

Nigeria's CbC Reporting Guidelines and Notification form now available



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Introduction

Following the release of Nigeria's Country-by-Country (CbC) Reporting Regulations ("the Regulations") in June 2018, the Federal Inland Revenue Service (FIRS) has issued the following complimentary information:

- guidelines for CbC reporting ("the Guidelines");
- template for annual CbC notification; and
- guidance (to its staff and the general public) on the appropriate use of information disclosed in CbC reports.

In addition to these three documents, FIRS has also included electronic versions of the official gazettes to the Regulations. You can find the documents [here](#).

Guidelines for CbC reporting in Nigeria

The Guidelines are intended to provide multinational entities (MNE) with a guide for completing the CbC report templates issued alongside the Regulations.

Specifically, the Guidelines include:

- a) definition of terms contained in the CbC Regulations;
- b) specific and detailed instructions on the nature of items to be disclosed in CbC reports. This includes but not limited to revenue; profit (loss) before income tax; income tax paid; stated capital; employees;
- c) appropriate treatment of certain entities (e.g. branches, permanent establishments etc.) for CbC purposes; and
- d) MNEs' filing obligation.

The Guidelines refer taxpayers to rely on similar guidance released by the OECD for explanations not provided in the Guidelines.

CbC reporting notification template

The notification template is to be completed annually by Nigerian tax resident entities that are members of MNE groups and who wish to notify FIRS:

- that they are the Ultimate Parent Entity (UPE) or Surrogate Parent Entity (SPE) filing the CbC reports on behalf of the MNE;
- of the identity and tax residence of the entity filing the CbC report on behalf of the group.

For both categories of taxpayers, the notification is due no later than the last day of the group's

accounting year end. Failure to meet this deadline will attract a penalty of ₦ 5million in the first instance and ₦ 10,000 for every day of default.

Guidelines on the appropriate use of information contained in the CbC report

This guidance sets out that information contained in CbC reports will only be used for:

- high level transfer pricing risk (TP) assessment;
- assessing base erosion and profit shifting (BEPS) related risks; and
- performing economic and statistical analysis.

The guidance also provide instances of inappropriate use of CbC reports and the likely consequence for the FIRS. Inappropriate use includes using CbC reports as:

- a substitute for detailed TP analysis;
- conclusive evidence that transfer prices are not arm's length; or
- basis for proposing TP adjustments.

The takeaway

By releasing the notification template and the information circulars, FIRS is signalling its readiness to implement the CbC Regulations effective from the 2018 financial year. The next step would be for FIRS to put in place the necessary infrastructure required for the automatic exchange of CbC reports with other tax authorities. Taxpayers on the other hand need to start taking steps to ensure effective compliance.