

# Federal Inland Revenue Service releases revised transfer pricing forms

## Newsletter

*On 23 November 2016, the Federal Inland Revenue Service (FIRS) issued new Transfer Pricing Declaration and Disclosure forms (TP Forms). The use of the newly issued forms takes effect from January 2017. All taxable persons with connected transactions are required to file their returns using the new forms.*

### Amendments to transfer pricing statutory forms

On introduction of Transfer Pricing (TP) Regulations in 2012, the Federal Inland Revenue Service (FIRS) required companies to provide various and specific information on two forms, namely, Declaration and Disclosure Forms. Whilst the Declaration form requests for information on the ownership, structure, management and other corporate matters of the company, the Disclosure Form basically focuses on related-party transactions conducted by the company in a tax reporting year.

The FIRS has, however, revised the two forms. The quantum of information that taxpayers are now required to provide in the Disclosure Form are more detailed. This is an improvement on the design of the original form. Some of these additional information are as follows:

1. Income from each controlled transaction. This should be analysed by the type and nature of each one and separated from those derived from non-related parties. FIRS already provided some of the headings from which the income should be categorised. These are those from tangible transactions, services, passive income, finance and any other category.
2. Cost incurred on transactions similar to those identified above.

Specifically, taxpayers should provide details of amount incurred on tangible items, services, passive activities and any other category of items procured from related and non-related parties.

3. In addition to confirming that the taxpayers complied with TP Regulations, taxpayers are to indicate when the relevant TP Documentation was approved.
4. Taxpayers are to present a summary of controlled transactions with connected persons indicating the amount, currency, jurisdiction of connected persons etc.

### KPMG Comments

The information to be provided on the Disclosure Form, if properly done by a taxpayer, should be sufficient for the FIRS to perform a preliminary assessment of the level of compliance with the TP Regulations.

Currently, FIRS spends significant time to obtain similar information from companies during tax audit. It also spends significant time to discuss and agree the facts of a controlled transaction, especially if such information will trigger payment of additional tax liability by a company.

The FIRS might have leveraged on its experience in this regard and proactively designed forms that will enable it to obtain the information at a time when the taxpayer may not appreciate its implication on its tax position. For instance, if a taxpayer affirms that it has complied with the TP Regulations and that the documentation were in place on a particular date, it will be difficult to make any change if the fact available during an audit does not support the position.

Based on the above, companies should proactively put necessary machinery in place to achieve the following:

- Detailed information – FIRS now requires more extensive information on controlled transactions. Companies should ensure that their information retrieval system is robust enough to provide the information with ease.
- Proactive planning – Companies should ensure that they conduct their transactions within the arm's length principle. This should also be properly tested and, if possible, adjustments made, prior to disclosure in the annual returns. This will prevent exposure to interest and penalty that may arise if an adjustment is made by the tax authority during an audit.

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Please, download the new forms here

[TP Declaration Form](#)

[TP Disclosure Form](#)