



# FEDERAL INLAND REVENUE SERVICE

## Field Operations Group

### Transfer Pricing Division

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## General Guidelines for Filing Transfer Pricing Returns

### 1.0 Introduction

By the provisions of the Income Tax (Transfer Pricing) Regulation No 2 2012, taxpayers are required to file returns of transactions carried out with connected persons (TP Returns) beginning from the basis period after the 2<sup>nd</sup> day of August 2012. Consequently, the first sets of TP returns are expected to be rendered beginning from January 2014.

In view of this development, these guidelines have been put together to provide relevant taxpayers and the general public with explanations as to who should file TP returns, what constitute TP returns and the modalities for filing TP returns.

### 2.0 Who Should File TP Returns

The duty to file TP returns applies to all companies and entities that are liable to income tax and who are members of a Nigerian or international group of companies or otherwise **connected** to one or more companies in Nigeria or overseas.

The following are deemed to be connected persons:

- a) a company or entity in which the reporting company or entity has 50% or more ownership or control;
- b) an individual, company or entity that directly or indirectly owns or controls 50% or more of the reporting company or entity;
- c) a company or entity who is a member of the group of which the reporting company or entity is a member;
- d) companies in which the same person has control, or a person has control of one and another person connected with him or her has control of the other;

### 3.0 Contents of Transfer Pricing Returns

Annual transfer pricing returns include the following;

- a) Transfer Pricing Disclosure Form
- b) Detailed Audited Financial Statements
- c) Copy of income tax self-assessment
- d) Income Tax Computation and all relevant schedules

**Note:** The TP Declaration Form should be included in the first TP returns and updated as often as there are material changes.

#### 3.1.1 Declaration form:

Companies are to use this form to provide information about their group structure, the nature of business of members of the group, details of directors and such other information indicated on the form.

Declaration form contains information of relatively permanent nature; companies are required to complete it only once except there are **significant changes** in the information earlier provided in which case the company shall complete another form. Notwithstanding the forgoing, the Service may, by notice issued from to time, require a company to complete fresh TP Declaration Forms.

For the purposes of updating the TP Declaration Form, the following changes are deemed significant:

- a. Merger of the reporting company's parent with another company outside the group;
- b. Acquisition of up to 25% of the reporting company's parent by persons not connected to the group;
- c. Merger of the reporting company with another company;
- d. Acquisition of up to 25% of the reporting company by persons not connected to the group;

- e. Merger or acquisition of the reporting company by another company outside the group;
- f. Sale or acquisition of a subsidiary by the reporting company;
- g. Appointment or retirement of a director of the reporting company;
- h. Addition of a new line of business by the reporting company;

### **3.1.2 Disclosure form**

TP Disclosure Form shows details of inter-company transactions with local and foreign connected persons. The form is used to make disclosure of transactions that are carried out by a taxable person with a connected person. The form should be completed annually with the annual tax returns whether or not there are transactions between connected entities.

(Both the Declaration and Disclosure Forms are available on the FIRS website and may be downloaded for free)

### **3.1.3 Self-Assessment**

A copy of the income tax self-assessment form shall be appended to the TP Disclosure Form.

### **3.1.4 Audited Financial Statements:**

Each taxable person filing Transfer Pricing returns shall submit a copy of the audited financial statements (AFS) together with the TP Disclosure Form. The AFS must be in detailed format (abridged AFS are not acceptable). The AFS submitted with the TP returns should be the same as the one provided for the income tax returns.

For purposes of clarity, this requirement means that taxpayers shall submit two copies of audited financial statements when rendering tax returns; one copy shall be for the annual income tax returns and the other copy shall be for the TP returns.

### **3.1.5 Tax Computation:**

A copy of the income tax computation is part of the TP returns. All relevant schedules (capital allowances, fixed assets' additions and disposal, exempt items etc.) shall be appended to the tax computation.

The tax computation and its schedules must be the exact copy of the ones submitted for the purposes of the income tax assessment.

## **4.0 Filing TP Returns**

### **4.1 When Should Transfer Pricing Returns be filed?**

The due date of filing Transfer Pricing Returns is the same as the due date of filing annual income tax returns as provided for in the relevant tax law.

a) For companies filing under the Company Income Tax Act (CAP C21, LFN 2004), Section 55(2) provides as follows:

- ✚ A company that has been in business for more than eighteen (18) months shall file its returns within six (6) months after the end of its accounting year;
- ✚ A company that has been in business for less than eighteen (18) months shall file its returns within eighteen (18) months from the date of its incorporation or not later than six (6) months after the end of its accounting year, whichever is earlier.

b) For companies filing under the Petroleum Profits Tax Act (Cap P13, LFN 2004), section 30(2) provides that a company which is or has been engaged in petroleum operations shall file its tax returns, with respect to any accounting period of the company, within five months after the expiration of the that period.

## 4.2 How should Transfer Pricing Returns be filed?

Taxpayers are advised to take the following steps to properly file their TP returns:

- a) Obtain the TP Declaration or Disclosure Form for free;
- b) Complete the forms appropriately, clearly and correctly;
- c) The forms should be printed and signed by the relevant officers;
- d) Make a copy of the audited financial statements (in detailed format);
- e) Make a copy of the income tax self-assessment;
- f) Make a copy of the income tax computation and all relevant schedules;
- g) Write a covering letter for the TP returns;
- h) Package all documents into an envelope or appropriate packaging;
- i) Label the envelop or package "TP RETURNS"; and
- j) Deliver package with covering letter to the tax office at the same time that the company is filing its income tax returns

### **Notes:**

- i. The company's income tax returns shall be deemed incomplete if the respective TP returns are not submitted together with it and prescribed penalty may be imposed.
- ii. **Do not** put the TP returns consisting of TP Declaration Form, TP Disclosure Form, a copy of detailed audited financial statements, a copy of the income tax self-assessment and income tax computations with all schedules in the same envelop or package as the normal income tax returns but **package the documents into a separate envelop or appropriate packaging and label it "TP RETURNS"** before submitting it to the tax office.

## 4.3 Where Should Transfer Pricing Returns be filed?

Unless otherwise directed or agreed, all TP returns are to be filed along with the annual income tax returns at the tax office where the taxpayer's file is resident.

Further information could be obtained from the following sources:

- i. The Head,  
Transfer Pricing Division,  
3<sup>rd</sup> Floor, FIRS Building,  
17B, Awolowo Road,  
Ikoyi – Lagos.
- ii. The Coordinating Director,  
Field Operations Group,  
Federal Inland Revenue Service,  
15, Sokode Crescent,  
Abuja.
- iii. The Executive Chairman,  
Federal Inland Revenue Service,  
15 Sokode Crescent,  
Wuse Zone 5,  
Abuja.
- iv. FIRS website at [www.firs.gov.ng](http://www.firs.gov.ng).