

Liberia

Transfer Pricing Country Profile

June 2022

| | | SUMMARY | REFERENCE |
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| The Arm's Length Principle | | | |
| 1 | Does your domestic legislation or regulation make reference to the Arm's Length Principle? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 3.2(b) of the Liberia Income Tax Transfer Pricing Regulations . |
| 2 | What is the role of the OECD Transfer Pricing Guidelines under your domestic legislation? | The Liberia Income Tax Transfer Pricing Regulation applies in a manner that is consistent with the arm's length principle in Article 9 of the OECD Model Tax Convention on Income and Capital and the United Nations Model Convention in place at the time the relevant controlled transaction is conducted. Moreover, Section 3.5(c) of the Regulation refers to the OECD TPG. | Section 3.5(c) of the Liberia Income Tax Transfer Pricing Regulations . |
| 3 | Does your domestic legislation or regulation provide a definition of related parties? If so, please provide the definition contained under your domestic law or regulation. | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Section 208 of Liberia's Income Tax Act provides the definition of a related person: "(a) General Rule. Where any person, other than as an employee, acts in accordance with the directions, requests, suggestions, or wishes of another person whether or not they are in a business relationship and whether or not those directions, requests, suggestions, or wishes are communicated to the first mentioned person, as further elaborated in regulations, both persons are treated as related to each other. (b) Specific Cases. Without limiting the generality of subsection (a), the following persons are treated as related persons. (1) a natural person and a relative of the natural person, unless the Commissioner General is satisfied that neither individual acts in accordance with the directions, requests, suggestions, or wishes of the other individual; | Section 208 of the Consolidated Liberia Revenue Code as Amended |

- (2) a person and a partner of the person, unless the Commissioner General is satisfied that neither person acts in accordance with the directions, requests, suggestions, or wishes of the other person;
- (3) a permanent establishment and its owner; and
- (4) a person who is a legal person and—
 - (A) a person who, either alone or together with a related person or related persons under another application of this Section, controls or may benefit from fifty per cent or more of the rights to income or capital or voting power of the legal person, as the case requires, either directly or through one or more interposed legal persons; or
 - (B) a person who, under another application of this Section, is a related person of a person to whom subparagraph (A) applies.
- (5) In this Section, “relative” means a natural person who is related to another individual by blood, adoption or marriage and includes a natural person who is a spouse, parent, grandparent, child, grandchild, brother, sister, aunt, uncle, nephew or niece of the other individual, or a spouse of one of these listed natural persons.”

Transfer Pricing Methods

4 **Does your domestic legislation provide for transfer pricing methods to be used in respect of transactions between related parties?**

Yes
 No

If affirmative, please check those provided for in your legislation:

| CUP | Resale Price | Cost Plus | TNMM | Profit Split | Other (<i>If so, please describe</i>) |
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| <input checked="" type="checkbox"/> |

The Liberia Income Tax Transfer Pricing Regulation also provides for the use of other methods. A taxpayer request to use the other method may be approved by the Commissioner General of the Liberia Revenue Authority (LRA), where in view of the nature of the transactions, an arm’s length price cannot be determined appropriately using one of the other methods as described above.

Section 4.2(e) of the [Liberia Income Tax Transfer Pricing Regulations](#).

5 **Which criterion is used in your jurisdiction for the application of transfer pricing methods?**

Please check all that apply:

Hierarchy of methods
 Most appropriate method

Section 4.2(a) of the [Liberia Income Tax Transfer Pricing Regulations](#).

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| | | <input type="checkbox"/> Other (<i>if so, please explain</i>) | |
| | | The Liberia Income Tax Transfer Pricing Regulations prescribe the use of the most appropriate transfer pricing method to a controlled transaction depending on the circumstances of the case. | |
| 6 | If your domestic legislation or regulations contain specific guidance on commodity transactions, indicate which of the following approaches is followed. | <input type="checkbox"/> For controlled transactions involving commodities, the guidance contained in paragraphs 2.18-2.22 of the TPG is followed. <input type="checkbox"/> Domestic legislation mandates the use of a specific method for controlled transactions involving commodities (<i>if so, please explain</i>) <input type="checkbox"/> Other (<i>if so, please explain</i>) | |
| | | Liberia's Income Tax Transfer Pricing Regulation does not contain specific guidance on commodity transactions. | |
| Comparability Analysis | | | |
| 7 | Does your jurisdiction follow (or largely follow) the guidance on comparability analysis outlined in Chapter III of the TPG? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 4.2(a) of the Liberia Income Tax Transfer Pricing Regulations . |
| | | Liberia's Transfer Pricing Regulation aligns its comparability analysis on the comparability provisions found in OECD Model Tax Convention on Income and on Capital as revised 2017 as well as the OECD Transfer Pricing Guidelines as revised 2017. | |
| 8 | Is there a preference in your jurisdiction for domestic comparables over foreign comparables? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 9 | Does your tax administration use secret comparables for transfer pricing assessment purposes? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 10 | Does your legislation allow or require the use of an arm's length range and/or | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 5.1(b) of the Liberia Income Tax Transfer Pricing Regulations . |

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| | statistical measure for determining arm's length remuneration? | The guidance on arm's length range and/or statistical measure contained in the OECD TPG is effectively incorporated in Liberia's Transfer Pricing Regulations. | |
| 11 | Are comparability adjustments required under your domestic legislation or regulations? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 6.2 of the Liberia Income Tax Transfer Pricing Regulations . |
| | | The guidance on comparability adjustments contained in the OECD TPG is effectively incorporated in Liberia's Transfer Pricing Regulations. | |
| Intangible Property | | | |
| 12 | Does your domestic legislation or regulations contain guidance specific to the pricing of controlled transactions involving intangibles? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Section 5.1(b) of the Liberia Income Tax Transfer Pricing Regulations . |
| | | Even though there are no specific rules for controlled transaction involving intangibles, the scope of Liberia's Transfer Pricing Regulations covers transfer, purchase, license and use of intangibles. | |
| 13 | Does your domestic legislation or regulation provide for transfer pricing rules or special measures regarding hard-to-value intangibles (HTVI)? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 14 | Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving intangibles? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Intra-Group Services | | | |
| 15 | Does your domestic legislation or regulations provide guidance specific to intra-group services transactions? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | Section 5.3 of the Liberia Income Tax Transfer Pricing Regulations . |
| | | The guidance on intra-group services contained in the OECD TPG is effectively incorporated in Liberia's Transfer Pricing Regulations. | |

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| 16 | Do you have any simplified approach for low value-adding intra-group services? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 17 | Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of transactions involving services? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Financial Transactions | | | |
| 18 | [NEW] Does your domestic legislation or regulations provide guidance specific to financial transactions? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Even though there are no specific rules for controlled transaction involving financial transactions, the scope of Liberia's Transfer Pricing Regulations would address such transactions. | |
| 19 | [NEW] Are there any other rules outside transfer pricing rules that are relevant for the tax treatment of financial transactions? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Cost Contribution Agreements | | | |
| 20 | Does your jurisdiction have legislation or regulations on cost contribution agreements? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Even though there are no specific rules for controlled transaction involving CCAs, the scope of Liberia's Transfer Pricing Regulations would address transactions involving CCAs. Liberia does not have domestic legislation or regulation on cost contribution agreements and tends to rely on the OECD TPG. | |

Transfer Pricing Documentation

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| 21 | <p>Does your legislation or regulations require the taxpayer to prepare transfer pricing documentation?</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <p><i>If affirmative, please check all that apply:</i></p> <p><input checked="" type="checkbox"/> Master file consistent with Annex I to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Local file consistent with Annex II to Chapter V of the TPG</p> <p><input type="checkbox"/> Country-by-country report consistent with Annex III to Chapter V of the TPG</p> <p><input checked="" type="checkbox"/> Specific transfer pricing returns (separate or annexed to the tax return)</p> <p><input type="checkbox"/> Other (specify):</p> | <p>Section 6 of the Liberia Income Tax Transfer Pricing Regulations.</p> |
| 22 | <p>Please briefly explain the relevant requirements related to filing of transfer pricing documentation (i.e. timing for preparation or submission, languages, etc.)</p> | <p>The Liberia Income Tax Transfer Pricing Regulation requires any person with a related party transaction in a year of income who is eligible to file an Income Tax Return to file a Transfer Pricing Return along with all required documentation. The submission period is until 31 March.</p> | <p>Section 6 of the Liberia Income Tax Transfer Pricing Regulations.</p> |
| 23 | <p>Does your legislation provide for specific transfer pricing penalties and/or compliance incentives regarding transfer pricing documentation?</p> | <p><input type="checkbox"/> Yes</p> <p><input checked="" type="checkbox"/> No</p> <p>Liberia does have penalties for not filing and paying taxes as per the due dates. There are other penal actions for tax evasion or non-submission of documentations. These same rules apply to the TP regime.</p> | <p>Section 6.2 of the Liberia Income Tax Transfer Pricing Regulations.</p> |
| 24 | <p>If your legislation provides for exemption from transfer pricing documentation obligations, please explain.</p> | <p>A safe harbour rule is enshrined in the Liberia Transfer Pricing Regulation for small taxpayers lodging documentations. Small taxpayer is defined in Section 200 (c) of the Liberia Revenue Code as Amended.</p> <p>The income threshold for a small taxpayer in Liberia is Liberian Dollars (LRD) 3 Million or the equivalent United States Dollars exchange rate prevailing in the market at the time of the transaction.</p> | <p>Section 6 of the Liberia Income Tax Transfer Pricing Regulations.</p> <p>Section 200 (c) of the Consolidated Liberia Revenue Code as Amended</p> |

Administrative Approaches to Avoiding and Resolving Disputes

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| 25 | <p>Which mechanisms are available in your jurisdiction to prevent and/or resolve transfer pricing disputes?</p> | <p>Please check those that apply:</p> <p><input checked="" type="checkbox"/> Rulings</p> <p><input type="checkbox"/> Enhanced engagement programs</p> <p><input checked="" type="checkbox"/> Advance Pricing Agreements (APA)</p> <p style="padding-left: 20px;"><input type="checkbox"/> Unilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Bilateral APAs</p> <p style="padding-left: 20px;"><input type="checkbox"/> Multilateral APAs</p> <p><input type="checkbox"/> Mutual Agreement Procedures</p> <p><input type="checkbox"/> Other (<i>please specify</i>):</p> <hr/> <p>Liberia has an APA program and has published its APA Guidelines. The APA Guidelines, among others, contain the below provisions:</p> <ol style="list-style-type: none"> 1. An agreement between a taxpayer and the LRA (and potentially also one or more other tax administrations); 2. With respect to future related-party transactions within the scope of the transfer pricing rules; 3. For a specified term (a maximum of 5 years), with possibility of rollback. 4. A fee of USD 4 500 is applicable for an APA request. <p>Liberia does not have a MAP regulation.</p> | Liberia APA Guidelines |
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Safe Harbours and Other Simplification Measures

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| 26 | <p>Does your jurisdiction have rules on safe harbours in respect of certain industries, types of taxpayers, or types of transactions?</p> | <p><input checked="" type="checkbox"/> Yes</p> <p><input type="checkbox"/> No</p> <hr/> <p>A safe harbour rule is enshrined in the Liberia Transfer Pricing Regulation for small taxpayers lodging documentations. Small taxpayer is defined in Section 200 (c) of the Liberia Revenue Code as Amended.</p> | <p>Section 6 of the Liberia Income Tax Transfer Pricing Regulations.</p> <p>Section 200 (c) of the Consolidated Liberia Revenue Code as Amended</p> |
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| | | The income threshold for a small taxpayer in Liberia is LRD 3 Million or the equivalent United States Dollars exchange rate prevailing in the market at the time of the transaction. | |
| 27 | Does your jurisdiction have any other simplification measures not listed in this questionnaire? If so, please provide a brief explanation. | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Other Legislative Aspects or Administrative Procedures | | | |
| 28 | Does your jurisdiction allow/require taxpayers to make year-end adjustments? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| 29 | Does your jurisdiction make secondary adjustments? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |
| Attribution of Profits to Permanent Establishments | | | |
| 30 | [NEW] Does your jurisdiction follow the Authorised OECD Approaches for the attribution of profits to PEs (AOA)? | <input type="checkbox"/> Yes <i>In how many tax treaties?</i> <i>If yes, how do you implement it in cases, where the old tax treaties do not contain the new version of Article 7 (OECD MTC 2010 and later)</i> | |
| | | <input checked="" type="checkbox"/> No <i>In how many tax treaties?</i> None of Liberia's tax treaties follows the AOA. | |
| 31 | [NEW] Does your jurisdiction follow also another approach? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | |

Other Relevant Information

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| 32 | Other legislative aspects or administrative procedures regarding transfer pricing | N/A | |
| 33 | Other relevant information (e.g. <i>whether your jurisdiction is preparing new transfer pricing regulations, or other relevant aspects not addressed in this questionnaire</i>) | N/A | |

For more information, please visit: <https://oe.cd/transfer-pricing-country-profiles>