

Practical, commercially focused and socially responsible advice.

TRANSFER PRICING DOCUMENTATION MYTHBUSTER – TANZANIA

Myth: Our transactions with related parties are below the threshold of TZS 10 Billion, hence, we are not required to prepare and maintain a transfer pricing documentation

Fact

Any person who participates in a controlled transaction i.e. "transaction with an associate/related party" is required to prepare and maintain a contemporaneous transfer pricing document in Tanzania.

The transfer pricing regulations specify that where a person is engaged in a controlled transaction exceeding ten billion Tanzanian Shillings, such person is required to submit the transfer pricing documentation along with the income tax return for the year of income.

For all other persons, the Regulations require the documentation be submitted to the Revenue Authority within 30 days from the date the same is requested by the Authority. It is worth noting that the Authority does not grant any extension for submission of the transfer pricing and levies the immediate penalty for failure to prepare the document.

Failure to adhere to any of the above stated requirement, a penalty of not less than TZS 52,500,000 could be imposed.

In addition to the penalty, where the Commissioner deems that the pricing is not in line with the arms length principle, tax equivalent to the adjusted transaction amount could be levied.

It is therefore important to note that the transfer pricing documentation should be prepared and maintained by all companies having related party transactions.

Myth: A company is only required to prepare a Transfer pricing document if it transacts with related parties outside the United Republic of Tanzania

Fact

The transfer pricing rule is applied in determining if arrangement of transaction between associated person could lead to shifting of profit for tax purposes.

In Tanzania, the transfer pricing rule is applied to all controlled transactions regardless of the residence status. The objective is not only to mitigate shifting of profits to other jurisdictions but also shifting of tax burden from one person to another within the country. Therefore, it is imperative to note that a transfer pricing document must be prepared and maintained even where the company transacts with related parties within the United Republic of Tanzania.

Caveat

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