



Nicaragua

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?	2017
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 non-controlled price method, cost-plus method, resale price method, profit split method, net transaction margin.
Are any TP methods preferred over others?	Comparable non-controlled price method, cost-plus method, resale price method are to be used regularly; the other methods are only used if the previous 3 cannot be applied.
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.	Articles 102 and 102 of Law Nº. 822, Tax Concentration Law from 2012.

2. Master File (MF)	
What is the (consolidated revenue) threshold requirement for the obligation to prepare a MF?	Not implemented
Euro Equivalent	Not indicated in the Law. LF according to OECD BEPS has not been implemented. The answers provided relate to local transfer pricing documentation requirements.
As from which year does this obligation exist?	2017
When does the Master File need to be available?	10 days after the request by the authority
When does it need to be submitted?	Documentation must be ready at the time of presenting the Annual Income Tax Statement, or 10 days after being requested by the Authority.
Does the MF have to be prepared in the relevant local language ?	Yes in Spanish
Is documentation in English permissible?	No
What are the possible consequences of not having the MF available?	
Imprisonment?	No
Shifting of the burden of proof?	Yes
Other?	No
To which extent do the local rules differ from the OECD standard regarding the OECD content requirements for the MF as shown in the BEPS implementation overview chart?	Local transfer pricing rules follow OECD rules.

3. Local File (LF)	Not implemented
What is the threshold requirement for the obligation to prepare a LF?	LF according to OECD BEPS has not been implemented. The answers provided relate to local transfer pricing documentation requirements, not indicated in the Law.
As from which year does this obligation exist?	2017
When does the LF need to be available?	At the time of submission of the Yearly Income Tax Statement.
When does the LF need to be submitted?	10 days after request / with yearly income tax statement.
How and where should the LF be filed?	With yearly income tax statement.
Does the LF have to be prepared in the relevant local language?	Yes
Or is documentation in English permissible?	No
What are the possible consequences of not having the LF available?	
Penalties?	Yes
Imprisonment?	No
Shifting of the burden of proof?	Yes
Other?	No
To which extent do local rules differ from the OECD standard regarding the OECD content requirements for the LF as shown in the 2017 OECD TP Guidelines?	In general, TP rules in Nicaragua follow the OECD rules but it is not provided in the Law.

4. Country-by-Country Reporting	Not implemented
Did your country sign the Multilateral Competent Authority Agreement on the Exchange of CbC Reports ("CbC MCAA")?	No

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. Not until today, waiting for the Law regulations.
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?	Fines
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?	None from the Tax authority.
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?	No
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?	No
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7. Year-end adjustments

Are year-end adjustments permissible?	No
Does the taxpayer have to comply with any specific features or guidance?	No. Not provided in the Law, waiting for the regulations.

8. Transfer Pricing Audit and Dispute Resolution Mechanisms

What are currently the main TP areas of scrutiny by the tax authorities in your country?	No experience in the country as this issue only entered into full effect starting July 2017.
Does the taxpayer have the option to apply for bilateral or multilateral APAs?	Yes

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