

# Transfer Pricing Newsletter

## Summary of proceedings at the KPMG June 2018 Quarterly Tax Breakfast Seminar on *Transfer Pricing: Impact of BEPS and Other Reforms*

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The Head of International Tax Department of the Federal Inland Revenue Service (FIRS), Mr. M.O. Gbonjubola, was the Keynote Speaker at the KPMG Quarterly Tax Breakfast Seminar held on Tuesday, 19 June 2018.

Below is our executive summary of the points he made in his presentation on the subject (click [here](#) to access), and subsequent developments in Nigeria's tax space:

### 1. New Transfer Pricing (TP) Regulations

- The Federal Government has approved a revised TP Regulations, which will soon be published. The new TP Regulations will, after its promulgation, replace the current The Income Tax (TP) Regulations No. 1, 2012. The new Regulations will contain additional provisions for intra-group services, intangibles, allocation of risks, administrative penalties, and documentation requirements.

Other enhancements in the revised Regulations include detailed rules on extension of time to provide information to the FIRS and clarification of the FIRS Decision Review Panel's roles.

- The FIRS is currently preparing practice notes to supplement the revised Regulations. The notes are intended to provide clarification on the implementation of different sections of the Regulations.

### 2. Country-by-Country Reporting (CbCR)

- Nigeria joined thirty (30) other countries to sign the Multilateral Competent Authority Agreement (MCAA) for the Exchange of Country-by-Country (CbC) reports on 27 January 2016. This entitles the country to receive CbC reports of multinational enterprises (MNEs) with headquarters in each of the appending countries to combat Base Erosion and Profit Shifting (BEPS) by MNEs.
- Before end of business on Tuesday, 19 June 2018, the Government released the Income Tax (CbCR)

Regulations, 2018 (CbCR Regulations) to the public. The commencement date for the CbCR Regulations is 1 January 2018, and the basis period for the first CbCR is the accounting year of MNE Groups starting from or after the commencement date.

- The CbCR Regulations highlight the information and compliance requirements for CbCR by each MNE Group and the penalties for non-compliance. Click [here](#) to read our newsletter thereon.
- The Guidelines for the CbCR are currently being drafted by the FIRS.

### 3. Automatic Exchange of Information (AEOI)

- The implementation package on CbCR for Action 13 of the BEPS project anticipates that tax authorities around the world would automatically exchange information of MNE Groups with one another. This will enable them to make risk assessments which may serve as a basis for initiating tax audits.
- The implementation of the AEOI is, however, based on the Common Reporting Standard Multilateral Competent Authority Agreement (CRS MCAA). The CRS MCAA specifies the information to be exchanged by participating countries, the time and mode of exchange, the financial institutions required to report, and the different types of accounts and taxpayers covered. Nigeria has signed the MCAA alongside over a hundred other jurisdictions, and intends to exchange its first set of information by September 2019.
- The Regulations and Guidelines implementing the AEOI are currently in draft form. Also, the relevant information technology systems and structures that will aid the AEOI are being put in place by the FIRS.

#### 4. Nigeria Model Tax Convention

- The Nigeria Model Tax Convention (MTC) is currently under review. The MTC is to serve as a guide for the negotiation of bilateral treaties between Nigeria and other countries.
- A Tax Treaty Policy, which sets out the main strategy that Nigeria wishes to pursue in all its tax treaties, is also currently being drafted.

#### 5. Other Developments

- There is increased support for the different African tax administrations from such bodies as the Organisation for Economic Cooperation and Development. Also, the African Tax Administration Forum and West African Tax Administration Forum are gaining more visibility as they work towards increasing the level of tax compliance on the continent.
- Tax reforms are being implemented across Africa and there is a move towards harmonization of the tax systems on the continent. However, no concrete timeline has been agreed for the proposed harmonisation.

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