



TAX NEWSLETTER

Happy independence to you, even as we welcome you to yet another refreshing edition of the PML Tax Newsletter; your one-stop shop for all the happenings and information around the tax space.

In this edition, we have put together the **Major Facts You Need to Know About Transfer Pricing in Nigeria**.

You can follow us on Social Media – [Facebook](#), [Instagram](#), [LinkedIn](#), and [Twitter](#). You can also reach us by mail on tax@pml.com.ng or by telephone on +234 906 228 8809.

Till you hear from me again next month, please keep staying safe.

‘Murewa Agagu

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EDITION

Major Facts You Need to Know About Transfer Pricing in Nigeria

1. What is transfer pricing?

Simply put, transfer pricing (“TP”) can be defined as the price charged for transactions between connected taxable persons. A connected taxable person is a person who has the ability to influence or control the other person in making business decisions. Transactions between connected taxable persons are also known as controlled transactions.

2. What Law governs TP in Nigeria?

Transfer pricing is governed by the Income Tax (Transfer Pricing) Regulations 2018 (“TP Regulations”). Prior to year 2018, TP was governed by the Income Tax (Transfer Pricing) Regulations No. 1, 2012.

3. What body administers TP in Nigeria?

Federal Inland Revenue Service (“FIRS”) is saddled with the administration of TP in Nigeria. Specifically, the International Tax Department (ITD) of the FIRS is saddled with this responsibility.

4. What is arm’s length principle?

The arm’s length principle means that conditions of a controlled transaction should not differ from the conditions that would have applied between independent persons in comparable transactions, carried out under comparable circumstances.

5. What are the transfer pricing methods?

In determining whether or not any transaction is in line with the arm’s length principle, any of the below-listed transfer pricing methods can be used:

- a. Comparable Uncontrolled Price (CUP) method;
- b. Resale Price method;

- c. Cost Plus method;
- d. Profit Split method; and
- e. Transactional Net Margin method.



6. What are the requisite documentation according to the TP Regulations?

The required TP documentation are:

- a. Transfer Pricing Policy;
- b. Transfer Pricing Compliance Report; and
- c. Transfer Pricing Returns.

7. When is the deadline for filing TP Returns?

A connected taxable person must submit TP Declaration and Disclosure forms annually to the FIRS, not later than six months after the end of each accounting year. TP Declaration and Disclosure forms are to be attached to the annual income tax returns.

8. Are all taxpayers expected to file TP returns?

No. Only taxpayers who are connected taxable persons are required to file their TP returns annually.

9. Can the FIRS grant a taxpayer an extension of time to file TP returns?

Yes. A connected taxable person may apply to the FIRS for an extension of time within which to file TP returns, and where the FIRS is satisfied with the reason stated in the application, it may grant the extension. However, where the connected taxable person fails to meet the extended submission date granted by the FIRS, the administrative penalty shall apply as if no extension period was granted.

10. What are the TP offences and penalties?

The Income Tax (Transfer Pricing) Regulation 2012 did not contain any provision for penalties for non-compliance with transfer pricing obligations, rather it relied on the existing Laws. The 2018 TP Regulations however introduced significant and stringent penalties for non-compliance, which includes:

- a. failure to file TP declaration – ten million naira, plus, ten thousand naira for everyday the default continues;
- b. failure to file TP disclosure – ten million naira or 1% of value of controlled transactions not disclosed, whichever is higher; plus, ten thousand naira for each day the default continues;
- c. incorrect disclosure of transactions - ten million naira or 1% of value of controlled transactions incorrectly disclosed, whichever is higher;
- d. failure to file TP documentation upon request by the FIRS – ten million naira or 1% of value of all controlled transactions not disclosed, whichever is higher; plus, ten thousand naira for each day the default continues;
- e. failure to file an updated TP declaration/provide notification about directors – twenty-five thousand naira for each day the default continues.

Please feel free to contact us today on tax@pml.com.ng or [+234 906 228 8809](tel:+2349062288809), to assist you with your transfer pricing obligations. We are always here to serve you.



OCTOBER 2022 TAX DEADLINES



Set out below are the major deadlines in the month of October 2022, as relating to the Nigerian Tax space:

CIT & TET Remittance + Filing

Companies whose financial year-end is April are to pay their Companies Income Tax (CIT) and Tertiary Education Tax (TET) to the Federal Inland Revenue Service (FIRS), and thereafter file their CIT, TET and Transfer Pricing (where applicable) returns with the FIRS, via the FIRS TaxPro Max portal, on or before Monday, October 31, 2022.

ECS Contribution Payment

Pay the Employees Contribution Scheme (ECS) contributions due on your employees' October 2022 emoluments to the Nigeria Social Insurance Trust Fund (NSITF), via any of its designated banks, on or before Monday, October 31, 2022.

PAYE Remittance

Remit all pay-as-you-earn (PAYE) deducted from employees' July 2022 emoluments to the Internal Revenue Service (IRS) of the State(s) where the said employees are resident, via any of the designated banks, on or before Wednesday, August 10, 2022.

Pension Remittance

Remit all pension deducted (from employees' September 2022 emoluments) and contributed (by the employer) to the Pension Fund Custodian of the relevant employees. Remittance should be made within seven (7) business days of salary payment, i.e., companies that paid salaries on September 30, 2022 are to remit pension on or before Thursday, October 13, 2022.

NHF Remittance

Remit the NHF deducted from employees' September 2022 emoluments, to the Federal Mortgage Bank of Nigeria, via any of its designated banks, on or before Monday, October 31, 2022.

VAT Remittance + Filing

Companies who meet the required threshold are to remit all Value Added Tax collected in the month of September 2022 to the FIRS, via any of its designated banks, and file their September 2022 VAT returns with the FIRS, on or before Friday, October 21, 2022.

WHT Remittance (FIRS)

Remit the WHT deducted from payments made to all corporate and foreign entities in September 2022, to the FIRS, via any of its designated banks, on or before Friday, October 21, 2022.

WHT Remittance (SIRS)

Remit the WHT deducted from payments made to all non-incorporated entities in September 2022, to the IRS of the State(s) where the said entities are resident, via any of the designated banks, on or before Monday, October 31, 2022.

Do have a tax-efficient month!

SERVICE OFFERINGS

- ▶ Companies Income Tax Management
- ▶ PAYE Returns Management
- ▶ Payroll Tax Management
- ▶ Personal Income Tax Management
- ▶ Micro Business Package
- ▶ Small and Medium Enterprises Business Package
- ▶ Tax Audits and Investigations Management
- ▶ Transfer Pricing Management
- ▶ Value Added Tax Management
- ▶ Withholding Tax Management (Payables)
- ▶ Withholding Tax Management (Receivables)

Contact us today on +234 906 228 8809