



TAX ALERT!

Transfer Pricing in Zambia: Ensuring Compliance with CbCR

Zambia's commitment to international tax transparency has made Transfer Pricing (TP) compliance essential, particularly through the Country-by-Country (CbC) Report requirement. Adopting the OECD's three-tier documentation Local File, Master File, and CbC Report Zambia seeks to ensure fairness in taxation across multinational companies, aligning with global standards and enhancing transparency in cross-border transactions.

Why Compliance Matters

CbC compliance ensures Zambian businesses meet international standards, reducing audit risks and fostering a fair tax environment. Stay updated with these requirements to avoid penalties and ensure seamless operations across borders.

Key Details for Compliance

The Country-by-Country (CbC) Report is a critical tool for tax transparency, giving tax authorities insight into global income distribution, tax, and business activity within multinational groups. Required for multinational groups with annual consolidated revenues exceeding **ZMW 4.975 billion**, the CbC Report must cover:

- Revenue, Profit, and Tax Paid: By each jurisdiction.
- Stated Capital and Earnings: Reflecting the group's financial position.
- Employee Count and Main Business Activities: Demonstrating actual economic activity in each jurisdiction.

Deadlines for CbC Report Compliance

To stay compliant, eligible entities must:

- Submit a CbC notification to the Zambia Revenue Authority (ZRA) by the fiscal year-end.
- File the CbC Report within 12 months after the fiscal year closes.

Contact Us:

Please get in touch with our team at your earliest convenience to discuss your compliance needs. Ensuring that your TP documentation is accurate and up-to-date is vital for your overall tax compliance tax, further safeguarding your business against potential regulatory challenges.

For more details on CbC compliance, review our CbCr decision tree and/or send us your queries at bdotp@bdo.co.zm

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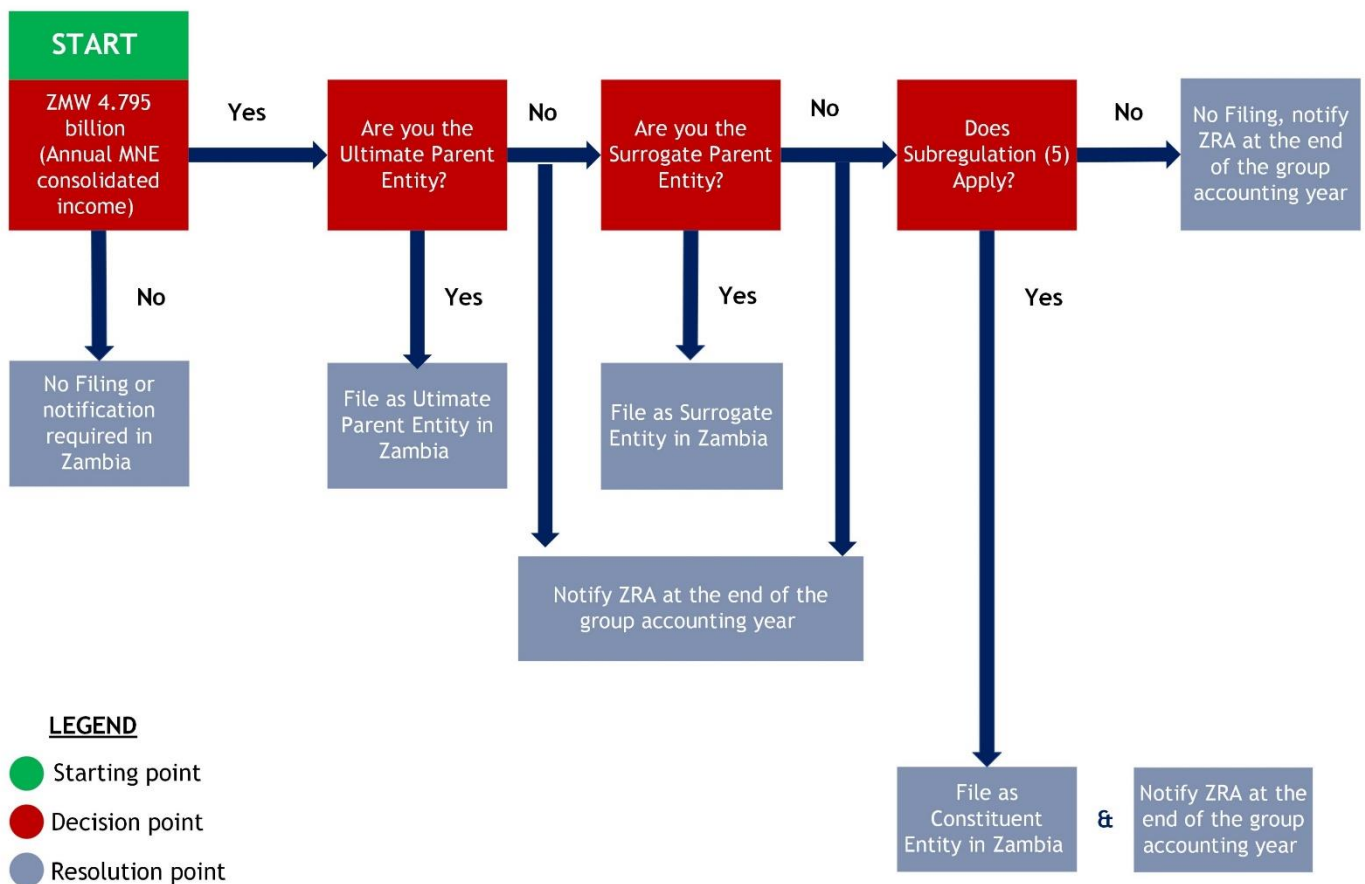


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Country - by - Country Reporting in Zambia Decision Tree



Definitions:

- **Ultimate Parent Entity (UPE)** - An entity within an MNE that holds significant interest in one or more of the entities within the MNE group.
- **Surrogate Parent Entity (SPE)** - An entity that is part of an MNE and has been appointed by the group to be a substitute UPE.
- **Constituent Entity (CE)** - Any separate business of an MNE that is included in the consolidated financial statements

Sub regulation (5):

Sub regulation of Statutory Instrument No. 117 of 2020 is paraphrased as follows:

A resident CE shall be required to file the Country-by-Country Report in Zambia in the manner prescribed by the Zambian Revenue Authority provided any of the following conditions are met:

- UPE is not obliged to file in its jurisdiction;
- There is no competent authority agreement between Zambia and the state of tax residence of the UPE; or
- In the event of a system failure in the state of tax residence of the UPE.

NOTE: There are currently no competent authority agreements in place between Zambia and any other jurisdiction. Therefore, all qualifying entities are required to file locally.