

FIRS releases revised transfer pricing forms



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Introduction

The Federal Inland Revenue Service (FIRS) has issued revised transfer pricing (TP) declaration and disclosure forms (TP forms). Effective from January 2017, taxpayers are required to submit their transfer pricing returns using the revised TP forms.

The revised TP forms include new disclosures while some of the old disclosures which taxpayers considered to be ambiguous have been made clearer.

Summary of the changes

Some of the changes to the TP forms (not exhaustive) include:

- The requirement to indicate if there are transactions with a low tax jurisdiction has been replaced with a requirement to indicate if there are transactions with an entity resident in a jurisdiction having no income tax or whose income tax rate is less than 30%;
- Reporting entities are now required to disclose both their Nigerian and Foreign (if applicable) Tax Identification Numbers (TIN);
- Specific disclosures are now required for intercompany transactions such as procurement and marketing activities;
- A summary table that captures certain details of intercompany transactions

including the transaction amount, jurisdiction of related party, and accounting classification of the transactions; and

- The requirement to confirm that contemporaneous TP documentation exists, taxpayers are also to confirm the date when the document was approved; etc.

The takeaway

Overall, it would appear that the FIRS is seeking more disclosures to enable it perform more effective TP risk assessments.

The introduction of specific disclosures for some transaction types is an indication of the amount of attention that the FIRS is giving those transactions during TP risk assessments and audits.

The changes also suggest that the FIRS is looking to increase compliance with the requirement for taxpayers to prepare contemporaneous TP documentation and have this in place by the due date.

Taxpayers should expect to see more requests for information regarding non-resident related parties. These could be requests to the Nigerian resident party or to the tax authority of the jurisdiction where the related party is registered.

