

2018 Transfer Pricing Regulations

What is this all about?

On 6 April 2018, the Zambian Government through the Ministry of Finance (MOF) released the Income Tax (Transfer Pricing) (Amendment) Regulations 2018 which are regulations meant to govern transactions between related parties.

The new regulations are aimed at ensuring that commercial transactions between related parties are carried out at arm's length (i.e. terms that would apply if the parties were unrelated). These regulations affect transactions between related Zambian companies as well as transactions between Zambian companies and their counterparts in a Multinational Enterprise (MNE).

What is required of me under the new Regulations?

Under the new regulations, persons engaging in related party transactions are required to prepare contemporaneous transfer pricing documentation (in the form and manner prescribed in the regulations) that demonstrates that the company's transactions with its related parties are being carried out at arm's length. The maintenance of such records must be on an annual basis and must be provided to the Zambia Revenue Authority within 30 days of request failure to which penalties will apply.

What are the highlights of the Regulations?

- Zambian companies that are not part of a MNE Group and have turnover below K20 million are exempt from the requirement to prepare transfer pricing documentation.
- The documentation must be contemporaneous (i.e. generated at the time when a person is developing or implementing a transaction with a related party) and must be prepared by the due date of the annual income tax return (i.e. 21 June).
- Low Value Adding (LVA) group services will be considered to be arms length if the mark up charged by group companies to Zambian subsidiaries is not more than 5% of the cost.
- LVA group services are defined as group services that no group entity provides to third parties, create no intangibles nor involve the assumption or creation of significant risks.
- Prescriptive guidance on the information expected to be included in a transfer pricing document.



How can BDO help?

BDO can assist your organisation develop transfer pricing documentation that is fully compliant with the provisions of the regulations covering all forms of related party transactions.

Get in touch with us if you have any concerns around your related party transactions.

Lets talk!

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