

3 *Financing, Restructuring and Documentation*

Beyond commodity transactions, MNEs often rely on intra-group financing arrangements, undertake business restructurings and maintain extensive documentation to support their transfer pricing positions. These activities are increasingly subject to scrutiny by tax authorities, particularly where they can affect the allocation of profits and the location of taxable income.



1. Financing Arrangements and Interest Rates

Intra-group loans and other financing arrangements are a common feature in MNE structures, often used to optimise global cash flows and manage risk. The OECD Transfer Pricing Guidelines emphasise that the terms and conditions of such arrangements must be consistent with the arm's-length principle.

Key considerations include the appropriateness of the interest rate, credit rating, loan term, collateral and the functional profile of the parties involved. Overlooking these factors can lead to adjustments and penalties.



2. Business Restructurings and Value Chain Changes

Restructurings, such as the transfer of functions, assets or risks between related parties, are often driven by commercial rationale. However, tax authorities closely examine the substance of these changes to ensure they are not primarily designed to obtain a tax advantage.

A well-documented restructuring should clearly demonstrate the commercial reasons, the expected benefits and the impact on the group's overall value chain. This helps to mitigate the risk of challenges and ensures compliance with transfer pricing rules.



3. Documentation and Compliance

Proper documentation is essential to support the transfer pricing positions of MNEs. This includes local files, master files and, where required, country-by-country reporting (CbCR).

Documentation should be clear, consistent and aligned with the OECD standards and local tax requirements. It should provide a detailed explanation of the group's structure, functions, risks and the economic rationale for the pricing of intercompany transactions.



The bottom line

Financing, restructuring and documentation are integral parts of a robust transfer pricing framework. When properly managed, they not only ensure compliance with tax regulations but also support business sustainability and minimise the risk of disputes with tax authorities.



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Looking Ahead: From Compliance to Defensibility



The TP Rules, 2026 signal a more demanding transfer pricing landscape for MNEs operating in Kenya. Going forward, the emphasis will be on substantive compliance, greater transparency and the ability to defend pricing positions with robust evidence and analysis.

MNEs that invest in strong governance, advanced analytics and skilled teams will be better positioned to manage risks and turn transfer pricing from a compliance burden into a strategic advantage.

Key Takeaways

- ✓ Strengthen transfer pricing **governance** and **internal controls**.
- ✓ Invest in data, technology and skilled resources.
- ✓ Ensure documentation is complete, consistent and **defensible**.
- ✓ Continuously monitor regulatory developments and update policies accordingly.



Our Commitment

At Ravach Consulting, we help MNEs navigate the complexities of transfer pricing with practical, business-focused solutions. Our team combines deep technical expertise with real-world experience to ensure you are not only compliant, but also prepared for what's next.

