TP INSIGHTS

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TP DOCUMENTATION: THE TIP OF THE ICEBERG

THE TRUE COST OF TP COMPLIANCE LIES BELOW THE SURFACE

Many businesses treat transfer pricing (TP) documentation as a compliance formality—something to be drafted, stored, and only referenced when necessary. But in reality, TP documentation is just the tip of the iceberg. Beneath the surface lies a broader expectation: tax authorities, including the Zambia Revenue Authority (ZRA), expect businesses to maintain contemporaneous records that support not just policy but also execution.

Why Documentation Alone Isn't Enough

Transfer pricing compliance doesn't end with a well-prepared report. During audits, ZRA looks beyond the documentation to assess whether actual transactions align with the policies on record. If businesses fail to maintain real-time supporting evidence, they risk:

❌ **Challenges in justifying pricing decisions** - Without contemporaneous records, explanations provided during an audit may seem altered after the fact.

❌ **Exposure to tax adjustments and penalties** - Tax authorities rely on financial data, contracts, and operational details, not just policy statements.

❌ **Heightened scrutiny in future audits** - A lack of detailed, real-time records signals a potential risk area, increasing the likelihood of recurring audits.

What Lies Beneath: The Hidden Layers of Compliance

A robust TP defense requires more than an annual report. The following supporting evidence should be gathered and maintained throughout the year:

📌 **Financial Data & Invoices** - Ensure that reported figures reconcile with financial statements and actual payments.

📌 **Legal Agreements** - Intercompany contracts should be properly executed and reflect real-world transactions.

📌 **Emails & Meeting Records** - Decision-making processes that justify pricing policies should be documented in internal communications.

📌 **Functional & Risk Analysis Updates** - As business operations evolve, so should the TP analysis to reflect changes in functions, risks, and assets.

📌 **Benchmarking & Local Market Conditions** - Periodic updates ensure that comparability analyses remain valid.

The Bottom Line: Be Ready Before the Audit Comes

The best way to avoid costly disputes, penalties, and prolonged audits is to establish a system for maintaining contemporaneous TP records. Rather than scrambling for evidence when ZRA comes knocking, businesses should:

★ **Implement real-time documentation practices** - Capture relevant financial and operational data as transactions occur.

★ **Review and update agreements regularly** - Ensure contracts are signed and aligned with actual practice.

★ **Conduct internal audits and dry runs** - Test compliance before an official audit by reviewing documentation as if tax authorities were assessing it.

Increased ZRA scrutiny means that documentation is no longer just a box-ticking exercise—it's an essential defense. Without a solid foundation of contemporaneous records, even the most well-drafted TP reports can crumble under audit pressure.

The key takeaway?

Don't let your TP documentation be just the tip of the iceberg—build the full structure beneath it.

Let's discuss!

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