



Transfer Pricing Awareness Survey

March 2022

home.kpmg/ng

Contents

5

Abbreviations

6

Overview of TP
Regime in Nigeria

9

Consciousness of
TP Requirements

12

TP Risk Assessment
and Audit Experience

14

Impact of Covid-19
on Related Party
Transactions

16

Regulatory Issues

19

Global Transfer
Pricing Services

22

Global Principles for
a Responsible Tax
Practice

23

Thought
Leadership

30

About the Survey





Foreword

In 2021, the Nigerian transfer pricing (TP) space witnessed significant changes which are expected to have far-reaching effects on tax compliance for both local and multinational enterprises. These changes include the strict implementation of the electronic filing system, issuance of guidelines for shared service arrangements among banks and other financial institutions by the Central Bank of Nigeria (CBN), among others. At the same time, taxpayers are still experiencing the lingering economic effect of the coronavirus pandemic which poses a peculiar threat to the application of the arm's length principle.

In light of the foregoing, taxpayers must stay updated on the TP requirements in order to achieve full compliance and avoid the stiff administrative penalties that come with non-compliance.

This TP survey was conducted in 2021 to determine how taxpayers are dealing with the lingering impact that COVID-19 has had on their businesses, assess their awareness of TP compliance requirements and TP risk assessment, and gauge their TP audit experience. We are pleased to present the findings from the fifth edition of our survey, which had 71 respondents representing the major industry sectors.

Based on the feedback provided, we observed a consistent level of TP compliance with the relevant regulations by the respondents as in the previous years, in addition to significant adoption of the electronic filing platform. Also, in respect of the Income Tax (Country-by-Country Reporting) Regulations, there is a high level of awareness and compliance as taxpayers in Nigeria are quickly embracing the changes in the ever-evolving TP landscape.

Generally, the high level of awareness and compliance may be a result of the stringent administrative penalties imposed on defaulting taxpayers. We also noted that most taxpayers have put measures in place to deal with the effects of COVID-19. Revenue remains the most impacted aspect of their business operations, while cashflow is now the least affected.

Interestingly, a significant number of the respondents had neither ongoing nor completed TP audits. There has, however, been a significant increase in the number of audits which have been concluded compared to prior years as more of the respondents are in the reconciliation/dispute resolution stage. This is because the Federal Inland Revenue Service (FIRS) has a mandate to shorten the TP audit cycle, with emphasis on closing out audits that have spanned more than 2 years in a matter of weeks.

We hope that this edition of the survey will serve as a useful resource on TP from both Nigerian and international standpoints. We also trust that the data and insights offered will be valuable to readers as they work to enhance their organization's TP compliance and audit experience.

We acknowledge and appreciate all the participants in this year's survey. We eagerly anticipate your involvement in subsequent editions. We encourage our readers to provide feedback on the publication and participate in the subsequent editions of the survey. You can send your comments or indication of your interest to participate in future surveys by sending an email to KPMGTPSurvey@kpmg.com.



Wole Obayomi

Partner & Head, Tax, Regulatory and People Services
KPMG in Nigeria



Tayo Ogungbenro

Partner and Group Head
Transfer Pricing and Consumer & Industrial Markets,
Tax, Regulatory and People Services
KPMG in Nigeria



Abbreviations

BEPS	Base Erosion and Profit Shifting
CbCR	Country by Country Reporting
DRP	Decision Review Panel
FIRS	Federal Inland Revenue Service
G20	International forum for the governments and central bank governors from 19 countries and the European Union
GTPS	Global Transfer Pricing Services
IDR	Information and Documents Request
IF	Inclusive Framework
MNE	Multinational Enterprise
OECD	Organisation for Economic Cooperation and Development
TP	Transfer Pricing
UN	United Nations



Overview of TP Regime in Nigeria

Background

Since the introduction of the Income Tax (Transfer Pricing) Regulations, 2012, the Transfer Pricing regime in Nigeria has been steadily evolving. The FIRS has published revised regulations and issued guidelines to close the gaps in the tax laws and promote better understanding and compliance with the regulations.

The TP compliance requirements in the Income Tax (Transfer Pricing) Regulations, 2018 (the revised regulations) align with the three-tier documentation approach recommended by the Organization for Economic Cooperation and

Development (OECD). Taxpayers are now required

to maintain a master file and local file as well as the Country-by-Country (CbC) report. The latter is applicable where the taxpayer's consolidated group's revenue is not less than the specified threshold. The Regulations also introduced stiff penalties for acts of non-compliance.

Overview of TP compliance requirements

The revised TP Regulations and the Income Tax (Country-by-Country Reporting) Regulations, require taxpayers to prepare the following documents:

- i. **Master file:** The Master file provides an overview of the global business operations of the Multinational Enterprise (MNE) Group to which a taxpayer belongs including the nature of its global business operations, its overall transfer pricing policies, and its global allocation of income and economic activity.
- ii. **The local file:** The local file is expected to disclose detailed information on the enterprise's related party transactions such as overview of the Company, related party relationship – related parties information, overview of controlled transaction, contracts or agreements, controlled transactions flow, functional asset and risk analysis, intangibles involved, financial data, segmented data details

of tax information (tax rates, treatments and jurisdictions) and information on changes in related party relationships which occurred during the financial year.

TP returns: The revised TP Regulations also require a connected person to file annual TP returns. The TP returns consist of the Declaration and Disclosure Forms.

- iii. **The Declaration Form** contains general information relating to a company such as shareholding structure, Directors, connected parties, among others. The disclosure form, on the other hand, contains information on the nature and value of controlled transactions for the reporting period, TP method used to analyze controlled transactions, name and tax jurisdiction of the connected parties involved in the controlled transactions and other general financial information on the Company and the group
- iv. **Country-by-Country Reporting (CbCR):** The CbCR Regulations require Nigerian headquartered Multinational Enterprise (MNE) Groups with consolidated revenue of N160 billion or above to file the Country-by-Country (CbC) report with the FIRS. Nigerian resident members of MNE Groups, headquartered outside Nigeria, are required to notify the FIRS of the identity and tax jurisdiction of the entity that will be responsible for filing the CbC report where the Group has a consolidated revenue of €750 million or near equivalent in the domestic currency of the jurisdiction of the ultimate parent entity or surrogate parent entity.

Where the Ultimate Parent Entity (UPE) of an MNE Group is not tax resident in Nigeria and the CbCR has not been implemented in the jurisdiction where the UPE is tax resident, or such jurisdiction has no relevant exchange of information agreement with Nigeria, the Nigerian Entity will be required to carry on a secondary filing.



Penalty for non-compliance

1

Failure to submit declaration form within statutory period

₦10 million plus ₦10,000 for every day in which the failure continues

2

Failure to submit updated declaration form

₦25,000 for every day in which the failure continues

3

Failure to submit TP disclosure form

Higher of ₦10 million or 1% of value of undisclosed controlled transactions plus ₦10,000 for every day in which the failure continues

4

Failure to appropriately disclose related party transaction

Higher of ₦10 million or 1% of value of omitted controlled transactions plus ₦10,000 for every day in which the failure continues

5

Incorrect disclosure of controlled transactions

Higher of ₦10 million or 1% of the value of the incorrectly disclosed controlled transactions

6

Failure to provide TP documentation within the stipulated period

Higher of ₦10 million or 1% of the total value of all controlled transactions plus ₦10,000 for every day in which the failure continues

7

Failure to file CbC report within the statutory deadline

₦10million and ₦1million for every month in which the failure continues

8

Filing incorrect or false CbC report

₦10 million

9

Failure to file CbC notification form

₦5 million and ₦10,000 for every day in which the failure continues

TP audit process

TP audits usually commence with an Information and Documents Request (IDR) sent by the FIRS to selected companies based on the outcome of the tax authorities' internal TP risk assessment. The selected taxpayer has 21 days to respond upon receipt of an IDR. The FIRS may also request the taxpayer to make a presentation on the processes, procedures and operations of the company. The aim is to enable the FIRS have a better understanding of the business of the taxpayer. This presentation is usually done at the FIRS' office.

The next phase, after the IDR and presentation, is the field visit and interview sessions with key personnel of the company being audited. The tax authorities seek to validate the facts and declarations presented in the TP documentation/local file during the interview sessions. After the field visit, the FIRS issues an audit report highlighting their key findings. Where tax authorities disagree with a taxpayer on their understanding of relevant facts, the tax authorities may make TP adjustments, resulting in additional tax liabilities. In a situation whereby the taxpayer disagrees with the adjustments by the FIRS, the TP dispute resolution process can be used to resolve the areas of differences.



Recent developments in the TP landscape

Nigeria's tax and regulatory landscape has experienced significant changes in recent times, largely due to the implementation of the Finance Act, 2020 and the impact of COVID-19 pandemic. We provide below a summary of the significant changes that occurred in the TP space in 2021.

1. Implementation of the Finance Act, 2020:

The Finance Act, 2020 was enacted in 2021 with the aim of reinforcing the Federal Government's commitment to making incremental changes to Nigeria's fiscal framework to enable the achievement of the country's economic growth and development imperatives. The Act also modifies some of the amendments introduced by the Finance Act, 2019 to provide clarity and make it consistent with the government's fiscal plans and current economic realities. Some of the notable changes relating to the TP space include the enactment of the Companies Income Tax Significant Economic Presence Order (SEP Order) which addresses the taxation of the digital economy and the requirement for approved enterprises operating in free trade zones (FTZs) to file income tax returns (via the amendment to Section 55 of the Companies Income Tax Act). *(Please use this [link](#) to access our publication that sheds more light on this).*

2. FIRS's Tax e-filing Platform

In line with its objective of digitalizing tax administration in Nigeria, the FIRS required all taxpayers to file their Transfer Pricing (TP), Companies Income Tax (CIT) and Value Added Tax (VAT) returns exclusively on the FIRS' e-filing platforms. The updated TP portal, e-TP PLAT 2.0, was deployed for filing TP and CbC statutory returns for the 2021 Year of Assessment. Consequently, the FIRS refused to accept hard copies of the returns submitted to its offices, except under "special circumstances".

Having insisted on the use of the online platform, the Service granted a one-month extension of the filing deadline of 30 June 2021 to accommodate potential issues and difficulties encountered by taxpayers while using the platform. Also, taxpayers were required to file only audited copies of financial statements and all necessary supporting documents to make a complete TP return. Consequently, taxpayers who filed without uploading the complete supporting documents on the e-filing platform had their returns rejected.

3. Increased TP audit drive by the FIRS

The FIRS intensified its efforts to drive TP compliance through the conduct of TP audit exercises, by rolling out more letters requesting for the submission of TP documentation and other supporting documents to several taxpayers.

Also, the FIRS accelerated the TP audit process for audits that had lingered for over 2 years to ensure speedy conclusion of these audits.



Consciousness of TP Requirements

Increased level of awareness of TP compliance requirements

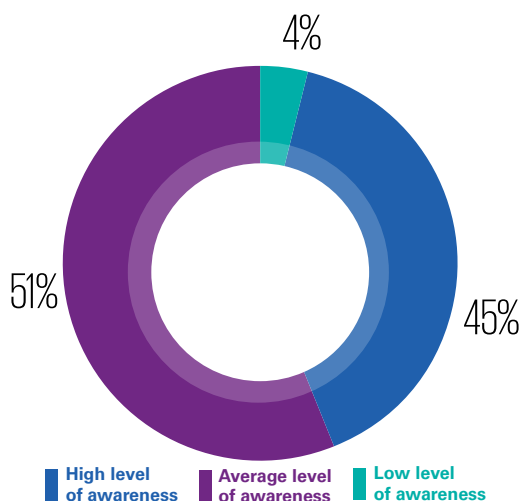
The result of the survey shows that 96% of the respondents have a substantial level of awareness of the TP requirements in Nigeria. 45% of the respondents indicated a high level of awareness against 40% in prior year, while about 51% indicated an average level of awareness regarding TP compliance requirements against 56% in prior year.

Currently, more taxpayers are making an effort to ensure compliance with the TP Regulations. This is evident as about 86% of the respondents have filed their TP returns from inception till date which is 5% more than in the prior year.

Conversely, 11% of the respondents have only filed their returns for some years. This could either be because the respondents did not have related party transactions in the years not filed for or the respondents commenced business after 2013 financial year. The survey also shows that 72% of the respondents have their TP documentation in place for the relevant years. Only 3% of the respondents have never filed a TP return while 4% have never prepared TP documentation since the inception of TP regulation in Nigeria.

The results show an increased level of compliance with the relevant provisions of the TP Regulations; however, this does not translate into an increase in the taxpayers' understanding of the recent developments in the TP space and the potential impact of these changes on their activities. Taxpayers are therefore advised to review their current TP arrangements to mitigate potential exposure due to these developments.

Figure 1:
What is your level of awareness of the
TP compliance requirements in Nigeria?

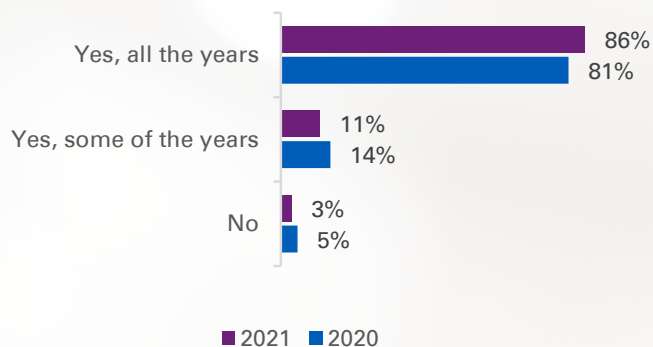




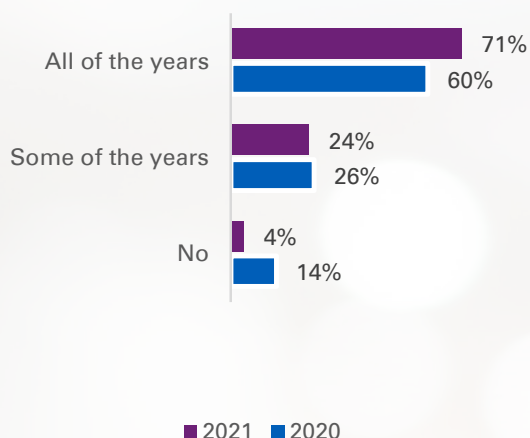
The use of internal TP policies is an effective tool to provide guidance in the setting of prices in controlled transactions and demonstrating compliance with the arm's length principle. 92% of respondents, out of the 68% who have an internal transfer pricing policy, have fully implemented their transfer pricing policy. Please note that taxpayers with internal TP policies are more likely to obtain a positive outcome in the event of a TP audit.

Figure 2:

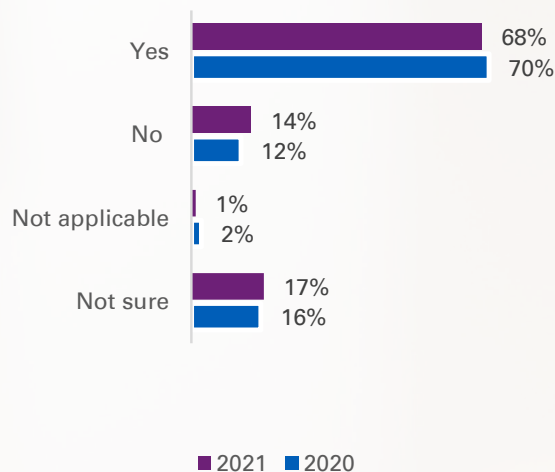
Has your company filed TP returns annually since the 2013 financial year?

**Figure 3:**

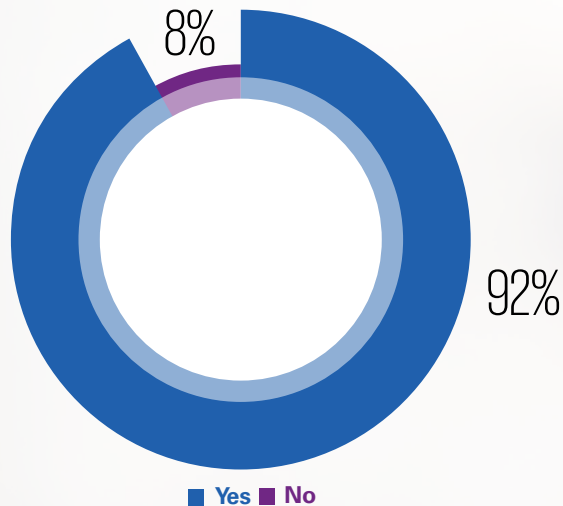
Has your company prepared contemporaneous TP documentation annually since the 2013 financial year?

**Figure 4:**

Does your company have an internal TP Policy that guides your transactions with your related parties?

**Figure 5:**

If yes, have you fully implemented your internal transfer pricing policy?





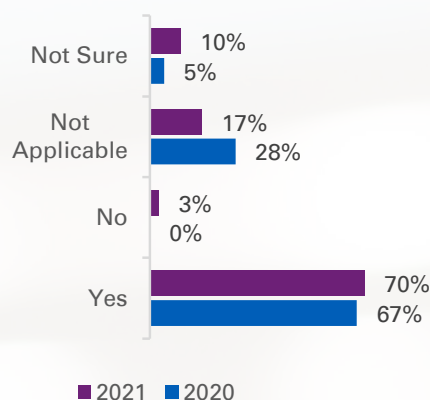
Country-by-Country Reporting (CbCR) – Ongoing Compliance

Majority of the respondents provided positive responses when asked about their compliance with the CbCR Regulations.

17% indicated that the CbCR Regulations did not apply to their organization while 10% of the respondents were neither sure of its applicability nor their compliance.

The survey result suggests that taxpayers are more aware of the CbCR obligations now than in prior years, however taxpayer education is still required in the area of compliance. Companies are also advised to proactively review their current structure in order to determine their obligations with a view to avoiding any penalty exposure.

Figure 6:
Has your Company complied with the Country-by-Country Reporting Regulations?



The Electronic Transfer Pricing Platform

Following the introduction of the Electronic Transfer Pricing Platform (e-TP portal) in March 2020, the tax authorities discontinued the physical filing of TP returns and mandated companies to register and file their returns online.

According to the survey, 94% of the respondents are aware of the e-TP portal. 87% of these respondents have registered and filed their latest returns online.

Figure 7:
Are you aware of the FIRS' electronic TP filing platform?

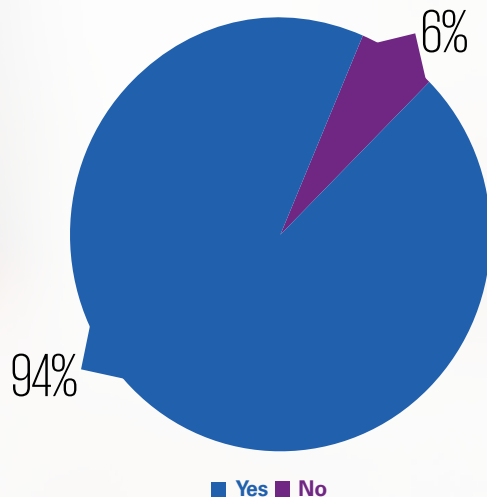


Figure 8:
Is your company registered on the e-TP filing platform?

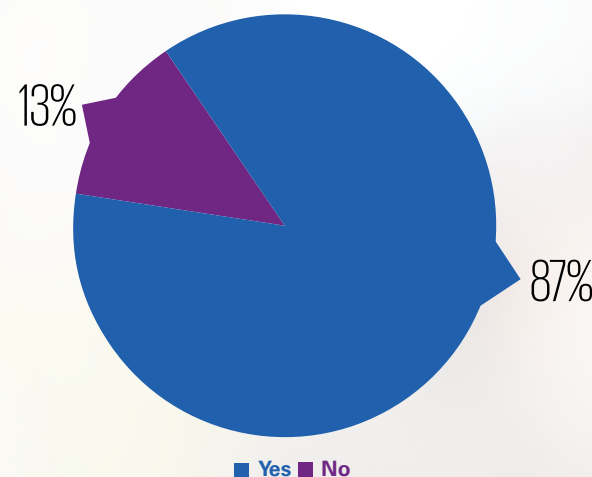
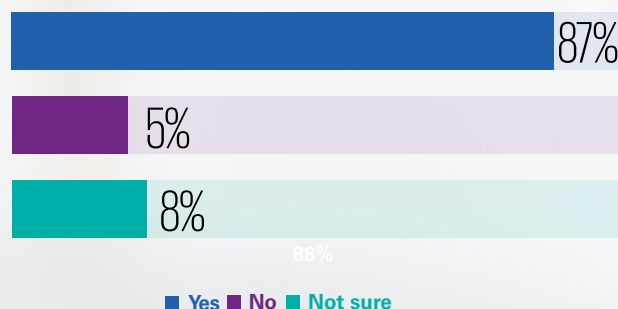


Figure 9:
If yes, did your company file its latest TP returns on the portal?





TP Risk Assessment & Audit Experience

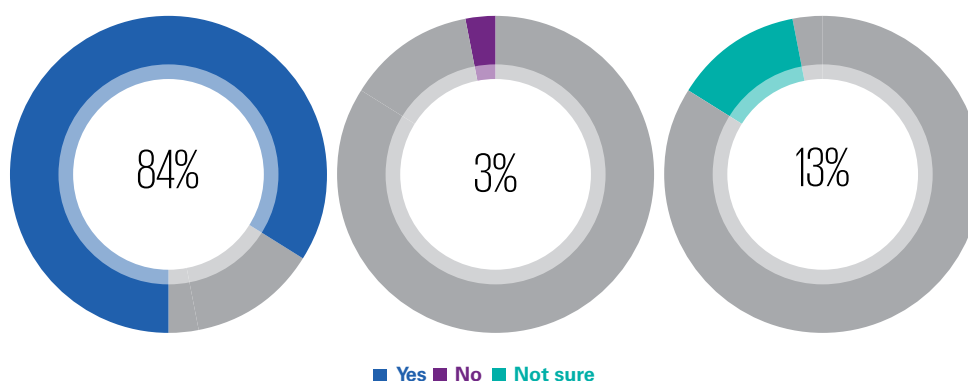
Aligning financial statements disclosures with source documents

From the survey result, 84% of the respondents have procedures to guarantee the accuracy of controlled transactions disclosed in the financial statements, while 16% were either not sure or did not have such procedures.

The related party disclosures must be accurate given that the financial statement is the first reference point for the tax authorities in assessing the taxpayer's related party transactions, to avoid being subjected to additional penalties for inaccurate disclosures.

Figure 10:

Do you have a procedure to ensure that related party disclosures in your company's financial statements are complete and accurate?



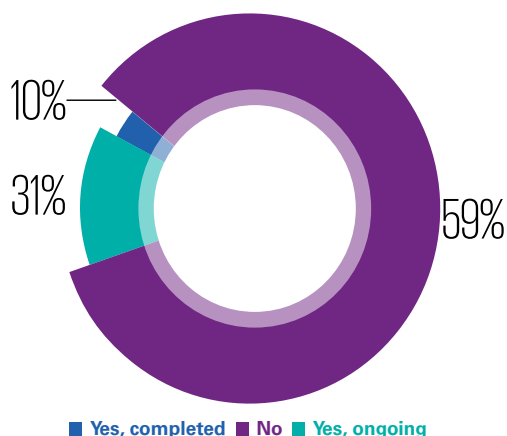
■ Yes ■ No ■ Not sure

TP audit experience

A significant share of the respondents have neither ongoing nor completed TP audits, with only 10% having completed their TP audit exercise. Recently, there has been an increase in the number of TP audit exercises being conducted by the FIRS. According to the survey, 47% of the audits being conducted on the respondents' organisations are in the IDR stage while 15% are in the field visit stage. Compared to prior years, more audits are being concluded as 25% of the respondents indicated that their TP audits are in the reconciliation/dispute resolution stage. Based on the results, it can be deduced that the FIRS has more resources to conduct TP audits in an efficient and effective manner.

Figure 11:

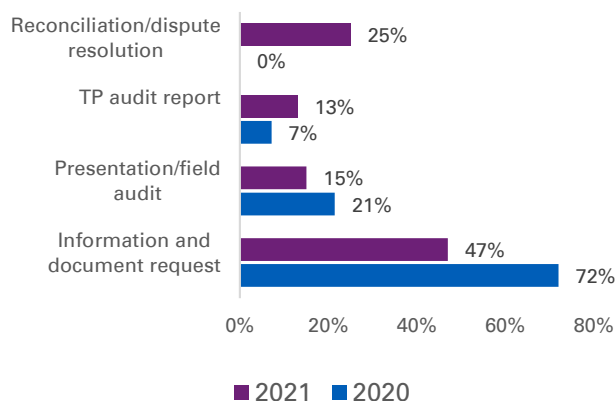
Is your Company undergoing a TP audit?



■ Yes, completed ■ No ■ Yes, ongoing

Figure 12:

What stage is your company in the TP process?



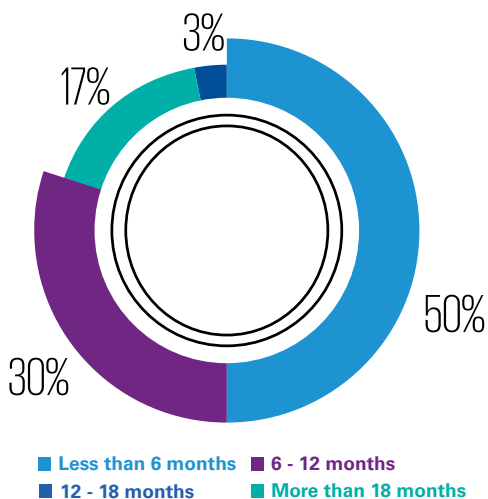
■ 2021 ■ 2020



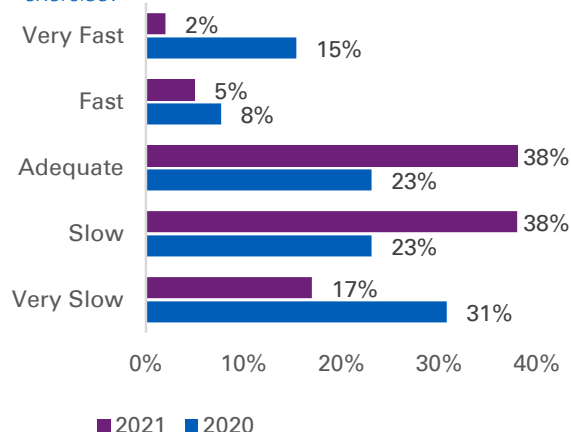
Also, it can be noted from the survey results that the FIRS is focused on making progress on the existing TP audits as more than half of the respondents with on-going TP audits had received correspondence on the audit from the FIRS within the last 12 months, from the time of the survey. The FIRS has picked up pace in conducting TP audit exercises as 38% of the respondents with ongoing or completed TP audit exercises consider the pace of the audit to be adequate compared to 23% in prior year, while 18% think the audit process is very slow compared to 31% in the prior year.

Figure 13:

How long has it been since the last correspondence on the audit?

**Figure 14:**

What is your view on the pace of the TP audit exercise?



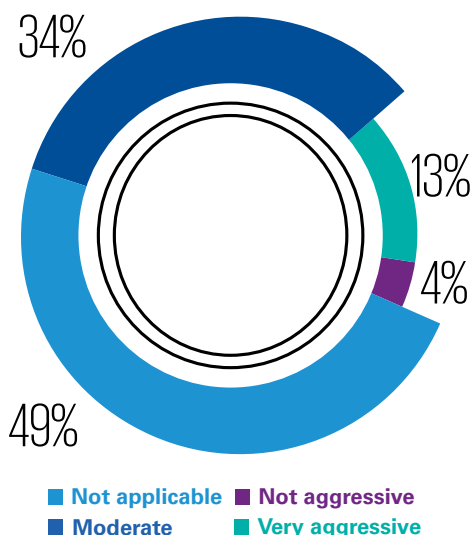
FIRS stance on audits may be changing...

Based on the result of the survey, 4% of the respondents are of the opinion that the FIRS is not very aggressive in its approach to the audit exercise. On the other hand, 34% considers the FIRS' approach to be moderate while 13% of the respondents believe that the FIRS is very aggressive.

Following the close out of the audit exercise, 8% of the respondents indicated that an additional tax liability was issued by the FIRS. Majority of the respondents that have not been issued any assessment are either at the IDR stage or the field audit stage.

As in prior years, respondents indicated they would prefer to resolve TP disputes using less adversarial approach. 56% of the respondents would rather resolve their TP disputes through reconciliation and negotiation, while about 27% would prefer a combination of the options. None of the respondents indicated that they would consider the option of going to court. It can be observed that, although the FIRS stance is considered moderate during TP audits, taxpayers still consider a peaceful and conciliatory approach as the best option to resolve their differences with the FIRS.

Majority of the respondents opted for the use of external TP advisors during an aggressive TP audit. 17% of the respondents preferred to sort the TP audit in-house without the assistance of external advisors while 34% are not sure if they would immediately engage external advisors as this would depend on the circumstances surrounding the audit exercise.

Figure 15: What was/is the FIRS' stance during the TP audit?



Impact of COVID-19 on Related Party Transactions

Impact of COVID-19 on business

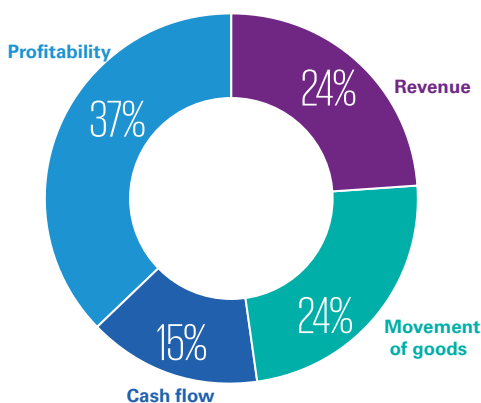
When asked about the impact of COVID-19 on their business activities, 29% of respondents indicated that their organisations had recorded a decline in business' performance since the inception of the pandemic with 18% recording only a slight decrease in performance. However, 13% of the respondents indicated a slight improvement in their business performance since the inception of the pandemic with 13% indicating that the crisis opened doors for their businesses. 27% indicated that the COVID-19 pandemic had no impact on their businesses at all.

Impact of COVID-19 on key business operations

According to the survey, majority of respondents indicated that the pandemic affected their business' revenue more than any other aspect of their business. 24% indicated that their company's profitability was most impacted while another 24% indicated that the impact of the pandemic was mostly felt in their supply chain. Only 15% felt the impact mostly on their cash flow.

Figure 16:

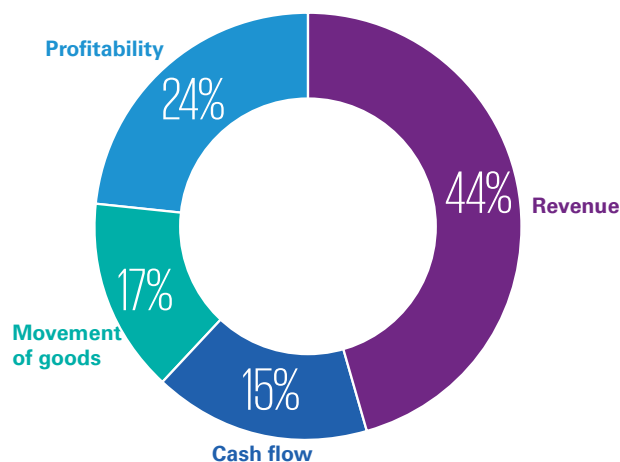
What aspects of your business operations has been impacted the most by COVID-19 pandemic?



Recently, businesses have begun to recover from the pandemic since the initial outbreak in 2020. 44% of the respondents have experienced significant boost in revenue, 24% in profitability and 17% in cash flow

**Figure 17:**

What aspects of your business operations has made significant recovery from the impact of the COVID-19 pandemic?

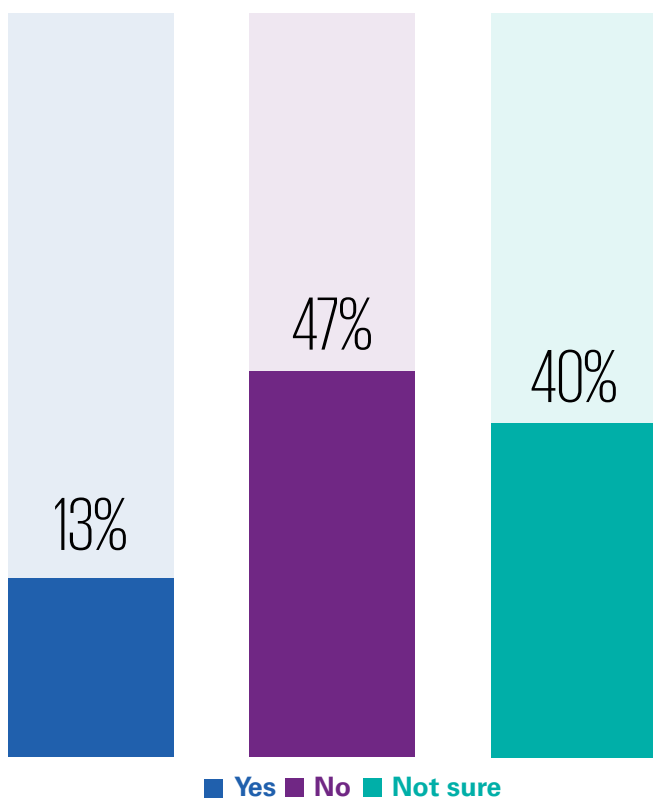


Related Party Contracts

A significant share of the respondents have not made amendments to their related party contracts since the COVID-19 pandemic. 40% of the respondents indicated that they were unsure about how to make the necessary amendments to their related party contracts. Only 13% of the respondents have managed to make the necessary amendments to their related party contracts to better manage the impact of COVID-19 on their operations.

Figure 18:

Has your company made any amendments to the related party contracts to better manage the impact of COVID-19 on your operations?



■ Yes ■ No ■ Not sure



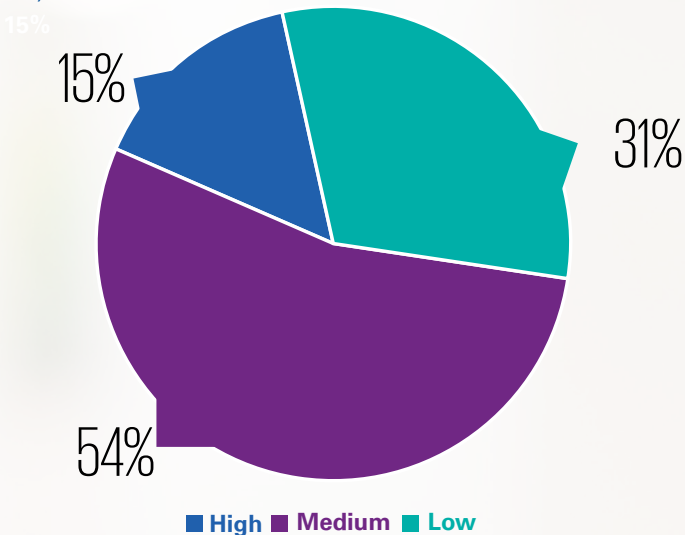
Regulatory Issues

Impact of Non-Tax Regulatory bodies policies/directives

From the survey results, majority of businesses regard the impact of policies/directives by non-tax regulatory bodies as either medium or low. The impact of such policies/directives are high for only 15% of the respondents.

Figure 19:

How do you rate the impact of the policies/directives of non-tax regulatory bodies (CBN, NCC, NOTAP etc.) on the TP compliance of your business?

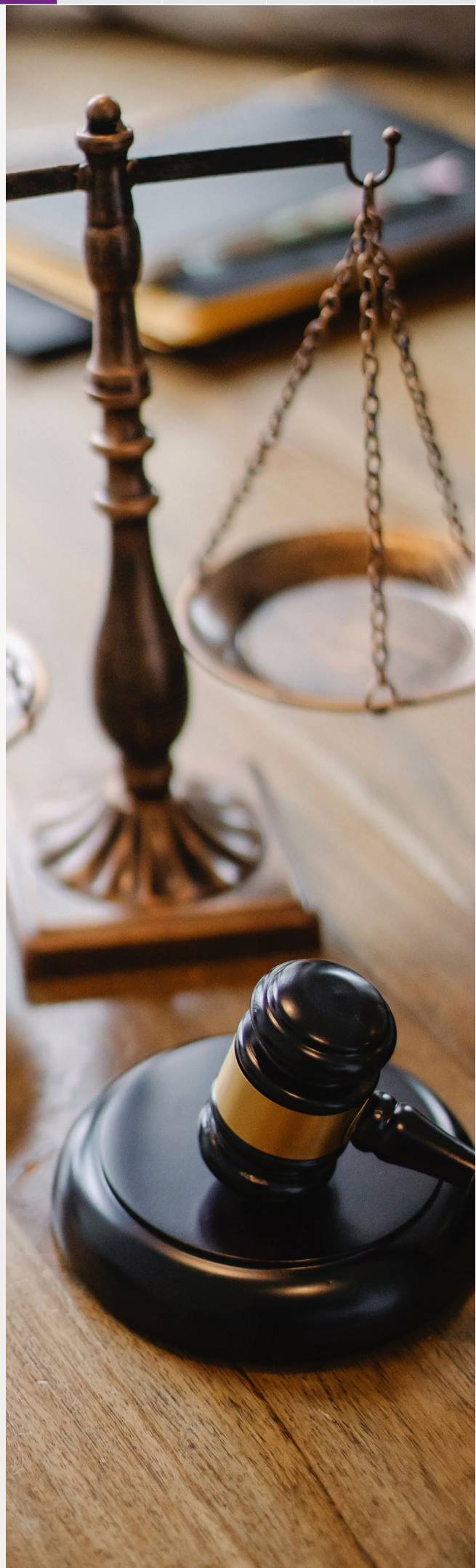


CBN's Directive on shared services

The CBN's directive on shared services affects the businesses of only 4% of respondents. Of the respondents whose businesses would be impacted by the CBN's directive, 67% indicated that they were aware of the directive while 33% indicated that they were unaware of this.

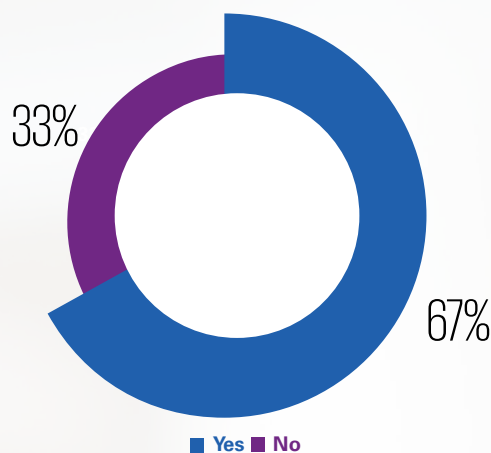
Further, 50% of the respondents who indicated that they were aware of the directive held the opinion that the directive is a welcome development and a necessary step to protect the tax base of Nigerian entities, while 50% were of the opinion that the implementation of the guidelines will result in increased compliance for financial institutions.

Also, 67% of those whose businesses were likely to be impacted by the directive believed that the directive would lead to a significant change in the structuring of shared service arrangements while 33% indicated that there would be little or no change to their shared service arrangements.

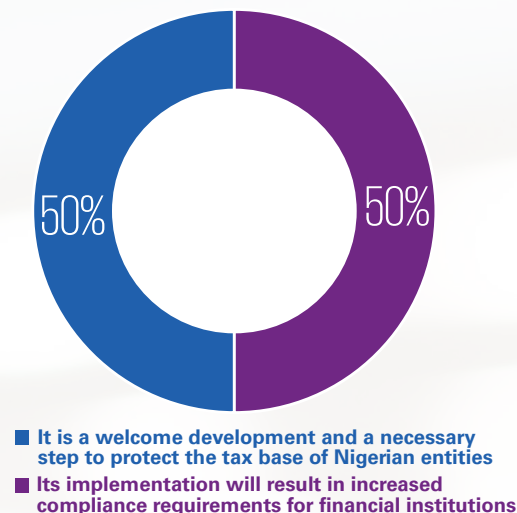


**Figure 20:**

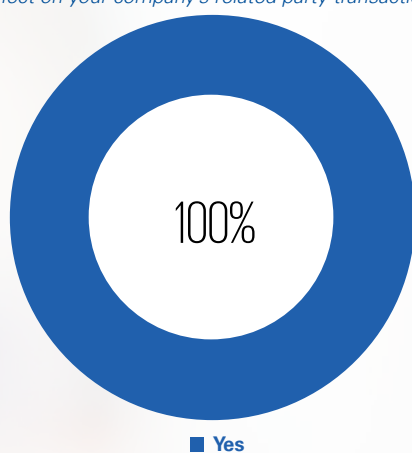
Are you aware of the Central Bank of Nigeria (CBN)'s guidelines on shared services for financial institutions and its compliance requirements?

**Figure 21:**

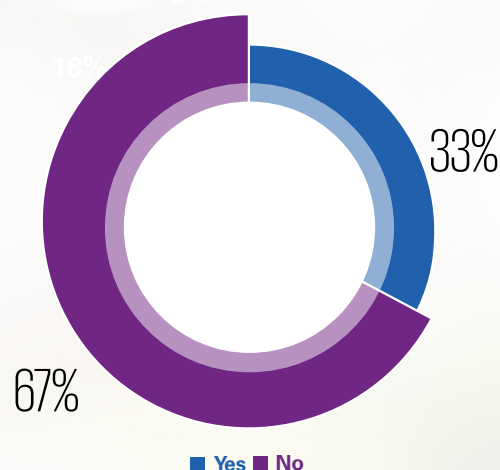
If yes, what do you think about its potential impact?

**Figure 22:**

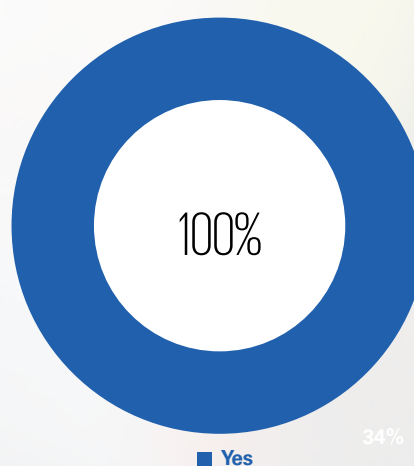
Does the CBN's directive on shared services have any effect on your company's related party transactions?

**Figure 23:**

Are you aware that financial institutions are allowed to include only 8 specific services (HR, Risk Management, Legal, Internal Control, Compliance, Marketing, ICT, Facilities) and any other service specifically approved by the CBN in the shared services arrangement?

**Figure 24:**

Are you aware of the penalties for non-compliance of the CBN's directive on shared services?



According to the survey, only 33% of the respondents whose businesses were likely to be impacted by the directive were aware of the specific services approved by the CBN to be included as part of the shared service arrangement while 67% were unaware. However, all respondents in this category were fully aware of the penalties for failure to comply with the guidelines.

Suspension of the Country-by-Country secondary filing

With respect to the suspension of the obligation to carry out a secondary filing of the CbC report by constituent entities whose ultimate parent entities filed the CbC report in jurisdictions that had no exchange relationship with Nigeria, over half of the respondents were unaware that this obligation had been suspended. This could be as a result of the non-applicability of the regulation to the taxpayers. 68% of the respondents who were aware believed that the suspension of the regulation is a welcome development and lessens the compliance burden on taxpayers.

Figure 25:

Are you aware of the FIRS' latest regulation suspending the secondary filing of CbC Report?

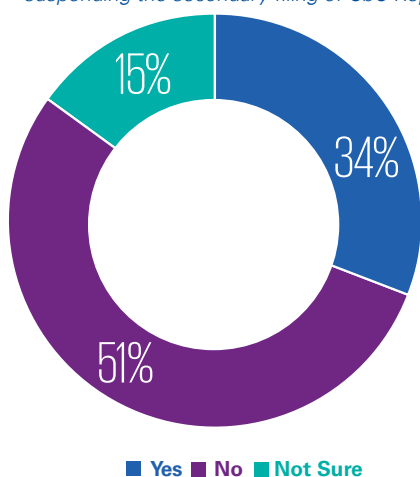
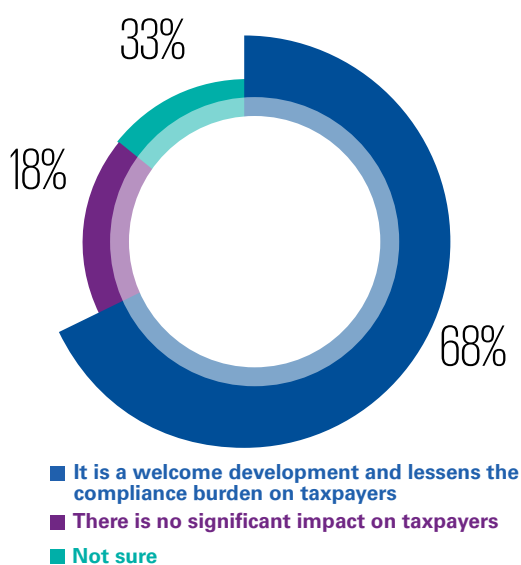


Figure 26:

If yes, what do you think about its potential impact?





Global TP Services

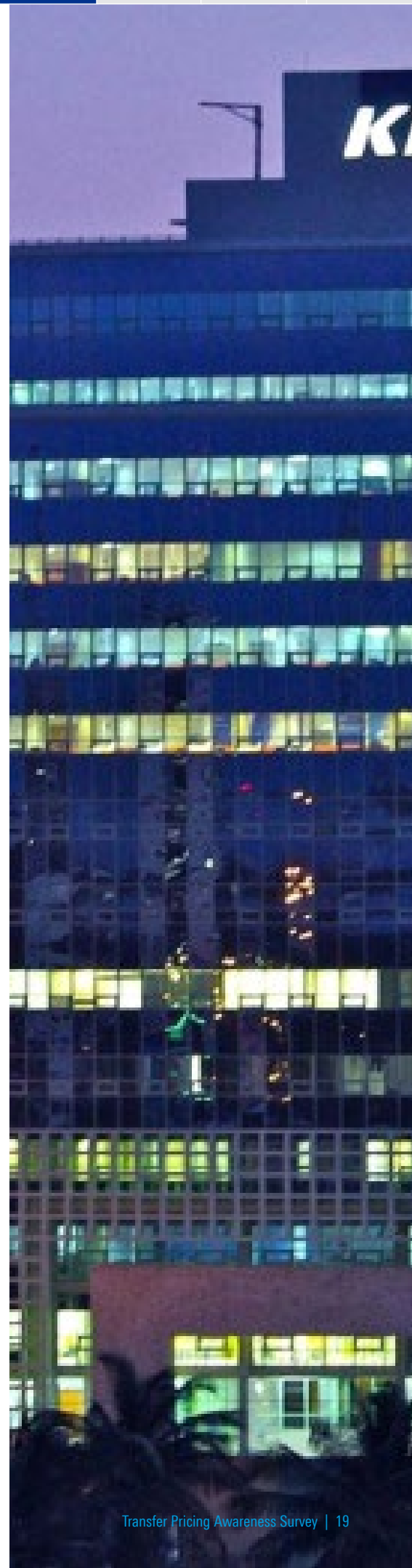
The TP environment is constantly changing in terms of risk and opportunities. In the wake of the OECD's BEPS Action Points, multinationals must be able to present cogent, globally consistent arguments supporting their TP decisions, substantiated by thorough and authoritative analyses that reflect local rules governing their transactions. Add to that the increasing call for greater transparency, multinationals are left facing more complexity than ever.

Multinationals need to ensure that they stay up-to-date with the latest TP developments and best practices. Businesses need to be flexible enough to respond to changing laws and regulations, as failure to do so may be costly. They can still optimize opportunities and their global effective tax rate while ensuring compliance with changing guidelines and regulations, to minimize the risks associated with TP audits. A well-designed TP policy and properly coordinated defense strategy for such a policy are critical in today's dynamic commercial environment.

Keeping track of the fast-moving TP landscape is itself a challenge. From detailed TP Regulations to stricter documentation requirements, the call for greater transparency, robust audit practices to harsher penalties for non-compliance, global companies must deal with an even more complex environment. Above all, ensuring an effective TP strategy means being proactive in planning, implementation, risk management, documentation and dispute resolution. Taxpayers need to understand the global perspective, but also be able to combine it with local expertise and orientation in putting together a coherent and defensible TP policy which is responsive enough to adapt to the constant changes that businesses experience.

TP has also become a subject of public controversy on the matter of whether the current TP rules permit multinationals to pay less than their fair share of tax in some of the territories that they operate in. This means that multinationals now need to evaluate their TP practices from the perspective of subjective areas, such as corporate reputation and public perception.

Organisations recognize that TP strategies can add significant value to business projects and help fund future growth as they look to maximize efficiencies and optimize their global tax liabilities.





KPMG approach

In today's post BEPS world, TP has been transformed. Companies face new reporting and information sharing challenges and the need for a global narrative.

KPMG's Global Transfer Pricing Services (GTPS) practice includes a core TP group of more than 2,000 professionals representing 48 member firms around the world. The practice includes an extensive network of former government officials and is composed of economists, tax practitioners and financial analysts with many years of experience.

KPMG firms can help companies develop and implement economically supportable transfer prices, document the policies and outcome, and respond to questions raised by the tax authorities. With KPMG's global network providing access to TP professionals around the world, the GTPS practice is well equipped to provide the local experience and global context that multinationals need to thrive in today's environment.

How clients can benefit

Professionals in the KPMG GTPS network help clients make difficult decisions about prioritizing limited resources every day. Navigating the proliferation of BEPS-driven requirements with a finite budget requires careful risk tiering and consideration. It also requires a focus on process and technology.

Member firm clients can benefit from a technology-enabled, risk-based approach by:

- Reducing controversy
- Limiting double taxation
- Increasing the likelihood of favorable outcomes when controversies arise
- Aligning tax goals with business objectives
- Reducing the amount of time and corporate resources spent on TP.



Transfer Pricing life cycle and services





Global Principles for a Responsible Tax Practice

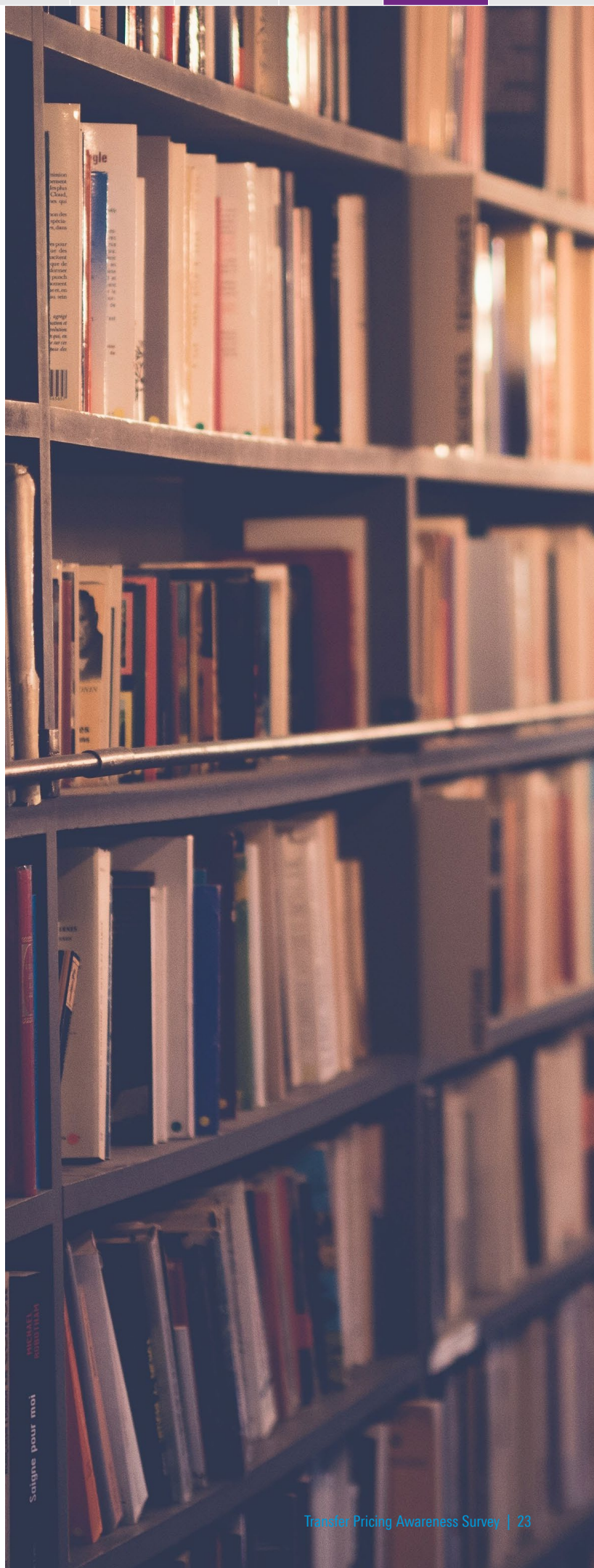
The key focus of the KPMG tax practices is supporting our clients. In all areas of our work we apply uncompromising professional standards. KPMG's Global Principles for a Responsible Tax Practice¹ are the foundation of expected standards and conduct.

- 1 We act lawfully and with integrity and expect the same from our people, our firms' clients, tax authorities and other parties with whom we interact. Above all else, in every respect our work shall be fully compliant with relevant legal, regulatory and professional requirements.
- 2 We are committed to providing clients with high quality tax advice tailored to their particular circumstances.
- 3 We shall explain clearly and objectively to our clients the technical merits and the sustainability of any tax advice we give.
- 4 Whenever relevant and practical to assess, we may discuss with clients any likely impact of any tax advice we give on relevant communities and stakeholders and any potential reputational risk.
- 5 We shall make recommendations to clients only where:
 - I. we consider, at least on the balance of probabilities, that the relevant interpretation of law is correct; or
 - II. it otherwise clearly meets the applicable local professional standards.
- 6 We shall only advise clients to enter into, or assist them to implement, transactions or arrangements on the basis that they have any substance required by law, as well as any business, commercial or other non-tax purpose required by law.
- 7 We shall not advise clients to enter into transactions with the purpose of securing a tax advantage clearly and unambiguously contrary to the relevant legislation and shall not assist them to implement such transactions. If, in our view, the language of the legislation is uncertain, we shall consider the intention of the relevant legislators when advising clients.
- 8 We support a relationship with tax authorities aimed at building mutual trust and respect which will enable constructive dialogue and responsiveness by all parties, facilitate compliance and reduce or assist in early resolution of disputes.
- 9 We shall comply with all our disclosure requirements and advise our clients to do the same.
- 10 When advising clients on entering into transactions we shall do so on the understanding that all material facts will be known to the tax authorities.

¹These Principles set out the way KPMG approaches tax on a global basis. They are not intended to refer to terms of acts or legislations in any specific country.



Thought Leadership





1. The Proposed Global Minimum Tax Rate - A Game Changer?

by **Adewale Ajayi** and **Aimee Dushime**

For so long, multinational corporations (MNCs) have been criticized globally for employing several tax avoidance tactics that exploit the gaps and mismatches in tax rules. The Organization for Economic Cooperation and Development (OECD) has been coordinating tax negotiations among 140 countries over the years in order to reform global tax rules on cross-border digital services and curb tax base erosion by imposing a global minimum tax rate on big corporations.

This article examines the potential positive and negative impacts of the proposed minimum tax rate to the global economies.

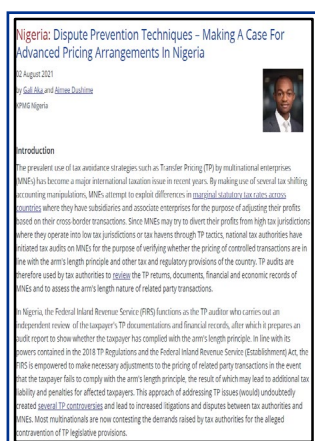
You can read the full article at <https://www.mondaq.com/nigeria/corporate-tax/1081288/the-proposed-global-minimum-tax-rate-a-game-changer>



Adewale Ajayi



Aimee Dushime



2. Dispute Prevention Techniques - Making a case for Advanced Pricing Arrangements in Nigeria

by **Gali Aka** and **Aimee Dushime**

This article examine the prospects of APAs in TP and the need for the FIRS and other tax authorities to issue guidelines geared towards entertaining any taxpayer's requests for APAs.

You can read the full article at <https://www.mondaq.com/nigeria/tax-authorities/1097806/dispute-prevention-techniques-making-a-case-for-advanced-pricing-arrangements-in-nigeria>



Gali Aka



Aimee Dushime



3. New Rules for Procurement Arrangements and Transfer Pricing in Nigeria

by Gali Aka and Akaoma Osele

This article examines the structure of procurement arrangements and look at recent changes in how Nigeria's customs and transfer pricing systems treat these services.

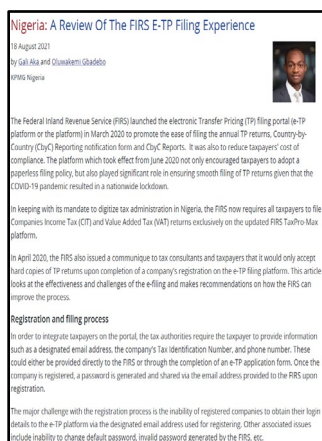
You can read the full article at <https://www.taxnotes.com/lr/resolve/tax-notes-today-international/new-rules-for-procurement-arrangements-and-transfer-pricing-in-nigeria/775mk>



Gali Aka



Akaoma Osele



4. A Review of the FIRS E-TP Filing Experience

by Gali Aka and Kemi Gbadebo

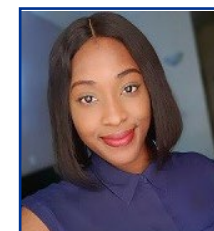
In April 2020, the FIRS also issued a communique to tax consultants and taxpayers that it would only accept hard copies of TP returns upon completion of a company's registration on the e-TP filing platform.

This article looks at the effectiveness and challenges of the e-filing and makes recommendations on how the FIRS can improve the process.

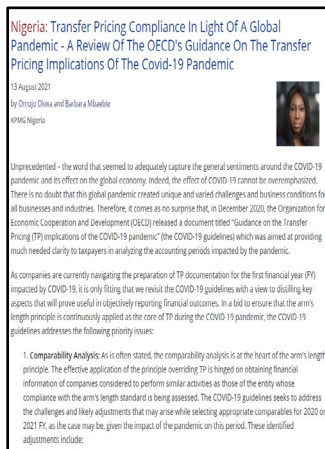
You can also read the full article at: <https://www.mondaq.com/Article/1102574>



Gali Aka



Kemi Gbadebo



5. Transfer Pricing Compliance In Light of a Global Pandemic - A Review of the OECD's Guidance on the Transfer Pricing Implications of the Covid-19 Pandemic

by Omojo Okwa and Barbara Mbaebie

The OECD released a document titled "Guidance on the Transfer Pricing (TP) implications of the COVID-19 pandemic."

The authors examine the TP implications of the Covid-19 pandemic by reviewing the OECD guidance and highlighting key aspects that will prove useful in objectively reporting financial outcomes.

You can read the full article at <https://www.mondaq.com/nigeria/financing/1101628/transfer-pricing-compliance-in-light-of-a-global-pandemic-a-review-of-the-oecd39s-guidance-on-the-transfer-pricing-implications-of-the-covid-19-pandemic>



Omojo Okwa



Barbara Mbaebie



6. Leveraging Data Analytics in Transfer Pricing Audits

by Ngozi Onyebezie and Akaoma Osele

This article discusses the TP audit process and how technology can be leveraged by both MNEs and tax authorities to enhance the process and results. It also addresses some of the obstacles encountered by MNEs when attempting to incorporate data analytics into company operations and aims to raise awareness of data analytics among taxpayers, TP professionals, and tax authorities.

You can also read the full article at: <https://www.taxnotes.com/ir/resolve/tax-notes-today-international/new-rules-for-procurement-arrangements-and-transfer-pricing-in-nigeria>



Ngozi Onyebezie



Akaoma Osele



7. Voluntary Tax Disclosure Programs and their role in Nigeria

by Olakunle Odesanya and Aimee Dushime

This article examines the advantages and disadvantages of the VDP, its applicability in other jurisdictions, and provide recommendations to the Nigerian Federal Inland Revenue Service (FIRS) on the best possible way of generating revenue through a VDP.

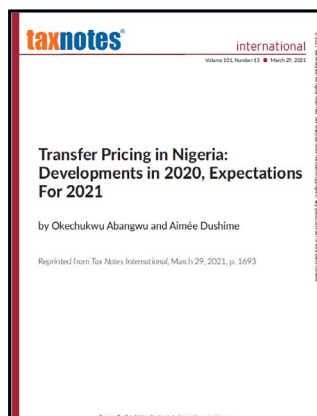
You can also read the full article at: <https://news.bloombergtax.com/daily-tax-report-international/voluntary-tax-disclosure-programs-and-their-role-in-nigeria>.



Olakunle Odesanya



Aimee Dushime



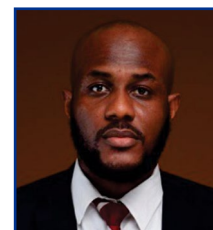
8. Transfer Pricing in Nigeria: Developments in 2020, Expectations for 2021

by Okechukwu Abangwu and Aimee Dushime

This article highlights the key transfer pricing developments that occurred in 2020 and envisages the changes that this year is anticipated to bring for transfer pricing in Nigeria.

It also examines how Nigeria's transfer pricing framework continues to evolve, including changes in response to the COVID-19 crisis.

You can read the full article at <https://www.taxnotes.com/tax-notes-international/transfer-pricing/transfer-pricing-nigeria-developments-2020-expectations-2021/2021/03/29/3thl7>



Okechukwu Abangwu



Aimee Dushime



9. An Overview Of the Economic Impact of the Coronavirus Pandemic in Nigeria

by Aimee Dushime and Akaoma Osele

The impact of the pandemic on select sectors of the Nigerian economy, investigate fiscal measures adopted by governments in other countries to alleviate the economic and social burden of the pandemic, analyze the tax authorities' response to the pandemic, and methods adopted to raise revenue for the country, as well as proffer solutions to revenue generation issues.

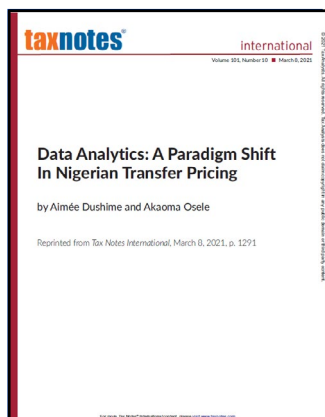
You can read the full article at <https://www.mondaq.com/nigeria/tax-authorities/1107286/an-overview-of-the-economic-impact-of-the-coronavirus-pandemic-in-nigeria>



Aimee Dushime



Akaoma Osele



10. Data Analytics: A Paradigm Shift in Nigerian Transfer Pricing

by Aimee Dushime and Akaoma Osele

The evolution of data analytics has pushed tax professionals to standardize their approach to problem-solving, creative strategies, value creation, and structured advising.

This article examines the use of data analytic tools in transfer pricing in Nigeria

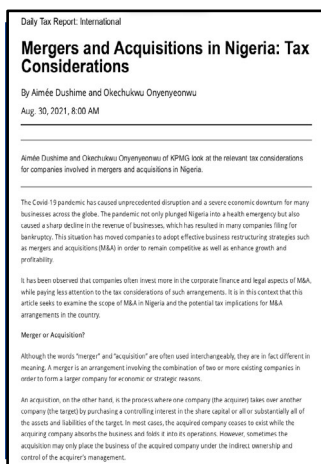
You can read the full article at <https://www.taxnotes.com/lr/resolve/2r3jf>



Aimee Dushime



Akaoma Osele



11. Mergers and Acquisitions in Nigeria: Tax Considerations

by Aimee Dushime and Okechukwu Onyenyeonwu

The Covid-19 pandemic has caused unprecedented disruption and a severe economic downturn for many businesses across the globe. This has moved companies to adopt effective business restructuring strategies such as mergers and acquisitions (M&A) in order to remain competitive as well as enhance growth and profitability.

This article highlights examine the scope of M&A in Nigeria and the potential tax implications for M&A arrangements in the country.

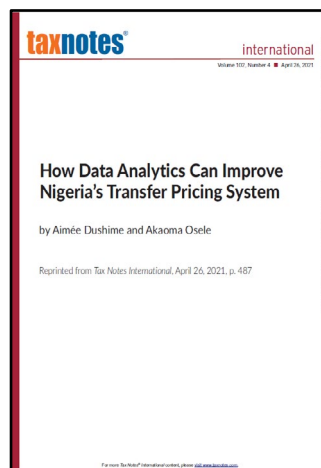
You can read the full article at <https://news.bloombergtax.com/daily-tax-report-international/mergers-and-acquisitions-in-nigeria-tax-considerations>.



Aimee Dushime



Okechukwu Onyenyeonwu



12. How Data Analytics can improve Nigeria's Transfer Pricing System

by Aimee Dushime and Akaoma Osele

This article examines how data analytics can help tax administrations —particularly, Nigeria's tax authority and its transfer pricing audit team — to evaluate taxpayer risk, improve compliance, and increase revenue collection.

You can read the full article at <https://www.taxnotes.com/lr/resolve/3thbr>



Aimee Dushime



Akaoma Osele

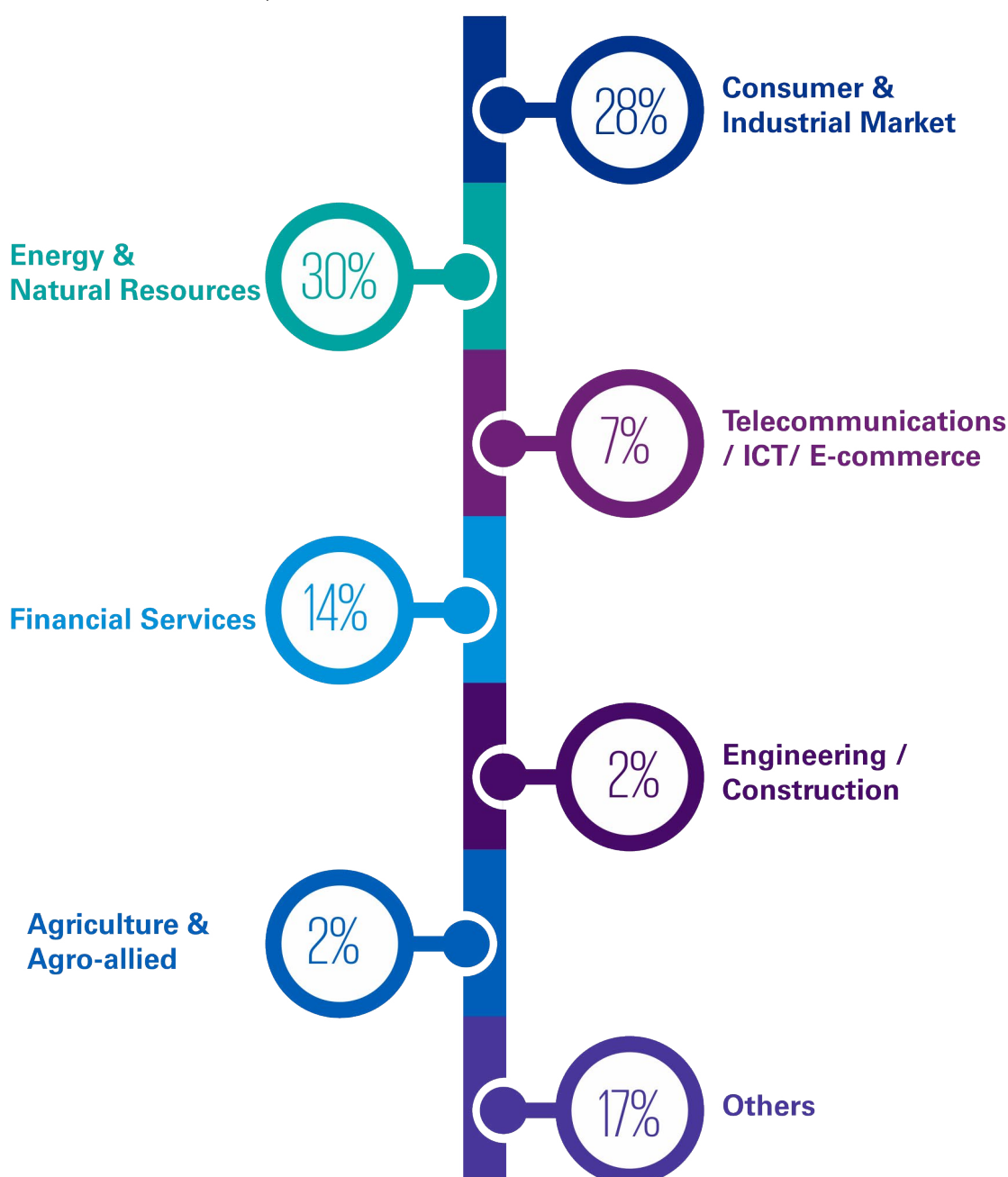


About the Survey

This report presents our findings from the 2021 TP Awareness Survey conducted by KPMG Nigeria. The survey was administered on 71 persons who are mainly Chief Finance Officers, Heads of Finance, Tax Managers, Tax Directors as well as officers responsible for managing the tax function in leading organisations across major industry sectors in Nigeria.

The survey elicited responses in respect of TP compliance, TP risk assessment, TP audit, TP controversy and dispute resolution.

The distribution of our respondents across the sectors is illustrated below:



Contact us

**Wole Obayomi****Partner & Head**

Tax, Regulatory & People Services
KPMG in Nigeria
T: +234 803 402 0946
E: wole.obayomi@ng.kpmg.com

**Adewale Ajayi****Partner**

Tax Energy & Natural Resources and People Services
KPMG in Nigeria
T: +234 803 402 1014
E: adewale.ajayi@ng.kpmg.com

**Ajibola Olomola****Partner**

Tax, Deal Advisory and M&A
KPMG in Nigeria
T: +234 803 402 1039
E: ajibola.olomola@ng.kpmg.com

**Tayo Ogungbenro****Partner & Head**

Tax, Consumer and Industrial Markets & Transfer Pricing Services
KPMG in Nigeria
T: +234 803 402 1016
E: tayogungbenro@ng.kpmg.com

**Ayo Salami****Partner**

Tax, Energy & Natural Resources
KPMG in Nigeria
T: +234 802 864 6604
E: ayo.salami@ng.kpmg.com

**Olanike James****Partner & Head**

Tax, Financial Services, Deal Advisory and M&A
KPMG in Nigeria
T: +234 803 402 1051
E: nike.james@ng.kpmg.com

**Olufemi Babem****Partner**

Tax, Energy & Natural Resources and Consumer & Industrial Markets
KPMG in Nigeria
T: +234 803 975 4131
E: olufemi.babem@ng.kpmg.com

**Martins Arogie****Partner**

Tax, Energy & Natural Resources
KPMG in Nigeria
T: +234 703 403 6318
E: martins.arogie@ng.kpmg.com

**Egheosa Onaiwu****Associate Director**

Clients & Markets
KPMG in Nigeria
T: +234 803 535 3099
E: egheosa.onaiwu@ng.kpmg.com

**Gali Aka****Senior Manager**

Transfer Pricing, Tax, Regulatory & People Services
KPMG in Nigeria
T: +234 810 389 0896
E: gali.aka@ng.kpmg.com

**Omojo Okwa****Manager**

Transfer Pricing, Tax, Regulatory & People Services
KPMG in Nigeria
T: +234 816 480 8080
E: omojo.okwa@ng.kpmg.com

**Ngozi Onyebezie****Manager**

Transfer Pricing, Tax, Regulatory & People Services
KPMG in Nigeria
T: +234 705 510 2325
E: ngozi.onyebezie@ng.kpmg.com

**Barbara Mbaebie****Manager**

Transfer Pricing, Tax, Regulatory & People Services
KPMG in Nigeria
T: +234 818 263 6019
E: barbara.mbaebie@ng.kpmg.com

home.kpmg/ng

home.kpmg/socialmedia



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG Advisory Services, a partnership registered in Nigeria and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation
Printed in Nigeria.

Publication name: Transfer Pricing Awareness Survey

Publication date: February 2022