Transfer Pricing Annual Return Form

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Need for Risk Identification

- Tax administrations such as the Ghana Revenue Authority operate within a limited budget. As such, we have to maximise tax revenue with the limited resources at our disposal. This implies that we streamline our processes in such a way that we focus on compliance risks that will generate the most in terms of tax revenue. Tax compliance risk management begins with identification of compliance risks.

Tools for Risk Identification

- The first tool we use to identify tax compliance risks and select cases for tax audit is the tax return forms. The tax returns and annual financial statements and reports are reviewed and analysed. However, the traditional examination of annual tax returns and financial statements of taxpayers is not enough to identify transfer pricing risks.

Tools for Risk Identification

- In addition to the requirement to file the traditional tax returns our TP legislation required the Commissioner-General to prescribe a Transfer Pricing Annual Return Form for a person who dealt with a related person to file a transfer pricing return using the prescribed form. The Transfer Pricing Annual Return is, therefore, mandatory for any person who undertakes any transaction with a related party during any year of assessment to file in addition to the traditional tax returns.

The TP Risk Assessment Tool

- The Annual Transfer Pricing Return is in two parts. The first part, questionnaire 1 to 8, solicits corporate information on the tax payer's structure in relation to other related parties within the group it belongs. The second part, questionnaire 9 to 15 seeks to gather information on related party transactions.

Information Gathering

- The first information required is the purchases/expenditure and Sales/Revenue transactions with related parties during the year of assessment. This information is required to assess the total value of related party transactions and the nature of the transactions. Also, required is loans and guaranteed loans with or without interest directly and indirectly from related parties. We need this information to test the compliance of thin capitalisation rules and determine whether the financial transactions are at arm's length.

Information Gathering

- The tool requires the taxpayer to provide information on services, transfer of tangible or intangible property, processes, rights or obligations which the taxpayer provides to or receives from a related party for which no monetary value was placed upon.

Information Gathering

- The form requires the tax payer to provide information on value of related transaction in respect of each of the five Transfer Pricing methods listed in the legislation applied (i.e. tested transactions).
- Taxpayers are also reminded that a written prior approval from the Commissioner-General is required if any other method is to be applied.

Information Gathering

- It is possible that some transactions between related parties may, for whatever reasons, be untested, and there would be some uncertainty whether they are conducted at arm's length. The total value of such transactions is also required to be entered on the form. The sum of the values of tested and untested transactions must equal the total value of related party transactions recorded earlier on the form.

Information Gathering

- Related party dealings of capital nature that give rise to acquisition or disposal of assets may have transfer pricing implications. Tax administrations will want to know whether these acquisitions and disposals are at arm’s length.

Information Gathering

- We want to know the extent to which other persons contribute directly or indirectly in the taxpayer's activities in terms of capital, finance, management or control during the assessment year. The entities that the taxpayer has direct and indirect interest in as well as the nature of the interest during the year may be of interest to the Transfer Pricing specialist.

Information Gathering

- Finally, it is very necessary for the tax auditor to know whether there is any change in the structure of the company and the nature of the change.

THANK YOU