

CASE STUDY

Apex Nigeria Limited (ANL or the Company), a company incorporated in Nigeria, is a subsidiary of Neilson Engineering Limited (NEL). NEL is domiciled in the British Virgin Islands. ANL assembles and distributes trucks and equipment for haulage servicing companies. ANL purchases all its raw materials from Buma Ghana Limited (BGL) at a mark-up of 15% on the product cost.

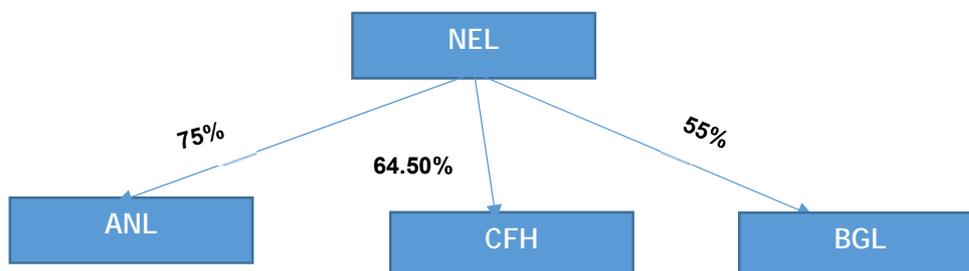
NEL's engineering team is deployed to other jurisdictions, including Nigeria, to provide on-site engineering and technical support services to entities within the Group. The services provided include project management, plant assessment, troubleshooting of automated systems, equipment installation and testing as well as start-up and operation support for new equipment solutions. The pricing for these services is computed as cost of services plus a mark-up of 18%.

ANL provides management services to members of the Group within the African region and is not paid for these services. The arrangement amongst the entities is such that ANL would carry out its functions from Nigeria through phone calls, conference calls, mail correspondences etc. Where ANL has to travel to the service recipients' location, its cost of travel/transport, accommodation and feeding are paid for by the service recipient.

In 2017, ANL received a loan facility of USD 7,000,000.00 from Cabello Finance House (CFH), its affiliate located in South Africa. CFH provides both short and long term financing to its related parties within the Group. The loans were issued to enable expansion of ANL's activities across other states in Nigeria and interest payments for the loan was fixed at 10% per annum for a duration of 7 years.

Due to its growth and expansion drive in Africa, NEL acquired 55% of BGL in 2018 and during this period provided employee outsourcing services to BGL. ANL also granted BGL an interest free loan of ₦4,000,000.00 in 2018.

The group structure is as shown below:



- a) **Question 1:** Identify ANL's related party transactions.
- b) **Question 2:** Which TP methods do you think are most applicable to the identified transactions in (a) and why?
- c) **Question 3:** Which comparability factors would you consider when selecting the method to test each of the transactions? *Please include any assumptions made.*

- d) **Question 4:** The FIRS has requested that ANL file its TP returns. What documents are ANL supposed to file as part of the statutory TP returns?
- e) **Question 5:** ANL has an accounting year-end of 31 December. Are there any resulting penalties from filing the FY 2018 TP returns in October 2019?
- f) **Question 6:** Are there any potential TP audit risk triggers from the transactions between ANL and its related parties?
- g) **Question 7:** Based on the Nigeria TP Regulations, what TP documentation should be maintained by ANL?