Transfer Pricing in North Africa
Commercial & Financial transactions performed between related parties should be in compliance with the arm’s length principle. In case of lack of compliance with the arm’s length principle adjustments on the taxable profit are to be introduced by Tax authorities where:

- The tax base was reduced
- The tax burden was shifted from a taxable person to an exempt or non-taxable one
No obligation to submit the transfer pricing documentation jointly with the tax return.

Covered taxpayers should provide transfer pricing documentation upon requested by tax authorities (during a tax audit).

No specific Transfer pricing return has to be filed by covered taxpayers.

Corporate income tax returns should provide some details on related party's transactions.
Advance Pricing Agreement (APA) may be concluded between the Commissioner and the covered related parties. The transfer pricing guidelines define a related party as any person who has a relationship with a taxpayer that may impact that taxpayer’s taxable profit including notably:

- Family members (husband, wife, ancestors and descendents)
- The ownership of shares (directly or indirectly) in the covered entity representing at least 50% of the share capital or voting rights
- Partnerships, the joint partners and silent partners therein
- Any two or more companies where a third party owns at least 50% of the value of shares or of the voting rights in each company
According to Article 39 of the executive regulation, the arm’s length price is determined through the use of:

- The Comparable Uncontrolled Price (CUP) method
- The Cost Plus method
- The Resale Price method

The CUP is the preferred method according to article 40 of the executive regulation. Covered taxpayers are authorized to select an OECD’s transfer pricing method or any other acceptable method where the three methods provided for by the law are not appropriate.
Algerian entities which are:

- Owned or controlled by a non resident entity
- Owning or controlling a non resident entity
- Owned or controlled by the same persons who are controlling a non resident entity

The same rules apply to transactions performed between resident related entities. In case where profits are indirectly transferred to a non resident related entity, tax authorities are entitled to adjust the taxable profit.
Transfer Pricing documentation is to be provided to tax authorities upon request during a tax audit and should be filed by Resident taxpayers which are considered as Big-sized Enterprises along with their annual tax returns.

Big sized companies include:

- Entities which are members of multinational groups,
- Entities operating in Oil & Gas,
- Joint stock companies with an annual turnover exceeding 100 million dinars,
- Group of companies with an annual turnover of one of its members exceeding 100 million dinars

The transfer pricing documentation should be submitted with the annual corporate income tax return.
Transfer pricing documentation encompasses both basic and specific documentation.

### Basic documentation

| General information about the group | General description of the activity and the main changes that occurred during the financial year | Description of the group’s organizational structure | The pricing policies of the group. |
| Description of the entity, activities, and transactions performed and the main changes that occurred during the financial year |
| Details about transactions with related entities (value and nature) |
| Legal auditor reports attached to the annual financial statements |
| The main intangible assets (e.g., patents, trademarks, and know-how) held by the company, |
| Copies of whole agreements concluded by the covered entities |
| Description of how the selected transfer pricing methods comply with the arm’s-length principle |
The Algerian tax authorities may request complementary documentation.

Taxpayers failing to prepare the required documentation or who prepare incomplete documentation within 30 days from the notification will be subject to an increase of their taxable profit with respect to the transferred profits.

Fines will be applied at a 25% rate (per tax year).

Advance pricing agreements

There are no rules regarding the Advance pricing agreements.
Morocco

There are no formal transfer pricing rules. However, transactions made between related parties (whether the related entity is resident or not) should be in compliance with the arm’s length value.

Tax authorities are entitled to introduce adjustments on the taxable profit where there are indirect transfers of profits from an entity to the other.

Two methods may be used by tax authorities to adjust taxable profits:
• The comparable uncontrolled price method (CUP)
• Direct assessment based on available data

There are no rules regarding the Advance pricing agreements.
Transactions (commercial or financial transaction) made between related entities (whether the related entity is resident or not) should be made in compliance with the arm’s length value.

In case of indirect transfer of profits from an entity to the other, Tax authorities will be entitled to introduce adjustments on the taxable profit in accordance with what it deems to be arm’s length.

Tax authorities generally use the comparable uncontrolled price method.

There are no rules relating to Advance pricing agreements.
There are no formal transfer pricing rules. However, tax authorities may introduce tax adjustments if they note any undervaluation of the tax liabilities.