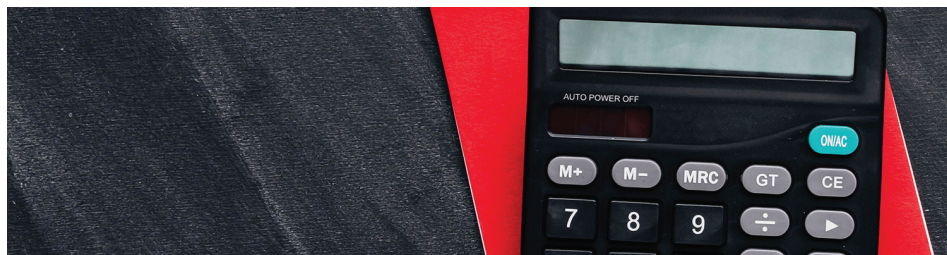


2 July 2020



TRA issues Transfer Pricing Guidelines

- Transfer pricing has been challenging to tax administrators and taxpayers
- Issued as a guidance to taxpayers
- Guidelines not intended to be prescriptive or exhaustive for every transfer pricing issue
- Not a substitute to applicable laws and regulations
- Brings in additional certainty and clarity

On 1 July 2020, the Commissioner General of the Tanzania Revenue Authority (TRA) Dr. Edwin Mhede, published the Transfer Pricing Guidelines, 2020 (Guidelines). The Guidelines are made to provide guidance on the application of the Tax Administration (Transfer Pricing) Regulations (2018) (TP Regulations) and Income Tax Act (2004) (ITA). In particular the Guidelines provide illustrations and simplified examples about the procedures to be followed in the determination of arm's length prices amongst others.

In a period when transfer pricing has increasingly become a contentious issue, with subjective application at times, the ultimate goal is to enhance tax certainty and voluntary tax compliance. However, the Guidelines do not prescribe and exhaust every transfer pricing issue that might arise, nor do they intend to be a substitute to the applicable laws and regulations. The guidelines provide a good step in the interpretation and application of the Regulations.

The Guidelines address the position of the law, the arm's length principle, functional analysis, different methods of determining the arm's length price, comparability analysis, factors determining comparability, transfer pricing documentation, and special consideration for intra group services, financing and intangible property. The Guidelines also have a special section for commodity transactions, Advance Pricing Arrangements (APA), corresponding adjustments and adjustments by the Commissioner.

Apart from the cited calculative examples, of particular interest in the Guidelines is the APA arrangement whose main aim is to provide persons with an opportunity to reach agreement with the TRA on the mode of application of the arm's length principle to their international related party transactions on a prospective basis, thereby resolving any uncertainty around those dealings.

To read the Guidelines, [click here](#).

For further information on legal updates please contact:

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About FB Attorneys

FB Attorneys is an all service law firm based out of Dar es Salaam, Tanzania.

We cover all aspects of the law and specialise in all corporate and commercial matters including Mining, Oil & Gas, Tax, Litigation, Competition, Banking & Intellectual Property law.

FB Attorneys has been ranked as a tier 1 law firm by the IFLR 1000 in the Energy & Infrastructure and Financial & Corporate sectors, tier 1 by Legal 500 and band 1 by Chambers and Partners General Business Law.

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