



Tanzania

WTS Global Country TP Guide

Last Update: December 2017

1. Legal Basis	
Is there a legal requirement to prepare TP documentation?	Yes
Since when does a TP documentation requirement exist in your country?	2014
Are TP policies of multinational enterprises in principle accepted by the tax authorities, if they are in line with the OECD TP Guidelines?	Yes
Which TP methods may be applied?	Comparable Uncontrolled Price (CUP) Method, Resale Price Method, Cost Plus Method, Profit Split Method, Transactional Net Margin Method and any other method as may be prescribed by the Commissioner from time to time (Regulation 5(1) of the TP Regulations).
Are any TP methods preferred over others?	As per Regulation 5(2) of the TP Regulations, "in application of the methods referred in sub-regulation (1), a person shall first apply the traditional transaction methods". These methods are: CUP Method, Resale Price Method and Cost Plus Method. Sub-regulation (5) however states that, notwithstanding the previous provisions, "a person shall apply the most appropriate method."
Have the documentation requirements of OECD BEPS Action 13 already been implemented (i.e. the LF, MF and CbCR concepts)?	No CbCR/MF/LF
Reference to relevant articles of law, legislative regulation or applicable administrative guidance that are in place for TP documentation in general.	Income Tax Act, Transfer Pricing Regulations (2014) and Transfer Pricing Guidelines.
2. Master File (MF)	
Not implemented	
3. Local File (LF)	
Not implemented	
4. Country-by-Country Reporting	
Not implemented	
5. TP disclosure in tax return or transfer pricing specific returns	
Does a taxpayer need to disclose information regarding TP documentation in his tax return?	No. However, the documentation needs to "be in place prior to the due date for filing the income tax return for that year".
When a taxpayer files a tax return for which he understands or should understand that the result reported in that tax return is too low due to incorrect transfer pricing, what could be the legal consequences?	Making a statement, in a return for example, that is false or misleading is an offence. Such a taxpayer " shall be liable to a penalty equal to: where the statement or omission is made without reasonable excuse, 50 percent of the underpayment of tax that, in the Commissioner's view, may have resulted if the inaccuracy of the statement had gone undetected; or where the statement or omission is made knowingly or recklessly, 100 percent of the underpayment of tax that, in the Commissioner's view, may have resulted if the inaccuracy of the statement had gone undetected (Section 101 of the Income Tax Act).

What could be the consequences for the tax advisor/accountant/administrator drafting and filing the tax return of a client where that advisor/accountant/administrator understands or should understand that the result reported is too low due to incorrect TP?	A person who knowingly or recklessly aids, abets, counsels or induces another person to commit an offence of a type referred to in Division II shall be liable for a penalty equal to 100 percent of the underpayment of tax that, in the Commissioner's view, may have resulted if the offence had been committed and had gone undetected (Section 102 of the Income Tax Act).
Does a taxpayer need to file TP-specific returns?	No

6. Benchmarking

Is there any local guidance or requirement with regard to the preparation of a benchmark study?	<p>Yes. The Transfer Pricing Guidelines bring out the fact that it is important to decide the level at which transactions are compared i.e. whether to compare: a single transaction, a bundle of transactions, results at gross margin level, results at net margin level or results by reference to some other measures such as return on capital, ratio of costs to gross margin etc.</p> <p>Determination of the tested party. As a general rule, the tested party is the one to which a transfer pricing method can be applied in the most reliable manner and for which the most reliable comparables can be found.</p> <p>The guidelines add a caveat that the TRA gives priority to the availability of sufficient and verifiable information on both tested party and comparables. As such, TRA does not accept foreign tested parties where information is neither sufficient nor verifiable.</p> <p>The comparability analysis mentioned in 6.1. above should include:</p> <ol style="list-style-type: none"> 1. The data collected and the analysis performed to evaluate comparability of uncontrolled transactions with the relevant controlled transactions; 2. Criteria used in the selection of comparables including database screens and economic considerations; 3. Identification of any internal comparables, among other items. <ul style="list-style-type: none"> (vii) Adjustments (details and reasons for those adjustments) made to the comparables. (viii) Aggregation analysis (grouping of transactions for comparability).
Are there any materiality thresholds that apply for the requirement to have a benchmark study available?	No
Does your country apply the general guidance by the OECD to prepare a new benchmarking search every three years and an update of the financial data of the accepted comparable in year 2 or 3?	Yes
Or is a new search every three years without any financial updates in year 2 and 3 sufficient?	Yes. It is only sufficient as long as there are no material changes to the factors affecting the transfer prices.

7. Year-end adjustments

Are year-end adjustments permissible?	Yes
Does the taxpayer have to comply with any specific features or guidance?	No. No guidelines. The adjustments should however not be on an ad hoc basis. There needs to be a pre-determined agreed mechanism. Additionally, from experience, upward adjustments are preferred (by the revenue authority) to downward adjustments.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms	
What are currently the main TP areas of scrutiny by the tax authorities in your country?	Companies in continuous losses over long periods, brands shared by non-resident entities, intercompany financing.
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes
Are there any restrictions?	<p>An APA shall be for a period not exceeding five years of income but may be reviewed.</p> <p>The Commissioner may cancel an APA with a person by notice in writing if:</p> <ol style="list-style-type: none"> 1. The person has failed to materially comply with a fundamental term of the agreement; 2. There has been a material breach of one or more of the critical assumptions underlying the agreement; 3. There is a change in the tax law that is materially relevant to the agreement; 4. The agreement was entered into based on a misrepresentation, a mistake or omission by the person. <p>The taxpayer is also required to furnish the Commissioner with a compliance report for each year of income of the covered period on the date of filing the return of income.</p>

Your contact person:

Mr. Isaac Ileri
 iileri@tppartnersltd.com