

TRANSFER PRICING



MOZAMBIQUE
ADVISORY AND ACCOUNTING

geral@hlb-mz.com
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TRANSFER PRICING

THE IMPORTANCE OF TRANSFER PRICING

In a globalized world, economic groups increasingly establish cross-border operations. As a response to this reality, local tax administrations tend to defend their national tax base, with demanding declarative and documentary requirements, more sophisticated inspection practices and significant penalties for non-compliance.

Transfer Pricing

The area of transfer pricing has become extremely important for economic agents, which requires a global strategy with local adherence.

Transfer Pricing Documentation

Contemporary transfer pricing documentation is the first line of defense in tax audits in this area

Documentation according to jurisdiction type

Documentation for each jurisdiction may require different analysis and exposure of information

BASE EROSION AND PROFIT SHIFTING

The final versions of the 15 Actions plan under the OECD's Base Erosion and Profit Shifting (BEPS) Project, which aims to combat tax evasion as well as artificial profit shifting between various jurisdictions, have been published.

Action 13: Transfer Pricing Documentation Review
(Chapter V of the OECD Guidelines)

Structure of the Documentation

Country-by-Country Report

Disclosure of key elements of the global business, such as number of employees, intangibles, financial data, tax burden, among others.

Master File

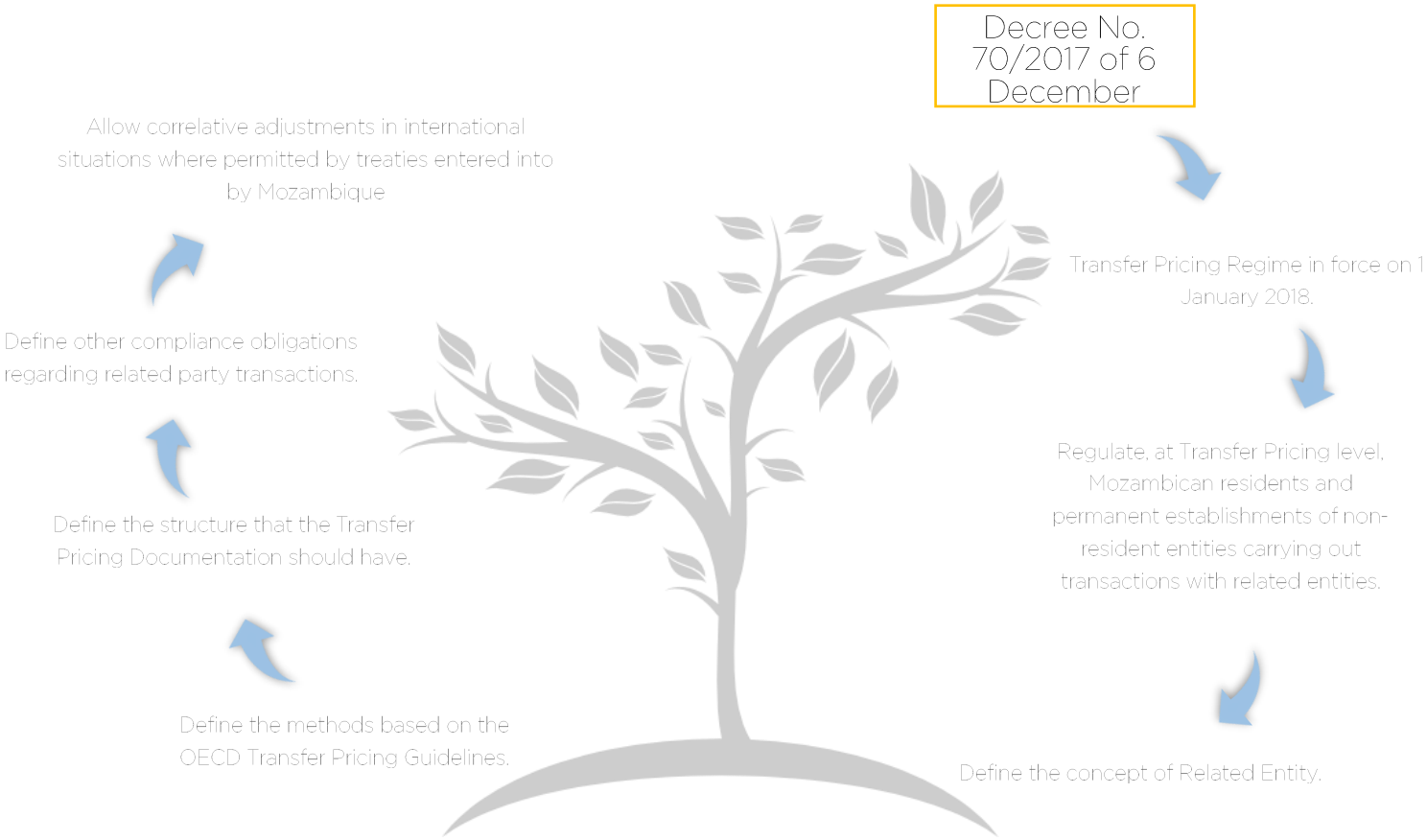
Aims to provide an overview of the business, organizational structure, general transfer pricing policies and the global allocation of income.

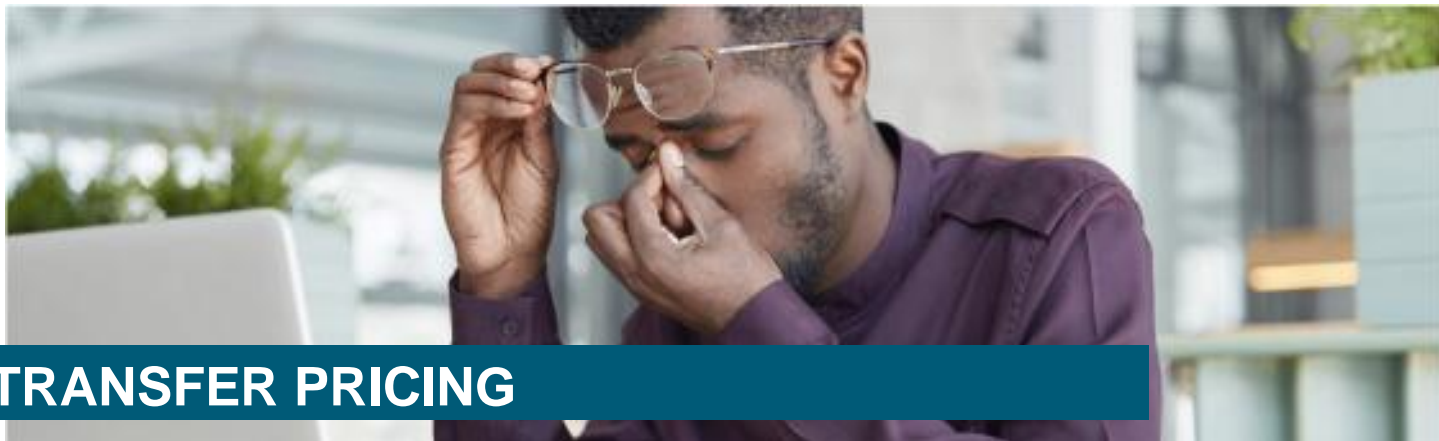
Local File

Information on materially relevant intra-group transactions to demonstrate their arm's length nature (including the comparable searches used).



Regulation in Mozambique (1/2)





TRANSFER PRICING

Regulation in Mozambique (2/2)

Legislation

The transfer pricing tax rules (as defined in Decree No. 70/2017 of 6 December) are applied since 2018, defining the rules that should guide the relationships between related entities, the requirements regarding documentation and allow corrections to the taxable profit by the tax authorities.

The Mozambican Transfer Pricing Regime also develops and materializes the rules that are provided for in the Corporate Income Tax Code (IRPC Code), namely, in Article 65 of the IRPC Code.

Documentation

The IRC taxpayers, who are covered by the Transfer Pricing regime, must keep organized a set of information and documentation regarding the policy adopted for the purposes of determining transfer prices.

In addition, for the purposes of determining whether transactions between related entities follow the same rules as transactions between independent entities, the interquartile range is established in order to assess whether the transaction complies with the full competition rules.

Subjection

Subject to this obligation are the taxpayers of IRPC and Tax on Natural Persons, resident or domiciled in Mozambique, which, in the previous financial year, have carried out operations with resident or non-resident related parties and have reached an annual value of net sales and other income of 2.500.000 MT.



Av. Julius Nyerere n° 851 - 1º andar

TEL: +258 (21) 41 48 19
EMAIL: geral@hlb-mz.com
WEB: www.hlb-mz.com