

CLIENT ALERT



PUBLIC NOTICE ON THE FIRS' INCOME TAX (TRANSFER PRICING) REGULATION 2018

The Federal Inland Revenue Service (FIRS) recently released the Income Tax (Transfer Pricing) Regulation 2018 ('the Regulation'). The Regulation took effect from 12th March 2018 and replaces the Income Tax (Transfer Pricing) Regulations, 2012.

The Regulation sets out the legal framework for the application of the arm's length principle to transactions between related persons and also imposes administrative penalties for non-compliance with its provisions.

For the purposes of ensuring compliance with the Regulation, the FIRS released a public notice on Thursday 4th October 2018, informing all taxpayers, particularly the principal officers, owners and representatives of relevant companies to fulfill all pending obligations pertaining to the filing of Transfer Pricing ('TP') declaration, disclosures of controlled transactions, submission of TP documentation and all other obligations under the Regulation. To this end, the public notice grants taxpayers up to **31st December 2018** to fulfill all pending obligations under the Regulation.

The public notice further informs taxpayers that any person who fails to comply with the required obligations under the regulation shall be liable to a penalty as prescribed by the Regulation.

Given that the 2018 TP Regulations becomes effective from the basis period commencing after 12 March 2018, a company with 31 December year-end should only become subject to its provisions with effect from 1 January 2019. It suffices to say that the new regulations would not

be made applicable to anything done or undone up to 31 December 2018 to which the 2012 TP Regulations should ordinarily be applicable.