

UPCOMING DEADLINES

VALUE ADDED TAX, SEPTEMBER - GHANA REVENUE AUTHORITY – **30th OCTOBER, 2024**

TIER1 PENSIONS, OCTOBER – SOCIAL SECURITY AND NATIONAL INSURANCE TRUST SSNIT – **14th NOVEMBER, 2024**

PAY AS YOU EARN(PAYE), OCTOBER - GHANA REVENUE AUTHORITY – **15th NOVEMBER, 2024.**

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SCAN ME



MANAGING TRANSFER PRICING AUDITS IN GHANA: STRATEGIES FOR EFFECTIVE RISK MANAGEMENT

Navigating the ever-evolving landscape of Transfer Pricing (“TP”) in Ghana is no easy feat for multinational enterprises (MNEs). As the Ghana Revenue Authority (GRA) continues to step up its scrutiny of cross-border transactions, MNEs face increased pressure to demonstrate compliance with transfer pricing regulations. Whether you are a seasoned executive or a tax professional, understanding how to effectively manage transfer pricing audits is essential to staying on the right side of the law and minimising risk. This article explores the challenges MNEs face during these audits and provides some practical, effective strategies for mitigating risk while maintaining compliance.

Understanding the Transfer Pricing Landscape in Ghana

Ghana’s TP regulations are primarily governed by the Income Tax Act, 2015 (Act 896) and the Transfer Pricing Regulations, 2020 (L.I. 2412). Essentially, the GRA wants to ensure that all cross-border transactions within multinational groups are priced as though they were between unrelated, independent parties, following the arm’s length principle.

It is important to note that the Commissioner-General has significant powers in conducting TP audits. Upon receiving a transfer pricing return, the Commissioner-General can review amounts charged or credited in the financial statements to assess whether they fall within the arm’s length range. Moreover, the Commissioner-General can initiate a TP audit even if a person has not filed an income return. In cases of debt financing between related parties, the Commissioner-General may re-characterize the arrangement as equity financing after evaluating factors such as repayment terms, interest obligations, enforcement rights, lender status, financial covenants, and the borrower’s ability to obtain a loan from unrelated parties.

Businesses operating in Ghana must align their practices with the domestic regulations, which can sometimes prove challenging. The GRA’s focus on high-risk industries such as telecommunications, financial services, and the extractive sector has raised the stakes for companies operating in these areas. Non-compliance can result in severe penalties, substantial tax adjustments, and the dreaded reputational damage that no business can afford to ignore.

Key Challenges

Facing a transfer pricing audit in Ghana can feel like walking through a maze, with several potential pitfalls along the way. Here are some of the key challenges companies encounter:

- **Inadequate Documentation:** The GRA demands comprehensive documentation that justifies the pricing of intercompany transactions. Inadequate or incomplete documentation often leads to tax adjustments, leaving companies vulnerable to hefty fines.
- **Arm’s Length Principle Compliance:** Ensuring that all related-party transactions meet the arm’s length standard can be tricky, particularly when there’s limited comparable data for unique transactions. For example, Valuing intangibles like intellectual property or brand value.

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- **Aggressive Audit Tactics:** The GRA has been ramping up its audit efforts—particularly in sectors perceived as high-risk—which can lead to prolonged audits and disputes that tie up company resources for extended periods.

So, how can companies effectively manage these challenges and stay compliant? Let's explore some practical strategies;

1. **Develop Robust Transfer Pricing Policies and Documentation:** Establish comprehensive policies aligned with the local regulations, supported by detailed and regularly updated documentation on your company's global structure, pricing methodologies, and functional analyses to be filed periodically with tax authorities. This will minimise audit risks and enhance compliance.
2. **Conduct Regular Risk Assessments:** Regularly assess transfer pricing practices to identify and address potential issues early, preventing costly disputes during audits.
3. **Implement Advance Pricing Agreements (APAs):** Consider entering into APAs with the GRA to pre-determine arm's length pricing for complex intra-group transactions, ensuring compliance and reducing audit uncertainties.
4. **Engage in Regular Communication with the GRA:** Maintain open communication with the tax authorities to ensure smooth audit processes, respond promptly to requests, and foster a positive relationship with the GRA.
5. **Adopt Technology:** Use automated systems for data management and reporting to streamline the preparation of transfer pricing documentation, minimise errors, and ensure consistency in applying policies.

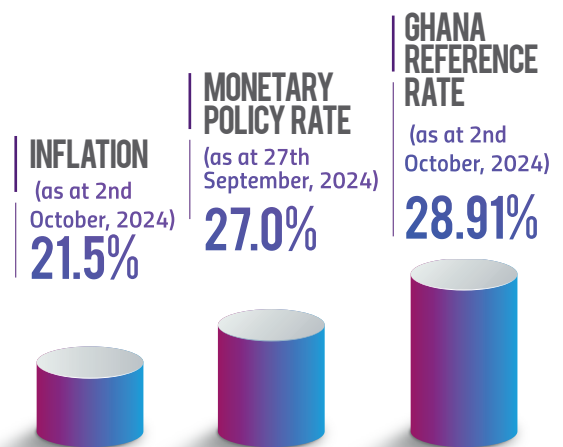
Managing transfer pricing audits in Ghana does not have to be a daunting experience. By adopting a proactive approach that includes developing robust policies, conducting regular risk assessments, leveraging technology, and fostering positive communication with the GRA, companies can navigate this complex regulatory environment with confidence. Furthermore, engaging in Advance Pricing Agreements ensures that businesses are not only compliant but also well-positioned to mitigate the risks associated with audits. In a world where transfer pricing regulations are becoming increasingly strict, these strategies are essential tools for ensuring compliance and protecting your company's reputation in the Ghanaian market.

So, take a deep breath—when managed properly, transfer pricing audits can be an opportunity to demonstrate your commitment to statutory compliance and transparency, rather than a burden to your business.

EXCHANGE AS AT 28TH OCTOBER, 2024

GHS - USD	BUYING	SELLING
BANK OF GHANA	16.14	16.16
ABSA BANK	15.90	16.35
ZENITH BANK	15.88	16.33
STANBIC BANK	15.90	16.30
ECOBANK	15.70	16.20
GCB BANK	16.00	16.30

SNAPSHOT OF THE ECONOMY OF GHANA



QUOTES

“The single most important decision in evaluating a business is pricing power.”
- Warren Buffett

TAX ADVISORY AND COMPLIANCE DEPARTMENT

Daniel Addo Okoe, Partner
Email: daniel@limaghana.com
Salim A. Nsiah, Associate Director
Email: salim@limaghana.com
Ernest K. Amosah, Associate Director
Email: ernest@limaghana.com
Richmond Danso, Senior Associate
Email: richmond@limaghana.com
Doreen Wireko, Associate
Email: doreen@limaghana.com

Patricia Dugan, Associate
Email: patricia@limaghana.com

EDITOR

Stephen Otu-Amoah, Managing Associate
Email: stephen@limaghana.com

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- Tax health checks/due diligence/audits
- Direct and indirect tax registration and de-registration;
- Filing of monthly tax returns (VAT, WHT, PAYE);
- Filing of individual/ Expatriates/Directors tax returns;
- Filing of annual corporate income tax returns;
- Filing of transfer pricing returns;
- Obtaining tax clearance certificates.

SUITE 4, ONE AIRPORT SQUARE, AIRPORT CITY, ACCRA GHANA

+233 (0) 55 971 9424 • +233 (0) 30 709 9983 • www.limaghana.com • info@limaghana.com