mark-up on \$210,000	Include \$10,000 in cost base, but exclude it from service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$200,000 + X% mark-up on \$210,000
<b>Scenario 3 - Notional Share-Based Compensation</b>	Related party (Company B) does not charge Company A, but Company A records a notional expense under accounting standards.	Include \$10,000 in cost base and service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$210,000 + X% mark-up on \$210,000	Include \$10,000 in cost base, but exclude it from service income.  <u>Cost Base</u> - \$210,000 (\$200,000 + \$10,000)  <u>Service Income</u> - \$200,000 + X% mark-up on \$210,000

 **Position prior to 9th Edition of e-Tax Guide**

The 8th Edition of IRAS e-Tax Guide, did not contain any specific guidance addressing the transfer pricing treatment of Share Based Compensation. Although existing provisions required taxpayers to include "all costs including direct, indirect and operating costs" when applying certain service mark-up methodologies, there was no explicit discussion on whether employee stock options or any other equity settled compensation should be included within the transfer pricing cost base.

This lack of specific guidance created uncertainty, particularly because different multinational groups adopted different approaches, wherein

- a) MNCs include SBC as part of cost base and charge mark-up.
- b) In case of uncharged or notional SBC, MNCs may not include these in their cost base.
- c) MNCs may recharge the SBC on cost to cost basis without mark-up.

 **Developments driving the Clarification**

The IRAS recognised the need to provide greater certainty and consistency in the transfer pricing treatment of SBC, with the objective of reducing disputes and enhancing tax certainty - particularly in light of the growing prominence of SBC due to:

- Greater use of global equity incentive plans across multinational groups,
- Expansion of regional service hubs and shared service centers in Asia-Pacific ("APAC"), Singapore being a central member of the APAC region,
- Increased focus by tax authorities on cost plus remuneration models, and

Alignment with OECD guidance recognizing employee stock options as a form of remuneration that may warrant consideration within the transfer pricing analysis, particularly in determining the appropriate cost base.

 **Global Positions - Share Based Compensation**

From an Indian perspective, the treatment of SBC costs has largely evolved through judicial precedents rather than any specific guidance as compared to para 5.120 of Singapore's TP Guidelines (9th Edition). Time and again Indian courts have upheld that SBC costs are neither charged to nor borne by the Indian entity and hence no adjustments may be warranted for not including such notional costs in cost base of the Indian tested party. This decision has been affirmed in many cases including - *WhatsApp Application Services (P.) Ltd.*, *VMware Software India Pvt. Ltd.* and *Amazon Development Centre (India) Pvt. Ltd.*, etc. However, the Indian Revenue's position at the field level and in APAs, has generally been to include

notional SBC costs in the tested party's cost base. While both Singapore and India ultimately focus on the economic substance of the arrangement, the Singapore guidance now provides a clearer administrative framework for evaluating SBC costs, whereas the Indian position continues to be shaped by evolving judicial interpretations and case specific facts.

By contrast, the U.S. position evolved through *Xilinx Inc. v. Commissioner* and subsequently reversed in the *Altera Corp. v. Commissioner* litigation case. While Xilinx supported an arm's length standard based on the conduct of independent parties, the Ninth Circuit in *Altera* upheld Treasury Regulations requiring SBC costs to be included in cost sharing arrangements, establishing a mandatory inclusion framework. While Singapore and the U.S. both enforce the inclusion of SBC in service cost bases, they differ significantly on an economic standpoint as Singapore aligns with the OECD focus on the functions performed by employees, adapting its rules to provide practical income exclusions for uncharged and notional values, while the U.S. enforces SBC cost sharing strictly under its own Internal Revenue Code and Treasury Regulations, relying on federal litigation to enforce compliance.



### Key Takeaway

While the 9th Edition of Singapore’s Transfer Pricing Guidelines does not introduce significant changes to the overall framework, the inclusion of FAQ 5.120 provides important clarity on the treatment of Share Based Compensation in transfer pricing analyses. IRAS has confirmed that SBC should generally form part of the cost base for intra-group services, while also introducing a concession from YA 2026 for certain uncharged and notional SBC costs. The dedicated guidance underscores IRAS’ expectation that taxpayers adopt a consistent and supportable approach to SBC in transfer pricing calculations. Given the potential impact of SBC on cost-plus returns, taxpayers should review their transfer pricing policies, recharge arrangements, and supporting documentation, as this area may attract increased scrutiny during transfer pricing reviews and audits by IRAS.

#### Summary of treatment of Share-Based Compensation Cost before & from YA 2026

SBC Category	YA 2025 and before		From YA 2026	
	Part of Cost Base	Part of Service Income	Part of Cost Base	Part of Service Income
Incurring SBC Cost	Yes	Yes	Yes	Yes
Uncharged SBC Cost	Yes	Yes	Yes	No
Notional SBC Cost	Yes	Yes	Yes	No



## How VSTN can support

### Transfer Pricing Compliance

- Assess the applicability of Singapore transfer pricing requirements to your business.
- Identify and evaluate related-party transactions that fall within the scope of the Singapore TP regime.
- Perform transfer pricing benchmarking analyses to support compliance with the arm's length principle.
- Assist in the preparation and maintenance of transfer pricing documentation, including the Master File, Local File, and Country-by-Country (CbC) reporting requirements.
- Provide ongoing support to manage transfer pricing compliance and address evolving regulatory expectations.

### Transfer Pricing Advisory

- Advise on transfer pricing policy design and appropriate pricing models for related-party transactions.
- Assist with the implementation of transfer pricing policies and periodic reviews of operating margins to ensure continued arm's length compliance.
- Review and draft intercompany agreements to align contractual arrangements with transfer pricing requirements.
- Support supply chain restructuring initiatives, including transfer pricing impact assessments.
- Assist with the evaluation, preparation, and negotiation of Advance Pricing Agreements (APAs).
- Provide guidance on intra-group services, management charges, royalties, cost contribution arrangements, and intercompany financing transactions.
- Support the estimation and documentation of profit attribution to Permanent Establishments (PEs).
- Assess the transfer pricing and tax implications arising from Pillar Two and global minimum tax rules.

**About us**

VSTN Consultancy is a Global Transfer Pricing firm with extensive expertise in the field of international taxation and transfer pricing having its offices in India, Singapore, UAE, USA and Kingdom of Saudi Arabia. VSTN Consultancy has been awarded by International Tax Review (ITR) as Best Newcomer in Asia Pacific - 2024 | Middle East Transfer Pricing Practice Leader of the Year 2025 | Middle East Best Newcomer of the year - 2025 and is ranked as one of the recommended transfer pricing firms. VSTN Consultancy has been shortlisted in other awards as finalist by ITR for Tax Innovator, Tax Compliance and Reporting Firm, Transfer Pricing Leader, Transfer Pricing Rising Star in Asia Pacific - 2025 | Best Newcomer, Tax Innovator and Transfer Pricing Leader in EMEA - 2025. VSTNs senior partners have been ranked in ITR in the list of recognized Practitioners.

Our offering spans the end-to-end Transfer Pricing value chain, including design of intercompany policy, drafting of Interco agreement, ensuring effective implementation of the Transfer Pricing policy, year-end documentation and certification, Global Transfer Pricing Documentation, BEPS related compliances (including advisory, Masterfile, Country by Country report), safe harbor filing, audit defence before all forums and dispute prevention mechanisms such as Advance Pricing agreement.

We are structured as an inverse pyramid where leadership get involved in all client matters, enabling clients to receive the highest quality of service. Being a specialized firm, we offer advice that is independent of an audit practice and deliver it with an uncompromising integrity.

Our expert team brings in cumulative experience of over several decades in the transfer pricing space having worked with multiple Multinational Companies across sectors/industries and have cutting edge knowledge and capabilities in handling complex TP engagements.



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