

Chapter One

Introduction

1.1 Background to the Study

Taxes are universally the only reliable means through which governments may invest in the long-term prosperity of their citizens (provision of basic public goods and services). The fiscal link between states and their citizens is established by taxation, making tax revenue the core of any country's revenue base. Over sixty percent (60%) of worldwide trade occurs between related parties (components of a multinational organization in the same group), and this has made transfer pricing abuse the scourge of tax collection performance as the world has become increasingly interconnected as a result of globalization.

Goods and services traded between affiliated businesses are given transfer prices. This type of deal is also known as a managed transaction. The arm's length principle may not be met if the prices of intra-company or controlled-transactions do not reflect market conditions. The idea of "arm's length" states that business dealings within the same company must be conducted under the same terms as those of a similar deal between unaffiliated parties.

Companies that engage in pricing manipulation of related party transactions typically get a tax benefit at the expense of the country in which the economic activities giving rise to the income were carried out. Tax jurisdictions around the world continue to be concerned about the lack of increase in tax collection performance as a direct result of transfer pricing abuse. According to data compiled by the Organization for Economic Cooperation and Development (OECD), the average tax-to-GDP ratio in OECD nations is 34.3 percent, while in Latin America and the Caribbean it is 23.1 percent

and in Africa it is 16.5 percent (30 African countries). The tax-to-GDP ratios of ten (10) of the sixteen countries that make up the West African Sub-region averaged 14.8%, with Nigeria obtaining a tax-to-GDP ratio of 6.3%, the least in the region, showing a clear compliance issue. There has been a loss of tax revenue, which suggests either a lack of institutional capacity to implement and enforce applicable tax regulations, or a lack of consistency in applying the principles of the legislations, both of which call for examination.

Table 1 below presents the tax- to-GDP Ratios (Performance) of thirty African Countries

S/NO	COUNTRY	TAX-GDP RATIO
1	Sychelles	32.4%
2	South Africa	29.1%
3	Morocco	27.8%
4	Tunisia	32.1%
5	Cape Verde	21.2%
6	Mauritius	20.4%
7	Lesotho	20.2%
8	Namibia	19.4%
9	Togo	19.4%
10	Malawi	18.3%
11	Kenya	17.4%
12	Eswathini	17.2%
13	Rwanada	17.1%
14	Burkinaa Faso	16.8%
15	Egypt	16.7

16	Senegal	16.5%
17	Mauritania	16.0%
18	Cameroun	14.6%
19	Mali	14.1%
20	Ghana	14.1%
21	Cote d'voire	13.1%
22	Botswana	12.1%
23	Uganda	11,8%
24	Madagascar	11.4%
25	Niger	11.3%
26	Congo	8.5%
27	Democratic Republic of Congo	7.5%
28	Chad	7%.1
29	Equatorial Guinea	6.3%
30	Nigeria	6.3%

Source: Tax Foundation: OECD Report: Tax Revenue in Africa 2022

Table 2 presents the tax-to-GDP Ratios (Tax revenue performance in West Africa)

S/NO	COUNTRY	TAX TO DGP RATIO
1	Togo	19.4%
2	Burkina Faso	16.8%
3	Senegal	16.5%
4	Mali	14.1%
5	Ghana	14.1%
6	Cote d;voire	13.1%
7	Cape verde	21.2%

8	Niger	11.1%
9	Mauritania	16.0%
10	Nigeria	6.3%.

Source: Tax Foundation- OECD Report: Tax Revenue in Africa.

It should be noted that MNEs consider differences in corporate income tax administration systems to be an exogenous market imperfection that can be exploited through the use of tax avoidance schemes like transfer pricing manipulations, or the over or under invoicing of intra-firm transfers of goods, services, or intangibles¹. The goal is to lower the worldwide enterprise's corporate tax liability by moving income or profits from high- to low-tax jurisdictions or tax havens. As a result, it is now more important than ever for national tax authorities to design smart national tax laws that properly govern transfer pricing.

Within a multinational corporation, the structure of transactions is governed by a mix of market and group driven pressures, which can be different from the free market circumstances that exist between independent organizations. As a result, the common interests of the entities within a multinational corporation's group increasingly influence the rules governing intra-firm cross-border transactions. 2. For intra-group cross-border transfers of products, services, or intangibles, setting the proper price, known as the "transfer price," is crucial.

Controlled transactions can also refer to a deal between two parties who are already acquainted with one another. They are not the same as uncontrolled transactions, which occur between companies that are not related and can be assumed to function independently, in accordance with the arm's length concept. 2 Therefore, all transactions between affiliated domestic entities of a multinational corporation and all

cross-border intra-firm transactions are referred to together as "transfer pricing." It's a system for settling on monetary terms for goods and services traded between affiliated businesses. That is to say, the value shared between connected parties must be priced similarly to the value exchanged between unrelated businesses.

The crux is proving that you can thrive in the current economic and business climate. That is, the arm's length concept should also be applied in transactions between entities that are part of the same group. Transfer prices are expected to be established in accordance with the arm's length principle, a vital feature that serves as a standard procedure accepted on a global scale. This means that the prices at which international or domestic transactions between related parties are valued should be the same as the prices that would have applied had the parties involved been unrelated and the transactions had taken place in a truly competitive market. Related companies' tax liabilities and the accompanying tax revenue in the host nations could be skewed if transfer pricing did not represent market forces and the arm's length principle. 4.

In order to ensure that the arm's length principle is adhered to, the profits of connected entities engaging in such transactions may be reduced for tax purposes as necessary to address any distortions that may have arisen. To reach a fair compromise, it is necessary to identify the terms of the financial and commercial interactions that can be fairly expected to exist between independent firms in similar transactions under similar conditions. 5

Although tax considerations are the primary driver of multinational corporations' transfer pricing agenda, other factors may also alter the terms under which connected businesses do business. For instance, cash flow needs of businesses within the group

may conflict with government pressures on customs valuation, anti-dumping levies, currency rates, and prices. The arm's length principle is the approach of treating the members of a multinational group as independent entities rather than as inseparable parts of a single unified business, with the effect of adjusting profits by reference to the conditions that would have obtained between independent enterprises in comparable transactions under comparable circumstances. 5. The OECD and other nations, including Nigeria, have good reasons to embrace the arm's length concept. The principle's provisions for broadly equal or fair tax treatment of members of MNCs and independent firms are a crucial factor. This is because the arm's length principle prevents the distortion of relative competitive positions between connected and independent firms by preventing the establishment of tax advantages or disadvantages. By removing tax implications from business decisions, the "arm's length concept" encourages more global commerce and investment. 6.

In both developing and developed economies, tax revenue is the only reliable means by which the government can fund the provision of essential goods and services to its population and the maintenance of the physical infrastructure necessary to foster economic expansion. It has been difficult for successive central administrations in Nigeria to wean the economy off of its reliance on oil revenue, and as a result, tax revenue has played a very little role in the country's revenue structure.

Unfortunately, this is substantially impacted by the actions of multinational corporations intent on using any means necessary, including transfer mispricing, to shift income or profits to low tax jurisdictions. Their profits from these methods reduce the government's ability to invest in productive areas of the economy, and hence depress the economy as a whole.

Global tax authorities now understand the importance of enforcing transfer pricing documentation requirements due to revenue loss caused by transfer pricing manipulations. The practice of transfer mispricing can occur in a wide variety of transactions involving tangible and intangible goods and services. Regulations have been put in place by several nations to prevent price fixing among affiliated companies that acquire and sell goods and services. Transfer pricing regulations define such metrics as those that businesses must use to prove that the prices they charge each other for intra-company transactions are fair. To demonstrate compliance with the arm's length principle, 7 appropriate pricing means that transactions within a firm can be compared to those between independent entities under similar conditions.

However, in practice, arm's length prices as agreed for intra-firm sales are fabricated market prices that may or may not be consistent with the prevailing market price for such products or services, necessitating price or profit adjustments by the tax authority of the jurisdiction in which the firm operates, which often constitutes the basis of disputes. The conditions and circumstances of a controlled transaction are typically used to define the extent to which it is similar to an uncontrolled comparable reference in the context of the comparability analysis required by transfer pricing rules, with the end goal of determining whether or not primary adjustments on profits are required. Double taxation, where income had already been taxed in other jurisdictions, differences in interpretation of the provisions of the transfer pricing regulations, and adjustment of profits resulting in increased tax liabilities are the root causes of most disputes between tax authorities and multinational corporations. Disputes arise when tax authorities and taxpayers take opposing stances on how to handle intra-firm product or service pricing. When multinational firms follow the transfer pricing paperwork requirements of their host countries, however, the number

and severity of conflicts is greatly decreased. The OECD guidelines 9 serve as an overarching framework for understanding transfer pricing documentation requirements, which are spelled out in detail in each country's transfer pricing rules. The goals laid out by the OECD model give a broad documentation direction for MNCs and lay the groundwork for preventing revenue loss for tax authorities. Depending on the specifics of each jurisdiction, it may be necessary to increase the burden of proof in order to reduce the incentive for tax haven evasion through profit shifting.

Where there are large disparities in the corporate tax rates between nations, there is a substantial incentive for group companies to inflate the pricing of intra-group goods and services sold across borders. For this reason, documentations of transfer prices are significant evidence that the deals were done and the prices were set at market value. Records kept by liable parties to demonstrate compliance with the arm's length principle in the pricing of transactions between related parties are known as "documentations." All transactions should have accompanying transfer pricing documentations. Nigeria's transfer pricing legislation are one example of those that allow for contemporaneous documentations. What this means is that the production of transfer price documents must coincide with the execution of the transactions¹¹.

Part of any transfer pricing rule is the necessity to keep records. Multinational firms are dissuaded from engaging in tax avoidance or profit-shifting strategies by the combined effects of the various parts of a typical transfer pricing law. Nigeria, like many other countries, has recognized this and adopted transfer pricing legislation, which it enacted in 2012 and began enforcing effectively in 2014. The regulations were enacted and put into effect with the primary goal of preventing the mispricing of

products, services, and intangibles by multinational firms, which results in the loss of tax income to the government.

To combat tax avoidance, strengthen international tax standards, and promote a more open and transparent tax system, the OECD/G20 countries presented 15 action plans in 2015. Measure 13 of these programs calls for the establishment of guidelines for transfer pricing documentation and reporting that improve tax administrations' access to information. The action plan was created to necessitate MNEs' disclosure of specific data regarding their worldwide operations, data which tax authorities might then utilize for broad risk assessment. In particular, a country-by-country (C by C) report that provides information on specific material related party transactions, the amounts involved, and analysis of the transfer price determinations; (1) a master file that contains information regarding MNEs' global business operations, transfer pricing policies, and other standard information relevant to all members of the group; and (2) a detailed local file that contains information on such transactions.

Since the Federal Executive Council adopted the Multilateral Competent Authority Agreement (MCAA) in 2016, Nigeria has achieved adequate progress in implementing the OECD's recommendations. Additionally, the necessary infrastructure to implement the income tax (country by country reporting) regulations is in place and operational. This means that the rule mandates the preparation and filing of a country-by-country report in the prescribed format with the tax authorities in Nigeria every year by MNEs resident (headquartered) in Nigeria with annual turnover of €750 million or its equivalent in local currency. The overarching purpose is to report all of their worldwide business and economic activities to the relevant tax authorities. While the OECD action plans can serve as a guide, it's important to keep in mind that each country has unique needs, and work those into the OECD model

when possible so that it can best achieve its macroeconomic policy goals. The goal of doing so is to clear up any confusion that may exist between taxpayers and tax authorities when trying to figure out transfer pricing and other intercompany transaction difficulties.

1.2 Statement of the Problem

Multinational companies' habitual questionable profit-shifting practices have become commonplace. Transfer pricing, the process of establishing prices for intra-firm transactions that occur across national borders, is the primary tool used to facilitate cross-border reallocation of earnings¹⁴. Over or undercharging for goods, services, or intangibles transferred between members of a multinational corporation's group is a common method used to shift profits and earnings from higher- to lower-tax locations. While the company benefits from a reduced global tax burden, host governments lose out on substantial tax money that could be used to stimulate the development of new jobs and income.

Nigeria is a developing country that attracts a growing number of international investments and commercial operations due to its abundance of natural resources, such as its proven oil and gas reserves and considerable endowment of solid minerals. There is a lot of potential for growth in this country's economy, and it has the seventh highest population in the world. Transfer pricing is a topic of interest in both developed and developing countries¹⁴, since roughly 70% of international trade is conducted between related parties. The fundamental issue lies in the allocation of revenue and expenses among tax payers in several countries in the context of cross-border activities. Domestic transactions between affiliates are also taken into account by the law in several countries, Nigeria included. Everything from the sale of physical

things and the licensing or sale of intellectual property to the supply of services and the granting of credit or finance are all examples of transactions that can occur between linked parties. Increased focus on transfer pricing can be attributed to the proliferation of multinational enterprises and the proliferation of intercompany transactions that accompany them, as well as the belief on the part of tax authorities that incorrectly priced transactions between related parties may result in the unreasonable shifting of income and expenses between jurisdictions.

Nigeria, like many other developing countries, is concerned about the possibility of transfer pricing abuse due to the increasing sophistication of foreign tax payers and their use of tactics like corporate inversion, also known as tax inversion. In this scenario, a local firm relocates its main activities to a foreign country. The effective tax rate of the company is reduced by 15 percentage points if the destination country has a lower tax rate and friendlier regulatory environment than the domestic or home country. Note, however, that non-double taxation procedures are frequently put into place since every host country wants to keep as much of the revenues from value creation and resource exploitation within its jurisdiction as feasible. Since the goal is to avoid or minimize taxation in both the country of origin and the country of residency, this strategy of "income shifting" is often pursued.

Therefore, fundamental reforms are required to successfully prevent double non-taxation and cases of no or low taxation related to techniques that artificially separate taxable revenue from the activities that generate it¹⁷. For this reason, transfer pricing restrictions have been implemented to reduce the incentive for profit shifting by multinational corporations and to keep earnings where they belong. The benefit is that financial resources are not only made accessible to support the provision of essential public goods and services for the citizens but also key infrastructure that drive

economic growth and development. But until 2012, the general anti-avoidance regulations (GAAR) in the Nigerian tax legislation were the only fiscal measures taken by the competent authorities to limit income shifting by multinational firms. In particular, Acts 17 (Personal Income Tax), 22 (Companies Income Tax) and 15 (Petroleum Profit Tax) from 2004 and 2007 respectively (2004). Each of these allows the relevant tax authorities to make adjustments to any transactions that occur within a corporation or between unrelated parties that the revenue authority determines to have an effect that artificially reduces taxable income in Nigeria.

As a result of a lack of oversight and consistency in enforcement, these regulations had little effect and contributed to taxpayers' already negative impressions of tax authorities. 18. In 2012, based on the OECD transfer pricing guidelines, Nigeria enacted its transfer pricing regulations to provide for the documentations, declaration, and disclosure requirements of multinational and domestic enterprises in the pricing of values or goods and services transferred between members of their groups. This was done in light of the ineffective enforcement of the general anti-avoidance rules and its implications for tax revenue productivity. The arm's length concept, which forms the basis of the transfer pricing scheme, provides the basis for the rules. Companies that share similar control are expected to treat deals with their subsidiaries and other affiliated businesses the same way they would treat deals with unrelated parties. 19.

Concerns about multinational corporations' (MNCs) use of worldwide profit shifting to lower their global tax liabilities have been voiced by tax authorities in both developed and developing economies. The ultimate goal is to minimize tax obligations by shifting money from high-tax to low-tax countries 21.

Most governments, including Nigeria, have introduced and implemented transfer pricing restrictions in an effort to reduce the massive tax revenue loss caused by the income shifting behaviors of multinational firms. Fair and accurate values and prices for products and services transferred between related parties are protected by transfer pricing regulations. It is informative to assess the efficacy of transfer pricing rules in boosting tax revenue by preventing tax base erosion, given its significance in reducing profit shifting methods within the Nigerian fiscal policy framework.

Different countries' transfer pricing policies may have different paperwork requirements, fines for noncompliance, and transfer pricing calculation methodologies, among other differences ²². In this way, the specific legal environment of every country, Nigeria included, is defined. However, it appears that the OECD model rules provide basic direction for multinational firms and tax agencies around the world. There have been several studies on the topic of transfer pricing and profit shifting, but no research has been done on "The Impact of Transfer Pricing Regulations on Tax Revenue Generation in Nigeria." Moreover, despite the fact that literatures in Nigeria have been relatively silent on the efficacy of policies in curbing international income shifting, profit shifting tactics are thoroughly documented. This research aims to close that knowledge gap by quantifying the amount to which tax income is being lost due to lax implementation of general anti-avoidance provisions (GAAR).

1.3 Aim and Objectives

The aim of this study is to assess the effect of transfer pricing regulations (implementation, compliance, & audit) on tax revenue generation in Nigeria. The specific objects are to:

1. examine the level of tax profit before the implementation of transfer pricing regulations in Nigeria
2. determine the relative effect of transfer pricing regulations on tax profit post reform enforcement in Nigeria
3. evaluate the combined effect of transfer pricing regulations and tax revenue performance in Nigeria
4. assess the mediating effect of institutional capacity on the relationship between transfer pricing regulations and tax revenue performance in Nigeria

1.4 Research Questions

This study addressed the following objectives

1. What is the level of tax profit before the implementation of transfer pricing regulations in Nigeria?
2. What is the relative effect of transfer pricing regulations on tax profit post reform enforcement in Nigeria?
3. What is the combined effect of transfer pricing regulations on tax revenue generation in Nigeria?
4. How does institutional capacity mediate the relationship between transfer pricing regulations and tax revenue generation post reform enforcement in Nigeria?

1.5 Hypotheses

The following hypotheses were tested in this study

- H₀₁: Transfer pricing regulations have no significant relative effect on tax profit post reform enforcement in Nigeria.
- H₀₂: There is no significant combined effect of transfer pricing regulations on tax revenue generation in Nigeria
- H₀₃: Institutional capacity has no significant mediating effect on the relationship between transfer pricing regulations and tax revenue generation in Nigeria.

1.6 Significance of the Study

Achieving economic development and societal well-being requires increased and sustainable tax income as a result of preventing revenue loss through profit shifting.

As a result, the study contributes greatly to the following fields:

The study's findings and recommendations on policy should serve as a road map for improving the efficiency and expanding the tax base of existing tax policy and transfer pricing rules. The findings of the study not only inform future researchers but also contribute to the growing body of knowledge on the topic at hand by highlighting specific areas where more investigation is warranted. The study lays the groundwork for periodic assessment of transfer pricing regulations to maximize tax income, and it offers the Nigerian tax authorities with the benefits of successful implementation and enforcement of transfer pricing rules. In addition, it helps MNCs because doing so increases the rewards of avoiding tax penalty cost by meeting the transfer pricing paperwork requirements of the host country.

1.7 Scope of the Study

The primary goal of this research was to assess how the implementation of transfer pricing regulations affected the efficiency with which Nigeria's Federal Inland Revenue Service collected tax revenue from 2000 through 2019 using data from the appropriate bureaus, sections, and offices of that organization. Justification for this time frame (2000-2019) can be found in the desire to compare tax revenue growth pre- and post-transfer Nigeria's pricing law implementation (2000-2011). (2012-2019). This time gap is there so that we can evaluate how well the transfer pricing regulations have worked to prevent multinational firms from transferring profits offshore. We looked at how FIRS's tax performance (after implementation) in Nigeria is affected by three sub-variables: implementation, compliance, and audit. A third (moderating) variable was included to better explain the expected causal relationship between the independent and dependent ones. This research looked at institutional capacity as a mediator, with its sub-variables including strategic planning capability and human resource capability.

Staff from the International Tax Department, Big Tax (Non-oil) Offices, Big Tax (Oil & Gas), Big Tax (Communications & Broadcasting), Big Tax Audit (Non-oil), Big Tax Audit (Oil & Gas), and Big Tax Audit (Communications & Broadcasting) make up the 749 participants in the study (communication and Broadcasting). The International Tax Department is one of twenty-one large tax offices and large tax audit offices spread around the country. Of these, seventeen are located in Lagos and Ibadan, home to 81% of the sample population. This explains why the research was focused on the western cities of Lagos and Ibadan.

1.8 Operationalisation of Research Variables

The variables in this study are classified into three – dependent, independent, and moderating variables. The dependent variable tax revenue generation (Y) is measured by tax profit before the introduction of transfer pricing regulation, and tax profit post the introduction of transfer pricing regulation. The independent variable Transfer Pricing Regulations (TPR) (X) is measured by; TPR-Implementation, TPR-Compliance, and TPR-Audit.

The mediating variables (Z) is institutional capacity and measured by strategic planning capability and human resource capability. The functional operational model carrying these variables are displayed in the mathematical model below:

$$Y = f(X)$$

Y = Dependent variable: Tax Revenue Generation (TRG)

Y = Independent variables: X= Transfer Pricing Regulations (TPR)

Z = Mediating variables: Z= Institutional capacity

The independent variable- Transfer Pricing Regulations (TPR) is measured as:

x_1 = TPR-Implementation,

x_2 = TPR-Compliance,

x_3 = TPR-Audit.

The dependent variable- Tax Revenue Generation (TRG) Y is measured as:

y_1 = Tax Profit before TPR,

y_2 = Tax Profit Post TPR

This study incorporates a Mediator variable (Z) – Institutional capacity measured as Human Recourse capability (HRC) and Strategic Planning capability (SPC)

By substituting the acronyms of each variable in the regression model, the researcher presents the following:

Hypothesis One

$$y_2 = f(x_1, x_2, x_3)$$

$$y_2 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \mu_i \text{ ----- (i)}$$

Hypothesis Two

$$Y = f(X)$$

$$Y = \beta_0 + \beta_1 X_1 + \mu_i \text{ ----- (i)}$$

Hypothesis Three

$$Y = f(XZ_1)$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 Z_1 + \mu_i \text{ ----- (i)}$$

Where:

β_0 = is the intercept or constant of the equation

$\beta_1 - \beta_3$ = are the coefficients or parameters to be estimated

μ_i = error or stochastic term

1.8 Operational Definition of Terms

Human Resource Capability: This involves the development of an individual's abilities and attitudes in such a way that the individual can grow personally and contribute towards organizational interests.

Institutional Capacity: In this study, institutional capacity results from the combinations of skills and resources at each level, while the interplay between different competencies can explain cases of policy failure or success.

Strategic Planning Capability: In this study strategic planning capability is a process that determines the goals and objectives of an organization; the formulation of actions; and the allocation of resources that will be used to attain the identified goals and objectives.

Tax profit post-transfer pricing regulations: This is tax profit accruing the federal government after reform enforcement

Tax profit pre-transfer pricing regulations: This is tax profit accruing the federal government prior to reform enforcement

Transfer pricing regulations Audit; This involves an independent assess of the transfer pricing regulation to ensure effectiveness

Transfer pricing regulations compliance: In this study compliance as to do with if multinationals are aligning there intercompany pricing with set transfer pricing guideline

Transfer pricing regulations implementation; this as to do with the execution of transfer pricing regulations.

Transfer pricing regulations; This refers to a setting of guideline instituted by the government to manage transfer pricing activities

Transfer pricing: Transfer pricing is a term used to describe intercompany pricing arrangements relating to transactions between related entities.

Endnotes

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Chapter Two

Literature Review

This section of a research work provides a conceptual background for new research, exposes the presence of a research problem and justifies the proposed contribution of the study to knowledge. It incorporates an in-depth exploration, analysis and synthesis of information relating to Taxation, transfer pricing, transfer pricing regulations, transfer pricing documentations, base erosion and Income shifting. This review was done under the following subheadings:

2.1 Conceptual Review

2.1.1 Transfer pricing regulations (Reform)

2.1.2 Institutional capacity

2.1.3 Tax revenue performance

2.2 Theoretical Review

2.2.1 Public Interest Theory

2.2.2 Dynamic Capability (DCT)

2.2.3 Contingency Theory

2.3 Empirical Review

2.3.1 Transfer pricing regulation, institutional capacity and tax revenue performance

2.4 Conceptual Framework

2.5 Summary of Gaps in literature

Endnotes

2.1 Conceptual Review

This section focused on the definitions, issues and other aspects of the concepts under study by different scholars in the field of transfer pricing regulation (implementation, compliance, and audit) and institutional capacity (strategic planning capability and human resource capability) and tax performance.

2.1.1 Transfer Pricing Regulation

In 1968, the pioneering paper on TP appeared in print. The author of the classic work "Profit Centres, Transfer Prices, and Mysticism" elaborated on the use of transfer prices (TP) in budgeting (Wells, 1968). Two primary techniques exist for TP. First, there is market-based TP, which is consistent with arm's length pricing because it is decided by current market values. This approach has the fewest potential legal and compliance complications. Non-market-based TP takes into account factors other than market prices, such as negotiated or cost-based pricing. Dual pricing, tax differentials, and import duties are a few examples (Al-Eryani et al. 1990).

Transfer pricing is the process of arriving at a price charged for goods or services supplied or transferred by one subunit of an organization to another or between members of a group.¹ What an organization charges its affiliates for the use of its physical or intellectual property or the provision of services is another possible definition. Transfer pricing is a method utilized by MNEs to assess the monetary worth of products and services exchanged between its affiliates. Payments made for such transactions are typically set so as to facilitate the profit maximization goal of global conglomerates. Growth ambitions, tax evasion or avoidance, and dodging the import restrictions of a country of origin are all possible secondary drivers.²

Reliance may be placed on external market price to determine the price of a similar product or service (market-based transfer price) or cost incurred in making the product or providing a service (cost-based transfer price) or through negotiation between the subunits or members of a group buying and selling the product or service (negotiated transfer price) (negotiated transfer price).

³The transfer pricing procedures have repercussions for both tax payers and tax administrations as they effect the income and expenses of multinational firms and thus, the taxable earnings of related enterprises in different tax jurisdictions.

Profit splitting (the allocation of profits or losses between affiliated parties), earnings stripping (the practice by which businesses, particularly affiliated parties, reduce their tax liabilities by paying excessive interest on inter-company loans), and base erosion and profit shifting are all examples of financial transaction manipulation used to reduce the amount of corporate income taxes payable by multinational enterprises (a tax planning strategy deployed by multinational corporations to shift profits from high tax jurisdictions to low tax

jurisdictions, thus reducing the tax base or the profits on which tax could be charged by the higher tax jurisdictions).

Key productivity indices like labor, entrepreneurial growth, and resource optimization are all affected by transfer mispricing. Note that multinational firms are companies with offices, factories, branches, subsidiaries or business activities in many different countries. In a literal sense, this phrase is descriptive of a firm which has centers of operations in many nations, contrasting an international firm which does business in many countries but is based in only one country. 4 However, these concepts are frequently interchanged with one another.

Transfer pricing is a method used by companies to determine the true cost of business transactions that occur between affiliated departments or divisions within the same organization. This practice is not only essential for transparent financial reporting but is often required of multinational corporations. This is due to the fact that the Organization for Economic Cooperation and Development has established transfer pricing principles and is convening major powers to combat tax avoidance by multinational corporations by moving earnings to low-tax havens. 5 A method of determining whether or not a company is profiting from a transaction with an affiliated one is called a transfer price. 6 And arm's length price is a price emerging from transactions carried out at an open market price which may be between unconnected parties or even linked parties.

As an alternative way of putting it, it shows the price that would have been charged if the persons involved had not been linked. The motivation for

implementing transfer pricing methodologies is to verify that the valuation of transactions is compatible with arm's length norms. The Organization for Economic Cooperation and Development often audit multinational transfer pricing to assess whether a transfer price is compliant with the arm's length standard⁵. A company's goal in deciding on a transfer pricing strategy is to discover one that works best for its specific situation. The nature of the controlled transaction, the availability of reliable information (in particular on uncontrolled comparables) needed to apply the selected method, and the degree of comparability between the controlled and uncontrolled transactions can all play a role in the decision as to which method to use. ⁶

The beginning point in the choice of a technique is an understanding of the regulated transaction (inbound or outbound), in particular, based on the functional analysis which is necessary regardless of which transfer pricing method is picked. In order to assess the value of affiliated businesses, functional analysis must consider not only their operations, but also the assets they employ and the risks they take. It emphasizes the activities and services of the various participants. Functional analysis is crucial to the choosing of transfer pricing mechanism. ⁵ This is so because it facilitates the following processes: recognizing and comprehending intra-group transactions; recognizing the qualities that would qualify a given transaction or function as a suitable comparable; and determining the appropriateness of the comparable and any adjustments that may be required. Determine whether or whether the transaction, function, distribution of risks, or assets has changed, which may necessitate a reevaluation of the chosen technique over time. ⁷

Functions, assets, and risks are the mainstays of a functional analysis. Analyzing functions entails the description of functions performed such as design, purchasing, production, inbound logistics, inventory management. Financial (currency, interest rate, funding, etc.) and asset (property, plant and equipment, patent/intellectual property, trademarks, brand names, technical data) risk analysis requires the parties to identify the risks to which they are exposed. Significant competitive advantage can often be gained through the use of intangible assets, making them very significant. 7

The objective of transfer pricing laws with respect to any sort of property, under the arm's length concept, is to allocate income in accordance with the location of the economic activity that supported the production and exploitation of the property⁸. There seems to be no theoretical distinction between material and immaterial assets in this conception. From an economic standpoint, however, the use of an already existing intangible to manufacture another unit of item or service incurs no additional cost. Because it is not necessary to re-invent the wheel every time raw materials enter the production line once the formula for making the product or service has been established.

For MNCs, intangible assets are crucial because they are the primary source of revenue. ¹⁰ However, there are a number of glaring difficulties associated with the transfer pricing of intangible assets. The current transfer pricing laws were not intended to control intrafirm pricing of intangibles or e-commerce cross-border transactions, hence they are not suited to the emerging digital economy.

In addition, there is a great deal of error in the value of intangibles when using the arm's length regime. 11 In order to determine whether or not a transaction between related parties should result in a profit, many businesses use transfer pricing procedures. Controlled transactions are those that occur within an organization and require market value pricing. The determination of an arm's length price can be made using one of several established transfer pricing methodologies. To one degree or another, every transfer pricing technique depends on data derived from analyzing the outcomes of other, similar deals in terms of profit, price, and margin. This data may come from "internal comparables," which are based on identical uncontrolled transactions between the company and a third party, or "external comparables," which are based on independent enterprises in the same market or industry. 12 To limit taxation of revenue to the jurisdictions where economic activities related with the generation of such money were carried out, multinational corporations are advocating for worldwide rules for transfer pricing practices. Here are the six most common transfer pricing strategies:

The CUP technique is used to determine whether the price paid in a controlled transaction is higher or lower than the price paid in an uncontrolled transaction for the same good or service under the same conditions. A comparable uncontrolled transaction is an uncontrolled transaction that is either not materially different from a controlled transaction in a way that could materially affect the financial indicator applicable under the method, or is different but reasonably accurate adjustments can be made to eliminate the effects of such differences. 13.

The capacity to compare transactions is a crucial necessity for any strategy. The Organization for Economic Cooperation and Development specifies a number of criteria that should be equivalent. Type of Product, Quality of Product, Availability of Product, Assets Used, Risks Taken, Terms of Contract, Economic Conditions, etc. In less competitive markets or with particularly rare assets, however, the CUP approach may not be appropriate. As bargaining power is rarely observable in such deals, the terms of the negotiation and resulting contract tend to be central. 13

The Organization for Economic Cooperation and Development (OECD) prefers this method for any analysis where comparable data is available since it is the most straightforward way of determining arm's length conditions because it adopts the market pricing. However, it might be challenging to locate uncontrolled transactions that are comparable enough to meet the CUP method's stringent comparability criteria. This is due to the fact that minor variations in product or circumstance can have significant effects on cost.

The Resale Price Method (RPM) establishes how much a reseller must pay when buying inventory from a parent company to resell to a separate business. The wholesale price is established such that the reseller's profit margin is adequate to pay its selling and operating costs. In other words, it's a way to assess the similarity between the profit made by a buyer in a regulated transaction and the profit made by a buyer in an uncontrolled transaction while reselling the same good or service. The advantages of this approach are as follows: the lack of price rivalry at the retail level is ensured due to the uniform setting of prices; price stability is guaranteed; and quality is maintained. Fair market value pricing puts

a cap on markups; Fair trading is encouraged; The potential for restrictive trade practices and pricing discrimination, as well as the associated rise in prices, are among the potential drawbacks.

The CPM, or cost-plus technique, is used to calculate the fair market value of goods and services sold by one party to another in a linked transaction. Taking into account current market conditions and the nature of the work being done, the price is arrived at by adding the supplier's direct costs to a reasonable gross margin. In other words, it's a technique for contrasting the margin made on the provision of goods, property, or services in a regulated transaction with the margin made on the supply of similar goods, property, or services in an uncontrolled transaction. This pricing plan does not take into account the prices offered by competitors, yet it does not require extensive resources to develop and implement, and it provides a steady return. That's right; it totally disregards the rivalry. Also available are profit-based approaches, which look at the return realized by a similar autonomous business in order to estimate the potential earnings from controlled transactions. 13

The process of comparing the net margin or profit realized from regulated transactions to that obtained from uncontrolled transactions is known as the transactional net margin or profit comparison approach. This technique involves contrasting the net profit margin achieved by a company in a controlled transaction with the net profit margin achieved by the same company in an uncontrolled transaction, with the suitable basis being either costs, sales, or assets. This method has the advantage of being simple to implement because it

needs only financial data. However, it usually doesn't take the other party's information into account. In addition, there is an audit risk when an organization uses data from companies that do not fulfill the standards for comparability set by the Organization for Economic Cooperation and Development.

Method of Sharing Profits: This approach divides the total profits made by two related parties from a single transaction or series of related transactions in accordance with an economically valid defined basis, with the goal of simulating the division of profits that would have been anticipated in an agreement reached between the parties while acting at arm's length. The process of determining a fair price for both parties by tracing costs and revenues backwards is known as "arms length pricing." 14. The method analyzes the conditions of linked regulated transactions to determine how the profits from those deals would be shared with unrelated parties. The primary advantage of this approach is that it takes a more holistic view of profit allocation than a transactional one, allowing for a more comprehensive and accurate evaluation of the associated person's financial success. The system has the potential drawback that the profit allocation criteria may be viewed as a non-length arm's outcome, resulting in tax administration modifications. Particularly relevant to commodities trades is Rule 15. Several developing nations use it, with certain modifications, to determine the fair market value of exports and imports of commodities such agricultural products, petroleum, minerals, and seafood.

When it comes to transfer pricing policies around the world, arm's length is essential. Companies under common control are expected to treat deals with their own subsidiaries and affiliates the same as they would with any other third party. As contrast to mandating an apportionment or presumed profit method, this basis gives tax payers the freedom to set transfer prices based on the facts and circumstances of their intercompany transactions and the economic research that goes along with them. 16. The genuine taxable income of a controlled tax payer must always be determined using the same criterion as that applied to a tax payer negotiating at arm's length with an uncontrolled tax payer. In order for a controlled transaction to be considered arm's length, the results or outcomes must be comparable to those that would have been attained if uncontrolled tax payers had engaged in the same activities under the same circumstances. 17.

The market being the compass that guides most transactions in an economy, it is appropriate to see intra-group transactions as equivalent to those between independent firms, which is the basis for the arm's length principle. As a result of this principle, tax authorities can check whether or not transfer prices in intra-group transactions are in line with those in similar arm's-length deals, and make any necessary adjustments if necessary. Therefore, the transfer prices for intra-firm or intra-entity transactions and their acceptability for taxation reasons should be verified against the market place containing independent entities. To establish an arm's length price, it is essential that controlled transactions be comparable. To determine if prices and/or margins are arm's length, one must compare the terms and conditions of controlled and uncontrolled transactions, as well as the activities performed, assets used, and risks assumed by the companies in question.

The arm's length principle is grounded in Article 9 of the Model Tax Convention of the Organization for Economic Co-operation and Development (OECD). Profits that would have accrued to one of the enterprises but for the conditions made or imposed between the two (related) enterprises in their commercial or financial relations that differ from those which would be made between independent enterprises may be included in the profits of that enterprise and taxed accordingly¹⁹. This principle is the backbone of the comparability analysis because it mandates comparing the terms and conditions agreed to or imposed by affiliated businesses to those that would apply between unaffiliated businesses and the determination of the amount of profit that would have accrued to the enterprise under independent circumstances.

The rationale behind the advice is to encourage related businesses to use market circumstances as a basis for determining the value of any transferred products, property, or services. The benefits of adhering to the arm's length principle in related party transactions are twofold: (i) to the enterprise, through the avoidance of penalty costs as a consequence of transaction adjustments by tax authorities, and (ii) to the tax authorities of the jurisdiction where the multinational enterprise operates, through the increase in tax revenue. Money is taxed at the rate in effect where the economic activities that generated the income took place.

Thus, the primary purpose of a comparability analysis is to help both tax payers and tax administrations decide if and how a transfer pricing adjustment can be made.

In order to get a full picture of the circumstances surrounding the transactions under consideration, it is essential that any price or margin comparisons be backed up by appropriate documentation. In other words, the arm's length principle relies heavily on comparative analysis. Analysis 20 of Comparability focuses on two main points. The first step in correctly defining a regulated transaction is to determine the commercial or financial relationships between the linked firms, as well as the conditions and economically significant circumstances relating to such relationships. The second part is to examine the terms and key economic factors of similar deals involving 21 separate businesses.

It is essential to incorporate all potential influences on prices or profits when conducting a comparison analysis. There are a total of five such elements, and they are as follows: functional analysis, contractual terms, risk, economic conditions, and property or service. Not all of these are equal considerations. Different transfer pricing strategies give various considerations varying degrees of importance. The two transactions being compared do not have to be identical for one to be regarded as a comparable. Adjustments must be done in order to utilize a transaction with major changes as a comparable; otherwise, the transaction can be used, but its dependability is diminished.

When regulations are issued with the authority to monitor and punish those who don't follow them, we call that regulation. Whether narrowly defined as the imposition of economic restrictions on the behaviors of private enterprises or more broadly to include other governmental instruments, such as taxation or

disclosure requirements, regulations refer to States' attempts to steer the economy in political economics. 23 Regulations, then, are rules or processes that restrict, direct, or otherwise govern actions in the social or economic sphere. To ensure that jurisdictions are able to tax on appropriate taxable bases corresponding to the economic activities deployed by taxable persons in such jurisdictions, transfer pricing regulations are put in place to ensure that prices for goods and services transferred between related entities are fair and accurate. Information or data necessary for analyzing whether the pricing of controlled transactions complies with the arm's length principle must be recorded in writing or on any other electronic means by linked people in Nigeria in order to comply with the transfer pricing requirements. 24

The building of highly linked processes by multinational firms and an increasing number of related party transactions 25 are two outcomes of globalization, which is driving the introduction of transfer pricing legislation around the world. All of these factors contribute to the distortion of income tax responsibilities and the profits that can be distributed among the affiliates of a multinational group, as well as the incentives for multinational corporations to engage in cross-border income shifting. The loss of tax money and the inability to fund projects that improve the lives of the people in the host country are direct consequences of profit shifting. As a result of this growing realization, countries have implemented transfer pricing policies that specifically aim to limit the practice of "income shifting."

The arm's length principle, on which such controls are founded, argues that any business dealings between related parties must be on an equal footing with those of unrelated parties. The OECD has made significant strides toward formalizing

the arm's length principle and has developed standards for the application of the principle that are adopted by the organization's 25 members. Potential conflicts between taxpayers and tax authorities stemming from the application of transfer pricing legislation. Because one jurisdiction's modification of transfer prices could result in double taxation if the other jurisdiction didn't agree with it, this is the case. 26.

However, the OECD has implemented multiple strategies to eliminate transfer pricing issues and avoid double taxation. The elimination of double taxes is attainable through methods such as the mutual agreement procedure. Tax authorities should attempt to resolve by mutual agreement any difficulties or question that may emerge in the interpretation or application of the OECD model tax convention, as stated in paragraph 3 of article 25 of the convention. The overarching goal of transfer pricing laws is to guarantee that taxing jurisdictions can use bases that are commensurate with the economic activities carried out by taxable individuals within those jurisdictions. However, while providing a gauge of the stringency of national transfer pricing legislation, the goals of transfer pricing regulation must take into account, the conditions of the country promulgating it. Since the introduction of documentation requirements into national tax laws plays significant roles in raising public awareness of the importance of documentation, it is first necessary to define strictness on the basis of applicability to a wide range of tax payers and the requirement for an extensive documentation in a rather short period of time. 27.

Most countries have penalties in place to ensure that tax laws are followed, and they can extend to both incorrect or insufficient documentation and incorrect calculations of taxable income. As a means of enforcing conformity, the OECD recognizes the use of fines; nonetheless, it stresses the importance of a manageable framework. According to the OECD, a difference in the calculation of taxable income between two jurisdictions could be caused by a penalty scheme that is unduly onerous. Penalties are important because they encourage businesses to follow transfer pricing rules and safeguard governments' rights to tax revenue that is generated within their borders 28.

The taxpayer must provide evidence in the form of transfer pricing documents to prove that all transactions were carried out and valued at arm's length. They are documents kept by taxpayers to demonstrate that the related-party transaction prices were set using the arms' length concept. It is the goal of transfer pricing documentation rules to make it easier for businesses to comply with transfer pricing and for there to be uniformity in how this is done from country to country, and to give tax authorities more targeted and useful information for conducting transfer pricing risk assessments and audits. 29. The OECD, or Organization for Economic Co-operation and Development, has listed the following as the three primary goals of transfer pricing documentation requirements:

The goals of this document are I to ensure that taxpayers properly account for transfer pricing requirements when setting prices and other terms for transactions between related parties and when reporting income derived from such transactions in their tax returns, (ii) to provide tax administrations with the information necessary to conduct an informed transfer pricing risk assessment,

and (iii) to provide tax administrations with useful information to employ when conducting an appropriately thorough transfer pricing risk assessment.

Each nation is responsible for establishing domestic transfer pricing paperwork requirements that take into account the importance of the aforementioned goals. Taxpayers should assess their own compliance with the applicable transfer pricing regulations at or before the time of filing returns in order to prevent the repercussions of a breach as much as feasible. Informed judgments about whether or not to undertake an audit can then be made by tax authorities. Transfer pricing documentation requirements aid in fostering a compliance culture by requiring taxpayers to provide evidence supporting their transfer pricing stance.

In addition, the tax administration can rest easy knowing that the taxpayers have thoroughly analyzed the position they reported on their tax returns, taken into account the available comparable data, and achieved consistent transfer pricing positions thanks to the meticulous documentation they have provided. It should be mentioned that the need for contemporaneous documentation helps protect the taxpayer's position and prevents them from coming up with excuses later on. 21 Documentation of transfer prices may be performed either contemporaneously with the transactions or at a later time, but no later than when the tax returns for the fiscal year in which the transactions occurred are prepared and filed. The transfer pricing penalty system was established to encourage compliance with the documentation requirements by providing appropriate sanctions for violations

and rewarding timely and accurate creation of transfer pricing documentation. One of the main goals of requiring documentation of transfer prices is to give taxpayers something to work with when explaining the rationale behind their transfer pricing practices. Additionally, transfer pricing documentations encourages efficient risk identification and evaluation, making it simpler to pick the right cases for transfer pricing audit and zero in on the most crucial issues during that audit. Transfer pricing regulations in this study is contextualised from the point of view of implementation, compliance, and audit.

2.1.1.1 Implementation

Strategy implementation, as described by Gakenia, Katuse, and Kiriri (2017), is the process through which resources are managed and organized to achieve strategic goals. As a result, making the most of available resources is essential to achieving the organization's aims and objectives. Transfer pricing regulation is considered a fiscal strategy with the intention of improving tax revenue generation of market-driven economies. It has been proposed by Abdullah, Hamad, Romano, and Faisal (2017) that the process of putting a strategy into action is complex, dynamic, and repetitive, as it requires managers and workers to make a number of decisions and carry out a number of tasks while being influenced by a wide range of organizational and environmental factors in order to achieve the desired outcomes. In agreement with Abdullah et al. (2017), Hourani (2017) argued that putting a fiscal strategy (transfer pricing regulations) into action requires a wide variety of initiatives. Furthermore, Waititu (2016) outlined the process of strategy implementation as the allocation of resources to support the selected strategies. Implementing a fiscal strategy can be thought of as creating a capable organization by devoting resources to important action

plans, creating a supportive setting, and adopting industry best practices. It has been said that strategy implementation occurs when the strategy is communicated to the organization and the relevant personnel are made aware of the "what," "why," and "how" of the strategy (Wit & Meyer, 2010). There is a cooperative synergy between the many individuals, departments, budgets, and resources.

According to the comprehensive definition offered by De Oliveira, Carneiro, and Esteves (2019), strategy implementation is the process related procedure, of informing - and being informed by - managers and employees about company challenges, of translating the strategic plan (either explicitly stated or else just assumed by top-level managers) into specific actions, and of establishing consistency among distributed company efforts and respective resource-allocating. Aligning organizational design with strategy has traditionally been focused on in discussions about strategy execution (Higgins, 2005). As a result, strategy implementation becomes the lens through which the organization monitors, controls, and adapts the implementation procedures to the results of the strategy's execution.

Since it ensures utilization of resources using the most appropriate methods to achieve the predetermined objectives and influence the performance of the firm, Srivastava and Sushil (2017) noted that strategy implementation had been an important area of concern for strategic management, scholars, and practitioners. Effective plan execution is crucial for the success of any group, be it a nonprofit,

government agency, or multinational corporation. While developing a strategy is important, it is not as crucial as carrying it through if you want to achieve your goals. The ability to put a strategy into action is more crucial than the quality of the strategy itself, as shown by Bhimavarapu, Kim, and Xiong (2019). To guarantee that a company's vision, goal, and objectives are met, it must carry out the processes and activities that turn the strategy it has developed into a plan of action (Nguí & Maina, 2019). According to Hrebiniak (2013), many businesses have the capability to create excellent strategies but fail to put them into action. Managers typically know more about the creation of strategies than their own implementation because implementation is a complex and often misunderstood task.

Academics and consultants alike have emphasized the importance of strategy implementation (as a logical extension of strategy design) (Kihara, Bwisa, & Kihoro, 2016). As a result of this, several experts have concluded that strategy implementation is synonymous with strategy execution. So, according to Patten (2015), strategy implementation is the means through which a strategy is made operational. Strategy implementation is defined by Abdullah, Hamad, Romano, and Faisal (2017) as "a complex, dynamic, critical, and repetitive process in which managers and employees carry out a number of decisions and tasks influenced by a variety of organisational environmental factors in order to realize strategic goals." Implementing a plan entails doing things like getting the company's resources in order and getting people fired up about doing good work (Mailu, Ntale, & Nguí, 2018). When an organization takes steps toward achieving its strategic goals, this is known as strategy implementation.

Similarly, Zaidi, Zawawi, Nordin, and Ahnuar (2018) coincided with Abdullah (2017) that strategy implementation is the most crucial component of strategy unfolding. Putting a strategy into effect is a complex and time-consuming process (Kachaner, King, & Stewart, 2016). A company's overall performance can benefit from a well-executed strategy. Gaining a competitive edge is another benefit of putting a strategy into action (Abdullah et al., 2017). A well-thought-out plan that isn't carried out properly, however, is useless. In addition, a competitive advantage can be gained by superior performance and a strategy's ability to put a company on the road to success (Kihara, Bwisa, & Kihoro, 2016). Unfortunately, most modern businesses have problems putting their strategies into action; previous research has shown that between 60% and 80% of all strategic plans never get put into action (Johnsen, 2019). In the corporate world, a well-planned strategy is useless if it is not implemented in a way that allows for maximum advantage. Strategic management studies, however, have tilted heavily in the direction of developing new, more effective strategies (Zaidi et al., 2018).

In addition, the literature shows that even with a good strategy, success is not guaranteed, and that carrying out that plan is just as crucial as coming up with it (Martin, 2010). While Balarezo and Nielsen (2017) suggested that developing a plan is the more difficult task, Radomska and Kozyra (2020) noted that executing the strategy appears more crucial than the strategy itself.

The "7-S model" developed by McKinsey summarizes the seven most important aspects of strategy implementation: (Reddy & Scheepers, 2019). Strategic change, organizational structure, strategic control systems, strategic leadership, and sound governance are only few of the crucial aspects that Ehlers and Lazenby (2010) argue are covered by the strategy's implementation. Top management support, staff buy-in, strategy communication, cascading accountability, talent acquisition for important initiatives, and performance measurement are just a few of the variables that Gakenia, Katuse, and Kiriri (2017) cite as crucial to the success of strategy implementation.

Implementing a company's strategy effectively can have a significant impact on its success. Ability to translate strategic decisions into expected results through an efficient system, organization, culture, and work-process and methodologies constitutes successful strategy implementation (Stimie & Vlok, 2016). An organization's competitive edge can also be boosted through the application of strategic planning (Zaidi et al., 2018). The complexity of the process is a major contributor to the problems that arise while putting a strategy into action (Yang, 2019). The strategy that ends up being put into action may not always be the same as the one that was dreamed up (Reddy & Scheepers, 2019). Based on the literature research, this study defines fiscal strategy implementation as a management task requiring buy-in from many departments, the allocation of resources, and the expertise to put the plan into effect. The strategy rollout (also known as strategy planning), organizational design, operational design, evaluation, and management communication are all aspects of strategy implementation.

2.1.1.2 Compliance

To ensure that the goals of transfer price documentation are met, it is recommended that jurisdictions adopt a standardized approach. The Organization for Economic Cooperation and Development (OECD) suggests a three-level system that includes: A central repository for all members' information that conforms to set standards (MNE) a country-by-country file and a local file that comprises information pertinent to the material transactions of the local tax payer Report detailing the distribution of the MNE's income and taxes around the world, as well as indicators of the geographic distribution of the MNE's economic activity. The rationale behind this kind of transfer pricing documentation is that it gives tax authorities access to accurate data with which to conduct thorough risk analyses of transfer pricing. 33. In addition to laying the groundwork for an audit, it gives taxpayers the resources they need to carefully analyze and detail how they adhere to the arm's length principle in all material transactions. 34.

In order to aid tax administrations in determining the presence of material transfer pricing risks, the MNE group's master file provides an overview of the business, including the nature of its global operations, its overall transfer pricing policies, and its global allocation of income and economic activities.

23 The overarching goal of compiling this master file is to provide a bird's eye view of the MNE group's transfer pricing policies within the broader global economic, legal, financial, and tax framework. The purpose of the master file is to give tax administration with an overview of the MNE's global activities and

Countries	Documentation requirements	Penalty Regime	Disclosures requirements and declarations
Nigeria	<p>A connected person shall record in writing or any other electronic device or medium sufficient information or data with an analysis of such information to verify that the pricing of controlled transactions is consistent with the arm's length principle and the connected taxable person shall make such information available to the Service upon written request.</p> <p>2. The obligation of the taxpayer to provide the information referred to above does not preclude the Nigerian Revenue Authority from requesting for additional information which in the course of audit procedures it deems necessary to effectively carry out its functions as required by the</p>	<p>The documentation required by the regulations shall be in place prior to the due date for filing the income tax returns for the year in which the documented transactions occurred (Contemporaneous documentation).</p> <p>2. Such documentations, having been prepared shall be submitted to the Service within twenty-one (21) days of receiving a request from the Service, failing which the reporting entity shall be liable to an administrative penalty of a sum</p>	<p>A connected person shall declare its relationship with all related parties whether such persons are resident in Nigeria or elsewhere.</p> <p>2. Such declarations shall be in the form as may be prescribed by the Service from time to time.</p> <p>3. The transfer pricing declarations in reference shall be made and submitted to the Service not later than eighteen (18) months after the date of incorporation or within six months after the end of the accounting year, whichever is earlier.</p> <p>A connected person shall make an updated declaration upon the occurrence of any of the following events:</p> <p>(a) Merger of the person's parent with another company outside the group</p> <p>(b) Acquisition of up to 20% of the person's parent by persons not connected to the group.</p>

policies, thus tax payers should exercise sound business judgment in compiling lists of material agreements, intangibles, and transactions for inclusion in the master file. Notably, where the criteria of the master file may be fully achieved by explicit cross-references to other existing documents, such cross-references, combined with copies of the relevant documents, shall be assumed to satisfy the relevant requirement. Any data that, if left out of the master file, could compromise the accuracy of transfer pricing calculations is deemed crucial. 35 Although there may be some overlap in order to show conformity with the OECD principles, each jurisdiction or country has its own transfer pricing documentation requirements, each with its own distinct characteristics.

	<p>regulations.</p> <p>3. The documentations as in reference must be prepared, taking into account the complexity and volume of transactions.</p> <p>4. The Service shall have the authority to specify the items of documentation required to be furnished upon request.</p> <p>5. Such documentations shall be in place prior to the due date for filing the income tax returns for the year in which the documented transactions occurred.</p> <p>6. The transfer pricing declaration form shall be attached to the tax returns for the year to which it relates.</p> <p>7. The information, data and analysis as required to be furnished by the regulations must be so furnished within twenty-one (21) days from the date of such request.</p> <p>8. The Service may, however, upon reasonable request made to it by a connected taxable person extend the time within which the documents referred to above may be provided.</p> <p>9. The documentation retained by a connected taxable person shall be adequate to enable the Service verify that the controlled transaction is consistent with arm's length principle.</p> <p>10. The burden proof that the conditions of the</p>	<p>equal to:</p> <p>(a) ten million naira or one percent of the total value of all controlled transactions, whichever is higher.</p> <p>(b) ten thousand naira for every day in which the failure continues.</p> <p>3. A taxable person who contravenes any of the provisions of the regulations for which no specific administrative penalty is defined shall be liable to a penalty as prescribed in the relevant principal tax law.</p> <p>4. A connected person whose total value of controlled transactions is less than three hundred million naira may choose not to maintain contemporaneous documentation, provided that where the service considers it necessary, it may demand that relevant documentations be prepared and submitted to it not later than 90 days from the date of receipt of such notice.</p> <p>Failure to comply with a notice</p>	<p>(c) Merger of the person with another company.</p> <p>(d) Sale or acquisition of a subsidiary by the person.</p> <p>(4) The updated declarations shall be made and submitted to the Service within six (6) months of the end of the accounting year in which the event occurred.</p> <p>(5) Disclosures: For each year of assessment, a connected person shall, without notice or demand, make a disclosure of transactions that are subject to the regulations.</p> <p>(6) Such disclosures shall be in the form as may be prescribed by the Service from time to time.</p> <p>(7) The disclosures shall be made and submitted to the Service not later than six months after the end of each accounting year or eighteen months from the date of incorporation, whichever is earlier.</p> <p>(8) Where a connected person fails to make the disclosures of transactions which are subject to these regulations within the period defined by the regulation, an administrative penalty shall apply as follows:</p> <p>(a) Ten million naira or one percent of the value of controlled transactions not disclosed, whichever is higher and</p> <p>(b) Ten thousand naira for everyday that the failure continues.</p> <p>(9) Where a connected person makes an incorrect disclosure of transactions which are subject to the regulations, an administrative penalty of ten million naira or one percent of the value of the controlled transactions incorrectly disclosed, whichever is higher shall apply.</p>
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	<p>controlled transactions are consistent with the arm's length principle shall be that of the taxable person and the taxable person shall be regarded as satisfying this burden of proof if it provides documentations consistent with this regulation to support the consistency with the arm's length principle of the taxable profits derived from its controlled transactions.</p> <p>11. For each year of assessment, a connected taxable person shall, without notice or demand make a disclosure on the transfer pricing disclosure form or any other form as may be prescribed by the Service, details of transactions that are subject to the regulations.</p>	<p>requesting such information shall attract an administrative penalty equal to the sum of ten million naira or one percent of the total value of all controlled transactions, and ten thousand naira for every day in which the failure continue.</p> <p>5. The Nigerian country-by Country regulations requires that where the ultimate or a constituent entity of a multinational enterprise group is tax resident in Nigeria, such Nigerian resident entity shall be required to file a Country-by-Country Report with the Federal Inland Revenue Service for an accounting year where the group has a total consolidated revenue of one hundred and sixty billion naira or more in the immediate preceding accounting year. The deadline for filing the report is on or before twelve months from the last day of the reporting accounting year of</p>	<p>(10) A connected person may apply in writing to the Service for an extension of the time within which to make the disclosures required by the regulations, provided:</p> <p>(a) The application for such extension is submitted before the expiration of the time stipulated in the regulation and</p> <p>(b) The application shows good course for the entity's inability to comply within the stipulated dates.</p> <p>(11) Where the Service is satisfied with the cause shown in the application, it may, in writing grant an extension of time.</p>
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		<p>the multinational group. Penalty for late filing of the report is ten million naira in the first month of failure and one million naira for every subsequent month that the failure continues.</p> <p>Penalty for incorrect or false report is ten million naira.</p> <p>Penalty for failure to notify Federal Inland Revenue Service of the multinational group's ultimate parent entity, Surrogate Parent entity or identity and residence of the group's reporting entity is five million naira for the first month of default and ten thousand naira for every subsequent month that the default continues.</p>	
Ghana	<p>For the purpose of obtaining full information in respect of the income of a person or any other part thereof, The Commissioner-General of the Ghana Revenue Authority may, require the person or any other person to produce for examination, or by any person appointed by him at such place or time as may be determined, any documents or information as defined by the Ghana</p>	<p>Taxpayers with related party transactions are required by the regulations to maintain and file relevant documentations with the tax authority within a defined timeline:</p> <p>1. Annual transfer pricing return shall be filed within four months after the financial year end.</p>	<p>As articulated in the documentation requirements, the regulations define mandatory disclosure filings as follows:</p> <p>Annual transfer pricing return shall be filed within four months after the financial year end.</p> <p>Country-by-country (CbC) reports are required to be filed within twelve months after the financial year end.</p> <p>Master file is to be filed within four months after the financial year end.</p> <p>Local file to be filed within four months after the financial year</p>

	<p>transfer pricing regulations. The purpose of the documentations as required by the regulations is to demonstrate how taxable persons' methods and prices satisfy the arm's length principle. Such specific documentations include the following:</p> <ol style="list-style-type: none"> 1. A general description of the organizational, legal and operational structure of the group of associated companies which the taxpayer is a member, as well as any relevant change therein during the taxable period. 2. The group's financial report or equivalent annual report for the most recent accounting period. 3. A description of the group's policy in the area of transfer pricing if any. 3. A general description of the nature and value of the controlled transactions in which the taxpayer is involved or which have an effect on the income of the taxpayer. 4. A description of the functions, assets and risks of the group companies to the extent that they affect or are affected by the controlled transactions carried out by the taxpayer, including any change compared to the preceding period. 5. With respect to each material controlled transaction carried out by the taxpayer, a description of the transfer pricing method used by the 	<ol style="list-style-type: none"> 2. Country-by-country (CbC) reports are required to be filed within twelve months after the financial year end. 3. Master file is to be filed within four months after the financial year end. 4. Local file to be filed within four months after the financial year end. Penalty and interest will apply if taxpayers do not comply with the transfer pricing documentation requirements as defined by the regulations <p>The Ghana transfer pricing regulations do not elaborately define Specific penalty regime for failure to comply with any of the transfer pricing documentation requirements as opposed to the Nigerian Income Tax (Transfer Pricing) Regulations, 2018. The Country-by-country (CbC) report is to be filed by the ultimate parent entities or constituent entities of a multinational enterprise (MNE) resident in Ghana for tax purposes. The rule does not</p>	<p>end.</p> <p>The filing of Country-by-Country (CbC) is a new compliance requirement as introduced by Ghana Transfer Pricing Regulations, 2020. This requirement will only apply to multinational enterprise groups with consolidated group revenue of two billion, nine hundred Ghana Cedis or above. This threshold (approximately equal to €420) significantly varies negatively from the internationally established standard as obtained in the OECD guidelines of €750 million. With this important variation from the global practice, MNES' Subsidiaries in Ghana may be required to file CbC even where they are not so required in other Jurisdictions. Such uniqueness in the provisions of the regulations, though at variance with globally acceptable practices has the potential for leaving no room for avoidable profit shifting by related enterprises with consolidated revenue below €750m.</p>
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	<p>taxpayer to demonstrate that the prices and other financial indicators associated with the transaction satisfy the arm's length principle and a description of why such methods are the most appropriate transfer pricing methods within the meaning of the regulations.</p> <p>6. A comparability analysis supporting the taxpayer's application of the most appropriate transfer pricing method prepared in accordance with the relevant provisions of the regulation.</p> <p>7. Financial data showing the results of controlled transactions sufficient to demonstrate the taxpayer's compliance with the requirements of the arm's length principle.</p> <p>8. Connected taxable persons to file annual transfer pricing returns four months after the financial year end and Country-by-country (CbC) reports twelve months after the financial year end. Local file is required to be filed four months after the financial year end and Master file is also required to be filed four months after the financial year end.</p> <p>9. Contemporaneous documentations to include local and Master files and this is to be filed electronically.</p>	<p>apply to MNE groups with annual consolidated revenue of less than two billion Ghana cedis or five hundred and ten million United States dollars (\$510) as reported in the consolidated financial statements with respect to the fiscal year that immediately precedes the reporting year.</p>	
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<p>Tanzania</p>	<p>1. The requirement for the preparation of contemporaneous transfer pricing documentation is in place. The qualifying threshold for preparing contemporaneous documentation is the taxpayers with related party transactions value of ten billion or more Tanzanian shillings. Meaning that related party transactions with values less than the recognized threshold need not file such documentations but should still prepare them and file within thirty (30) days upon request.</p> <p>2. Details to be included in the transfer pricing documentations are the computational workings carried out in determining transfer prices. Documentations must also include financial indicators, financial statements of the parties to the controlled transactions, including where the 'tested party' has been selected outside the country.</p> <p>3. In addition to the items specifically listed as required in a transfer pricing documentation, the Commissioner is empowered to request the taxpayer by way of notice to produce, including by way of creation of a document, any other information within a specified time of the notice.</p> <p>4. Where the most appropriate transfer</p>	<p>The Tanzanian transfer pricing regulations provide for a general penalty regime for failure to comply with the defined documentation requirements. In other words, no penalties are provided for breaching specific provisions of the regulations. The general provision states as follows: A person who fails to comply with this regulation commits an offence and is liable on conviction to imprisonment for a term not exceeding six months or to a fine not less than fifty million Tanzanian shillings or both imprisonment and fine.</p> <p>2. In determining whether the results of a transaction or series of transactions are consistent with the arm's length principle, the most appropriate transfer pricing method shall be used by taking into account:</p> <p>a) The respective strengths and weaknesses of the transfer pricing methods in the circumstances of the case.</p>	<p>The Tanzanian Transfer Pricing regulations provide for mandatory disclosure filing as follows: Any person participating in a controlled transaction shall prepare contemporaneous transfer pricing documentations which shall include records and documents that provide description of the following:</p> <p>Organizational structure, including an organizational chart covering persons involved in a controlled transaction.</p> <p>2. Nature of the business or industry and market conditions.</p> <p>3. The description of the controlled transactions.</p> <p>4. Strategies and assumptions regarding factors that influenced the setting of any transfer pricing policies.</p> <p>5. Comparability, functional and risk analysis.</p> <p>6. Selection of transfer pricing method.</p> <p>7. Application of the transfer pricing method.</p> <p>8. Documents that provide the foundation for or otherwise support or were referred to in developing the transfer pricing analysis.</p> <p>9. Index to document and</p> <p>10. Any other information, data or document considered relevant by the Commissioner-General of the Tanzanian Revenue Authority. All the documentations in reference for a year of account shall be in place prior to the due date for filing the income tax return for that year. The disclosures in reference shall, upon request by the Commissioner-General be submitted within thirty days from the date of request.</p>
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	<p>pricing method requires the selection of a tested party outside Tanzania, such a party shall be considered only when a person provides all relevant information of the person. In other words, it is likely the Tanzania Revenue Authority will reject a tested party if it is a foreign entity and its financial and other information is not available to the Tanzanian Revenue Authority.</p>	<p>b) The appropriateness of the transfer pricing method having regard to the nature of the controlled transaction determined, in particular through an analysis of the functions undertaken by each person that is a party to the controlled transaction.</p> <p>c) The availability of reliable information needed to apply the chosen method and</p> <p>d) The degree of comparability between controlled and uncontrolled transactions, including the reliability of adjustments, if any, that any be required to eliminate differences.</p> <p>Any persons who fails to comply with these documentation requirements commits an offence and shall be liable to a penalty equal to 100% Of the underpayment of tax.</p>	
		<p>3 Failure to provide documentations attracts a penalty of 52.5 million Tanzanian shillings.</p>	

Figure 1: Comparison of the documentation requirements of Nigeria, Ghana and Tanzania.

Source:

The objective of comparing the provisions of the transfer pricing regulations of the above three countries is to demonstrate the uniqueness of each country's circumstances and the applicability of the requirements of such regulations. In order to drive the correct implementation of transfer pricing regulations, most countries impose penalties either for inaccurate determination of taxable income or wrong or incomplete documentation.

The OECD acknowledges the use of penalties in order to promote compliance but argued that a penalty regime that is too hard on the taxpayer may distort the determination of taxable income between two jurisdictions and dampen productivity. In view of this, most OECD member countries prefer that taxpayers who act in good faith should not suffer substantial penalties³⁶. It could be observed that while the Nigerian regulations provide for a comprehensive special penalty regime for breaching documentation requirements, both Ghana and Tanzania have regulations which provide for the implementation of general tax penalty regimes. The import of this is that the peculiarity of each environment defines its requirements and demonstrates that the implementation of transfer pricing penalties in most cases is connected with the introduction of statutory documentation requirements.

Country	Regulations	Issued date	Arm's length price acceptable method
United States	Internal Revenue Service code Section 482	July 1994	1. The comparable Uncontrolled price method (CUP) 2. The Resale Price method 3. The cost plus method 4. The comparable profit method 5. The profit Split method
Australia	Australia Tax Office TR98/11 (Complements	June 1998	1. The comparable uncontrolled price method (CUP)

	TR97/20) on arm's length transfer pricing methodologies)		2. The resale price method 3. The cost plus method 4. If any fails, arm's length price is based on profit split and transaction net margin methods.
Canada	Revenue Canada information circular No 87-2 (Tang 1997)	Feb. 1987	1. The comparable uncontrolled price method (CUP) 2. The resale price method 3. The cost plus method 4. Other reasonable methods.
China	Income Tax law of the People's Republic of China for Foreign Investment Enterprises (FIEs) and Foreign Enterprises (PE) (Income Tax), Regulations for the Implementation of the income Tax Law of the People's Republic of China for Foreign Investment Enterprises and Foreign Enterprises (Implementation Regulations) (Tang 1997).	1991	1. The comparable uncontrolled price method 2. The resale price method 3. The cost plus method Other reasonable method.
International Accounting Standards (IAS).	IAS 24, Related Party Disclosures	Jan 1986 Revised Dec. 2003.	1. The comparable uncontrolled price method (CUP). 2. The resale price method 3. The cost plus method
Japan	Article 66-5 of the Special Taxation Measures Law (STML) (Tang 1997)	March 1986	1. The comparable uncontrolled method (CUP). 2. The resale price method 3. The cost plus method 4. Other method The law does not specify a priority in the use of the first three methods.

Figure 2: Transfer Pricing Regulations of Selected Developed Countries and acceptable transfer pricing methods for the sales or transfer of tangible goods ³⁷.

2.1.1.3 Audit

Although the word "audit" derives from the Latin verb "auditare," which means "to listen," discussions about auditing date back to the Assyrians, the Egyptians, Charles I of England, and Edward I of England. Specialist Jacques Renard suggests that the rise of internal and external auditing may be traced back to the onset of the Great Depression in the United States in 1929, when businesses were hit hard by the economic dislocation. In an effort to cut costs, businesses have investigated every account that has ever generated a tax or a fee to determine whether or not the taxable supply could be decreased or whether or not any fees had been unlawfully paid. We are far removed in time from the Great Depression of 1929, but in many ways, the current crisis is strikingly comparable. The auditing profession has been around for a long time, as evidenced by the wide variety of names used to describe the process, including inspection, control, revision, checking, auditing, and supervision.

Each of these concepts involves the following steps: - a comparison of the current state to the ideal state; - the identification and assessment of any discrepancies or hazards; - the suggestion or recommendation of actions to help the business accomplish its goals or give accurate information. Depending on the methods and procedures used in the investigation, these phrases may have a narrower or broader meaning. The Latin word "audire" translates to "listen" or "tell" in English. To express a judgment on the regularity and sincerity of audited information, an independent professional conducts an audit, which, in modern Anglo-Saxon countries, refers to a review of accounting and other information. Auditing is the practice of checking the accuracy and reliability of data or assertions by comparing them against established criteria and reporting the findings to those who are interested in them. An impartial expert verifies and attests to the financial accounts' accuracy in order to

render an opinion on their veracity and validity. The purpose of an audit is to give users an accurate, clear, and complete view of a company's financial situation and performance based on the principles and accounting practices used in the preparation of the financial statements.

The following broad characteristics can be gleaned from an examination of audit data definitions: To acquire reasonable confidence on compliance of such information or statements with established criteria, an audit is a procedure, set of operations, collection, analysis, and evaluation of information (audit trail). An audit essentially entails the following steps: - gathering audit evidence that is both sufficient to form an opinion or recommendation and fair (just the character of the evidence relates to the quality and effectiveness of the types of samples collected); - assessing correspondence or inconsistencies between different types of collected samples; - establishing the deviations pertaining to the pre-set criteria. Several factors, including IFRS, IAS, national accounting standards, internal procedure manuals, tax legislation, etc., are utilized to evaluate the entity's accounting policies and work methods during the audit. In order to be productive, these encounters need to be predicated on evidence that can stand up in court. Third, auditors are highly qualified experts who have shown their knowledge through testing. Information is not examined at random, but rather in accordance with auditors' ethical criteria (codes of ethical conduct established by the profession and the Seventh Directive of the ECA in 1984. professional standards and technical standards work). The reports available to individuals who are interested provide a summary and organization of the auditor's findings.

The effectiveness with which an organization keeps its operations running smoothly and its accounting processes managed in accordance with its standard norms and regulations can be gauged through an audit of intra-organisational activities. Companies may be confident that their administrative basics are being followed and that their financial reporting is as accurate as possible thanks to periodic audits. In other words, the goal of internal auditing is to help firms become more efficient by identifying and fixing any weaknesses in their current setup. To ensure that all of a company's internal rules and regulations are being adhered to, it may undergo an internal audit. There is a predetermined code of conduct at every company. Companies have an auditor become certified in internal auditing to verify compliance with all of these policies and procedures, both from a legal and operational efficiency standpoint. The management of every firm can benefit from conducting internal audits. The companies' financial reports and data gathering procedures are analyzed to determine if they are fair in using various strategies to attain their aims.

2.1.2 Institutional Capacity

Capabilities and organizational capacity have been the subject of extensive research and writing. Many academics adopt a resource-based perspective (Nelson & Winter, 1982), according to which institutions or states' capacities are an organization's most valuable assets. These capacities are the result of years of cooperation and experience, during which time the participants in the partnership honed the skills necessary to work together effectively (Spekkink, 2013). The research in this article provides a more administrative perspective on capacities as the resources and instruments an organization employs to carry out its mandates, and its concentration is on government organizations at the level. To distinguish between delivery capacity, analytical capacity, coordination capacity, and regulatory capacity, authorities need to

have what are called administrative capacities, which Lodge and Wegrich (2014) define as a collection of skills and competencies.

Institutional capacity is the ability to boost the well-being of the governed, the citizens, by the provision of suitable services, such as those that promote the creation of jobs, the expansion of educational opportunities, and the improvement of access to medical care. When all available government resources are put to use, this is the greatest sustainable amount of public production. The ability of government workers (such as Customs and Police officers) to achieve maximum public output (services) at minimum expense in accordance with the organization's stated goals and objectives. To confront the problems of fast globalization, governments, according to Farazmand (2009), must constantly enhance their administrative capacities. The expert remarked that these difficulties are marked by extremes of rivalry, complexity, and uncertainty.

In addition, the term "institutional capacity" has other applications (Misener & Doherty, 2009). Management and execution require running the machinery of a political or economic system and giving concrete form to political and social will (Farazmand, 2009). Also, it's a sum of public employees' individual abilities, since their abilities are what ultimately decide the quality of services provided (Mentz, 1997). Functioning, problem-solving, aiming, and succeeding are all examples of what we mean when we talk about an institution's "capacity (Milio, 2007). Therefore, it is the characteristics of effective organizations that allow them to fulfill their mandates (Misener and Doherty, 2009).

There is no agreed-upon way to define or assess institutional capacity, which is an intangible resource (Black and Lynch, 2004). There seems to be some variation in the abilities of different institutions depending on the tasks at hand. It is highly doubtful, according to Honadle (1981), that the field of public administration will ever agree on a single definition of institutional capacity. Capacity building to achieve measurable outcomes is a must for all institutions. Institutions as diverse as governments, universities, businesses, police forces, and hospitals rely heavily on it. As a result, it is crucial for both advanced and emerging nations to enhance the capabilities of institutional staff.

In recent years, people have begun to reevaluate the importance of the government in driving economic growth (Centeno et al., 2017). Research into the link between governance, institutions, and long-term economic development has been pushed forward by an examination of "state capacity," which is "the institutional capacity of the State to carry out various policies that deliver benefits and services to households and firms" (Beesley & Shebby, 2010). Institutional capacity in governance and public administration are called into question in Professor Farazmand's (2009) article, "Building Institutional capacity for the Age of Rapid Globalization: A Model Prescription for the Twenty-First Century." The academic has come to the conclusion that current forms of administration are inadequate to deal with future threats. Changes are needed in public governance and administration that prioritize the cultivation of nonlinear and surprise-management-oriented sets of knowledge, skills, cultures, and designs.

There is mounting evidence in the literature to demonstrate that an organization's structure significantly influences its administrative productive capacity (Black and Lynch, 2004). Organizational structure refers to the underlying plan (set of procedures) that ensures its smooth operation (Chandler, 1962). In Chandler's view, tactic dictates form. Therefore, public administrators should create efficient plans to boost institutional capacity. For these plans to be successful, they need to be backed by thorough strategic planning processes, a pool of qualified employees, the ability to generate new ideas, and oversight from upper management. Strategic planning and human resource competence are recognizable as institutional capacities that FIRS can deploy to achieve the gain of transfer pricing regulations.

2.1.2.1 Strategy planning Capability

Government agencies are planning to fail if they do not make preparations for the future. In order to mitigate the effects of a growing population, expanding economy, and more widespread social and economic ills, any organization worth its salt needs a well-thought-out strategy. A prescription for social, economic, and political disaster is the lack of a comprehensive strategic plan that lays out a strategic roadmap for public institutions, especially in times of expansion and uncertainty. Explain the concept of strategic planning and why it is so important to government entities.

Strategic planning, as defined by Auka and Langat (2016), is a management tool used to help the organization concentrate its efforts, unify its members behind a common vision, and adapt to an ever-evolving external environment. Islanders from Mishi, Gomera, and Chinyamurindi (2018) Strategic planning is the process of ensuring that an organization's long-term objectives, resources, and strengths are all aligned with its

current and future circumstances (Grant 2014). Donkor (2017) Establishing a mission and set of objectives, conducting an environmental scan, developing a strategy, putting it into action, and monitoring its effectiveness are all expected steps in the strategic planning process.

In the company of Koko and Zuru (2019) The process of strategic planning entails the use of objective criteria to the formulation, implementation, and monitoring of strategy, as well as the appropriate documentation of organization expectations. Adetayo (2018) explains that strategic planning is a methodical procedure that entails envisioning a desired future and translating that picture into broadly defined goals and a set of sequential actions. The Names Krisada and Kittisak (2019) Strategic planning, or SP, is a method businesses use to create plans that they hope will boost their operations' efficiency and productivity (Guzman & Lussier, 2015). According to Gumel (2019), strategic planning is the procedure through which an organization chooses its objectives, plans its course of action, and allots its resources in order to achieve those objectives.

Business goals, a long-term vision, and a detailed strategy outlining how those things will be accomplished make up the foundation of the strategic planning process (Dole 2013). Long-term thinking is essential in strategic planning (Abu Khader & Abu Karsh, 2020). Functional coverage, centralized planning, planning horizon, planning formality, and internal and external direction are all important aspects of strategic planning (Al-Dhaafri & Alosani, 2020). The benefits and drawbacks of strategic planning have been the subject of numerous academic studies, including those by Alosani and Yusoff (2020), Jayawarna and Dissanayake (2019), Posch and Garaus (2020), and Salkic (2014). Boost collaboration by incorporating the plans of all

departments into a unified company plan (Jayawarna & Dissanayake, 2019). Strategic planning was highlighted as one of the most important aspects influencing success by Alosani and Yusoff (2020). One of the tools available to managers today, it can be used to tackle open cases and boost productivity.

Salkic (2014) argues that businesses' poor performance and diminished market viability are the results of a lack of strategic planning. According to Posch and Garaus (2019), strategic planning can help an organization in a number of ways, including by fostering creativity, boosting morale, improving internal communication, igniting thought processes, accumulating data, assessing the external environment, and weighing all viable options. Posch and Garaus (2019) were supported by Enwereji and Uwizeyimana (2019), who argued that strategic planning is useless unless it is put into action. As a result, the research defines strategic planning as a corporate-level activity that entails charting a course toward the realization of the organization's vision and goal, both now and in the future.

2.1.2.2 Human Resource Capability

To acquire their services, cultivate their innate abilities, motivate them to perform at a high level, and ensure consistency of commitment to the organization's overall objectives, all of which are critical to the achievement of organizational goals, human resource management practices deal with the human aspect of management (Banerjee, 2018; Chukwuka 2016; Chukwuka & Nwakoby, 2018). Human resources, as defined by Edom, Inah, and Adanma (2015), are the people who work for a company or other organization. To remedy the shortcomings of Edom et al proposed 's definition, this

paper proposes a more restricted understanding of human resource as such. Nabil, Ahmed, and Rahman (2017) and others have noted that human resources are a company's most valuable asset, essential to ensuring the company's long-term viability and competitive edge. Human resource management tasks, such as hiring, training, and promoting employees to fill open positions, and keeping records of those employees, are crucial to any business's success and long-term viability (Dessler, 2011; Sarah, Sang and Ngure, 2018).

Acquiring, developing, appreciating, and rewarding employees as well as paying attention to their labor relations activities, health and safety, and fair treatment on the job are all examples of competent HR activities, as emphasized by Nabil et al. (2017). Human resource management practices, as defined by the academics, are "a set of interrelated and integrated functions, processes, and systems that emphasize the appropriate use of individuals working in an organization in such a coherent and with sets of unifying strategies to accomplish both the organization's and the individual's goals." The definition of HRMP offered by Nabil et al. (2017) appears comprehensive because it includes all the activities involved in human resource management, including those that Edom et al. (2015) left off.

Elumah, Shobayo, and Adeleke (2017) provide a similarly robust definition of HRMP by arguing that it entails the creation, implementation, and assessment of policies, procedures, methods, and programs that are directly related to the recruitment, hiring, training, and management of personnel within an organization. Edom et al. (2015) argue that human resources should be accounted for in the same way as any other asset. They need sustained financial input to become profitable. Capitalizing and

depreciating the costs of hiring, training, and development throughout the expected useful life of the human resource accounts for attrition and wear and tear. The problem with this description is that HR is reduced to a cost center, which may not be accurate across industries.

According to Tabiu (2019), literature has chronicled the efficiency with which workers operate within businesses. The author argued that workers are a critical factor in determining whether an organization achieves its goals or not. Perhaps this is why companies have started viewing their staff as an investment rather than an expense in recent years. Therefore, a company can acquire an edge over rivals through smart HRM strategies including training, involvement, pay, and empowerment (Pfeffer, 1994; Tessema, Craft, Subhani, & Tewold, 2015).

Osemeke (2012) argues that managing employees well is one of a company's most important responsibilities. Human resource management techniques have an impact on an organization's success because of the quality of its human resources (HR) (Odogwu & Peter, 2012). Therefore, the distinction between well-managed and badly managed firms lies in the efficient and effective exploitation of these resources (Chukwuka & Nwakoby, 2018). As an added bonus, Sajuyigbe (2016) argued that making the most of available personnel is a key aspect in getting an organization where it needs to be. Similarly, Oyeniyi, Afolabi, and Olayanju (2014) argue that Human Resources Management techniques are the crucial channel via which businesses, whether in the private or public sector, may achieve their present and future goals.

While other definitions of HRMP have been proposed, each with their own set of strengths and faults, they all have a common critical perspective. To put it another way, the organization's goals will be achieved through the combined efforts of its employees, the organization's process, and any other relevant production elements. As a result, it's clear that the knowledge, skill, and competence of human resources in the workforce are crucial to the survival and success of any firm (private or public) in today's fast-paced economic world (Oginni, Erigbe, Ojo, Laosebikan & Ogunlusi, 2018).

Capabilities, as defined by Spasnos and Prastacos (2004), are "the capacity of an organization to use and integrate its resources, through its routines, in order to achieve its goals." To them, these procedures are not commercially available, are difficult to replicate, and have been built up over time by extensive, ongoing training and education. Their building blocks are the information that allows a company to take action and the people who take that action. In their 2012 article, Felin, Foss, and Heimeriks defined capabilities as "high-level routine (or collection of routines) that, together with its implementing input flows, confers upon an organization's management a set of choice alternatives for creating substantial outputs of a certain type" (p. 10).

Human resource capability, as defined by Alhadid (2016), is congruent with people's aptitude and adaptability to play critical roles in an agile organization that must constantly adapt to new conditions. Capability, as defined by Chuang, Liu, and Chen (2015), is "the ability of the firm to use its human resource policies and practices to acquire, cultivate, and retain the capacity to deploy human resource" (p. 2). It's a

barometer for how well a staff can carry out its assigned tasks (Mavengere, 2013). According to Gary, Wood, and Pillinger (2012), human resources capability is a set of guidelines and procedures essential for carrying out a wide range of operations. Because of them, management is able to do its duties effectively. Al-Hosani, Arbab, and Elmasri (2017) define human resources capability as the managerial activity of identifying the project's workforce needs, responding to those needs by providing the appropriate workforce within the numbers and qualifications that correspond to those needs, and then efficiently using those resources to achieve productivity.

In addition, Gary et al. (2012) defined HRC as the process of focusing on all aspects of human resources necessary for an organization to achieve its goals, including but not limited to: recruiting, supervising, maintaining, and keeping workers, and then guiding them to accomplish those goals. Human resource information could play a crucial role in improving workforce effectiveness. Expert systems, for instance, might facilitate quick and efficient decision-making.

From Shuler and Jackson (1996)'s five (planning, employment, evaluation, rewards, and development) to Pfeffer (1998)'s seven categories of human resource practices, which were decomposed into four crucial human resource management activities, Chuang et al. (2015) detailed the evolution of the various perspectives on the specific activities of human resource capability in literature. Other aspects of the human resources capability sub-dimension described in literature include knowledge management and organizational learning. Management of knowledge entails its gathering, storage, retrieval, dissemination, and utilization (Alavi & Leidner, 2001).

In today's fast-paced world, it's more important than ever for businesses to be able to learn and adapt to their surroundings. Knowledge management (Baldi & Heier, 2009) and organizational learning may benefit from the use of KM systems.

In a study of small and medium-sized electrical and electronics manufacturing firms, Karami (2004) found that enhancing the firm's core strengths, especially its human resources capabilities, led to significantly improved company performance. In particular, the findings corroborate the hypothesis that human resource competences have a favorable impact on the success of small and medium-sized enterprises. As a result, any money spent on bettering the skills of the company's human resources should be seen as a vital, strategic aspect in boosting the company's success. The benefits of human resource capability include providing consistent, high-quality advice to management, setting clear performance expectations, implementing efficient change management processes, engaging employees in ways that are in line with current legislation and best practice principles, and providing support for human resource functions through a robust professional development program.

2.1.3 Tax Revenue Generation

Despite the fact that several authors use diverse terminology to define taxation, they all agree on one thing: it is obligatory. The purpose of taxation is to ensure that public authorities have the resources they need to provide citizens with social amenities and security, and to foster economic growth and prosperity³⁸. Most governments' revenue bases are built on taxation, which accounts for 39. Taxation is the economic pivot point between the state and its citizens, and tax money is the lifeblood of the social

compact. A nation's tax policy is the primary means through which public and private sectors allocate resources within the country. Taxes are levied for the purposes of controlling enterprises, reducing income inequality, lowering inflation, and protecting nascent industries. The term "tax" refers to the financial or material resources that private citizens are compelled to hand over to government agencies as part of the taxation process. Because tax money is designed to be used to provide public goods for the benefit of all citizens, no individual taxpayer receives any of the advantages.

For tax collection to be as efficient as possible, the tax system must encourage economic growth and development in a number of ways. Through the efficient and effective use of tax income, which in turn encourages voluntary compliance, a healthy tax system supports and drives commerce. In light of the fact that taxation continues to be one of the most stable ways in which states raise money to fund public expenditures, it is incumbent upon the appropriate authorities to implement tax policies that streamline tax administration while simultaneously fostering economic expansion⁴⁴. However, tax revenue generation in Nigeria has been hampered by public authorities' failure to meet the obligations outlined in their social contract with the country's population, making tax revenue mobilization a difficult task for those responsible for collecting the necessary funds⁴⁵. Nonetheless, a few schools of thought in taxes appear to propose reforms that would increase tax payer trust and encourage more people to fulfill their legal responsibilities to the state. The benefit theory of taxation is one such theory; it argues that tax rates are set automatically because individuals pay taxes in direct proportion to the benefits they receive from the State. In other words, the person who receives the most from public services is also the one who pays the most in taxes. The benefits theory's strong point is the one-

to-one relationship between tax collections and government spending. It's used as an approximation of market behavior in Sector 47's method of allocating public resources.

One line of thought continued by saying that since there is no such thing as tax evasion, governments should focus on taxing goods and services whose supply and demand are relatively stable. Where labor supply is perfectly inelastic, there appears to be consensus that income tax is the most effective tool for redistribution of wealth. This view is flawed because, in cases where tax rates, penalties for noncompliance, and regulatory environments are all unfavorable, income taxes actually provide a more inviting setting for tax evasion than do commodity taxes. No matter how you look at it, taxation is an important economic regulator for both advanced and emerging economies. To be more specific, taxes are administered to encourage revenue creation in order to fund public spending, provide merit goods, curb inflation, redistribute money, and discourage unsavory enterprises and the consumption of harmful commodities 49.

The creation of tax revenue is regulated by international tax regimes, which have their roots in both international and home tax policies and internationally accepted tax principles that arise from analyzing the many components of any domestic tax regime. 38 The International Tax regime consists of the following four main parts, each of which can be found in one of the following four primary sources: 50 The ideas, norms, regulations, and decision-making procedures upon which the tax regimes of individual jurisdictions are based. As a result of widespread agreement on basic concepts, tax treaties have emerged as a bilateral framework for preventing double taxation.

Multilateral agreements that address either internationally acknowledged concepts of substance or internationally adopted procedures, as well as the works of organizations like the Organization for Economic Cooperation and Development. The taxation axes are a stand-in for fiscal policy and have a wide-ranging impact on a nation's economy. Investing Activity May Be Slowed By Taxes. 51. When the benefits of working longer hours are diminished, people may choose to spend their time doing other things rather than working, which might reduce the labor supply. A negative impact of tax policy on R&D spending has the potential to dampen productivity growth. When one jurisdiction has a high tax rate and another has a low tax rate and a favorable regulatory climate, the flow of resources might be influenced by the tax rate. The effective utilization of human capital might be distorted by excessive taxation on labor.

Individuals, their assets, and businesses are all subject to taxation as a means of raising money to cover the costs of living. It's important to keep in mind that taxes are not voluntary contributions, but rather a legal obligation. Therefore, taxation is a mandatory levy imposed by government or any recognized authority of State, on property, goods, services, and people residing in a specific area, with the aim of generating money to pay the expenses paid by government on behalf of the people. 52. One of the many factors that contribute to Nigeria's economic growth is the country's tax system. 53. Direct taxes are those levied on a specific person, business, or asset, while indirect taxes are levied on a specific class of people or things. In contrast to indirect taxes, which are paid by the final consumer, the incidence of direct taxes is borne entirely by the person whose income is being taxed. Income taxes, both

individual and corporate, and value-added taxes are examples of direct taxes. Indirect taxes include value-added tax.

All citizens and permanent residents of Nigeria are subject to a personal income tax on all money earned in or brought into the country. The Federal Inland Revenue Service is responsible for collecting personal income tax from federal employees, Nigeria Police officers, Ministry of Foreign Affairs employees, and non-residents, while the States Boards of Internal Revenue are in charge of collecting tax from residents. All corporations based in or receiving revenue from Nigeria must pay corporate profit tax, often known as firms' income tax, while corporations based in or receiving revenue from oil and gas operations in Nigeria must pay petroleum profit tax.

Value-Added Tax Expenditure, sometimes known as Consumption Tax, is a tax levied on the gross proceeds from the sale of non-exempt, qualifying goods and services in Nigeria. Nigeria's tax system is governed by both central and local governments, each of which has certain territorial and tax-related responsibilities. The Taxes and Levies (Approved list for collection) Act No. 2, 1998 specifies these obligations. Section 2(1) of this Act provides that "Notwithstanding anything contained in the constitution of the Federal Republic of Nigeria 1979 as amended, or in any other enactment or law, no person other than the appropriate tax authority, shall assess or collect, on behalf of the government, any tax or levy listed in the schedule to this Act, and members of the Nigerian Police Force shall only be used in accordance with the provisions of the tax laws 54

Federal Government Taxes; These are tax kinds that are subject to the jurisdiction of the Federal Tax Authorities (Federal Inland Revenue Service) as stipulated by the

‘Taxes and Levies’ (Approved list for collection) Act, No 2, 1998. Examples of these are:

Firms’ Income Tax: This is charged on the profits of limited/Public limited liability companies. It is also known as corporate profit tax. Taxpayers in this category in Nigeria are evaluated based on their filings from the previous year. That is to say, this year's taxable gain is the result of last year's operations. Withholding tax is a form of prepayment of income tax. It is not a tax type in itself but a collecting tool meant to prevent tax evasion. Payments to taxpayers who participate in contract activities are subject to withholding at the source. It nonetheless, stands as credit to the taxpayer and it is eventually utilized to settle its tax burden when tax returns are finally submitted in respect of the year to which the deduction applies. If a taxpayer's declared tax due is higher than any credits or deductions to which they are entitled, then that taxpayer will get cash or a refund upon request.

Firms involved in petroleum exploration and production, often known as oil producing companies, are subject to a tax known as the Petroleum Profit Tax on their net income. The Petroleum Profit Tax Act sets the rules for this sector's businesses. There are two types of tax returns that they must submit: Returns of Estimated Taxes must be submitted within two months of the beginning of each fiscal year (Latest by the end of February of each year). The returns comprise the estimations of the Petroleum profit tax due for the accounting year based on the company’s authorized budget for the year and the expected price per barrel utilized by the Federal government in its annual budget as the reference price of crude oil. However, if the company learns during the accounting period that the initial estimates as filed may result in overpayment of tax at the end of the year due to changes in prices, cost, or

volume of production or liftings, revised estimated returns may be filed at any time during the accounting period.

Authentic/Final Tax Returns: Within five months after the end of the accounting period, i.e. on or before May 31 of the following year, production and exploration businesses must file their final returns based on their audited financial statements. On the basis of the predicted tax returns, the tax is paid monthly in equal installments.

VAT, or Value Added Tax: Consumption tax, or sales tax, is another name for this. Everyone who shops for products and services pays it, with the exception of those who buy exempt items. Taxpayers are able to offset the output VAT they incur when supplying the final customers with the Input VAT they incur when purchasing goods and services for use in manufacture or resale. The Value Added Tax Act regulates the implementation of this form of taxation.

Tax on educational institutions that serves as a form of development levy to spur the expansion of educational opportunities for all citizens (Majorly Tertiary education). Two percent of a company's taxable profit is subject to this tax. The Tertiary Education Trust Fund receives the funds collected by the Internal Revenue Service of the United States.

Income Tax on Capital Gains for Corporations and Foreign Residents. Basically, it's a tax on the profits made from selling tangible assets like buildings. There will be a 10% tax applied. Lastly Federal Inland Revenue Service stamp duties are assessed on legal documents signed by corporations. All contracts entered into by private citizens fall within the purview of the state's Board of Internal Revenue.

Taxes levied by individual states, such as the "Pay as you earn" (PAYE) version of the individual income tax and "direct assessments" of other types. (Taxation of Individuals Act of 2011 Section 104) (As amended). Section 3(1) of the Act states that tax must be paid annually on the whole amount that constitutes each taxable person's income for the year from sources within and outside of Nigeria 55. Examples of these levies are: Individuals are responsible for paying the withholding tax. When an individual disposes of a chargeable asset, he or she is subject to capital gains tax. Individually executed instruments, wagers on pools and lotteries, gaming and casino charges, and taxes on these activities all incur stamp duties. Fees for using the roads. Registration costs for commercial properties. Individuals are responsible for this development levy. Capital city street naming fees. Occupancy rights: State government fees for use of state-owned land in populated areas. Duties are taxes imposed by the market.

Spending by Municipal Governments Numerous types of taxes, such as those on property, salaries, purchases, and permits are collected. Shops and kiosks are included in the taxation. Fees for registering a marriage, a birth, or a death; Slaughter slab rentals; Tenant assessments; Fee for registering the naming of a street outside of the state capital. Property taxes in rural areas, excluding those levied by the federal and state governments for the upkeep of public infrastructure. Taxes and levies imposed by the market, with the exception of markets regulated by the state, Taxes on parking lots, charges for keeping pets, Costs associated with using non-motorized modes of transportation include bicycles, trucks, canoes, wheelbarrows, and carts Only cattle farmers are required to pay the tax on their livestock, Public convenience, sewage, and refuse disposal fees Wrong parking charges Public convenience, sewage, and

refuse disposal fees Customary burial ground permits Religious places establishment permits Signboard and advertisement permits Radio and television license fees (other than radio and television transmitters) Vehicle radio license fees (to be imposed by the local government of the State in which the vehicle is registered).

The study's scope looked at how transfer pricing restrictions affect tax collection, and future conceptual discourse on taxation would concentrate mostly on Federal government taxes that are affected by the profit-shifting behaviors of multinational corporations operating in Nigeria. The following are examples of such things: Company income tax, as per the Companies Income Tax Act, cap. 60 LFN, 1990. Tax on petroleum profits levied under the Petroleum Profits Tax Act, Cap. 354 LFN (1990). Gains on investments are subject to taxation under the Capital Gains Tax Act (Cap. 42, L.F.N., 1990). Tax on added value, regulated by Law No. 102 of 1993. Imposition of stamps according to the Stamp Duties Act, Chapter 411 of the Laws of the Federation of the Philippines, 1990. Taxes on individual income, as specified by the Taxation of Individuals Act of 2011 (As amended).

The productivity or lack thereof of other levies, such as the tertiary education tax and the information technology development levy, is likewise affected by the profit shifting strategies of multinational firms. Companies that are not in the oil and gas industry, and that are not resident in Nigeria but have a physical presence there, can find taxes information in the Companies' Income Tax Act.

Revenue Sharing in the Oil and Gas Industry Most oil and gas firms are global corporations whose activities encourage money transfer from host countries to low tax jurisdictions. They fall into two main groups: Activities in the Upstream: Many

people use the term "exploration and production" to describe to these businesses. The operations of these companies include surveying, exploring, drilling, producing, and transporting crude from the drilling sites to the places of sale⁵⁶. Upstream operators have their tax matters handled by the Petroleum Profit Tax Act (PPTA), Cap. P13, 2004 LFN, as amended by numerous operator agreements. A few defining characteristics of the upstream industry are as follows: Extensive use of capital, a high potential for failure, a convoluted system for reporting and paying taxes, an unconventional approach to bookkeeping, The four main functions of this industry are: Acquisition of Mineral Rights. As the sole owner of the country's natural wealth, the Nigerian federal government issues oil prospecting licenses as concessions to exploration and production corporations. Permissions like these are what the various licenses are for. Permit for Petroleum Exploration: The holder of this document will have the right to engage in petroleum exploration, but that right is not exclusive to the holder. Only in regions without a current oil prospecting or oil mining license can this document be granted to a licensee. The license is valid for a single year and can be extended for another year. The license will expire on December 31 of the year after it was granted.

By holding an oil prospecting license, one is granted the unique right to conduct petroleum exploration and prospecting inside the granted territory. Oil well appraisal is the only activity covered by the license. An appraisal well is one drilled as part of a program to assess a field's potential yield, resource potential, and physical boundaries. Appropriate properties (such as flow rate and reserve quantity) of a confirmed hydrocarbon accumulation are evaluated using appraisal wells. A standard OPL will last for five years. Operators of production sharing contracts might expect terms of up

to ten years. The application fee is \$10,000. (\$10, 000). The owner of an oil mining license is granted the exclusive right to locate, extract, transport, and dispose of crude oil. Only those OPL holders who have discovered oil in commercial amounts to enable daily production of at least 10,000 barrels will be granted this permit (10000 barrels). The maximum time frame is twenty (20) years. The cost to submit an application is five hundred thousand Singapore dollars (\$500,000. For both OPL and OML, the application fee to assign or sublet is five hundred thousand naira, or 500,000. In exploration, seismic surveys, data interpretation, and test wells are used to locate and assess potential petroleum drilling sites. A seismic survey is a type of geographical survey that uses physical concepts like magnetism, electricity, gravity, temperature, and elasticity to determine the qualities of the earth.

The right of access to properties for the purpose of conducting geological and geographical research, as well as other expenses, add up quickly when conducting exploration activities. Budgetary requirements for exploratory wells (including drilling and equipment). In compensation for the costs of drilling a test well and analyzing the results, the parties to the agreement may be obliged to make dry hole contributions in the form of cash or land. Bottom hole contributions are monetary payments made by one party to another in exchange for the provision of geological or drilling data, usually in consideration for the drilling of a well to a certain depth. Expenses incurred while holding undeveloped land, including title searches, stamp duties, rentals, and lease recordkeeping. Compensation for economic crops, surface rights, road construction, and local community settlement, among other costs.

When commercial quantities of hydrocarbons are discovered, the next step is to drill wells, develop oil fields, build flow stations, and lay pipelines. When commercial quantities of hydrocarbons are discovered, appraisal wells can be drilled to assess the size of the reserve and the rate at which oil and gas are being extracted. Costs associated with producing hydrocarbons include labor for bringing the resource to the surface, processing it in the field, storing it, treating it, maintaining the facilities used to create them, the cost of any necessary raw materials, the cost of any fuel used, and any royalties owed. Processing that occurs further down the line. Companies in the downstream sector deal with the likes of oil distribution and marketing, gas utilization, oil refining, and oil servicing, as well as the shipping of crude oil by ocean-going tankers. The tax affairs of the companies operating in the downstream sector are governed by the Companies Income Tax Act Cap. C21, LFN, 2004 (As amended) (As amended).

The Federal government puts in place multiple fiscal regimes to guide the operations in the upstream sector of the oil and gas business. Some examples include the Deep Offshore and Inland Basis Act, the Petroleum Profit Tax Act (PPTA), memorandums of understanding (MOUs), and production sharing contracts (PSCs) (PSC). The upstream oil industry is characterized by its high capital requirements. Three distinct business structures are used to fund upstream oil and gas operations, each of which has significant implications for the tax status of the corporations involved. These include joint venture contracts, Production sharing arrangements and risk service contracts. Companies engaged in exploration and production are consequently assessed to tax based on the fiscal regime they operate. The following are some of the key differences between the various fiscal systems:

Joint Venture Contract: Jointly owned by NNPC and major oil firms from across the world (IOCs). The concessions are held by the IOCs, who do, however, include the NNPC as a party to the agreement. The Joint Venture Contract might be either an Equity Shares Participation Contract or a Non-Equity Shares Participation Contract. The equity share participation alternative includes the formation of a new limited liability company to carry out the operations of the joint venture. Management Board of the company is constituted by stock holders in the company. A new firm is not founded under the Non-equity share participation model. The operator is the foreign co-venturer or partner who offers technical and consulting services to carry out the work program within the budget set by the operating Management, the committee made up of the joint venture partners. A joint venture's activities are governed by a memorandum of understanding (MOU). Financing: Both financial and human resources are provided to the business on the basis of equity interest under the equity share participation system. However, under the non-equity share participation agreement, production and exploration costs are covered by cash calls.

Those who take part in an equity share participation arrangement take on a certain amount of risk in exchange for the potential for dividends proportional to their equity interest (Shareholding). The crude oil is divided equally amongst the partners, who each handle their own extraction and disposal. Contribution to the Treasury: A royalty of 85% and a petroleum profits tax of 67.5% are due. In order for the business to recoup its preproduction costs, it must pay tax at a rate of 67.5% for the first five years. Here, the NNPC signs a production sharing agreement (PSA) with a third-party oil corporation based in another country. Deep offshore and the interior basin are the operational zones. There are two types of production sharing contracts: those signed

in 1993 or before July 1, 1998, and those signed or executed after that date. A 50% investment tax credit (ITC) is available for contracts signed before July 1, 1998, while an investment tax allowance (ITA) is available for QCE signed after July 1, 1998.

Oil blocks can be ring-fenced to prevent losses from spreading to neighboring blocks. Oil royalties are allocated to NNPC each month and are used to cover the concession area's annual rent and maintenance costs. NNPC is also assigned tax oil for the payment of petroleum profit tax on behalf of itself and the parties in the production sharing contract (PSC) (PSC). In order to recoup its initial investment and ongoing expenses, the International Oil Company has been allotted a certain quantity of expensive oil. If no oil is extracted or proved reserve is found, the financial burden of exploration and production falls entirely on the contractor.

According to the stipulations of the production sharing contract, both parties will split the remaining net profit after all expenses, taxes, and royalties have been paid. There are no restrictions on how the contractor (IOC) can spend its cut of the oil's profits and expenses. Half of NNPC's taxable profit comes from its petroleum operations. In accordance with the terms of the production sharing agreement, the following royalties will be paid: In sea depths up to one hundred meters, the percentage drops to 18.5 percent. Water density between 101 and 200 meters is 16.5%. Twelve percent of the water between 201 and 500 meters. A range of 8% from 500 to 800 meters of water. There is a 4% drop in depth between 801 and 1000 meters. No more than a thousand meters deep. Ten percent in the domestic market. Twenty percent of all profits from domestic operations are subject to royalty payments.

Investors, who are typically domestic oil firms, own the concessions in a risk service contract. Most of the oil fields within the concessions are small and struggling. Smaller oil blocks, or marginal oil resources, are primarily produced by domestic oil producers. Possible delay in developing such oil reserves could exceed ten years. Different forms such as sole proprietorships, partnerships, and others are possible. The investor contributes both financial resources and technological know-how to the petroleum enterprise. NNPC may sell the oil it extracts and reimburse the contractor in cash or in kind. If there is any crude oil extracted from the concession, the contractor can buy it back first. The contractor retains the right to exercise the buy-back provision even after the contract's expiration. The average length of an oil block contract is five years. The contractor fronts the cash for exploration and production, takes on all associated risks, and is paid back out of the proceeds from the sale of crude oil. In the first five years of the deal, he will get payments at a rate of 67.75% of petroleum profits to cover pre-production costs. The term "marginal fields" refers to oil fields that have been allocated to multinational oil companies but have been abandoned or neglected for at least ten years. The government cancels these permits and gives them to domestic oil producers or contractors.

Profits from the sale of crude oil are considered taxable income subject to the Petroleum Profit Tax. This is the total monetary value of crude oil sales, including those made abroad and at home. Multiplying the quantity of barrels produced by the price at which they were sold yields this figure. If the listed price is changed, the actual price will be used. The price of crude oil of a certain quantity and gravity, as agreed upon by the Nigerian government and the exploration and production firm, is the posted price. This price is supplied free on board (FOB). Crude oil of a certain

quality and density must be sold for at least the minimum price listed. However, it is common practice for agreements to allow for adjustments to the published price. The economic cost of getting rid of Chargeable Oil: This is the case when an E&P company also owns a refinery and uses its own crude oil to fuel operations there. As such, the value of the disposed chargeable oil is calculated by include the following: the cost to extract the oil plus any applicable disposal fees

Oil prices agreed upon by the corporation and the Federal government for royalty reasons; transportation costs; pipeline maintenance costs. After deducting the number of barrels consumed by the company internally, lost through evaporation, and returned to the field of production, the value of chargeable oil disposal is calculated by multiplying the adjusted posted price by the number of barrels produced. It's worth noting that the exploration and production firms have to pay tax on whatever side profits they make. Overriding royalty paid by farmees, rent of terminals for crude oil storage or sublet of equipment, rent of pipelines for transportation of crude oil or lease of equipment, interest on deposit, balancing charge, and rent of classified information paid by NNPC or any other company all qualify as examples of such income.

The Petroleum Profit Tax Act (PPTA) specifies the following costs that can be deducted: expenses for the use of real property and improvements for business purposes, Damages resulting from oil exploration or extraction are covered by the compensation clause of the relevant lease or prospecting agreement. All royalties paid or incurred for petroleum in its raw form (crude oil or petroleum spirit from the casing head). Loan interest is a cost incurred when a loan is used to fund business activities. Any money spent on upkeep and repairs of operational facilities and

equipment. All formerly tax-deductible costs attributable to oil royalties that were disposed of locally. Rental income that doesn't help the economy Essentials customs and excise taxes. Doubtful debt and bad debt provisions Exploration and drilling costs for the first two appraisal wells, regardless of whether or not those wells produce oil or gas. The funding of a pension, provident fund, or similar retirement savings plan that has been officially sanctioned. Stamp duties, taxes, rates, import fees, and similar liabilities owed by the company to any Nigerian federal, state, or local government. PPTA also specifies certain costs that can't be deducted when figuring your tax return. Among these are any funds used for purposes other than maintaining the account, as well as any funds withdrawn. the amount that could be paid back by a policy of insurance or indemnity agreement. Depreciation. The actual price of drilling. Any money put into an unauthorized retirement plan, such as a pension, provident fund, or 401(k). Taxes levied by the customs service on items purchased by an organization's staff for resale or personal use. Punishments, include fines and jail time. Allowance for potentially bad debts, Any money spent on learning more about a potential oil deposit's size or existence is considered a research expense. To the extent that FIRS permits charitable contributions, no.

Any assets owned by an exploration and production firm at the end of the accounting year that were used throughout the base period and for the purpose of carrying out the business of the company are eligible for capital allowances. Under the Act, capital allowances can be claimed for four distinct categories of investment: The physical assets of a company; this includes equipment and furniture. We have storage tanks and pipelines. Those things that are intended to last for a long time, like buildings. Acquisition of rights over petroleum reserves, as measured by actual drilling costs.

Prospecting for and evaluating potential deposits. Any new building or improvement that will be of limited utility once petroleum extraction is halted should be avoided.

Among the several forms of capital allowances are:

The Petroleum Investment Allowance is a first-year deduction given to an exploration and production business for any capital expenses made that year. The fiscal regime under which an E&P company operates will determine the petroleum investment allowance (PIA) rate that can be claimed by that firm. For a corporation operating under a joint venture contract fiscal framework, the petroleum investment allowance rate would look like this, for instance: In terms of eligible capital expenditures for: The rates are as follows: 5% for on-shore work, 10% for offshore work up to and including 100 meters of water depth, 15% for offshore work between 100 and 200 meters of water depth, and 20% for offshore work above 200 meters of water depth. Investment tax credit (ITC) equal to 50% of qualifying capital expenditure is available to companies operating under the Production sharing contract fiscal regime for contracts executed prior to July 1, 1998; for contracts executed on or after that date, the equivalent ITC is available in the form of an investment tax allowance (ITA).

Allowance per year: This is often extended for a period of five (5) years, during which time the qualifying capital expenditure asset may be employed only in petroleum operations. Currently, the payout schedule is as follows: 20% over the first

four years, 19% over the fifth, and 1% retained thereafter. As for the second point,

Capital Allowance Limitation: Under PPTA, a company's capital allowance can't exceed the lesser of its actual computed capital allowance or 85% of assessable earnings minus 170% of petroleum investment allowance (PIA). Allowed annual amounts not used during the year may be carried forward forever.

The following assessment criteria must be met in order to file and pay Petroleum Profit Tax (PPT): Taxes are based on a company's real revenue for the year for exploration and production firms. The tax year of assessment coincides with the accounting year of assessment. In other words, it has no concept of the year before. When calculating petroleum profit tax, the following time frame shall be used as the accounting period: A 12-month timeframe starting on January 1 and concluding on December 31 of the same year. A shorter term beginning on the day a corporation begins continuous production and sale (Domestic, export, or both) of chargeable oil and ending on December 31 of the same year. A time span of less than a year beginning on the first day of any calendar year and terminating on the day business stops producing petroleum.

Indicative of Tax Due Under PPTA: An accounting year's expected tax bill is divided into twelve (12) equal monthly payments, with the final payment being referred to as the "13th instalment." If the accounting period is 12 months long, the first payment is due and payable in March of that year. Payments due in subsequent months must be received by midnight of the month's last day. Keep in mind that the audited financial statements are used to compare the actual tax due for each year with the estimated tax. Where the actual tax liability exceeds the projected tax, the difference is paid in a single, lump-sum payment when the tax return is submitted. The difference between the actual tax liability and the estimated tax is carried forward as a tax credit or overpayment to be applied against the tax liability in the following year.

Because of the ease with which goods may be moved over international borders, multinational firms have an incentive to employ complex tax avoidance and evasion strategies, which allow them to shift their taxable income from the country of

incorporation to a lower-tax jurisdiction. Therefore, BEPS encourages instances when double non-taxation or less than charged by a single country can result from the interaction of several domestic tax regimes. It could also refer to a plan that avoids or minimizes taxation by relocating a company's profits out of the country in which those profits were earned. That revenue from cross-border operations might not be taxed, or might be taxed too little, is a major worry for tax policymakers who worry about the unintended implications of loopholes in the interaction between different tax systems and the execution of bilateral treaties. Base erosion and profit shifting are practices that reduce tax revenue growth in both wealthy and developing countries. However, developing countries are hit harder by this trend.

It is well known that developing countries like Nigeria have trouble raising tax revenue due to factors like the prevalence of informal sector-based economies, the low rate of taxpayer registration, the encouragement of non-compliance through the improper use of tax revenue by leadership (especially in Africa), and, most importantly, the inability of tax authorities to effectively implement anti-avoidance policies due to a lack of resources. Lack of anti-avoidance legislation, such as transfer pricing documentation requirements or thin capitalization rules⁵⁸, also makes it easier for multinational firms to shift profits from high tax to low tax jurisdictions. Income shifting is accomplished by the manipulation of transfer prices, the debt-equity structure of the organization, and the location of valuable assets, especially intangible ones. In addition, multinational corporations favor establishing subsidiaries in tax haven countries due to the lenient tax policies and regulatory environments provided by these nations. These nations facilitate tax evasion and avoidance practices⁶⁰ by providing incentives like a zero or low tax rate, a preference for not

sharing tax information with other nations, and the ability to conceal the true ownership of a company's assets. Other methods include providing intentionally low pricing on exports to subsidiaries in tax haven countries and providing artificially high prices on imports from such subsidiaries.

That is to say, in high tax jurisdictions, underreporting the value of exports and inflating the price of imports can be used to legally lower taxable profits⁶². The implication is that the host country's tax revenue productivity is diminished since the subsidiary's profit is artificially shifted out of the host country as expense in payment for the goods or services imported by it from the parent or other associated parties within the group. Where transfer pricing restrictions do not exist, or where they are ineffective, tax revenue losses increase dramatically. Tax-to-GDP ratios illustrate the less-than-ideal outlook for tax income in developing countries. In wealthy nations, this number is well above 30%, but in underdeveloped nations, it is still just about 15%. Intriguingly, Nigeria has a tax rate that is only 6% of its GDP. That means there is no context for taxpayers to voluntarily comply with tax laws on their own.

The Organization for Economic Cooperation and Development (OECD) has developed Base Erosion and Profit Shifting action plans to discourage profit shifting behaviors of related party organizations in an effort to limit profit shifting practices of multinational organizations and retain taxable revenue in the jurisdictions such revenues were generated. Because tax authorities and the public view the underreporting of corporate taxes as unjust and inconsistent with acceptable fiscal principles, base erosion and profit shifting weaken the legitimacy of the tax system.

Underfunding of public investments that could spur economic growth and development is a serious problem in countries where tax revenues are inadequate, which is 63 of them. Base erosion and profit shifting have far-reaching and far-reaching negative consequences. When a multinational corporation's effective tax rate is artificially lowered via income shifting practices, the corporation's reputation is put at stake. Other companies, however, may find profit shifting tactics to be unethical and hence forego legitimate means of reducing their tax obligations. However, tax authorities see profit shifting as a tool that reduces tax collection and thus take whatever precautions they can to prevent it.

The Organization for Economic Cooperation and Development (OECD) has produced a variety of guidelines that promote anti base erosion and profit shifting methods to encourage global economic success through sustained tax revenue productivity. The Base Erosion and Profit Shifting (BEPS) action plan summarizes these. Among the OECD's recommended actions to curb the practice of "profit shifting" by multinational corporations are the ones listed below. Individual National Reports: One of the four BEPS minimum standards is country-by-country (CbC) reporting in accordance with Action 13 Report on Base Erosion and Profit Shifting. Key information about a company's operations and revenues must be reported to each tax authority in each country in which it conducts business.

All constituent entities for which financial information is provided must be listed in the report, together with information such as the entity's primary business activities and the tax jurisdiction of incorporation (if different from the tax jurisdiction of residency). The Country-by-Country Report is important because it may be used as a starting point for a more in-depth analysis of the risks associated with transfer pricing

and other forms of base erosion and profit shifting. However, the transfer pricing analysis of individual transactions and prices based on a complete functional and comparability study is not something that can be replaced by the information in the Country-by-Country Report. This is due to the fact that the information contained within the CbC report does not provide sufficient proof as to whether or not transfer costs adhere to the arm's length standard. Specific disclosures required by the OECD rules for the Country-by-Country Report include the following:

For tax purposes, the reporting entity must detail all of the tax jurisdictions in which the MNE group's constituent firms are active. Both states and countries with their own tax systems qualify as having "tax jurisdiction." For tax purposes, the reporting MNE should also have complete information on all entities constituting the MNE group that it does not consider to be tax residents of any jurisdiction. If a Constituent Entity has more than one place of tax residency, the applicable tax treaty shall be used as the "tie breaker." In the absence of a tax treaty, a Constituent Entity must file its tax return in the country where it is most effectively managed.

Revenue: Among the revenue details that need to be disclosed are: the aggregate revenues of all Constituent Entities of the MNE group in the applicable tax Jurisdictions arising from transactions with affiliated firms; What is the total amount of money made by the MNE group's individual entities in the relevant tax jurisdictions through dealings with third parties who are not part of the MNE group? The total amount earned from dealings with all parties, including those in the same business and those in unrelated businesses. Income from the sale of goods and properties, as well as income from the provision of services, royalties, interest, premiums, and any other sources, should be included in the MNE's total revenue, but

dividend payments received from other constituent entities in the payer's tax jurisdiction should be excluded.

The reporting MNE is obligated to reveal the aggregate profit (loss) before income tax for each constituent entity that is tax resident in the applicable tax jurisdiction. The profit (loss) before income tax should include all extraordinary income and expense items. **Income Tax Paid on Cash Basis:** The reporting MNE is required to disclose the total amount of income tax actually paid during the relevant fiscal year by all the Constituent Entities resident for tax purposes in the relevant tax jurisdiction. Taxes paid should include cash taxes paid by the constituent entity to the residence tax jurisdiction and to all other tax jurisdictions. These (taxes paid) include withholding tax paid by other entities (associated and independent enterprises) with respect to payments to the constituent entity. Meaning that if a firm A resident in tax jurisdiction A earns interest in tax jurisdiction B, the tax withheld in tax jurisdiction B should be recorded by company A as tax paid.

Income Tax Accrued (Current Year): The reporting MNE is expected to provide the amount of the accrued current year tax expense reported on taxable profits or losses of the year of reporting of all the Constituent Entities domiciled for tax purposes in the relevant tax jurisdiction. This should only cover taxes owed for the current fiscal year's operations and not deferred taxes or preparations for potential future liabilities.

Stated Capital: The reporting parent company is obligated to disclose the aggregate par value of all outstanding shares of each Constituent entity that is tax resident in the applicable tax country. Where the entity in question is a permanent establishment, the reporting of stated capital is the responsibility of the parent legal entity, unless there

is a defined capital requirement in the tax jurisdiction where the permanent establishment is located. Total Accumulated Earnings: At year's end, the reporting MNE should provide the aggregated accumulated earnings of all the constituent businesses that are tax residents of the applicable tax jurisdiction.

In cases involving a permanent establishment, the earnings should be reported by the legal entity of which the establishment is a component. Full-time equivalent (FTE) employee counts for all component entities domiciled for tax purposes in the relevant tax jurisdiction must be reported by the reporting MNE. On the basis of average employment levels for the year or any other basis consistently applied across tax jurisdictions from year to year, the report should reveal the number of employees as of year's end. Workers who are independent contractors but who perform services for the constituent entity as part of its normal business operations may be counted as employees. As long as the relative distribution of employees throughout the various tax countries is not unduly misrepresented, approximation or fair rounding up of the number of employees may be acceptable.

Reporting Multinational Enterprises (MNEs) are obligated to disclose the aggregate net book value of their tangible assets and other cash and cash equivalents held by all of their constituent firms that are tax residents of the relevant tax jurisdiction. Assets should be recorded using the tax jurisdiction of the permanent establishment where the constituent firms are located. For this discussion, cash, cash equivalents, intangible assets, or financial assets are not considered physical.

Entities that make up the MNE group and are aggregated in each tax jurisdiction and the list of all entities included in each aggregated tax jurisdiction: The reporting MNE must detail, by legal entity name and by tax country, all the entities within the MNE group that are considered residents of the tax jurisdiction in question. Permanent establishments should be listed with a reference to the tax jurisdiction in which they are physically located. jurisdiction for tax purposes if differs from State or Province where Taxes Are Filed: If the tax jurisdiction in which the MNE's component entity is organized or incorporated is different from the tax jurisdiction in which the MNE is resident, the reporting MNE must disclose the name of that jurisdiction. Multilateral Competent Authority Agreement is a framework created by the Organization for Economic Cooperation and Development to ease the implementation of Country-by-Country Reports across jurisdictions (OECD). Countries that are or will be members of the Convention on Mutual Administrative Assistance in Tax Matters or the Convention on Mutual Administrative Assistance in Tax Matters as Amended by Protocol can automatically share Country-by-Country data through the multilateral competent authority agreement.

The Multilateral Competent Authority Agreement is an important step because it improves international tax transparency by allowing tax authorities in each tax jurisdiction where a multinational enterprise group operates to gain easier access to information concerning the global allocation of income, taxes paid, and credible indicators of the location of economic activities. An annual Country-by-Country Report exchange facilitates this. The goal is to help government tax agencies evaluate potential base erosion and profit shifting risks associated with complex transfer pricing arrangements. Each participating jurisdiction must have domestic law

obligations for the filing of CbC reports in accordance with Action 13's minimum standard before CbC reports can be exchanged.

It will not be possible for a jurisdiction that has not implemented the minimum standard to receive CbC reports filed in other jurisdictions. Confidentiality, consistency, and acceptable usage are preconditions for a jurisdiction to obtain or use Country-by-Country reports under the Action 13 minimum requirement. Exchange may be suspended for failure to adhere to confidentiality or acceptable usage restrictions. In addition, in any proceedings brought before a competent body, any corrections resulting from the improper use of the material in the CbC Report will be quickly admitted. 64.

Most multinational firms sign into Advance Pricing Agreements (APA) with the tax authorities of the jurisdictions in which they operate to reduce the likelihood of adjustments to transactions involving related parties. It's another way to make sure the arm's length principle is met and that there aren't any disagreements between tax authorities and taxpayers. Taxpayers and tax authorities can enter into an APA to determine the transfer pricing mechanism that will be used for future transactions. An Advance Pricing Agreement's main selling point is that, barring a breach of the agreement or a determination by any of the parties, no changes will be made to the taxpayer's transactions for tax purposes during the period of the agreement. This significantly lessens the administrative burden of complying with tax laws. However, due to the volume of supporting documents, an Advance Pricing Agreement can be quite pricey. To add insult to injury, organizations that employ tax avoidance methods may be hesitant to participate in Advance Pricing Agreement 65 because of the risk of disclosing confidential business information.

2.2 Theoretical Framework

In this section, two theories were reviewed given their relevance to this study. The theories include theory of regulation and dynamic capability theory.

2.2.1 Theories of Regulation

When it comes to the debate over the economic theories of regulation, there are two main camps. The first of these supposes that regulators have adequate information and enforcement powers to successfully promote public interest. Similar to the first group, this one believes regulators act in the public interest and are ultimately good. vital to the common good Possible explanations include ineffective market forces and effective government action.⁶⁶ If the costs and advantages associated with producing and consuming a good are not fully reflected in the price system, then the market is failing. The inequity leads to allocative inefficiency, which in turn leads to wasteful use of the good. In accordance with regulatory theorists, rules are a potent force for fostering positive social change and progress.

According to this hypothesis, which was first proposed by Arthur Cecil Pigou in 1932, regulations are put in place when the public calls for them to address inefficient or unfair market processes. However, there is another school of thought in the economics of regulation that starts with the counterintuitive premise that authorities lack complete data on the costs, demand, quality, and other factors that influence business practices. If they are in charge of regulating businesses or communities, they can only operate in the public interest.

Despite the apparent benefits of regulations, it is commonly argued that the costs associated with learning and complying with the rules, as well as whatever each individual law imposes on the targeted enterprises in the regulated market, essentially amount to a tax on the affected industry. In other words, companies in the impacted sector would likely pass on these regulatory costs to customers in the form of higher pricing for the goods and services they offer. To be more specific, critics of the public interest theory of regulation point to two issues that, in their view, can prevent the theory's goals from being realized.

There are a number of competing opinions on the ideal level of government oversight, and How challenging it is for lawmakers to know if a regulator will be looking out for the public good as well as their own. Overall, rules tend to hinder adaptability, creativity, and innovation, all of which eventually reduce productive use of available resources. This study used the 'Public interest theory of regulation' to analyze the effect transfer pricing regulations have on tax revenue performance in Nigeria. This theory recognizes the importance of transfer pricing regulations in preventing profit shifting, which in turn increases tax revenue that can be used to fund public goods and services and improve people's quality of life.

There is also the private-interest theory of regulation to consider. The private interest theory acknowledges that the transfer of wealth to more effective interest groups often result in a decline in social welfare and provides an explanation for regulation from the perspective of interest group behaviors. Companies, consumers, or consumer groups might all have a vested interest in a particular issue. According to George Stigler's private interest theory, popularly known as "Capture" theory, which was first

proposed in the 1970s, regulation is enacted in response to the demands of interest groups competing to maximize the income of its members. The private interest or capture theory of regulation, on the other hand, aims to satisfy the needs of a limited group and will stop at nothing to maximize the benefits to its members, in contrast to the public interest theory of regulation, which uses regulations to protect and advance public good through the implementation of rules that promote positive social change.

Article 9 of the OECD model tax convention, which forms the basis of bilateral tax treaties involving OECD member nations and non-member countries, is relevant because profit shifting by multinational firms plays a vital role in evaluating tax revenue productivity in Nigeria. This is because it contains the following and is the definitive statement of the arm's length principle: Any profits that would have accrued to one of the enterprises but for the conditions that were made or imposed between the associated enterprises in their commercial or financial relations that differ from those that would be made between independent enterprises may be included in the profit of that enterprise and taxed accordingly.

The arm's length principle is an approach that treats the members of a multinational enterprise group as operating as separate entities rather than as inseparable parts of a single unified business, with the goal of adjusting profits by reference to the conditions which would have obtained between independent enterprises in comparable transactions and comparable circumstances (in comparable uncontrolled transactions). Therefore, the primary goal of implementing transfer pricing regulations is to ensure that taxable incomes are retained in the jurisdictions where economic activities giving rise to them were carried out, and to ensure that

transactions by multinational enterprises are documented in a way that demonstrates compliance with the arm's length principle. Multinational corporations' profit-shifting practices can be limited to the greatest extent possible, freeing up funds that can be used to better the lives of people in host nations.

2.2.2 Dynamic Capability Theory

The Dynamic Capability Theory (DCT) is anchored on requirement for institutions to acquire knowledge, skill, and abilities (KSA) to survive and prosper in a changing environment. In their 1990 working paper, Teece, Pisano, and Shuen introduced the idea of dynamic capability. Teece and Pisano initially published it in 1994 (Kaur & Mehta, 2017). (Kaur & Mehta, 2017). In order to fully explain the interplay of its assumptions and to reply to critics, Teece and Pisano (1997) revised the earlier published work. In order to adapt to the ever-shifting external conditions, an organization needs the "dynamic aptitude" to draw from, develop, and reorganize both internal and external skills (Teece, 2014a). According to Teece's proposal, an organization's ability to adapt to new and uncertain circumstances depends on its "dynamic capacities" (Karimi & Walter, 2015).

Teece constructed the DCT on three assumptions: adaptive, absorptive, and inventive capacities, as these are regarded fundamental institutional-level dynamic capabilities (Kaur & Mehta, 2016a; 2016b; 2017; Onn & Butt, 2015; Wang, Senaratne, & Rafiq, 2015). (Kaur & Mehta, 2016a; 2016b; 2017; Onn & Butt, 2015; Wang, Senaratne, & Rafiq, 2015). Adaptive capability refers to the ability of a government agency to rapidly coordinate and restructure resources in response to sudden environmental

changes (Gibson & Birkinshaw, 2004) while maintaining the prior level of performance (Kaur & Mehta, 2016b) (Kaur & Mehta, 2016b).

The ability of a government organization to recognize, absorb, and profit from new information is known as its "absorptive capacity" (Hou & Chien, 2010). A company's ability to take in new information and incorporate it into its operations and services is a result of its underlying infrastructure (Monferrer, Blesa, & Ripollés, 2015). Knowledge acquisition, transformation, assimilation, and exploitation (KATE) are the four pillars upon which an institution's absorptiveness rests (Tseng & Lee, 2014). Innovative competence relates to the institution's ability to introduce innovative processes, management, and services (Wang & Ahmed, 2004). (Wang & Ahmed, 2004). It implies the ability of a government agency to exhibit innovative behaviors while always turning knowledge into new procedures and services to the citizens (Kaur & Mehta, 2016a) (Kaur & Mehta, 2016a).

Dynamic capability framework's emergence as the new standard in the field of administration and strategic management (Nair, Rustambekov, McShane, & Fainshmidt, 2014) is due to its increasing significance in the explanation of superior performance (high-performance work system) better compared with the other management theories (Cordes-Berszinn, 2013). (Cordes-Berszinn, 2013). These dynamic talents enable institutions to handle the difficulties given by the environmental dynamism, which otherwise would endanger and make the existing skills obsolete. If this idea is to be believed, government institutions will need to improve their capacity to exploit new resources while also updating their current set of skills and equipment (Agbim, Zever, & Oriarewo, 2014). As a result, such

government agencies will be more able to adapt to shifting environmental conditions, ultimately leading to improved institutional performance (Ogunkoya, Hassan, & Shobayo, 2014).

Although it has been theorized that an institution's adaptability could improve its performance, there is little in the way of hard data to back up this claim in the academic literature (Giniuniene & Jurksiene 2015; Laaksonen & Peltoniemi, 2016; Mu, 2017). And Drnevich and Kriauciunas (2011) suggested that there were a number of limitations to having such dynamic capacities. Some of these problems stem from the institution's static processes not being updated to take advantage of newer, more dynamic capabilities. In addition, implementing modifications may be complicated by the usage of dynamic capabilities and the requirement for intensive large-scale management (Drnevich & Kriauciunas, 2011). Furthermore, other scholars suggest that the significance of dynamic capabilities is constrained and indirect since they do not express the characteristics of heterogeneity (Easterby-Smith & Prieto, 2008; Ogunkoya, Hassan, & Shobayo, 2014). (Nieves & Haller, 2014).

Despite these caveats and criticisms of the DCT, academics have long held that dynamic talents, especially in a dynamic environment, are the keys to competitive advantage (Chukwuemeka & Onuoha, 2018; Kaur & Mehta, 2017; Lee, Wu, Kuo, & Li, 2016; Wang et al., 2015). To further demonstrate the support and relevance of the theory, Schilke, Hu, and Helfat (2018) conducted a meta-analysis of dynamic capability literature, finding that despite the approach stemming from the field of strategy, the underlying assumptions of the dynamic capability now represents a vibrant theoretical underpinning for several scholarly works in other fields of study,

such as entrepreneurship (Townsend & Busenitz, 2015), technology and innovation management (Cai & Tyleco, 2016), and organizational behavior (Mu, 2017). In addition, dynamic capability was crucial because it exemplified the stockpiling of talents inherent in a firm and was linked to its monetary performance (Hsu & Wang, 2012).

Despite its flaws and criticisms, DCT has been widely adopted in recent empirical literature across a variety of academic disciplines (Bartocci, 2019; Breznik & Lahovnik, 2016; Cenamor, Parida, & Wincent, 2019; Chukwuemeka & Onuoha, 2018; Kaur & Mehta, 2017; Lutjen, Schultz, & Urmetzer, 2019; Schilke et al. In addition, it was useful for explaining why and how non-static forms of State institutional capacity, such as strategic planning, human resource capability, managerial control, and innovation capability, might help Nigeria's law enforcement agencies perform better in a changing environment. Additionally, the DCT offered a theoretical justification for the importance of taking into account external factors and making use of relevant expertise in order to obtain a noteworthy outcome in terms of administrative performance. An organization's ability to continually adapt, perceive, and innovate its internal resources to align with its environment is crucial to its survival and success in a dynamic setting. This study adopts the DCT on the basis that it is applicable to the research at hand.

Analyzing Uncertainty: 2.2.3 the Theory of Contingencies

The Contingency Theory (CT) was first proposed by Fiedler in 1964. According to Boyd, Takac-Haynes, Hitt, Bergh, and Ketchen (2011), CT was founded on the notion that some exigencies influence institutional performance beyond an institution. That's why it's so important for an organization to align itself with the various

elements that affect its success (including its leadership, culture, strategy, technology, structure, and environment). A better performance results from this fit. The appropriateness of the leadership orientation present within the scrutinized law enforcement agency will, by implication, increase the capacity of the institution to aid institutional performance. This is due to the fact that effective leadership permeates every part of an institution and has the power to shape its policies, processes, and people in order to ensure the long-term viability of its operations. CT's underlying premise is that every organization is an open system that may both affect and be affected by its surroundings. In the end, it all comes down to how successfully the right kind of leadership orientation helps the institution adapt to its particular set of circumstances.

According to contingency theory, a third variable, in this case leadership, will alter the relationship between the relevant independent variables (institutional capacity) and the dependent variable (institutional performance) (Paauwe, 2004). This lends credence to Onamusi's (2020) contention that businesses never exist in isolation. According to this view, businesses should tailor their leadership styles to fit the circumstances. Accordingly, for the policies to be effective and to simultaneously elicit proper behaviors that are consistent with overall organizational strategy, leadership should be consistent with every part of the organization (Rose and Kumar, 2006).

Scholars, however, have questioned some of CT's underlying premises. To begin, according to Van de Ven, Ganco, and Hinings (2013), organizations that operate in an environment with multiple conflicting demands and firms that have problems with

internal-organization trade-offs and high-performance targets may find it difficult to achieve internal and external alignment. Accordingly, Van de Van et al. (2013) argue further that it is especially tough to comprehend a theoretical explanation in a setting like this. And then there was the Configuration theorist who entered the picture. They argue that it is impractical for businesses to perfectly match up with all of the elements that could affect them, because those factors are constantly shifting as the company adjusts its structure to accommodate them. Finally, the problem of proper proportions does not arise. More specifically, they claimed that CT is reactive rather than proactive since it focuses on what managers may do in response to certain situations. Even at that, CT fails to clarify precisely what these managers should do under these varied conditions. Therefore, "a managerial action depends on the situation" is not an adequate explanation.

Numerous scientists have backed the basics of contingency theory, which explains under what circumstances specific internal organizational resources will boost organizational performance (Onamusi, 2020). The various scholars have established the theoretical framework of their works on contingency theory and afterwards provided findings that supported the CT. Institutional performance can be improved, according to Onamusi (2020), if internal (leadership, people, process, strategy) and external (environment, competition) components are properly aligned. The acceptance of this story was bolstered in previous empirical works (Abiodun 2017). It was stressed by Monday et al. (2015) that there is no single optimal management strategy suggested by the CT narrative. Managerial strategic decisions, in particular, need to take into account their immediate surroundings.

Sayilar (2016) did the same thing, looking at "the past, present, and future of CT." Scholar asserts that CT was inspired by the fundamental assumptions of several scholarly works on contingent factors; when an organization is able to align itself with contingent variables, it paves the way for improved performance. In the case of a mismatch, however, the company can anticipate a string of unsuccessful results. This study employs the CT because it was essential in justifying the importance of leadership as a moderating element in the connection between institutional capacity and performance at a subset of law enforcement agencies, which was a key research objective.

Considering the literature, this study uses the dynamic capacity theory and the contingency theory as its theoretical foundations. Both theories work together to provide a theoretical account of the interplay between institutional capacity, transformative leadership, and the performance of chosen Nigerian law enforcement institutions. The capacity of the state must be dynamic rather than fixed so that the state and its agencies can respond to changing conditions and achieve the desired level of economic well-being for its population. All the indicators of institutional strength included in this analysis are State strengths that may be modified and enhanced to provide higher quality government services. Similarly, the contingency theory of leadership raises consciousness of leadership's importance in improving the State's ability to provide outstanding institutional performance.

2.3 Empirical Review

2.3.1 Transfer pricing regulations, Institutional capacity, and Tax revenue performance

Using a dataset of 2077 U.S. corporations from 1995 to 2004, Dyreng (2008) investigated the extent to which businesses are able to dodge taxes over the long term. The researcher showed a high fraction of enterprises that might escape corporate taxes for the 10- year term. This elucidated a potential management-triggered long-term tax savings. Firms may be active in tax planning for a long period but may be limited if the incentive for such actions is based on tax law ambiguities. Since it is more difficult and costly for regulatory authorities to detect tax avoidance and evasion using other means, corporations, accountants, lawyers, consultants, governments, tax authorities, multinational agencies, NGOs, and others all play a role in the complex game of reducing tax avoidance and evasion, as stated by Sikka (2010). International Monetary Fund (IMF) believes that multi-global trade has caused challenges for national tax authorities from the potential use and abuse of transferpricing by multinational organizations.

According to Tanzi (2000), certain businesses may be engaging in price-fixing in order to shift earnings from high- to low-tax regions. The arm's length principle and trans-price rules were first implemented in Russia in 1999. Trade in oil and gas, two of Russia's most important exports, has spotlighted some of the country's problems. The World Bank estimated in a research published in early 2004 that oil and gas exports accounted for 25% of GDP, rather than the 9% that was being reported at the time. Ahrend (2004) argues that firms objectively exploit tax loopholes, which is one of the causes of transfer pricing differences. Based on his analysis of multinational corporations' transfer- pricing (TP) management techniques, Mutua (2012) stated that tax compliance enforcement has escalated to the point where Nigeria will be compelled to undertake TP audits and assessments on MNEs that fail to comply with the regulations.

He noted that Nigeria has not penalized businesses without TP policies and suggested that MNE learn more about the concept of TP and the consequences of engaging in excessive transactions with affiliated businesses. He also suggested determining whether or not sales figures are used in evaluating MNEs' performance management. According to a recent report by PWC (2013), the Nigerian government is currently demanding transferpricing paperwork from all taxpayers with cross-border related-party transactions in order to create risk profiles for the purpose of conducting transfer-pricing audits. They advised corporations to take transfer pricing seriously, creating and maintaining transfer pricing strategies that are both documented and can stand up in court. The government of Nigeria could be losing billions of naira due to international firms engaging in questionable tax deals with influential individuals. By using transfer pricing, multinational corporations are able to avoid paying their fair share of taxes, stifling a country's ability to raise money for infrastructure improvements. Therefore, it is of the utmost importance to study how transfer-pricing regulations and compliance have influenced Nigeria's tax administration.

Many results on the actions of MNCs that shift revenue or profits were provided in earlier publications on the topic of transfer pricing. With the help of a 30-day balance of US trade prices to spot anomalies, it was determined that transfer pricing manipulations cost the government close to \$33 billion due to undisclosed taxable income. 68. According to research on thin capitalization rules, which limit the tax write-off of interest on intra-firm debt, the inability to deduct such interest from a company's taxable income reduces the frequency with which multinational corporations engage in debt-shifting activities by 69 percentage points. By paying

high interest on loans ostensibly issued to partners in high tax jurisdictions, companies can move earnings out of those jurisdictions and onto lower interest rate home turf. Profit is channeled through the creation of false interest payments on loans.

Additional research has shown that rules can effectively lessen the allure of low-tax jurisdictions for passive investments and impede the movement of multinational income to low-tax countries. 70. The results of similar research covering 191 U.S. multinational businesses show that income is being moved in response to changes in tax rates. That agrees with the findings of earlier research that have observed income moving from high- to low-tax jurisdictions when incentives favoring such actions are in place⁷¹. It was determined that the magnitude of income shifting is connected to the volume of intra-firm international sales and regional disparities in corporate tax rates ⁷² using financial statement disclosures under Statement of Financial Accounting Standards (SFAS) 14.

According to the Chinese government's website, multinational corporations commit around 60% of all tax fraud through transfer pricing. According to a survey conducted by China's National Bureau of Statistics, at least two-thirds of apparently loss-making overseas firms have utilized transfer pricing and other methods of tax avoidance to save more than 30 billion Yuan (4.39 billion USD), the equivalent of around \$73 million. Using a dataset of 2077 U. S. enterprises for the years 1995-2004, researchers looked examined the extent to which multinational corporations might legally evade paying corporate taxes over a 10-year period. According to the research, this is due to long-term tax avoidance, which may be management's articulated program to avoid tax payment in order to increase worldwide corporate profits⁷⁴.

Based on research conducted by the US Internal Revenue Service, it has been determined that taxpayers reduce their taxable income in the United States by artificially inflating the prices of related party transactions, so that the income of an economic group is earned in a low-tax or no-tax jurisdiction other than the United States. Moreover, intangible asset location and related transfer pricing considerations present major compliance challenges for international enterprises in the tax administration space 75. Intercompany transactions including sales, licensing, leasing, and others are used to organize the profits of each affiliate of a multinational enterprise. Management of an MNE group looks at the tax laws and administrative requirements in different tax jurisdictions of operation to estimate its potential tax liabilities, and then comes up with a plan to move its profits from high-tax to low-tax regions, or even tax havens, according to research on the methods used by MNEs to minimize their tax liabilities.

A study on transfer pricing management strategies by MNEs concluded that there is an increased level of tax compliance where multinational enterprises perceive the likelihood of transfer pricing audits and the risks of transaction adjustments on companies that fail to comply with transfer pricing documentation rules 77. A study that used monthly import prices to evaluate the effect of intra-company trade on international price indices found that the gap between the unit value indexes and the price specification indices widened by 1.3% for every 10% increase in the intercompany trade share of U.S. imports due to transfer pricing manipulation. Utilizing data on intra-company exports and tax rate differentials from the United States Bureau of Statistics' 30 day net export series for the years 1997–1998, researchers found evidence of a link indicative of tax avoidance.

The study of state capacity has a long and storied history in the social sciences, especially political science and political sociology (Cingolani, 2013, 2018). In public administration and policy studies, the focus has switched in recent years to the administrative dimension of state capacity, or institutional capacity (El-Taliawi and Van der Wal, 2019). There is an emphasis on the need of this capability for things like economic growth, industrial expansion, policymaking, and general national development (Cingolani, 2013; El-Taliawi and Van der Wal, 2019).

To effectively confront financial crises, security threats, natural catastrophes, and pandemics in today's interconnected world, institutional capacity must be increased to accommodate the global setting of intense competition, complexity, and uncertainty (Farazmand, 2009). (Christensen & Laegreid, 2012). The Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development lend new weight to the importance of building institutional capacity (Glemarec and Puppim de Oliveira, 2012). However, the basic idea of capability is still very controversial, as its interpretation and research-driven implementations differ widely across disciplines (Hanson and Sigman, 2013). As Whittle and Rafferty (2012, p.24) point out, capacity is becoming more of a "contested concept" as more and more models and methodologies are developed. Williams (2020, p.1) argues that while the term "capacity" is useful as a shorthand, "it achieves this convenience by abstracting away from the dynamics that determine bureaucratic effectiveness and policy implementation."

However, several international organizations prescribe states to pursue specific initiatives or actions that are not always transferable to other countries (El-Taliawi and Van der Wal, 2019). As was mentioned before, the historical, political, economic, and social settings of different countries and regions have a significant impact on whether or not an institution is appropriate and effective. The State's institutional capacity is a concept that has surfaced periodically as fundamental to several fields of political science. Despite their disjointed and asynchronous nature, these ideas have a consistent meaning that may be summed up by the skillset of the public bureaucracy.

The success of nations depends on their ability to put their policy goals and programs into action. Indeed, it is generally agreed that a state's quality of government and the success of its development efforts are directly tied to the extent to which its public sector is competent and able to optimally align resources with actions and implement designed policies (Farazmand, 2009; Rothstein, 2015; Wu, Ramesh, & Howlett, 2014). (Caiden, 1973). However well-designed or democratically-developed public policy might be, it would be meaningless if governments lacked the ability to put it into effect (Howlett 2019). Defining issues, prioritizing solutions, allocating resources, exercising control, and enforcing the necessary policies to efficiently and effectively provide public services are all essential to a government program's successful execution (Pritchett, Woolcock, & Andrews, 2013). (Caiden, 1973).

None of today's key landmarks could have been reached without such capability, including the deployment of physical and financial resources, long-term planning, deploying innovation, and monitoring performance (Caiden, 1973). A greater level of excellence is required because of the increased complexity and rapidity with which

policy is evolving in the modern world. Thus, various hypotheses and measures of institutional capacity are possible, with certain indices and measurements concentrating more explicitly on the organizational-operational dimension than others, depending on what factors are most important or practicable in a given context (Van der Wal 2017a). Competitive advantage maintained by countries like Singapore, Denmark, the Netherlands, New Zealand, and Switzerland demonstrates the importance of institutional competence in the context of national development (Van der Wal 2017a). These countries have in common a reasonably well-trained, well-paid, independent, and capable public sector (Van der Wal 2017b) that is responsive, devoted, and gives quality service to their inhabitants.

The study used a variety of sub-measures of institutional capacity to improve the efficiency and effectiveness of the Nigeria Customs Service and the Nigeria Police. These included strategic planning, human resource capability, management control, and innovation capability. To what extent do these metrics relate to the success of institutions? The reason this is a pertinent research question is that establishing their relevance within the existing literature requires answering this question. Similarly, this research might unearth the empirical finding that serves as a solid foundation for the presentation of the results.

Karel, Adam, and Radomir (2013) discovered that strategic planning was applicable within the context of medium-sized organizations in the Czech Republic and Slovakia. Researches hypothesized that businesses with well-written strategic plans would outperform those without. By implication achieving significant institutional performance does not happen by chance. Thus, institutions must have a conscious

plan to achieve their goals. Strategic plans help institutions succeed, as was found in a study by Sandada, Pooe, and Dhurup (2014). Wijetunge and Pushpakumari (2014), who studied in a different geographical context than Karel et al. (2013) and Sandada et al. (2014), confirmed the previous researchers' findings. Wijetunge and Pushpakumari (2014) found that moderate users of strategic planning in western Sri Lanka saw a big boost in their organization's performance metrics.

Strategic planning, strategy implementation, organizational excellence, and OP are all linked in positive and statistically significant ways, as Al-Dhaafri and Alosani (2020) have shown. Similar findings were found by Alosani and Yusoff (2020): strategic planning and innovation have a favorable and significant impact on the performance of the Dubai Police Department. It has been demonstrated by research conducted by Ida, Ramli, Mustafa, and Yusoff (2015) that strategic planning measures are critical factors in influencing the performance of businesses for the better. A positive, moderate, and statistically significant effect of strategic planning on organizational performance was also discovered by George, Monster, and Walker (2019). Khoshtaria (2018) found that thorough strategic planning greatly improves organizational performance; however, there was no discernible effect of strategic planning on strategy implementation in Manufacturing organizations. To put it another way, businesses care less and less about how well they intend to implement their strategies. According to Donkor (2017), the majority of Ghana's family-run businesses are doing moderately well. Although this study found a good correlation between strategic planning and family firm success, it also demonstrated that few Ghanaian family businesses really engage in strategic planning activities.

According to Auka and Langat (2016), strategic planning has a major impact on business outcomes. Study results from Gomera, Chinyamurindi, and Mishi (2018) show a positive correlation between strategic planning and SMMEs' bottom lines. Financial results were also found to be positively correlated with strategic planning's four main components (formulation, execution, assessment, and control). According to the findings of a study conducted by Abdul-Aziz (2019), the practice of strategic planning has a favorable effect on strategic performance across all of its dimensions (financial, customer, internal business processes, and learning and growth). According to Adetayo (2018), businesses that engage in strategic planning see improvements in their bottom line. The results underline the importance of strategic planning for business owners and entrepreneurs in achieving success in today's cutthroat business environment.

El-Taliawi and Van Der Wal's (2019) research, which emphasizes building institutional capacity for talking about research, practice, and policymaking, also emphasized the importance of tight management control within this environment. Management controls are put in place to prevent waste, fraud, and abuse of funds allocated to meet organizational and government goals (OECD 2017, cited in El-Taliawi and Van Der Wal, 2019). Organizational performance and operational capacity are two areas that such controls seek to enhance. Verburg et al. (2018) agree with Wu et al. (2015) that dependable organizational control system fosters trust among workers, thereby affecting their dedication to the company and its overall output. In a meta-analysis conducted by Sihag and Rijdsdijk (2019), the scholar established that management control is a critical success factor for different institutional performance outcomes.

In another similar study done in local public institutions, Ilias, Abdulatiff, and Mohamed (2016) averred that external control and formal internal control were significantly associated with all three performance dimensions - financial, service quality, and procedural, as expected. However, the informal internal control only had a significant relationship with the service quality performance. This study also revealed that the external control, through the presence of the formal internal control, had a stronger relationship with all the three performance dimensions than the direct relationship between the external control and performance. Also, Onodoro (2017) aligned with Ilias et al.'s (2016) submission to affirmed the relevance of management control to operational efficiency and effective service delivery. Other studies on this submission line regarding management control-performance linkage include; Mahadeen, Al-Dmour, Obeidat, and Tarhini (2016) and Bukh and Svanholt (2020).

Human resource management competencies deal with the human aspect of management, considering all organizations requires the use of human; to acquire their services, develop their innate abilities, motivate them to perform at a high level and ensure consistency of commitment to the organization overall objectives; all of these are critical to the achievement of organizational goals as identified by scholars (Banerjee, 2018; Chukwuka 2016; Chukwuka & Nwakoby, 2018). In an empirical study of the automotive industry in Malaysia, Rahim and Zainuddin (2019) found that human resources capability has a significant positive effect on competitive advantage. Thus, enhanced human resource competencies will improve the firm's competitive advantage, which will significantly impact its performance.

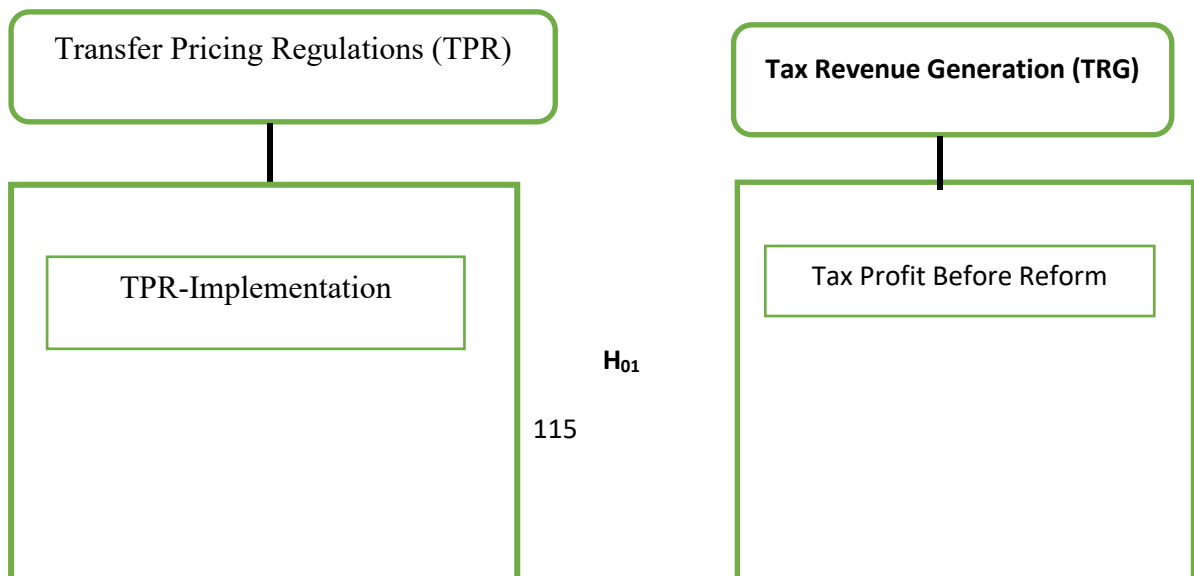
A related study done by Olajide (2015), which focussed on multiple industries in Nigeria, found that the capability to manage its human resource carefully is fundamental to the success of an organization in terms of commitment, employee engagement, and self-motivation. The finding in Sibiu, Mei1, and Joarder (2016), which examines public ministries in Nigeria, aligned with the submission of Olajide (2015) and posited that effective human resource management significantly influences employee productivity.

Chukwuka and Nwakoby (2018), within the insurance industry, averred that human resource capability has a positive and significant correlation with employee performance (a precondition for Institutional performance). In a similar study but focus on Nigerian public service, Tabiu (2019) posits that competency in HRM practices had a significant positive relationship with employees' task performance. The results suggested that the application of human resource capability in an organization will promote the high performance of employees not only in the private sector alone, as indicated by many studies, but also within the public sector organizations. This result corroborates the previous findings in Akhter et al. (2013) and Nadarasa (2013).

Al-Dhaafri and Alosani's (2020) study, confirmed the positive and significant relationships between strategic planning, strategy implementation, organizational excellence, and organizational performance. Statistical findings using SEM-partial least-square also confirmed the mediating role of organizational excellence as a mechanism between strategic planning, strategy implementation, and organizational performance. To provide additional support for this narrative within the theoretical

discussion, the contingency theory of fit-as moderator considers institutional capacity as a contingent factor that can enhance the interaction between institutional capacity and institutional performance of FIRS in Nigeria.

2.4 Conceptual Framework



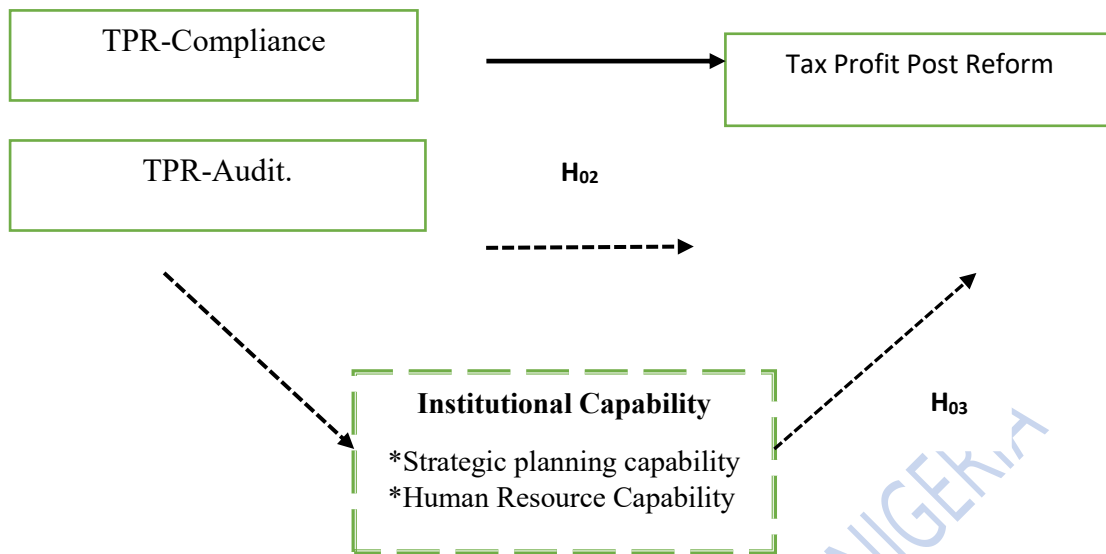


Figure 1:XX Research Conceptual Model

Source: Researcher’s Conceptual Model, (2022)

The theoretical framework of this investigation is built on the foundations of the theory of regulation and the idea of dynamic capability. The two ideas explained theoretically what can happen when Nigeria's transfer pricing laws collide with its institutional strength and tax collection efforts. The DCT's strength is in its capacity to explain the relationship between tax revenue (TPR) and institutional capabilities (such as human resources and strategic planning) that might influence that relationship. However, the theory of regulation highlights the potential benefits of changes like the Transfer Pricing legislation on organizational output. Therefore, the conceptual model's depiction of the interaction between the two ideas is based on the complimentary function played by the two theories. Thus, the conceptual model is a synopsis of the research into transfer pricing rules, Nigerian institutions' prowess, and the country's success at collecting taxes.

Institutional capacity is measured by human resource capability and strategic planning capability, whereas transfer pricing regulations are measured by implementation, compliance, and audit. Before and after Nigeria implemented its transfer pricing policy, tax profit was used as a proxy for tax revenue generated. As a result, we established the following connections between the three null hypotheses: Transfer pricing regulations, institutional capacity, human resource capability, and tax profit after reform; transfer pricing regulations, strategic planning capability, and tax profit after reform; TPR dimensions and post-reform tax profit enforcement. The study's findings, conclusions, and potential recommendations were guided by statistical testing of the formulated null hypotheses.

2.5 Summary of Gaps in Literature

Reviewing relevant literature is crucial for any academic study because it establishes context for new findings, reveals the existence of a research challenge, and gives justification for the study's intended contribution to existing knowledge. In addition, it broadens the researcher's perspective by exposing him to the works that other researchers have done on the topic. To ensure that transactions between related parties are priced similarly to those between independent parties in similar situations, the international community has established transfer pricing norms.

Regulations are rules that have the backing of an official body and can be used to drive and enforce compliance. Public sector rules are tools used by State authorities to guide the economy, for example by imposing economic controls on the actions of private enterprises or by enforcing other regulatory measures like taxation or disclosure requirements. Regulations, then, are rules or processes that restrict, direct,

or otherwise govern actions in the social or economic sphere. For countries to reap the benefits of tax revenues emerging from economic operations deployed by taxable individuals in such jurisdictions, transfer pricing regulations must be in place to assure the fairness and accuracy of prices for goods and services moved between linked companies.

This is significant because it reduces the drop in tax collection caused by profit shifting, freeing up funds that can be used by State Authorities to improve people's economic and social conditions. Legislation and enforcement of transfer pricing restrictions in Nigeria could reduce abusive transfer pricing practices and boost tax collections, according to experts.

However, there is little literature on the effect of transfer pricing restrictions on tax collection performance in Nigeria, according to a review of previous studies on the topic, including those undertaken in Nigeria. Considering the magnitude of tax revenue loss over time due to the income-shifting activities of multinational corporations, evaluating the benefits of enacting transfer pricing restrictions and its implications for tax revenue productivity is therefore crucial. Moreover This research hopes to address that void and add to the existing body of knowledge on Nigeria's transfer pricing legislation.

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Chapter Three

Methodology

This section entails specification and justification of the scientific steps, processes and procedures deployed in the conduct of the research. It identified and discussed the research design, study population, sample size and sampling technique as well as the validation and reliability of research instruments. It also discussed the methods of data collection and analysis and the statistical tool used to analyze the data.

3.1 Research Design

The study adopted the cross-sectional survey research design. This is considered most suitable because of its flexibility and reliability combined with its ability to allow for the description of the characteristics of a usually large study population. Further, because of the assurance of confidentiality of the identity of the respondents, data obtained, and ability to achieve the aim of this study which is to assess the effect of transfer pricing regulations on tax revenue generation in Nigeria. Moreover, the adoption of this design is premised on other scholars work that found it appropriate for a study of this nature but in different research context^{1,2,3}.

3.2 Population of the Study

The study population comprises 749 staff whose duties are performed in the International Tax Department, Large tax (Non-oil) offices, Large tax (oil and gas) offices, Large tax (communication and Broadcasting), Large tax audit (Non-oil) offices, Large tax audit (oil and gas) offices and Large tax audit (communication and Broadcasting). There are a total of twenty-one large tax offices and large tax audit offices across the country, including International Tax Department, seventeen of which are located in Lagos and Ibadan, representing 81% of the population of study⁴. This accounts for the reason the study was conducted mainly in Lagos and Ibadan, the

western region of the country. The table below shows the offices, their location and the population of staff in each of them.

Table XX: Number of Staff in Federal Inland Revenue Service

S/N	Offices	Location	Populations/Staffs
1.	International Tax Department	Lagos	170
2.	Large Tax Department (Oil & Gas)	Lagos	4
3.	Large Tax Office (Oil & Gas) Upstream	Lagos	44
4.	Large Tax Office (Oil & Gas) downstream	Lagos	33
5.	Large Tax Office (Oil & Gas) services	Lagos	33
6.	Large Tax Audit (Oil & Gas) Upstream	Lagos	15
7.	Large Tax Audit (Oil & Gas) downstream	Lagos	25
8.	Large Tax Audit (Oil & Gas) services	Lagos	34
9.	Large Tax (Manufacturing & Trading)	Lagos	44
10.	Large Tax Audit (Manufacturing, & Trading)	Lagos	43
11.	Large Tax Office (Construction & Aviation)	Lagos	28
12.	Large Tax office (Communication & Broadcasting)	Lagos	25
13.	Large Tax Audit (Communication & Broadcasting)	Lagos	23
14.	Large Tax Office (Financial Services)	Lagos	27
15.	Large Tax Audit (Financial Services)	Lagos	25
16.	Large Tax Office (Non-il)	Ibadan	32
17.	Large Tax Audit (Non-oil)	Ibadan	7
18.	Large Tax Office (Non-oil)	Kano	55
19.	Large Tax Audit (Non-oil)	Kano	25
20.	Large Tax Office	Port Harcourt	32
21.	Large Tax Audit	Port Harcourt	25
	Total		749

Source:

3.3 Sample Size and Sampling Techniques

The sample size for this study was computed using the Raosoft online sample size calculator. At 95% confidence level, 4% margin of error, response distribution of 50%, and a population of 741 staff spread across Nigeria, the computed and appropriate sample size is 336. Therefore, the scientific sample for this study is 336. This study is aware of the instance of anticipated non-response which can occur during data gathering hence, 20% of the calculated sample size (66) was added to make provision for non-response. Therefore, sample size is 398 (that is 336 + 66). This approach is considered valid by scholars with similar research design^{5,6}. Hence, 398 copies of the questionnaire were administered to selected participants in federal inland revenue service in Nigeria.

With a sample size of	100	200	300	With a confidence level of	90	95	99
Your margin of error would be	9.12%	5.92%	4.37%	Your sample size would need to be	270	332	433

Figure 2: Sample size calculation for the staff of FIRS
 Source: Raosoft online sample size calculation, (2022)

Multi-stage sampling technique was used for the study where stage 1 involved the application of purposive sampling techniques to select offices which duties were relevant to the implementation and enforcement of transfer pricing regulations such as international tax department and other relevant offices and divisions. Purposive sampling technique was also used in stage 2 to select seventeen offices out of twenty-one such offices across the nation. The seventeen offices are domiciled within the south-western part of Nigeria.

The preference for purposive sampling technique is premised on the fact that the offices and the staff selected fit the profile of the respondents required to provide the data that supports the achievement of the research objectives. Stage 3 involved stratified sampling technique where respondents were selected from the seventeen relevant offices including international tax department based on the sampling frame (staff population) obtained from human resource unit in each office within the south western region. Stage 4 involved simple random sampling technique to select specified number of participants from stage 3.

Table 5: Proportional allocation of samples in Federal Inland Revenue Service

S/No.	Offices	Location	Population size per office	Sample size per office (n_h) $n_h = N_h \times \frac{n}{N}$ $n_h = N_h \times \frac{398}{741}$
1.	International Tax Department	Lagos	170	$170 \times 0.7189 = 121$
2.	Large Tax Department (Oil & Gas)	Lagos	4	$4 \times 0.7189 = 3$
3.	Large Tax Office (Oil & Gas) Upstream	Lagos	44	$44 \times 0.7189 = 32$
4.	Large Tax Office (Oil & Gas) downstream	Lagos	33	$33 \times 0.7189 = 24$
5.	Large Tax Office (Oil & Gas) services	Lagos	33	$33 \times 0.7189 = 24$
6.	Large Tax Audit (Oil & Gas) Upstream	Lagos	15	$15 \times 0.7189 = 11$

7.	Large Tax Audit (Oil & Gas downstream)	Lagos	25	$25 \times 0.7189 = 18$
8.	Large Tax Audit (Oil & Gas) services	Lagos	34	$34 \times 0.7189 = 24$
9.	Large Tax (Manufacturing & Trading)	Lagos	44	$44 \times 0.7189 = 32$
10.	Large Tax Audit (Manufacturing, & Trading)	Lagos	43	$43 \times 0.7189 = 31$
11.	Large Tax Office (Construction & Aviation)	Lagos	28	$28 \times 0.7189 = 20$
12.	Large Tax office (Communication & Broadcasting)	Lagos	25	$25 \times 0.7189 = 18$
13.	Large Tax Audit (Communication & Broadcasting)	Lagos	23	$23 \times 0.7189 = 17$
14.	Large Tax Office (Financial Services)	Lagos	27	$27 \times 0.7189 = 19$
15.	Large Tax Audit (Financial Services)	Lagos	25	$25 \times 0.7189 = 18$
16.	Large Tax Office (Non-il)	Ibadan	32	$32 \times 0.7189 = 23$
17.	Large Tax Audit (Non-oil)	Ibadan	7	$7 \times 0.7189 = 5$
	Total		612	440

Source: Researcher's Computation, 2022

3.4 Description of Research Instrument

A structured questionnaire was adopted as this study's instrument. The use of questionnaire is relevant because it helps in collecting feedback based on the perception and opinion of the respondents, more so, it is suitable for collecting data from a pool of people within a short period on current issues, plus it enhances quantitative data analysis. The items in the questionnaire were adapted from previous related literature. The adapted questionnaire is a standardised scale that has been used by authors on the subject matter of this research in other countries, sectors, and in different industries.

In line with extant literature, the response options provided in this study's questionnaire follow the 4-point Likert-type scale, consistent with^{7,8}. This scale been an ordinal interval scale numbered from 4 to 1. The response options in the questionnaire covered, Strongly Agree (SA) = 4, Agree (A) = 3, Disagree (D) = 2, Strongly Disagree (SD) = 1. The questionnaire has 4 sections: Section A covered the demographic variables with

four (4) items, section B covered transfer pricing regulation reform with twenty-four (24) items, section C covered tax revenue with fourteen (14) items. Section D covered institutional capacity with thirteen (13) items.

3.5 Validity and Reliability of Research Instrument

3.5.1 Validity of Research Instrument

Staff from Ibadan Oyo State's two largest tax offices (non-il) were used in pilot research because they were found to share several characteristics with the government institution under scrutiny. The research used 39 people, or 10% of the total sample. That's why 39 sets of the survey were sent. Individuals from both organizations were polled using the comprehensive enumeration. After retrieval and sorting of the questionnaire, thirty-one (31) copies of the questionnaire were judged usable since they were properly filled.

The following were some of the concerns raised during and after the pilot study: While no one complained about the length of the questions, respondents did suggest using plain English so that everyone could participate. The pilot study confirmed the instrument's validity and reliability for the planned research. The validity and reliability of the instrument are supported by the results of the Average variable explained (AVE), Composite reliability (CR), and Cronbach's Alpha (CA) coefficient.

The research tools were validated utilizing criteria, content, and construct validity. Criterion and content validity were confirmed by the supervisor and the pilot study practitioners' feedback on the instruments. After reviewing the various contributions, we adjusted the primary study's questionnaire to better account for how each variable was measured in the prior research. Through the pilot project, we were able to put the instruments through their paces in advance of the main study and determine their construct validity.

To determine the reliability and validity of the instrument as a whole, the researcher used confirmatory factor analysis (CFA). Average Variance Extracted was calculated by extracting factor loadings from the rotated component matrix using the Varimax Extraction Method (AVE). Therefore, evidence of construct validity for each measured variable was supplied by an AVE more than 0.5 and by a discriminate validity value for all the construct below 1.00 on the Heterotrait-Monotrait (HTMT) criterion. Discriminant validity and average variance explained (AVE) values showed that all of the variables were valid indicators of the construct being studied. The construct validity of these questionnaire items was summarized for this study in Tables 3.7 and 3.8.

Table 3.7: Summary of Pilot Test Incorporating Construct Validity Test.

Variable	AVE	Remark
Audit	0.591	Reliable
Compliance	0.554	Reliable
Human resource capability	0.579	Reliable
Implementation	0.729	Reliable
Strategic planning	0.474	Reliable
Tax profit post reform	0.568	Remark
Tax profit pre-reform	0.530	Reliable

Source: Computed from Pilot study, (2021)

Each of the reflective constructs in this study has an AVE value greater than 0.5, as shown in Table 3.7 above, suggesting that convergent validity has been proven. In

addition, the discriminant validity of each reflective construct was evaluated using the HTMT standard. The HTMT criterion, which Henseler, Ringle, and Sarstedt (2015) say is a reliable method for establishing discriminant validity by gauging average correlations between indicators and constructs, is one example⁹. Where the HTMT values for all the reflective constructs are below 0.90, Henseler et al. (2015) proposed that discriminant validity has been established between the reflective constructs. The HTMT criterion for this research was reported in Table 3.8 and was calculated using the SmartPLS statistical platform, version 3.3.3.

Table 3.8: Discriminant Validity using Heterotrait-Monotrait Ratio (HTMT)

Construct	AU	CM	HRC	IM	SPC	TPS	TPP
Audit							
Compliance	0.895						
Human resource capability	0.765	0.464					
Implementation	0.484	0.688	0.982				
Strategic planning capability	0.606	0.809	0.570	0.825			
Tax profit post reform	0.793	0.672	0.576	0.650	0.545		
Tax profit pre-reform	0.534	0.804	0.313	0.648	0.594	0.543	

Source: Computed from Pilot study, (2022)

All of the reflective constructs in table 3.8 above have HTMT values below 1.00, which is consistent with the threshold for proving discriminant validity given by^{10,11} Henseler et al. (2015). Both convergent validity (as measured by AVE) and discriminant validity (as measured by the HTMT criterion) have been emphasized by scholars as crucial indicators of construct validity^{12,13} (Gaskin, Godfrey, & Vance, 2018; Onamusi, 2021).

Table 3.9: Validity Statistics Process

Variable	KMO	Bart.	Sig	Remark
Audit	0.599	119.261	(0.000)	Accepted
Compliance	0.605	226.829	(0.000)	Accepted
Human resource capability	0.564	205.964	(0.000)	Accepted
Implementation	0.577	227.706	(0.000)	Accepted
Strategic planning	0.834	522.968	(0.000)	Accepted
Tax profit post reform	0.562	235.996	(0.000)	Accepted
Tax profit pre-reform	0.565	248.442	(0.000)	Accepted

Source: Computed from Pilot study through SPSS V25 (2022)

In furthering the process of validating the research instrument, factor analysis using principal component analysis was employed through Kaiser-Meyer-Olkin (KMO) Test to measure suitability of the data to the study and measure the sampling adequacy for each variable in the model and for the complete model. KMO greater than 5 is required for the variable to be accepted. Also, the strength of the connection between variables is assessed with the use of the Bartlett test of sphericity. Bartlett therefore examined the alternative hypothesis, which held that there was a link between the variables and so made the original correlational matrix appropriate for the investigation. Table 3.8 shows that both the KMO and Bartlett test results and their associated probabilities are less than 0.05, indicating that the factor analysis performed is valid.

3.5.2 Reliability of Research Instrument

In order to ensure the questionnaire's accuracy, the researcher conducted a series of reliability tests. Internal consistency method reliability and composite reliability were examined for the variables (customer equity, brand awareness, and organizational performance indicators). Using an evaluation of the within-scale consistency of respondent replies, internal consistency was utilized to establish the measure's reliability. Cronbach's alpha coefficient is commonly used to evaluate this internal consistency, and it is applicable to multi-item assessment instruments (like the one used in this study). A questionnaire is considered reliable if it has a Cronbach's alpha score of > 0.7 but 1^{12} . (Hair et al., 2018). For revalidation purposes, the instrument's dependability is assessed using the composite reliability. The consistency of all the variables in this analysis is shown in Table 3.10.

Table 3.10: Reliability Statistic

S/N	Variables	Composite Reliability	Cronbach's alpha coefficient
1.	Audit	0.679	0.655
2.	Compliance	0.809	0.644
3.	Human resource capability	0.859	0.790
4.	Implementation	0.870	0.813
5.	Strategic planning	0.960	0.953
6.	Tax profit post reform	0.711	0.647
7.	Tax profit pre-reform	0.886	0.847

Source: Computed from pilot study (2022)

3.6 Method of Data Collection

The goals of this study required primary data collection, which helps to limit the likelihood of collecting inaccurate data. According to the standards of previous research, primary data was gathered via a predetermined questionnaire. More

importantly for a cross-sectional study, this instrument facilitates the collection of data regarding participants' point-in-time attitudes and beliefs on timely problems.

The FIRS polled 398 of its employees using paper copies of the survey. A standardized questionnaire was utilized to collect information from those who agreed to participate in each office visit. After reading and comprehending the aims of the study, participants signed written consents indicating their agreement to participate.

Due to the large number of respondents who will be included in the analysis, copies of the questionnaire were distributed in person and by trained research assistants, who followed detailed instructions on how to administer the questionnaire to participants and collect their completed responses.

3.7 Methods of Data Analysis

Descriptive and inferential statistics were used to the primary data collected via questionnaires given to FIRS employees. Descriptive statistics were used to examine the survey data and produce a response to the research question. The study's hypotheses were put to the test with the help of inferential statistics. For the first, second and third hypotheses, which investigated the relative and combined effect of transfer pricing rules (implementation, compliance, and audit) on tax profit post transfer pricing respectively, and the examination of institutional capacity as a mediating variable on the interaction between transfer pricing regulation and tax revenue performance was achieved through partial least-square structural equation model. If the probability of observing the outcome by chance is less than 0.05, then

the result is statistically significant. Statistical Package for the Social Sciences (SPSS) version 25 and SmartPLS version 3.3.9 were used to perform the necessary descriptive and inferential statistics respectively.

Endnote

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Chapter Four

Results and Discussion of Findings

The empirical findings from the data analysis are presented in this chapter, together with an interpretation of the results and a discussion of the study's implications. The purpose of this research is to analyze how FIRS, Nigeria's tax collection performance is affected by transfer pricing restrictions. This research was carried out via questionnaire in order to acquire the necessary information for this purpose. This chapter presents data on the demographics of the respondents, the response rate, the results from each variable, and the results of the tests of hypotheses. The hypothesis testing procedure is presented in the final subsection. It details the tests conducted on each of the three hypotheses.

Discussion of findings was the focus of this final segment. We used SPSS version 25 for the descriptive statistics and SmartPLS version 3.3.9 for the inferential statistics to analyze the data.

4.1 Response Rate

A total of three hundred and ninety-eight (398) copies of questionnaire were administered, and three hundred and seventy-three (373) copies were returned. After sorting the questionnaires only three hundred and fifty-one (351) copies were certified as duly filled and considered usable. The useable questionnaire represented 88.19% response rate. The high response rate was recorded as the researcher administered the instruments with the help of research assistants who put concerted efforts to regularly visit the respondents to request them to fill the instrument. The response results are presented in Table 4.1.

Table 4.1: Response Rate

Responses	Frequency	Percent
Completed usable copies of questionnaire	351	88.19%
Unusable, unreturned and disqualified questionnaires	47	11.81%
Total	398	100%

Source: Field Survey Results (2022)

4.1.1 Demographic Data of Respondents

This presents the demographic information of the respondents of this study

Table 4.2: Demographic Characteristic of Respondents

Variables	Category	Frequency	Percentage
Gender	Male	305	61.9%
	Female	188	38.1%
Age	20-25years	14	2.8%
	26-30years	86	17.4%
	31-40years	294	59.6%
	41 and above	99	20.1%
Highest level of education	OND/NCE	3	0.6%
	HND	55	11.2%
	BSc	276	56.0%
	Masters/MBA	141	28.6%
	PhD	18	3.7%
Years of work experience	5-10years	169	34.3%
	11-15years	119	24.1%
	16-20years	146	29.6%
	21years and above	59	12.0%

Source: Field Survey Results (2022)

This section consists of background and respondents' information that describes basic characteristics such as gender of the respondents, age of the respondents, highest level of education, years of work experience. To this effect, the results are presented in Table 4.2. Table 4.2 presents the demographic and personal profile of respondents used for this study. Demographic and personal profile of respondents as shown in table 4.2. Profile of gender indicated that 305 respondents representing 61.9% were male while 188 respondents representing 38.1% were female, indicating that most of the respondents were male.

Demographic and personal profile of respondents as shown in table 4.2 by age revealed that 14 respondents representing 2.8% were between the ages of 20-25 years, 86

respondents representing 17.4% were between 26-30 years, 294 respondents representing 59.6% were between 31-40 years, 99 respondents representing 20.1% were between 41 years and above, indicating that most of the respondents were between 31-40years. Meanwhile, 3 respondents representing 0.6% had OND/NCE, 55 respondents representing 11.2% had HND, 276 respondents representing 56.0% had BSc, 141 respondents representing 28.6% had Masters/MBA, and 18 respondents representing 3.7% had PhD. Also, 169 respondents representing 34.3% had 5-10years work experience, 119 respondents representing 24.1% had 11-15 years, 146 respondents representing 20.6% had 16-20 years, and 59 respondents representing 12.0% had 21 years and above.

4.2 Answers to the Research Questions

The decision rule to make sense of a four Likert-type scale is Mean of response between 1.00 – 1.49 is strongly disagree, 1.50 – 2.49 represents disagree, 2.50 – 3.49 represents agree and the mean of response between 3.50 - 4.00 represent strongly agree.

Table 4.3: Descriptive Analysis of the response on Transfer Pricing regulation implementation

Implementation	SA	A	D	SD	Mean
Transfer pricing regulations have been implemented in Nigeria and its requirements are being observed by relevant taxpayers	369 (74.6%)	125 (25.4%)	-	-	3.75
Multinational corporations engage in transfer pricing practices in their related party transactions that should be regulated	391 (79.3%)	99 (20.1%)	3 (0.6%)	-	3.79

Transfer pricing is the practice of setting the price for goods or services exchanged in related party transactions	389 (78.9%)	101 (20.5%)	3 (0.6%)	-	3.78
Countries consider transfer pricing issues as very important because they have serious implications for tax revenue	380 (77.1%)	110 (22.3%)	3 (0.6%)	-	3.76
Federal Inland Revenue service deals with transfer pricing issues in Nigeria	386 (78.3%)	107 (21.7%)	-	-	3.78
Transfer pricing abuse is targeted at achieving tax advantage by multinational enterprises which can only be curtailed through transfer pricing regulations	397 (79.3%)	102 (20.7%)	-	-	3.79
Goods or services transferred in a controlled or related party transaction may not reflect market conditions but can be corrected by reference to the requirements of transfer pricing regulations	359 (72.8%)	131 (26.6%)	3 (0.6%)	-	3.72
Transfer pricing manipulation dampens tax revenue performance of the host country	362 (73.4%)	128 (26.0%)	3 (0.6%)	-	3.73
Transfer pricing administration has been well established by the Nigeria Tax Authority	167 (33.9%)	323 (65.5%)	3 (0.6%)	-	3.33
Grand Mean					3.71

Source: Field Survey Results (2022)

According to results in Table 4.3. 74.6% of respondents strongly agree that transfer pricing regulations have been implemented in Nigeria and its requirements are being observed by relevant taxpayers, and 25.4% agree. On average, the respondents indicated that Transfer pricing regulations have been implemented in Nigeria and its requirements are being observed by relevant taxpayers has a mean of 3.75. Results also indicated that 79.3% of respondents strongly agree that multinational corporations engage in transfer pricing practices in their related party transactions that should be regulated, 20.1% agree,

and 0.6% disagree. On average, the respondents indicated that multinational corporations engage in transfer pricing practices in their related party transactions that should be regulated has a mean of 3.79.

Results also indicated that 78.9% of the respondents strongly agree that transfer pricing is the practice of setting the price for goods or services exchanged in related party transactions, 20.5% agree, and 0.6% disagree. On average, the respondents indicated that transfer pricing is the practice of setting the price for goods or services exchanged in related party transactions has a mean of 3.78. Results also indicated that 77.1% of the respondents strongly agree that countries consider transfer pricing issues as very important because they have serious implications for tax revenue, 22.3% agree, and 0.6% disagree. On average, the respondents indicated that countries consider transfer pricing issues as very important because they have serious implications for tax revenue has a mean of 3.76.

Results also indicated 78.3% of respondents strongly agree that Federal Inland Revenue service deals with transfer pricing issues in Nigeria, and 21.7% agree. On average, the respondents indicated that Federal Inland Revenue service deals with transfer pricing issues in Nigeria has a mean of 3.78. Results also indicated that 79.3% of respondents strongly agree that transfer pricing abuse is targeted at achieving tax advantage by multinational enterprises which can only be curtailed through transfer pricing regulations, and 20.7% agree. On average, the respondents indicated that transfer pricing abuse is targeted at achieving tax advantage by multinational enterprises which can only be curtailed through transfer pricing regulations has a mean of 3.79. Results also indicated that 72.8% of the respondents strongly agree that goods or services transferred in a controlled or related party transaction may not reflect market conditions but can be

corrected by reference to the requirements of transfer pricing regulations, 26.6% agree, and 0.6% disagree. On average, the respondents indicated that goods or services transferred in a controlled or related party transaction may not reflect market conditions but can be corrected by reference to the requirements of transfer pricing regulations has a mean of 3.72.

Results also indicated that 73.4% of the respondents strongly agree that transfer pricing manipulation dampens tax revenue performance of the host country, 26.0% agree, and 0.6% disagree. On average, the respondents indicated that transfer pricing manipulation dampens tax revenue performance of the host country has a mean of 3.73. Results also indicated that 33.9% of the respondents strongly agree that transfer pricing administration has been well established by the Nigeria Tax Authority, 65.5% agree, and 0.6% disagree. On average, the respondents indicated that transfer pricing administration has been well established by the Nigeria Tax Authority has a mean of 3.33. The grand mean for transfer pricing regulation implementation is 3.71 which indicate that on average, respondents agreed with most of the statements on the high scale as it relates to how transfer pricing regulation implementation is an appropriate measure of transfer pricing regulation.

Table 4.4: Descriptive Analysis of the response on Transfer Pricing regulation compliance

Compliance	SA	A	D	SD	Mean
Transfer pricing regulations dampen transfer pricing abuse by multinational enterprises and promote accurate reporting	364 (73.8%)	126 (25.6%)	3 (0.6%)	-	3.73

Transfer pricing regulations promote retention of taxable income in the jurisdictions where economic activities giving rise to such income were carried out	374 (75.9%)	113 (22.9%)	6 (1.2%)	-	3.75
Discouragement of income shifting by transfer pricing regulation improve tax revenue performance of the host country	363 (73.6%)	127 (25.8%)	3 (0.6%)	-	3.73
Nigeria transfer pricing regulation specify transfer pricing documentation requirements to be observed by MNEs	136 (27.6%)	351 (71.2%)	6 (1.2%)	-	3.26
Proper documentation of multinational enterprises (MNEs) business transaction promotes accurate tax returns and improved tax revenue generation	330 (66.9%)	160 (32.5%)	3 (0.6%)	-	3.66
Federal Inland Revenue Service has a dedicated department for the implementation enforcement and monitoring of the Nigeria transfer pricing regulation	357 (72.4%)	133 (27.0%)	3 (0.6%)	-	3.72
The Nigeria transfer pricing regulation provide for specific disclosure requirements	155 (31.4%)	335 (68.0%)	3 (0.6%)	-	3.31
Transfer pricing regulations ensure that related party transactions are priced at arm's length	309 (62.7%)	181 (36.7%)	-	3 (0.6%)	3.61
Grand Mean					3.60

Source: Field Survey Results (2022)

According to results in Table 4.4. 73.8% of respondents strongly agree that transfer pricing regulations dampen transfer pricing abuse by multinational enterprises and promote accurate reporting, 25.6% agree, and 0.6% strongly disagree. On average, respondents indicated that transfer pricing regulations dampen transfer pricing abuse by multinational enterprises and promote accurate reporting has a mean of 3.73. Results also indicated that 75.9% of respondents strongly agree that transfer pricing regulations

promote retention of taxable income in the jurisdictions where economic activities giving rise to such income were carried out, 22.9% agree, and 1.2% disagree. On average, the respondents indicated that transfer pricing regulations promote retention of taxable income in the jurisdictions where economic activities giving rise to such income were carried out has a mean of 3.75.

Results also indicated that 73.6% of the respondents strongly agree that discouragement of income shifting by transfer pricing regulation improve tax revenue performance of the host country, 25.8% agree, and 0.6% disagree. On average, the respondents indicated that discouragement of income shifting by transfer pricing regulation improve tax revenue performance of the host country has a mean of 3.73. Results also indicated that 27.6% of the respondents strongly agree that Nigeria transfer pricing regulation specify transfer pricing documentation requirements to be observed by MNEs, 71.2% agree, and 1.2% disagree. On average, the respondents indicated that Nigeria transfer pricing regulation specify transfer pricing documentation requirements to be observed by MNEs has a mean of 3.26. Results also indicated that 66.9% of the respondents strongly agree that proper documentation of multinational enterprises (MNEs) business transaction promotes accurate tax returns and improved tax revenue generation, 32.5% agree, and 0.6% disagree. On average, the respondents indicated that proper documentation of multinational enterprises (MNEs) business transaction promotes accurate tax returns and improved tax revenue generation has a mean of 3.66.

Results also indicated that 72.4% of the respondents strongly agree that Federal Inland Revenue Service has a dedicated department for the implementation enforcement and monitoring of the Nigeria transfer pricing regulation, 27.0% agree, and 0.6% disagree. On average, the respondents indicated that Federal Inland Revenue Service has a

dedicated department for the implementation enforcement and monitoring of the Nigeria transfer pricing regulation has a mean of 3.72. Results also indicated that 31.4% of the respondents strongly agree that the Nigeria transfer pricing regulation provide for specific disclosure requirements, 68.0% agree, and 0.6% disagree. On average, the respondents indicated that the Nigeria transfer pricing regulation provide for specific disclosure requirements has a mean of 3.31.

Results also indicated that 62.7% of the respondents strongly agree that transfer pricing regulations ensure that related party transactions are priced at arm's length, 36.7% agree, and 0.6% strongly disagree. On average, the respondents indicated that transfer pricing regulations ensure that related party transactions are priced at arm's length has a mean of 3.61. The grand mean for transfer pricing regulation compliance is 3.60 which indicate that on average, respondents agreed with most of the statements on the high scale as it relates to how transfer pricing regulation compliance is an appropriate measure of transfer pricing regulation.

Table 4.5: Descriptive Analysis of the response on Transfer Pricing regulation

Audit

Audit	SA	A	D	SD	Mean
Nigeria transfer pricing regulations provide for transfer pricing audit of multinationals related party transactions	379 (76.9%)	99 (20.1%)	15 (3.0%)	-	3.74
Transfer pricing audit reveals or uncovers transfer pricing abuse	384 (77.9%)	105 (21.3%)	4 (0.8%)	-	3.77

Where transfer pricing audit uncovers transfer pricing abuse, adjustments are made to achieve consistency with arm's length principle and additional taxes charged	390 (79.1%)	99 (20.1%)	-	4 (0.8%)	3.77
Adjustment of transfer pricing manipulation arising from transfer pricing audit dampens profit sharing practices of multinational corporations and improves tax revenue	377 (76.5%)	109 (22.1%)	3 (0.6%)	4 (0.8%)	3.74
The objective of transfer pricing audit of related party transactions is to ensure conformity with the arm's length principle in the pricing of such transactions	170 (34.5%)	316 (64.1%)	7 (1.4%)	-	3.33
Transfer pricing audit improves the quality of tax returns filed by MNEs and by extension taxable profits	115 (23.3%)	375 (76.1%)	3 (0.6%)	-	3.23
Transfer pricing audit is a global practice which ensures that transactions are adjusted if inconsistent with arm's length	96 (19.5%)	389 (78.9%)	8 (1.6%)	-	3.18
Grand Mean					3.54

Source: Field Survey Results (2022)

According to results in Table 4.5. 76.9% of respondents strongly agree that Nigeria transfer pricing regulations provide for transfer pricing audit of multinationals related party transactions, 20.1% agree, and 3.0% disagree. On average, respondents indicated that Nigeria transfer pricing regulations provide for transfer pricing audit of multinationals related party transactions has a mean of 3.74. Results also indicated that 77.9% of respondents strongly agree that transfer pricing audit reveals or uncovers transfer pricing abuse, 21.3% agree, and 0.8% disagree. On average, the respondents indicated that transfer pricing audit reveals or uncovers transfer pricing abuse has a mean of 3.77.

Results also indicated that 79.1% of the respondent strongly agree that where transfer pricing audit uncovers transfer pricing abuse, adjustments are made to achieve consistency with arm's length principle and additional taxes charged, 20.1% agree, and 0.8% strongly disagree. On average, the respondents indicated that where transfer pricing audit uncovers transfer pricing abuse, adjustments are made to achieve consistency with arm's length principle and additional taxes charged has a mean of 3.77. Results also indicated that 76.5% of the respondents strongly agree that adjustment of transfer pricing manipulation arising from transfer pricing audit dampens profit sharing practices of multinational corporations and improves tax revenue, 22.1% agree, 0.6% disagree, and 0.8% strongly disagree. On average, the respondents indicated that adjustment of transfer pricing manipulation arising from transfer pricing audit dampens profit sharing practices of multinational corporations and improves tax revenue has a mean of 3.74.

Results also indicated that 34.5% of respondents strongly agree that the objective of transfer pricing audit of related party transactions is to ensure conformity with the arm's length principle in the pricing of such transactions, 64.1% agree, and 1.4% disagree. On average, respondents indicated that the objective of transfer pricing audit of related party transactions is to ensure conformity with the arm's length principle in the pricing of such transactions has a mean of 3.33. Results also indicated that 23.3% of respondents strongly agree that transfer pricing audit improves the quality of tax returns filed by MNEs and by extension taxable profits, 76.1% agree, and 0.6% disagree. On average, the respondents indicated that transfer pricing audit improves the quality of tax returns filed by MNEs and by extension taxable profits has a mean of 3.23. Results also indicated that 19.5% of the respondents strongly agree that transfer pricing audit is a

global practice which ensures that transactions are adjusted if inconsistent with arm's length, 78.9% agree, and 1.6% disagree. On average, the respondents indicated that transfer pricing audit is a global practice which ensures that transactions are adjusted if inconsistent with arm's length has a mean of 3.18. The grand mean for transfer pricing regulation audit is 3.54 which indicate that on average, respondents agreed with most of the statements on the high scale as it relates to how transfer pricing regulation audit is an appropriate measure of transfer pricing regulation.

Table 4.6: Descriptive Analysis of the response on Taxable Profits Pre-Regulation Implementation

Taxable Profits Pre-Regulation Implementation	SA	A	D	SD	Mean
Multinational corporations filed their tax returns regularly and paid their taxes as and when due	7 (1.4%)	13 (2.6%)	414 (84.0%)	59 (12.0%)	1.94
Documentations were adequate and qualitative enough to enable the tax Authorities (FIRS) assess the reliability of the profits reported	7 (1.4%)	7 (1.4%)	418 (84.8%)	61 (12.4%)	1.92
The Nigerian Tax Authorities could easily detect any transfer pricing abuse that could lead to under reporting of profits before that implementation of transfer pricing regulations	7 (1.4%)	17 (3.4%)	393 (79.7%)	76 (15.4%)	1.91
Profits were reported by these multinational enterprises every year	7 (1.4%)	17 (3.4%)	328 (66.5%)	141 (28.6%)	1.78
Where profits were reported , they were commensurate with their scale of operations	7 (1.4%)	35 (7.1%)	394 (79.9%)	57 (11.6%)	1.98
There were general anti-avoidance rules in the Nigerian tax laws before the enactment of transfer pricing regulations	9 (1.8%)	389 (78.9%)	79 (16.0%)	16 (3.2%)	2.79
The general anti-avoidance rules provided structured methods for analyzing profits reported by the multinational enterprises by the tax authorities	7 (1.4%)	25 (5.1%)	393 (79.7%)	68 (13.8%)	1.94

The general anti-avoidance rules provided the right tools for assessing adequacy of profits reported by multinational entities	22 (4.5%)	21 (4.3%)	380 (77.1%)	70 (14.2%)	1.99
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Weighted Mean 2.03

Source: Field Survey Results (2022)

According to results in Table 4.6. 1.4% of respondents strongly agree that multinational corporations filed their tax returns regularly and paid their taxes as and when due, 2.6% agree, 84.0% disagree, 12.0% strongly disagree. On average, the respondents indicated that multinational corporations filed their tax returns regularly and paid their taxes as and when due has a mean of 1.94. Results also indicated that 1.4% of respondents strongly agree that documentations were adequate and qualitative enough to enable the tax Authorities (FIRS) assess the reliability of the profits reported, 1.4% agree, 84.8% disagree, and 12.4% strongly disagree. On average, the respondents indicated that documentations were adequate and qualitative enough to enable the tax Authorities (FIRS) assess the reliability of the profits reported has a mean of 1.92.

Results also indicated that 1.4% of the respondents strongly agree that The Nigerian Tax Authorities could easily detect any transfer pricing abuse that could lead to under reporting of profits before that implementation of transfer pricing regulations, 3.4% agree, 79.7% disagree, and 15.4% strongly disagree. On average, the respondents indicated that The Nigerian Tax Authorities could easily detect any transfer pricing abuse that could lead to under reporting of profits before that implementation of transfer pricing regulations has a mean of 1.91. Results also indicated that 1.4% of the respondents strongly agree that profits were reported by these multinational enterprises every year, 3.4% agree, 66.5% disagree, and 28.6% strongly disagree. On average, the

respondents indicated that profits were reported by these multinational enterprises every year has a mean of 1.78.

Results also indicated 1.4% of respondents strongly agree that where profits were reported, they commensurate with their scale of operations, 7.1% agree, 79.9% disagree, and 11.6% strongly disagree. On average, respondents indicated that where profits were reported, they commensurate with their scale of operations has a mean of 1.98. Results also indicated that 1.8% of respondents strongly agree that there were general anti-avoidance rules in the Nigerian tax laws before the enactment of transfer pricing regulations, 78.9% agree, 16.0% disagree, and 3.2% strongly disagree. On average, the respondents indicated that there were general anti-avoidance rules in the Nigerian tax laws before the enactment of transfer pricing regulations has a mean of 2.79.

Results also indicated that 1.4% of the respondents strongly agree that the general anti-avoidance rules provided structured methods for analyzing profits reported by the multinational enterprises by the tax authorities, 5.1% agree, 79.7% disagree, and 13.8% strongly disagree. On average, the respondents indicated that the general anti-avoidance rules provided structured methods for analyzing profits reported by the multinational enterprises by the tax authorities has a mean of 1.94. Results also indicated that 4.5% of the respondents strongly agree that the general anti-avoidance rules provided the right tools for assessing adequacy of profits reported by multinational entities, 4.3% agree, 77.1% disagree, and 14.2% strongly disagree. On average, the respondents indicated that the general anti-avoidance rules provided the right tools for assessing adequacy of profits reported by multinational entities has a mean of 1.99.

The grand mean for tax profit pre transfer pricing regulation enforcement is 2.03 which indicate that on average, respondents disagreed with most of the statements on the low scale as it relates to how tax profit pre regulation. Moreover, the mean score of 2.03 suggest that tax profit prior to the transfer pricing reform enforcement is low. This reinforces the problem identification that necessitate the introduction of transfer pricing regulation as a way to curb profit shifting among multinational in Nigeria. This provides response to research question one and create the basis for the achievement of first specific objective of this study.

Table 4.7: Descriptive Analysis of the response on Taxable Profits Post Regulations Implementation

Taxable Profits Post Regulations Implementation	SA	A	D	SD	Mean
The implementation of the Nigerian transfer pricing regulations has improved the quality of tax returns filed and profits reported by multinational enterprises	299 (60.6%)	191 (38.7%)	3 (0.6%)	-	3.60
Adequate documentations as required by the transfer pricing regulations dampens the motivation for profit shifting practices by multinational companies	297 (60.2%)	193 (39.1%)	3 (0.6%)	-	3.60
There is sustained improvement in the profits reported by multinational corporations after implementation of transfer pricing regulations	55 (11.2%)	432 (87.6%)	6 (1.2%)	-	3.10
The transfer pricing regulations are critical tools that ensure retention of profits in the jurisdictions where economic activities giving rise to such profits were carried out	288 (58.4%)	199 (40.4%)	6 (1.2%)	-	3.57
Tax payment is technically due upon filling of tax returns, and penalties for late payments are calculated from the date of the submission of the tax returns	39 (7.9%)	451 (91.5%)	3 (0.6%)	-	3.07

With the implementation of transfer pricing regulations in 2012, the quantum of corporate tax payment by multinational corporations has increased	35 (7.1%)	449 (91.1%)	9 (1.8%)	-	3.05
Weighted Mean					3.33

Source: Field Survey Results (2022)

According to results in Table 4.7. 60.6% of respondents strongly agree that the implementation of the Nigerian transfer pricing regulations has improved the quality of tax returns filed and profits reported by multinational enterprises, 38.7% agree, and 0.6% disagree. On average, respondents indicated that the implementation of the Nigerian transfer pricing regulations has improved the quality of tax returns filed and profits reported by multinational enterprises has a mean of 3.60. Results also indicated that 60.2% of respondents strongly agree that adequate documentations as required by the transfer pricing regulations dampens the motivation for profit shifting practices by multinational companies, 39.1% agree, and 0.6% disagree. On average, the respondents indicated that adequate documentations as required by the transfer pricing regulations dampens the motivation for profit shifting practices by multinational companies has a mean of 3.60.

Results also indicated that 11.2% of the respondents strongly agree that there is sustained improvement in the profits reported by multinational corporations after implementation of transfer pricing regulations, 87.6% agree, and 1.2% disagree. On average, the respondents indicated that there is sustained improvement in the profits reported by multinational corporations after implementation of transfer pricing regulations has a mean of 3.10. Results also indicated that 7.9% of the respondents strongly agree that the transfer pricing regulations are critical tools that ensure retention of profits in the jurisdictions where economic activities giving rise to such profits were

carried out, 40.4% agree, and 1.2% disagree. On average, the respondents indicated that the transfer pricing regulations are critical tools that ensure retention of profits in the jurisdictions where economic activities giving rise to such profits were carried out has a mean of 3.57.

Results also indicated that 7.9% of the respondents strongly agree that tax payment is technically due upon filling of tax returns, and penalties for late payments are calculated from the date of the submission of the tax returns, 91.5% agree, and 0.6% disagree. On average, the respondents indicated that tax payment is technically due upon filling of tax returns, and penalties for late payments are calculated from the date of the submission of the tax returns has a mean of 3.07. Results also indicated that 7.1% of the respondents strongly agree that with the implementation of transfer pricing regulations in 2012, the quantum of corporate tax payment by multinational corporations has increased, 91.1% agree, and 1.8% disagree. On average, the respondents indicated that with the implementation of transfer pricing regulations in 2012, the quantum of corporate tax payment by multinational corporations has increased has a mean of 3.05.

The grand mean for tax profit post transfer pricing regulation enforcement is 3.33 which indicate that on average, respondents agreed with most of the statements on the high scale as it relates to how tax profit post regulation is an appropriate measure of tax revenue generation. Moreover, the mean score of 3.33 suggest that tax profit post reform is high. This reinforce the value appreciation been central point of the transfer pricing regulation.

Relating results in tables 4.3, 4.4, 4.5, and 4.7 together, the transfer pricing regulations (implementation, compliance, & audit) have varying patterns of increase with tax profit

post transfer pricing regulations enforcement in Nigeria. The findings reveal that transfer pricing regulations with respect to its implementation, compliance and audit is evident that FIRS, Nigeria ensures and perform these activities in their affairs with multinational companies operating in Nigeria.

The descriptive analysis for each of the transfer pricing regulations and tax profit post reforms was at a moderately high level. Nonetheless, reasonable efforts in strategies can be put in place to improve these results. Consequent on these findings mentioned above, it suggests that transfer pricing regulations may affect tax profit post reforms in Nigeria. This provides response to research question two and create the basis for the achievement of second specific objective of this study.

Table 4.8: Descriptive Analysis of the response on Institutional Capacity

Institutional Capacity	SA	A	D	SD	Mean
Strategic Planning					
Establish specific actions to implement transfer pricing regulation	316 (64.1%)	165 (33.5%)	12 (2.4%)	-	3.62
Align organizational culture with the strategy to achieve TPR	320 (64.9%)	158 (32.0%)	15 (3.0%)	-	3.62
Commit employees towards the goals of the agency	300 (60.9%)	181 (36.7%)	12 (2.4%)	-	3.58
Designate who is responsible for each action on TPR	289 (58.9%)	196 (39.8%)	8 (1.6%)	-	3.57
Establish plans to achieve a better future for TPR	46 (9.3%)	444 (90.1%)	3 (0.6%)	-	3.09
Establish comprehensive plan to meet the purpose of the agency	60 (12.2%)	433 (87.8%)	-	-	3.12
Weighted Mean					3.43
Human Resource Capability					
Align HR policies (recruitment, development, evaluation, compensation) with operational need of the agency	321 (65.1%)	169 (34.3%)	3 (0.6%)	-	3.65
Define employee competences needed for achieving result on TPR	69 (14.0%)	421 (85.4%)	3 (0.6%)	-	3.13
Enhance employee's capacity to perform as demanded by best practices on TPR	300 (60.9%)	184 (37.3%)	9 (1.8%)	-	3.59

Adopt actions (recruitment, reallocation, training) in order to reach the necessary competences for the agency TPR implementation	75 (15.2%)	415 (84.2%)	3 (0.6%)	-	3.15
Encourage employee learning on TPR competence	319 (64.7%)	168 (34.1%)	6 (1.2%)	-	3.63
Ensure proper communication of the objectives TPR to all staff	313 (63.5%)	180 (36.5%)	-	-	3.63
Ensure periodic training to boost TPR competence	71 (14.4%)	416 (84.4%)	3 (0.6%)	3 (0.6%)	3.13
Weighted Mean					3.42

Source: Field Survey Results (2022)

According to results in Table 4.8. 64.1% of respondents strongly agree that they establish specific actions to implement transfer pricing regulation, 33.5% agree, and 2.4% disagree. On average, the respondents indicated that they establish specific actions to implement transfer pricing regulation has a mean of 3.62. Results also indicated that 64.9% of respondents strongly agree that they align organizational culture with the strategy to achieve TPR, 32.0% agree, and 3.0% disagree. On average, the respondents indicated that they align organizational culture with the strategy to achieve TPR has a mean of 3.62. Results also indicated that 60.9% of the respondents strongly agree that they commit employees towards the goals of the agency, 36.7% agree, and 2.4% disagree. On average, the respondents indicated that the commit employees towards the goals of the agency has a mean of 3.58.

Results also indicated that 58.9% of the respondents strongly agree that they designate who is responsible for each action on TPR, 39.8% agree, and 1.6% disagree. On average, the respondents indicated that they designate who is responsible for each action on TPR has a mean of 3.57. Results also indicated 9.3% of respondents strongly agree that they establish plans to achieve a better future for TPR, 90.1% agree, and 0.6% disagree. On average, respondents indicated that they establish plans to achieve a better future for TPR has a mean of 3.09. Results also indicated that 12.2% of respondents strongly agree

that they establish comprehensive plan to meet the purpose of the agency, and 87.8% agree. On average, the respondents indicated that they establish comprehensive plan to meet the purpose of the agency has a mean of 3.12.

According to results in Table 4.5. 65.1% of respondents strongly agree that they align HR policies (recruitment, development, evaluation, compensation) with operational need of the agency, 34.3% agree, and 0.6% disagree. On average, respondents indicated that they align HR policies (recruitment, development, evaluation, compensation) with operational need of the agency has a mean of 3.65. Results also indicated that 14.0% of respondents strongly agree that they define employee competences needed for achieving result on TPR, 85.4% agree, and 0.6% disagree. On average, the respondents indicated that they define employee competences needed for achieving result on TPR has a mean of 3.13.

Results also indicated that 60.9% of the respondents strongly agree that they enhance employee's capacity to perform as demanded by best practices on TPR, 37.3% agree, and 1.8% disagree. On average, the respondents indicated that they enhance employee's capacity to perform as demanded by best practices on TPR has a mean of 3.59. Results also indicated that 15.2% of the respondents strongly agree that they adopt actions (recruitment, reallocation, training) in order to reach the necessary competences for the agency TPR implementation, 84.2% agree, and 0.6% disagree. On average, the respondents indicated that they adopt actions (recruitment, reallocation, training) in order to reach the necessary competences for the agency TPR implementation has a mean of 3.15.

Results also indicated that 64.7% of the respondents strongly agree that they encourage employee learning on TPR competence, 34.1% agree, and 1.2% disagree. On average, the respondents indicated that they encourage employee learning on TPR competence has a mean of 3.63. Results also indicated that 63.5% of the respondents strongly agree they ensure proper communication of the objectives TPR to all staff, and 36.5% agree. On average, the respondents indicated they ensure proper communication of the objectives TPR to all staff has a mean of 3.63. Results also indicated that 14.4% of the respondents strongly agree they ensure periodic training to boost TPR competence, 84.4% agree, 0.6% disagree, and 0.6% strongly disagree. On average, respondents indicated they ensure periodic training to boost TPR competence has a mean of 3.13.

The grand mean for institutional capacity is 3.42 which indicate that on average, respondents agreed with most of the statements on the high scale as it relates to how strategic planning capability and human resource capability are appropriate measure of institutional capacity. Moreover, the mean score of 3.42 suggest that the level of institutional capacity is high and a welcome development for the FIRS in Nigeria. Continue reinforcement in terms of training and development and staff motivation should enhance high-level display of institutional capacity for FIRS.

Relating results in tables 4.3, 4.4, 4.5, 4.7, and 4.8 together, the transfer pricing regulations have varying patterns of increase with institutional capacity and tax profit post transfer pricing regulations enforcement in Nigeria. The findings reveal that transfer pricing regulations with respect its implementation, compliance and audit is evident that FIRS, Nigeria ensures and perform these activities in their affairs with

multinational companies operating in Nigeria. Likewise, the finding revealed that high-level institutional capacity is evident in FIRS, Nigeria

The descriptive analysis for each of the transfer pricing regulations, institutional capacity, and tax revenue performance was at a moderately high level. Nonetheless, reasonable efforts in strategies can be put in place to improve these results. Consequent on these findings mentioned above, it suggests that the interaction between transfer pricing regulations and tax revenue performance in Nigeria may be potentially mediated by FIRS's institutional capacity. This provides response to research question forth and create the basis for the achievement of forth specific objective of this study.

4.3 Test of Hypotheses

H₀₁: Transfer pricing regulations have no significant effect on tax profit post reform enforcement in Nigeria.

To test the null hypothesis one, PLS-Structural Equation Modelling (PLS-SEM) was adopted using the SmartPLS statistical platform version 3.3.9. The study used the PLS-algorithm's command which is appropriate for predicting effect-relationship, ran the bootstrapping to ascertain the level of significant of the prediction, and ran blindfolding to determine the predictive relevance of the structural model specified. The choice of PLS-SEM (via SmartPLS) is because it is a more advanced multivariate analytical technique which performs multiple regression, factor analysis, and provides a pictorial model of the interactions in a study with the push of one command as against running an isolated analysis using SPSS¹ (Hair, Black, Babin, & Anderson, 2018). In addition, the SmartPLS statistical platform offers more strict and robust analysis compared with the outcomes of SPSS² (Onamusi, 2021).

The independent variable Transfer pricing regulations includes sub-measures such as Transfer pricing regulation implementation, Transfer pricing regulation compliance, and Transfer pricing regulation audit while tax profit post reform constitutes the dependent variable. Data from three hundred and sixty-one staff of FIRS in Nigeria were collated for the analysis. The result of the PLS-SEM is presented in three model (see figure 3, 4 & 5) and a table (see table 4.9). Figure one shows the path analysis, figure two shows the t values which confirm the significance of the path analysis and figure three shows Q² which confirms the predictive relevance of the structural model (t value above 1.96 and Q² above zero confirm a statistically significant effect and that the structural model specified is relevance). Each model comprised of outer model which shows the factor loadings (correlation) of each item in relation to the latent variable and the inner model termed the structural model (predictive model) which explains the interactions between the independent (Transfer pricing regulations) variable(s) and the dependent (tax profit post reform) variable in a study. The table 4.9 provides a tabular representation of the information in figure 3, 4, and 5.

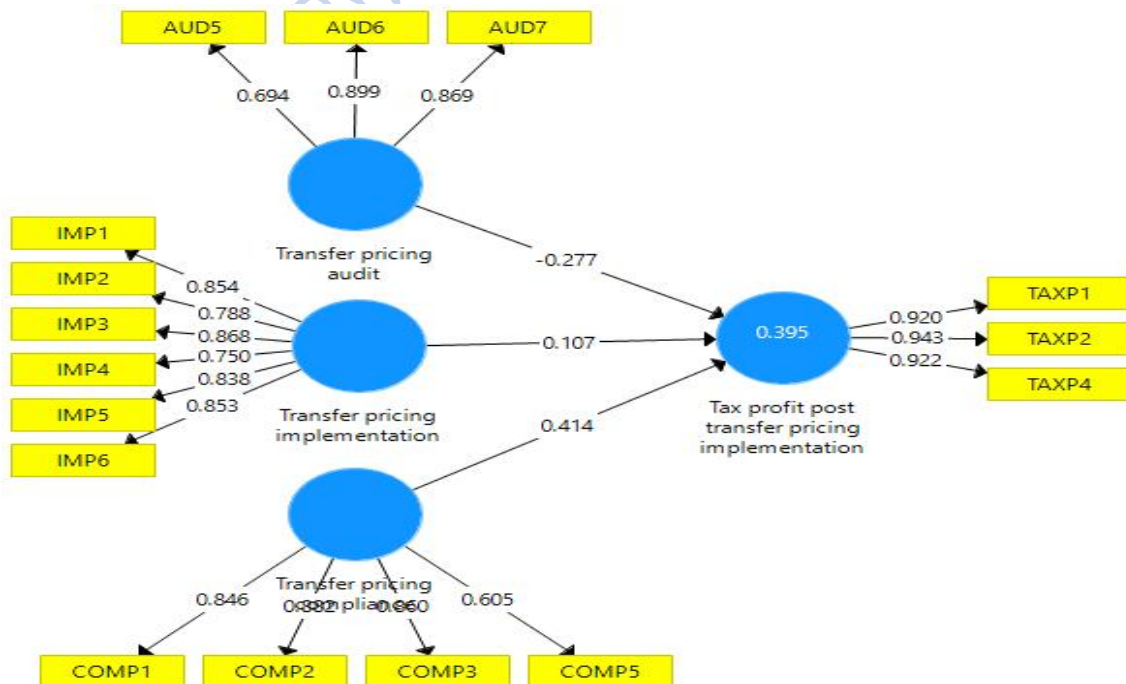


Figure 3 Path Analysis for Hypothesis One
Source: Researcher's Computation via SmartPLS V3.3.9

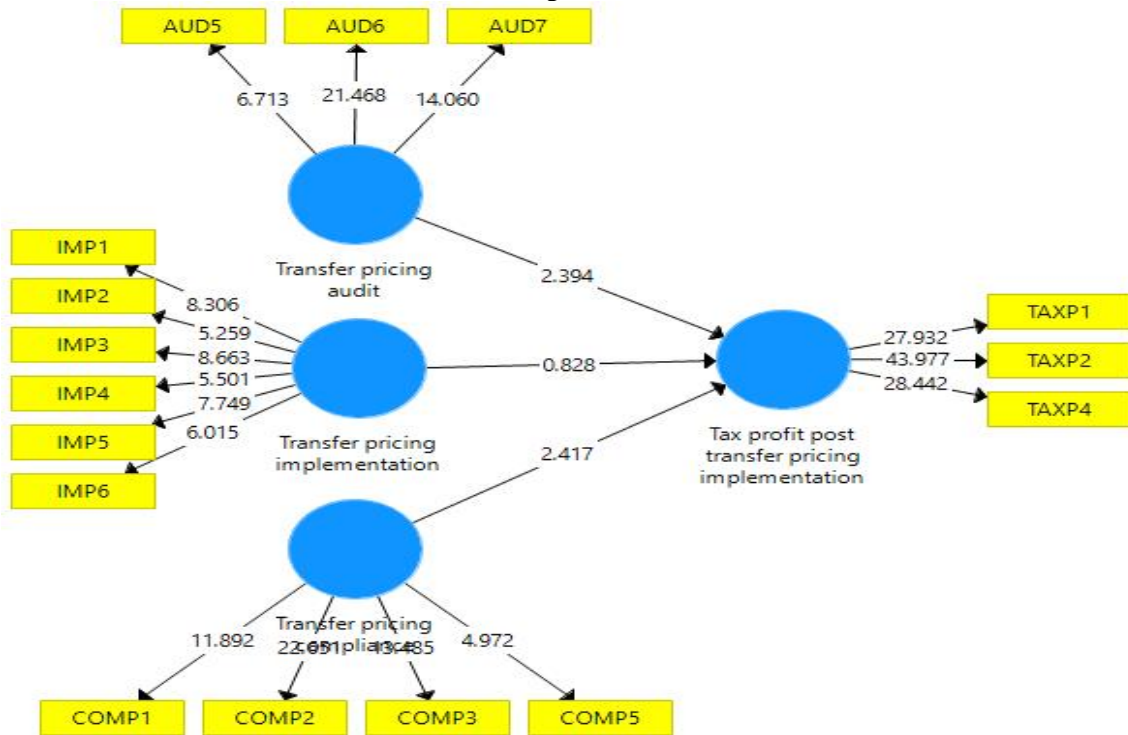


Figure 4. T-Statistics for Hypothesis One
Source: Researcher's Computation via SmartPLS V3.3.9

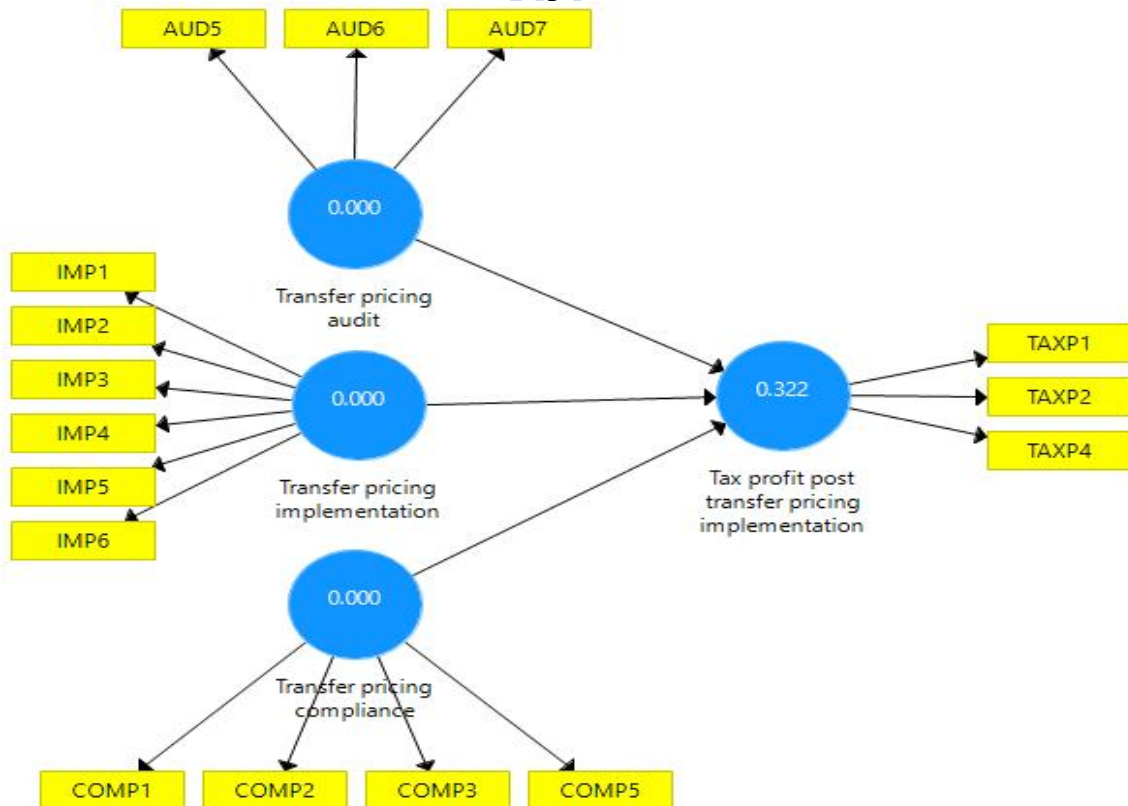


Figure 5. Q² Statistics for Hypothesis One

Source: Researcher's Computation via SmartPLS V3.3.9

Table 4.9: Summary of the PLS-SEM for the effect of Transfer pricing regulations on Tax profit post reform in South-West, Nigeria

Path Description	Original sample (o) Unstandardized Beta	t	Sig.	R ²	Adj. R ²	Sig.	Q ²
				0.395	0.373	0.000	0.322
TPR Audit → Tax profit post reform	0.277	2.394	0.017				
TPR Compliance → Tax profit post reform	0.414	2.417	0.016				
TPR Implementation → Tax profit post reform	0.107	0.828	0.408				

Source: Researcher's Result via SmartPLS Version 3.3.9 (2022)

Figure 3 presents the results of PLS-SEM analysis for the relative effect of Transfer pricing regulations sub-variables on Tax profit post reform in FIRS Nigeria. The Adjusted R² was used to establish the predictive power of the study's model. From the results, the adjusted coefficient of determination (*Adj R²*) of 0.373 showed that Transfer pricing regulations sub-variables predicted 37.3% of the variation in tax profit post reform in in FIRS Nigeria while the remaining 62.7% changes in tax profit post reform is explained by external factors different from Transfer pricing regulations sub-variables considered in this study and the effect is statistically significant at 95% confidence interval and p value less than 0.05. This result suggests that transfer pricing regulations influenced 37.3% of the tax profit post reform in FIRS, Nigeria. According to Hair et al. (2013) R² or AdjR² values for endogenous latent variable of 0.75, 0.50, and 0.25

represent substantial, moderate, and weak respectively. Based on this threshold it is safe to posit that the effect of transfer pricing regulations on tax profit post reform in FIRS Nigeria is moderate.

The path coefficient of each transfer pricing regulations sub-variables (TPR Implementation, TPR Compliance and TPR Audit) represents the coefficient of determination (β) which shows the relative effect of each transfer pricing regulations sub-variables on tax profit post reform in FIRS, Nigeria. PLS-SEM results in fig. 3 and 4 revealed that all transfer pricing regulations sub-variables have positive and significant effect on Tax profit post reform except implementation. Specifically, the results revealed that at 95% confidence level, TPR Audit ($\beta = 0.277$, $t = 2.394$), TPR compliance ($\beta = 0.414$, $t = 2.417$) were statistically significant as their p-values were less than 0.05 and their t-values greater than 1.96. However, TPR Implementation has its ($\beta = 0.107$, $t = 0.828$) has corresponding value with t-values less than 1.96 to suggest insignificant relative effect on tax profit post reform in FIRS.

Further analysis indicates that taking all other independent variables at zero, a unit change in TPR Audit holds plausible increase of 0.277 in Tax profit post reform in FIRS, Nigeria given that all other factors are held constant. Similarly, the result shows that a unit change in TPR compliance will lead to a 0.414 increase in Tax profit post reform in FIRS, Nigeria given that all other factors are held constant. Overall, from the results, TPR compliance had the highest relative effect on Tax profit post reform in FIRS, Nigeria with a coefficient of 0.414 and t value of 2.417. In second place is TPR audit with a coefficient of 0.277 and t value of 2.394.

Further analysis was conducted to establish the predictive relevance of the model using Stone-Gleisser Q^2 value. Scholars posit that Q^2 values of 0.02, 0.15 and 0.35 represents

small, medium, and large predictive relevance. Hair et al. 2017) suggested that Q^2 above zero confirm that the structural model specified is relevance. According to Table 4XX, the Q^2 value of Tax profit post reform in South-west, Nigeria is 0.322. Hence, Transfer pricing regulations has a large degree of predictive relevance with regards to its effects on Tax profit post reform in Southwest, Nigeria; And for this reason, the structural model specified is relevant and has sufficient predictive quality. On the strength of the PLS-SEM summarized results in table 4.9 ($Adj R^2 = 0.373$, $p = 0.000$, $Q^2 = 0.322$), this study can conclude that transfer pricing regulations have significant and moderate effect on tax profit post reform in FIRS Nigeria hence, the study rejects the null hypothesis one (H_01) which states that transfer pricing regulations has no significant relative effect on tax profit post reform in FIRS, Nigeria.

H_02 : Transfer pricing regulations have no significant effect on tax revenue performance enforcement in Nigeria.

To test the null hypothesis two, PLS-Structural Equation Modelling (PLS-SEM) was adopted using the SmartPLS statistical platform version 3.3.9. The study used the PLS-algorithm's command which is appropriate for predicting effect-relationship, ran the bootstrapping to ascertain the level of significant of the prediction, and ran blindfolding to determine the predictive relevance of the structural model specified. The choice of PLS-SEM (via SmartPLS) is because it is a more advanced multivariate analytical technique which performs multiple regression, factor analysis, and provides a pictorial model of the interactions in a study with the push of one command as against running an isolated analysis using SPSS (Hair, Black, Babin, & Anderson, 2018). In addition, the SmartPLS statistical platform offers more strict and robust analysis compared with the outcomes of SPSS (Onamusi, 2021).

The independent variable is transfer pricing regulations while tax revenue performance is the dependent variable. Data from three hundred and sixty-one staff of FIRS in Nigeria were collated for the analysis. The result of the PLS-SEM is presented in three model (see figure 6, 7 & 8) and a table (see table 4.10). Figure one shows the path analysis, figure two shows the t values which confirm the significance of the path analysis and figure three shows Q^2 which confirms the predictive relevance of the structural model (t value above 1.96 and Q^2 above zero confirm a statistically significant effect and that the structural model specified is relevance). Each model comprised of outer model which shows the factor loadings (correlation) of each item in relation to the latent variable and the inner model termed the structural model (predictive model) which explains the interactions between the independent (Transfer pricing regulations) variable(s) and the dependent (tax revenue performance) variable in a study. The table 4.10 provides a tabular representation of the information in figure 6, 7, and 8.

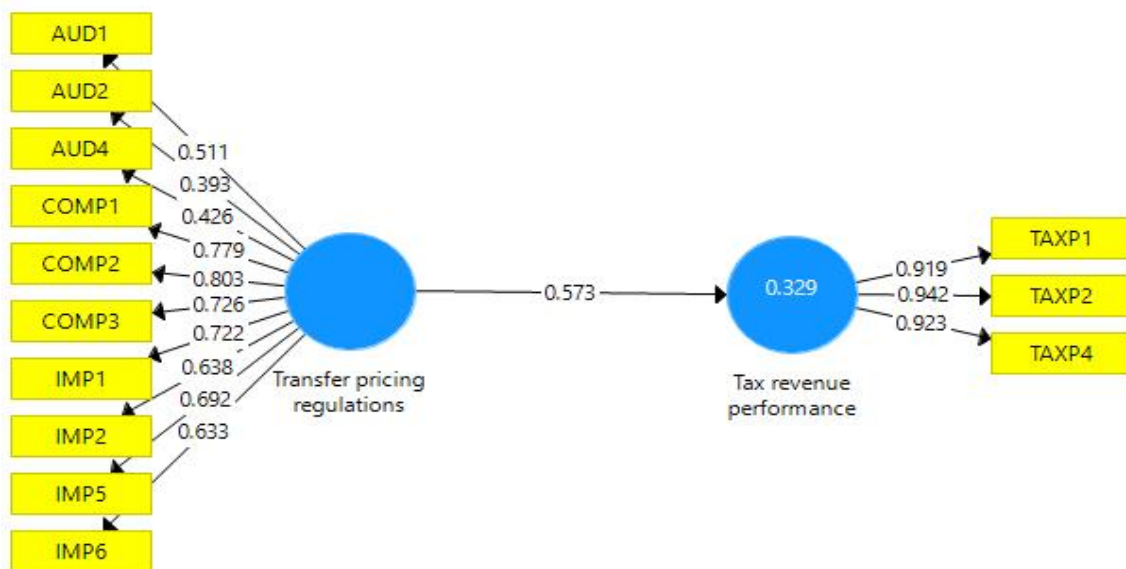


Figure 6 Path Analysis for Hypothesis Two
Source: Researcher's Computation via SmartPLS V3.3.9

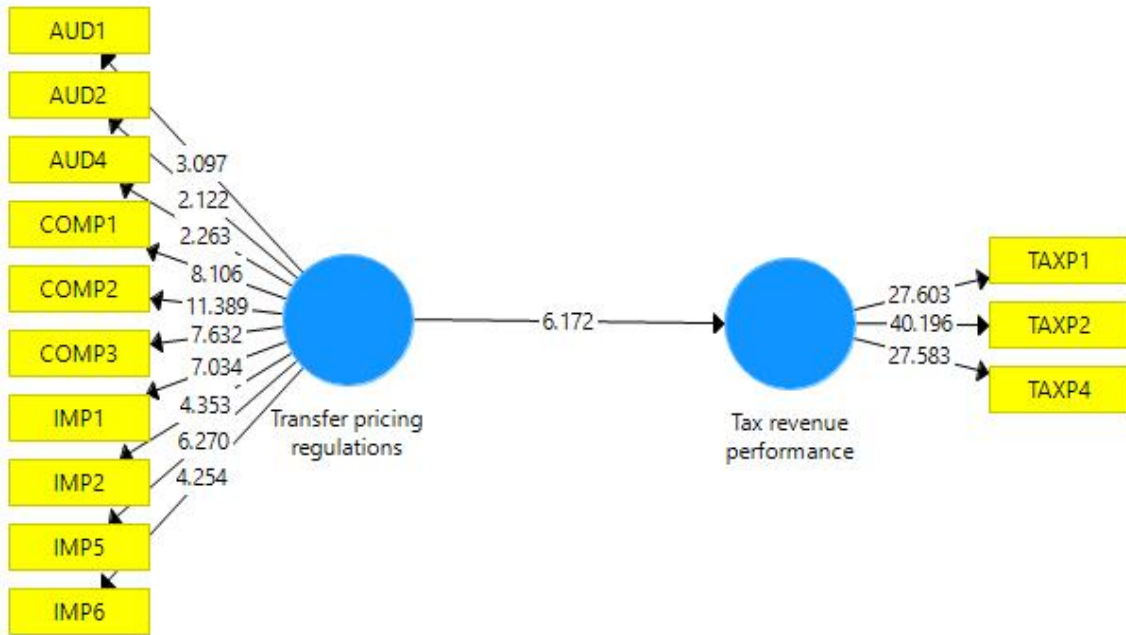


Figure 7. T-Statistics for Hypothesis One
Source: Researcher's Computation via SmartPLS V3.3.9

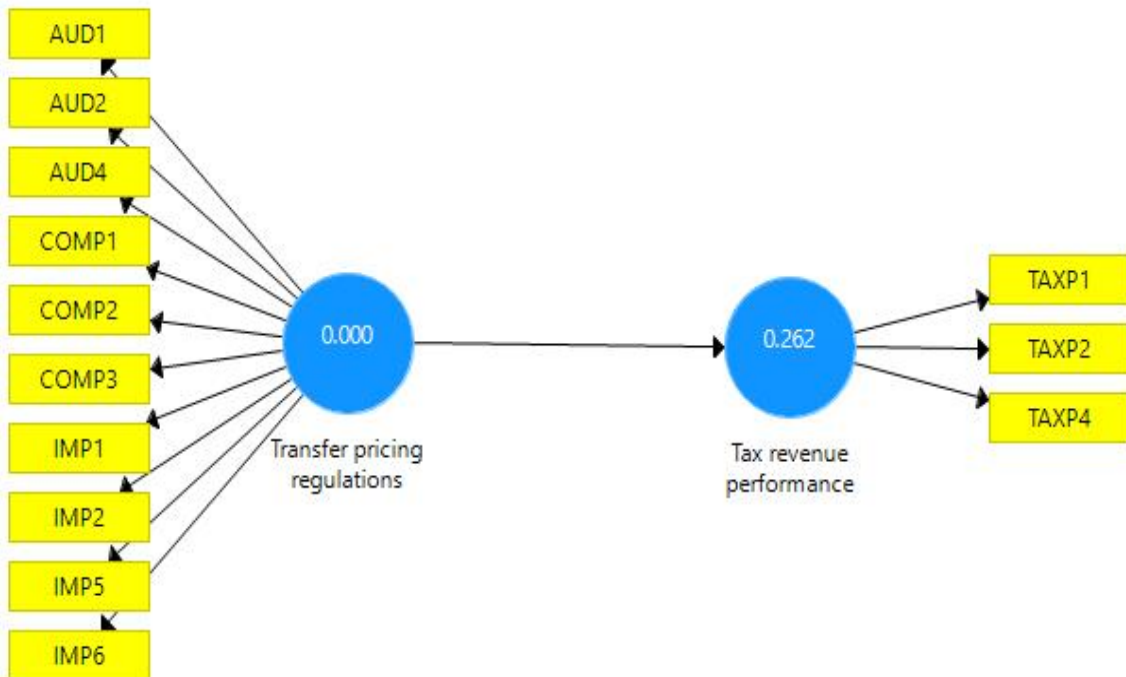


Figure 8. Q² Statistics for Hypothesis One
Source: Researcher's Computation via SmartPLS V3.3.9

Table 4.10: Summary of the PLS-SEM for the combined effect of transfer pricing regulations on tax revenue performance in FIRS, Nigeria

Path Description	Original sample (o) Unstandardized Beta	t	Sig.	R2	Adj. R2	Sig.	Q2
				0.329	0.321	0.000	0.262
Transfer Pricing Regulations → Tax revenue performance	0.573	5.758	0.000				

Source: Researcher’s Result via SmartPLS Version 3.3.9 (2022)

Figure 6 presents the results of PLS-SEM analysis for the combined effect of transfer pricing regulations on tax revenue performance in FIRS Nigeria. The R^2 was used to establish the predictive power of the study’s model. From the results, the coefficient of determination (R^2) of 0.329 showed that Transfer pricing regulations predicted 32.9% of the variation in tax revenue performance in FIRS Nigeria while the remaining 67.1% changes in tax revenue performance is explained by factors different from transfer pricing regulations considered in this study and the effect is statistically significant at 95% confidence interval and p value less than 0.05. This result suggests that transfer pricing regulations influenced 32.9% of the tax revenue performance in FIRS, Nigeria. According to Hair et al. (2013) R^2 or $AdjR^2$ values for endogenous latent variable of 0.75, 0.50, and 0.25 represent substantial, moderate, and weak respectively. Based on this threshold it is safe to posit that the combined effect of transfer pricing regulations on tax revenue performance in in FIRS Nigeria is moderate.

The path coefficient of transfer pricing regulations revealed that at 95% confidence level, TPR ($\beta = 0.573, t= 5.758$). This suggest that taking all other independent variables at zero, a unit change in transfer pricing regulation holds significant increase of 0.277 in

Tax revenue performance in FIRS, Nigeria given that all other factors are held constant. Further analysis was conducted to establish the predictive relevance of the model using Stone-Gleisser Q^2 value. Scholars posit that Q^2 values of 0.02, 0.15 and 0.35 represents small, medium, and large predictive relevance. Hair et al. 2017) suggested that Q^2 above zero confirm that the structural model specified is relevance. According to Table 4XX, the Q^2 value of Tax revenue performance in South-west, Nigeria is 0.262. Hence, Transfer pricing regulations has a medium degree of predictive relevance with regards to its combined effects on Tax revenue performance in FIRS, Nigeria; And for this reason, the structural model specified is relevant and has sufficient predictive quality. On the strength of the PLS-SEM summarized results in table 4.XX ($R^2 = 0.321$, $p = 0.000$, $Q^2 = 0.262$), this study can conclude that transfer pricing regulations have significant and moderate combined effect on tax revenue performance in FIRS Nigeria hence, the study rejects the null hypothesis two (H_02) which states that transfer pricing regulations has no significant combined effect on tax revenue performance in FIRS, Nigeria.

H_03 : Institutional capacity has no significant moderating effect on the association between transfer pricing regulations on tax revenue performance in FIRS, Nigeria.

To test the null hypothesis three, PLS-Structural Equation Modelling (PLS-SEM) was adopted using the SmartPLS statistical platform version 3.3.9. The independent variable is transfer pricing regulations, tax revenue performance constitutes the dependent variable and institutional capacity is the mediating variable. Data from three hundred and sixty-one staff of FIRS in Nigeria were collated for the analysis. The result of the PLS-SEM is presented in three model (see figure 9, 10 & 11) and a table (see table 4.11). Figure one shows the path analysis, figure two shows the t values which confirm the significance of the path analysis and figure three shows Q^2 which confirms the predictive

relevance of the structural model (t value above 1.96 and Q^2 above zero confirm a statistically significant effect and that the structural model specified is relevance). Each model comprised of outer model which shows the factor loadings (correlation) of each item in relation to the latent variable and the inner model termed the structural model (predictive model) which explains the interactions between the independent (Transfer pricing regulations) variable(s), mediator (institutional capacity), and the dependent (tax revenue performance) variable in a study. The table 4.11 provides a tabular representation of the information in figure 9, 10, and 11.

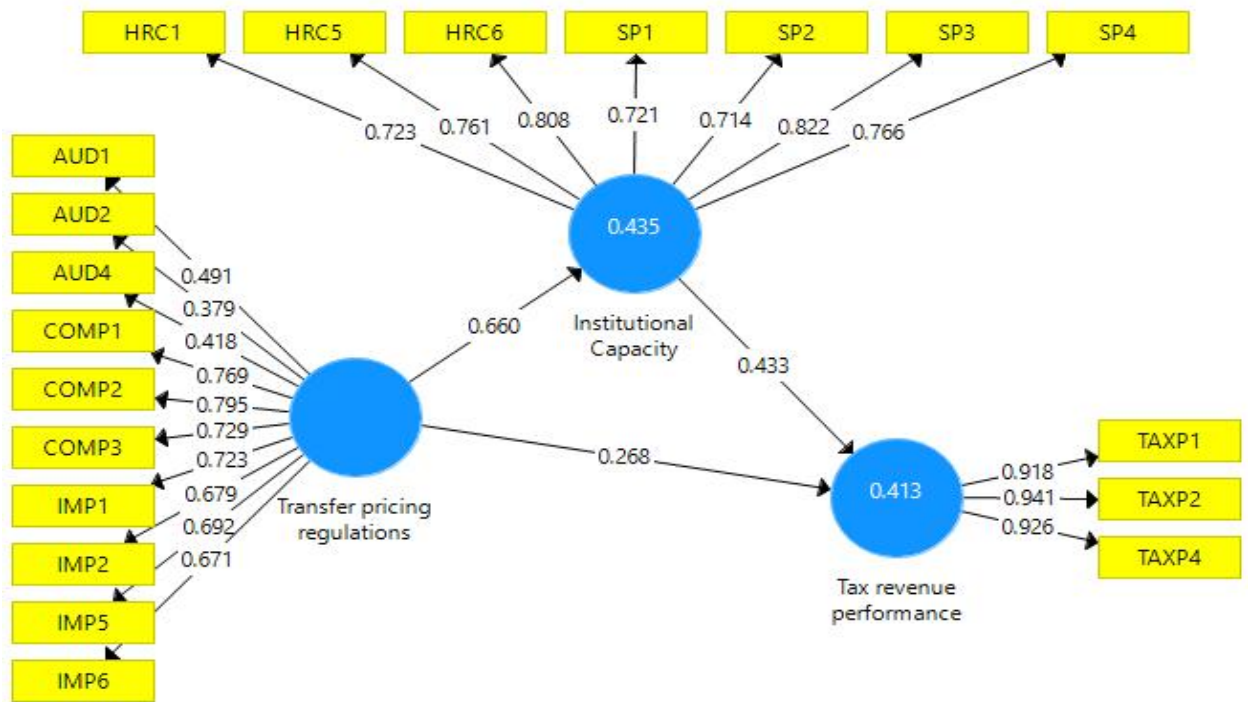


Figure 9 Path Analysis for Hypothesis Three
Source: Researcher's Computation via SmartPLS V3.3.9

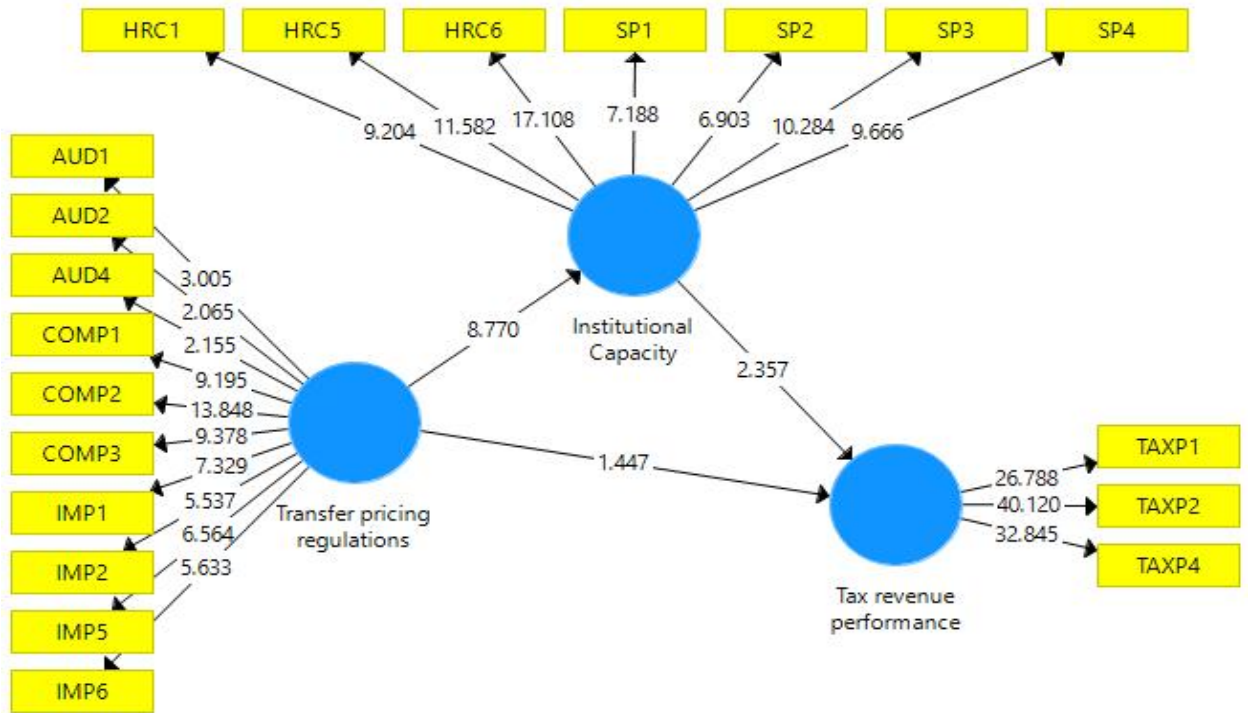


Figure 10. T-Statistics for Hypothesis Three
 Source: Researcher's Computation via SmartPLS V3.3.9

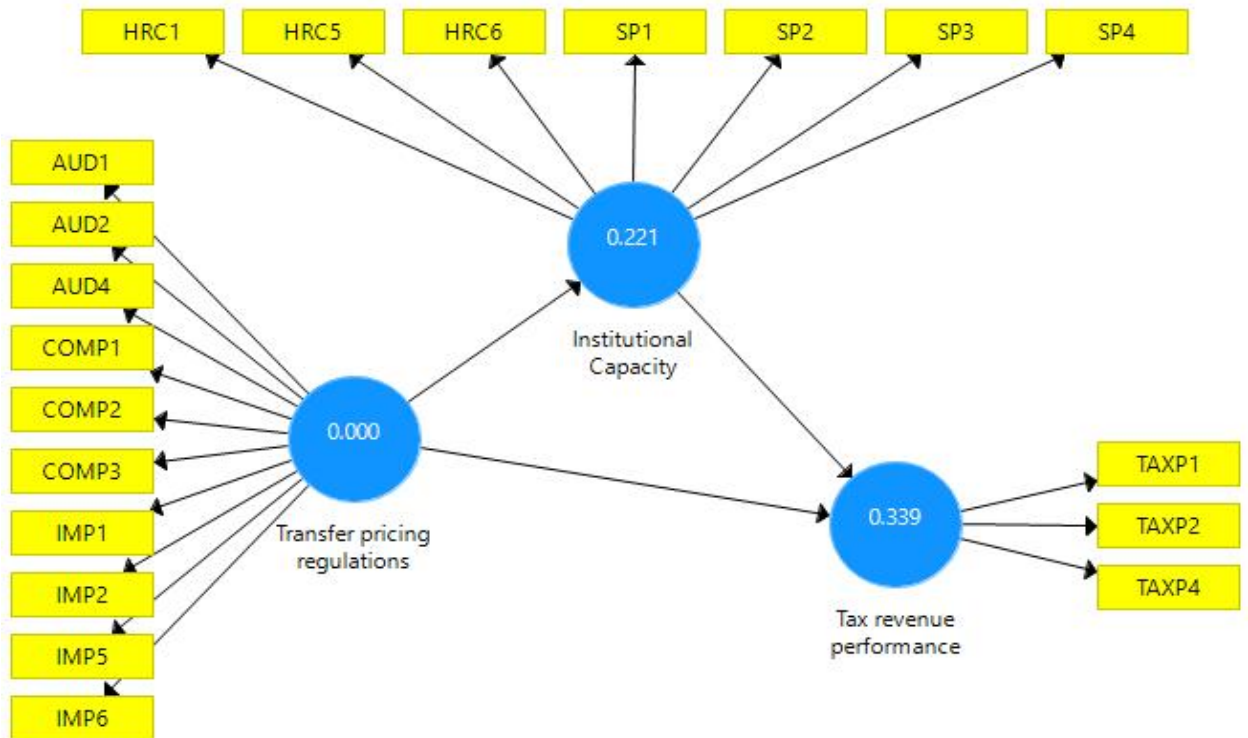


Figure 11. Q² Statistics for Hypothesis Three
 Source: Researcher's Computation via SmartPLS V3.3.9

Table 4.11: Summary of the PLS-SEM for the moderating effect of institutional capacity on the interaction between Transfer pricing regulations and Tax revenue performance in FIRS, Nigeria

Path Coefficient	Original Sample(O)	Sample Mean(M)	T-Statistics	P-Values	Q ²
Model ^{1,2,3}					
Transfer pricing regulations → Tax revenue performance	0.286	0.285	1.447	0.148	0.339
Transfer pricing regulations → Institutional capacity	0.660	0.693	8.770	0.000	0.221
Institutional capacity → Tax revenue performance	0.433	0.430	2.357	0.019	
Specific Indirect Effect					
TPR → IC → TRP	0.286	0.294	2.211	0.028	

Note: TPR= transfer pricing regulations; IC= institutional capacity; TRP= tax revenue performance

Source: Researcher's Results via SmartPLS V3.3.9 (2022)

Figure 9, 10, 11 and Table 4.11 presents the results of PLS-SEM analysis for the mediating effect of institutional capacity on the interaction between transfer pricing regulations and tax revenue performance in FIRS, Nigeria. To establish the mediating effect in PLS-SEM, the study followed the preconditions prescribed by ³. According to Baron and Kenny, full mediation occurs when the direct interaction between an independent variable (transfer pricing regulations) and the dependent variable (tax revenue performance) becomes insignificant at the introduction of a third variable (institutional capacity) considered a mediator. In addition to Baron and Kenny, PLS-SEM via the SmartPLS offers the result for the specific indirect effect examined. The specific indirect effects from 'Transfer pricing regulations' → 'Institutional capacity'

→ 'Tax revenue performance' must be statistically significant³. If the impact is a full mediation, then the direct impact of transfer pricing regulations on tax revenue performance in FIRS, Nigeria from the path analysis will be statistically insignificant. However, if the indirect effect and the direct effects are significant from the path analysis then a partial mediation is established.

Given the above precondition, the PLS-SEM result in figure 9, 10, 11 and in Table 4.11 shows that the direct path (influence) from Transfer pricing regulations to tax revenue performance in FIRS, Nigeria is statistically insignificant ($\beta= 0.286$, $t= 1.447$, $p=0.148$). The path from Transfer pricing regulations to institutional capacity is statistically significant ($\beta= 0.660$, $t= 8.770$, $p=0.000$). Lastly, the path from institutional capacity to tax revenue performance in FIRS, Nigeria is statistically significant ($\beta= 0.433$, $t= 2.357$, $p=0.019$). The implication of this result (in relation to the preconditions for the present of a mediation as postulated by scholars suggests that since the specific indirect effect (Transfer pricing regulations → institutional capacity → operation performance) is significant across all the paths (see table 4.XXX), then the study provides evidence to establish a mediating impact³. More specifically, because the direct impact of Transfer pricing regulations on tax revenue performance is insignificant while specific indirect path 'Transfer pricing regulations → institutional capacity → operation performance' is significant, hence a full mediating effect is established. In other words, the result posits that the impact transfer pricing regulations has on tax revenue performance is as a result of the institutional capacity in place in FIRS, Nigeria. More specifically, the effect transfer pricing regulations has on tax revenue performance in FIRS is explained through deploying institutional capacity in strategic planning capability and human resource capability as a whole.

In addition, the PLS-SEM provides the result of the specific indirect effect to reinforce the mediation analysis threshold positioned by Baron and Kenny (1986). According to Table 4.11, the result of the specific indirect effect shows a path analysis from Transfer pricing regulations → institutional capacity → operation performance ($\beta=0.286$, $t= 2.211$, $p= 0.028$) proves that, as a whole, the indirect path is significant. On the strength of the specific indirect impact ($\beta=0.286$, $t= 2.211$, $p= 0.028$) and Q^2 value (0.339, 0.221), this study can conclude that institutional capacity significantly and fully mediate the interaction between transfer pricing regulations and tax revenue performance in FIRS, Nigeria hence, the study reject the null hypothesis three (H_{03}) which states that institutional capacity does not significantly and fully mediate the interaction between transfer pricing regulations and tax revenue performance in FIRS, Nigeria.

4.4 Discussion of Findings

The result of the descriptive analysis revealed that the grand mean for tax profit pre transfer pricing regulation enforcement is 2.03 which indicate that on average, respondents disagreed with most of the statements on the low scale as it relates to how tax profit pre regulation. Moreover, the mean score of 2.03 suggest that tax profit prior to the transfer pricing reform enforcement is low. This reinforces the problem identification that necessitate the introduction of transfer pricing regulation as a way to curb profit shifting among multinational in Nigeria.

The results of PLS-SEM for the effect of transfer pricing regulations on tax revenue performance in FIRS, Nigeria revealed that transfer pricing regulations has a positive and significant effect on tax revenue performance in FIRS, Nigeria. Conceptually

fiscal policy reform is critical to the operational efficiency of government agencies revenue collection and administration. This finding aligns with this study's supposition concerning the relevance of transfer pricing regulation and institutional capacity to organisational success. The findings of this study have support in empirical literature.

For instance, using a dataset of 2077 U.S. corporations from 1995 to 2004, Dyreng (2008) investigated the extent to which businesses are able to dodge taxes over the long term. The researcher showed a high fraction of enterprises that might escape corporate taxes for the 10- year term. This elucidated a potential management-triggered long-term tax savings. Firms may be active in tax planning for a long period but may be limited if the incentive for such actions is based on tax law ambiguities. Since it is more difficult and costly for regulatory authorities to detect tax avoidance and evasion using other means, corporations, accountants, lawyers, consultants, governments, tax authorities, multinational agencies, NGOs, and others all play a role in the complex game of reducing tax avoidance and evasion, as stated by Sikka (2010). International Monetary Fund (IMF) believes that multi-global trade has caused challenges for national tax authorities from the potential use and abuse of transferpricing by multinational organizations.

According to Tanzi (2000), certain businesses may be engaging in price-fixing in order to shift earnings from high- to low-tax regions. The arm's length principle and trans-price rules were first implemented in Russia in 1999. Trade in oil and gas, two of Russia's most important exports, has spotlighted some of the country's problems. The World Bank estimated in a research published in early 2004 that oil and gas exports accounted for 25% of GDP, rather than the 9% that was being reported at the time. Ahrend (2004) argues that firms objectively exploit tax loopholes, which is one

of the causes of transfer pricing differences. Based on his analysis of multinational corporations' transfer- pricing (TP) management techniques, Mutua (2012) stated that tax compliance enforcement has escalated to the point where Nigeria will be compelled to undertake TP audits and assessments on MNEs that fail to comply with the regulations.

He noted that Nigeria has not penalized businesses without TP policies and suggested that MNE learn more about the concept of TP and the consequences of engaging in excessive transactions with affiliated businesses. He also suggested determining whether or not sales figures are used in evaluating MNEs' performance management. According to a report by PWC (2013), the Nigerian government is currently demanding transfer pricing paperwork from all taxpayers with cross-border related-party transactions in order to create risk profiles for the purpose of conducting transfer-pricing audits. They advised corporations to take transfer pricing seriously, creating and maintaining transfer pricing strategies that are both documented and can stand up in court. The government of Nigeria could be losing billions of naira due to international firms engaging in questionable tax deals with influential individuals. By using transfer pricing, multinational corporations are able to avoid paying their fair share of taxes, stifling a country's ability to raise money for infrastructure improvements. Therefore, it is of the utmost importance to study how transfer-pricing regulations and compliance have influenced Nigeria's tax administration.

Many results on the actions of MNCs that shift revenue or profits were provided in earlier publications on the topic of transfer pricing. With the help of a 30-day balance of US trade prices to spot anomalies, it was determined that transfer pricing

manipulations cost the government close to \$33 billion due to undisclosed taxable income. 68. According to research on thin capitalization rules, which limit the tax write-off of interest on intra-firm debt, the inability to deduct such interest from a company's taxable income reduces the frequency with which multinational corporations engage in debt-shifting activities by 69 percentage points. By paying high interest on loans ostensibly issued to partners in high tax jurisdictions, companies can move earnings out of those jurisdictions and onto lower interest rate home turf. Profit is channeled through the creation of false interest payments on loans.

Additional research has shown that rules can effectively lessen the allure of low-tax jurisdictions for passive investments and impede the movement of multinational income to low-tax countries. 70. The results of similar research covering 191 U.S. multinational businesses show that income is being moved in response to changes in tax rates. That agrees with the findings of earlier research that have observed income moving from high- to low-tax jurisdictions when incentives favoring such actions are in place⁷¹. It was determined that the magnitude of income shifting is connected to the volume of intra-firm international sales and regional disparities in corporate tax rates ⁷² using financial statement disclosures under Statement of Financial Accounting Standards (SFAS) 14.

According to the Chinese government's website, multinational corporations commit around 60% of all tax fraud through transfer pricing. According to a survey conducted by China's National Bureau of Statistics, at least two-thirds of apparently loss-making overseas firms have utilized transfer pricing and other methods of tax avoidance to save more than 30 billion Yuan (4.39 billion USD), the equivalent of around \$73 million. Using a dataset of 2077 U. S. enterprises for the years 1995-2004, researchers looked examined the extent to which multinational corporations might

legally evade paying corporate taxes over a 10-year period. According to the research, this is due to long-term tax avoidance, which may be management's articulated program to avoid tax payment in order to increase worldwide corporate profits⁷⁴.

Based on research conducted by the US Internal Revenue Service, it has been determined that taxpayers reduce their taxable income in the United States by artificially inflating the prices of related party transactions, so that the income of an economic group is earned in a low-tax or no-tax jurisdiction other than the United States. Moreover, intangible asset location and related transfer pricing considerations present major compliance challenges for international enterprises in the tax administration space ⁷⁵. Intercompany transactions including sales, licensing, leasing, and others are used to organize the profits of each affiliate of a multinational enterprise. Management of an MNE group looks at the tax laws and administrative requirements in different tax jurisdictions of operation to estimate its potential tax liabilities, and then comes up with a plan to move its profits from high-tax to low-tax regions, or even tax havens, according to research on the methods used by MNEs to minimize their tax liabilities.

A study on transfer pricing management strategies by MNEs concluded that there is an increased level of tax compliance where multinational enterprises perceive the likelihood of transfer pricing audits and the risks of transaction adjustments on companies that fail to comply with transfer pricing documentation rules ⁷⁷. A study that used monthly import prices to evaluate the effect of intra-company trade on international price indices found that the gap between the unit value indexes and the price specification indices widened by 1.3% for every 10% increase in the intercompany trade share of U.S. imports due to transfer pricing manipulation. Utilizing data on intra-company exports and tax rate differentials from the United

States Bureau of Statistics' 30 day net export series for the years 1997–1998, researchers found evidence of a link indicative of tax avoidance.

The study of State capacity has a long and storied history in the social sciences, especially political science and political sociology (Cingolani, 2013, 2018). In public administration and policy studies, the focus has switched in recent years to the administrative dimension of state capacity, or institutional capacity (El-Taliawi and Van der Wal, 2019). There is an emphasis on the need of this capability for things like economic growth, industrial expansion, policymaking, and general national development (El-Taliawi and Van der Wal, 2019).

To effectively confront financial crises, security threats, natural catastrophes, and pandemics in today's interconnected world, institutional capacity must be increased to accommodate the global setting of intense competition, complexity, and uncertainty (Christensen & Laegreid, 2012). The Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development lend new weight to the importance of building institutional capacity (Glemarec and Puppim de Oliveira, 2012). However, the basic idea of capability is still very controversial, as its interpretation and research-driven implementations differ widely across disciplines (Hanson and Sigman, 2013). As Whittle and Rafferty (2012, p.24) point out, capacity is becoming more of a "contested concept" as more and more models and methodologies are developed. Williams (2020, p.1) argues that while the term "capacity" is useful as a shorthand, "it achieves this convenience by abstracting away from the dynamics that determine bureaucratic effectiveness and policy implementation."

However, several international organizations prescribe states to pursue specific initiatives or actions that are not always transferable to other countries (El-Taliawi and Van der Wal, 2019). As was mentioned before, the historical, political, economic, and social settings of different countries and regions have a significant impact on whether or not an institution is appropriate and effective. The State's institutional capacity is a concept that has surfaced periodically as fundamental to several fields of political science. Despite their disjointed and asynchronous nature, these ideas have a consistent meaning that may be summed up by the skillset of the public bureaucracy.

The success of nations depends on their ability to put their policy goals and programs into action. Indeed, it is generally agreed that a state's quality of government and the success of its development efforts are directly tied to the extent to which its public sector is competent and able to optimally align resources with actions and implement designed policies (Rothstein, 2015; Wu, Ramesh, & Howlett, 2014). However well-designed or democratically-developed public policy might be, it would be meaningless if governments lacked the ability to put it into effect (Howlett 2019). Defining issues, prioritizing solutions, allocating resources, exercising control, and enforcing the necessary policies to efficiently and effectively provide public services are all essential to a government program's successful execution (Pritchett, Woolcock, & Andrews, 2013).

None of today's key landmarks could have been reached without such capability, including the deployment of physical and financial resources, long-term planning,

deploying innovation, and monitoring performance (Caiden, 1973). A greater level of excellence is required because of the increased complexity and rapidity with which policy is evolving in the modern world. Thus, various hypotheses and measures of institutional capacity are possible, with certain indices and measurements concentrating more explicitly on the organizational-operational dimension than others, depending on what factors are most important or practicable in a given context (Van der Wal 2017a). Competitive advantage maintained by countries like Singapore, Denmark, the Netherlands, New Zealand, and Switzerland demonstrates the importance of institutional competence in the context of national development (Van der Wal 2017a). These countries have in common a reasonably well-trained, well-paid, independent, and capable public sector (Van der Wal 2017b) that is responsive, devoted, and gives quality service to their inhabitants.

The study used a variety of sub-measures of institutional capacity to improve the efficiency and effectiveness of the Nigeria Customs Service and the Nigeria Police. These included strategic planning, human resource capability, management control, and innovation capability. To what extent do these metrics relate to the success of institutions? The reason this is a pertinent research question is that establishing their relevance within the existing literature requires answering this question. Similarly, this research might unearth the empirical finding that serves as a solid foundation for the presentation of the results.

Karel, Adam, and Radomir (2013) discovered that strategic planning was applicable within the context of medium-sized organizations in the Czech Republic and Slovakia. Researches hypothesized that businesses with well-written strategic plans would outperform those without. By implication achieving significant institutional

performance does not happen by chance. Thus, institutions must have a conscious plan to achieve their goals. Strategic plans help institutions succeed, as was found in a study by Sandada, Poee, and Dhurup (2014). Wijetunge and Pushpakumari (2014), who studied in a different geographical context than Karel et al. (2013) and Sandada et al. (2014), confirmed the previous researchers' findings. Wijetunge and Pushpakumari (2014) found that moderate users of strategic planning in western Sri Lanka saw a big boost in their organization's performance metrics.

Strategic planning, strategy implementation, organizational excellence, and organisational performance are all linked in positive and statistically significant ways, as Al-Dhaafri and Alosani (2020) have shown. Similar findings were found by Alosani and Yusoff (2020): strategic planning and innovation have a favorable and significant impact on the performance of the Dubai Police Department. It has been demonstrated by research conducted by Ida, Ramli, Mustafa, and Yusoff (2015) that strategic planning measures are critical factors in influencing the performance of businesses for the better. A positive, moderate, and statistically significant effect of strategic planning on organizational performance was also discovered by George, Monster, and Walker (2019). Khoshtaria (2018) found that thorough strategic planning greatly improves organizational performance; however, there was no discernible effect of strategic planning on strategy implementation in Manufacturing organizations. To put it another way, businesses care less and less about how well they intend to implement their strategies. According to Donkor (2017), the majority of Ghana's family-run businesses are doing moderately well. Although this study found a good correlation between strategic planning and family firm success, it also

demonstrated that few Ghanaian family businesses really engage in strategic planning activities.

According to Auka and Langat (2016), strategic planning has a major impact on business outcomes. Study results from Gomera, Chinyamurindi, and Mishi (2018) show a positive correlation between strategic planning and SMMEs' bottom lines. Financial results were also found to be positively correlated with strategic planning's four main components (formulation, execution, assessment, and control). According to the findings of a study conducted by Abdul-Aziz (2019), the practice of strategic planning has a favorable effect on strategic performance across all of its dimensions (financial, customer, internal business processes, and learning and growth). According to Adetayo (2018), businesses that engage in strategic planning see improvements in their bottom line. The results underline the importance of strategic planning for business owners and entrepreneurs in achieving success in today's cutthroat business environment.

El-Taliawi and Van Der Wal's (2019) research, which emphasizes building institutional capacity for talking about research, practice, and policymaking, also emphasized the importance of tight management control within this environment. Management controls are put in place to prevent waste, fraud, and abuse of funds allocated to meet organizational and government goals (OECD 2017, cited in El-Taliawi and Van Der Wal, 2019). Organizational performance and operational capacity are two areas that such controls seek to enhance. Verburg et al. (2018) agree with Wu et al. (2015) that dependable organizational control system fosters trust

among workers, thereby affecting their dedication to the company and its overall output.

Human resource management competencies deal with the human aspect of management, considering all organizations requires the use of human; to acquire their services, develop their innate abilities, motivate them to perform at a high level and ensure consistency of commitment to the organization overall objectives; all of these are critical to the achievement of organizational goals as identified by scholars (Banerjee, 2018; Chukwuka 2016; Chukwuka & Nwakoby, 2018). In an empirical study of the automotive industry in Malaysia, Rahim and Zainuddin (2019) found that human resources capability has a significant positive effect on competitive advantage. Thus, enhanced human resource competencies will improve the firm's competitive advantage, which will significantly impact its performance. A related study done by Olajide (2015), which focussed on multiple industries in Nigeria, found that the capability to manage its human resource carefully is fundamental to the success of an organization in terms of commitment, employee engagement, and self-motivation. The finding in Sibiu, Mei1, and Joarder (2016), which examines public ministries in Nigeria, aligned with the submission of Olajide (2015) and posited that effective human resource management significantly influences employee productivity.

Chukwuka and Nwakoby (2018), within the insurance industry, averred that human resource capability has a positive and significant correlation with employee performance (a precondition for Institutional performance). In a similar study but focus on Nigerian public service, Tabiu (2019) posits that competency in HRM practices had a significant positive relationship with employees' task performance.

The results suggested that the application of human resource capability in an organization will promote the high performance of employees not only in the private sector alone, as indicated by many studies, but also within the public sector organizations. This result corroborates the previous findings in Akhter et al. (2013) and Nadarasa (2013). Al-Dhaafri and Alosani's (2020) study, confirmed the positive and significant relationships between strategic planning, strategy implementation, organizational excellence, and organizational performance. Statistical findings using SEM-partial least-square also confirmed the mediating role of organizational excellence as a mechanism between strategic planning, strategy implementation, and organizational performance.

To provide additional support for this narrative within the theoretical discussion, the contingency theory of fit-as mediator considers institutional capacity as a contingent factor that explain the interaction between institutional capacity and institutional performance of FIRS in Nigeria. The theoretical foundations for this study came from the public interest theory of regulation and the dynamic capacities theory, both of which are consistent with the study's findings. These theoretical frameworks were chosen to serve as the basis for this research because of the insights they provide into the research questions. Second, the dynamic capability theory suggests that within a turbulent macro-environment, it is imperative for firms desiring to achieve superior performance to possess capabilities that are renewable and can be used to adapt to the evolving business environment, both of which were explained by the public interest theory of regulation theory. As a result, FIRS's institutional capacity is viewed as critical success factor with the capacity to explain the boundary conditions through

which transfer pricing regulations in Nigeria can enhance FIRS's tax revenue performance.

Chapter Five

Conclusion

This chapter discusses the summary of the findings, conclusions and recommendations of the study. The findings of this study concisely summarize the contributions of the study to knowledge whilst also emphasizing respective implication of findings, limitations to study as well as suggestions to further studies.

5.1 Summary of Findings

The study evaluated the effect of transfer pricing regulations (implementation, compliance, and audit) on tax revenue performance (tax profit pre-reform and tax profit post reform) with emphasizes on FIRS, Nigeria. It precisely assessed the level of tax profit pre-transfer pricing reform enforcement, examined the relative and combined effect of transfer pricing regulations on tax profit post reform and tax revenue performance respectively, and investigated the moderating effect of institutional capacity on the interaction between transfer pricing regulations and tax revenue performance in FIRS, Nigeria. From the interpretation of analyses of data collected and findings of the study, the following can be summed up as the major empirical findings of this study:

1. The level of tax profit pre-transfer pricing is low given the mean value of 2.05 thereby corroborated the problem identified in the introductory chapter and the need for the introduction of fiscal strategy (transfer pricing regulations).
2. Transfer pricing regulations (implementation, compliance, and audit) have significant relative effect on tax profit post reform enforcement in FIRS, Nigeria ($Adj R^2 = 0.601$ $F(6,445) = 114.327$ $p = 0.000$).
3. Transfer pricing regulations have combined significant relative effect on tax revenue performance in FIRS, Nigeria ($Adj R^2 = 0.601$ $F(6,445) = 114.327$ $p = 0.000$).
4. Institutional capacity has significant and full moderating effect on the interactions between transfer pricing regulations and tax revenue performance in FIRS, Nigeria ($\Delta R^2 = 0.017$, $\Delta F = 31.366$, $P = 0.000$).

5.2 Conclusion

Conclusions drawn from this study's empirical findings indicate that transfer pricing laws do have an effect on tax collection performance in FIRS, Nigeria. Similarly, institutional capacity is crucial because it serves as a boundary condition through which the impact of transfer pricing restrictions on tax collection performance in FIRS, Nigeria can be understood. The research concluded that the FIRS in Nigeria needs transfer pricing laws as a fiscal policy change in order to increase tax revenue collection.

The theoretical foundations for this study came from the public interest theory of regulation and the dynamic capacities theory, both of which are consistent with the study's findings. These theoretical frameworks were chosen to serve as the basis for this research because of the insights they provide into the research questions. Second,

the dynamic capability theory suggests that within a turbulent macro-environment, it is imperative for firms desiring to achieve superior performance to possess capabilities that are renewable and can be used to adapt to the evolving business environment, both of which were explained by the public interest theory of regulation theory. As a result, FIRS's institutional capacity is viewed as a fluid ability that may develop further as macroeconomic variables shift.

The finding, however, emphasizes that transfer pricing laws contributed very modestly to FIRS's tax revenue performance as a whole. If the Federal Inland Revenue Service (FIRS) is serious about catching up to the rest of the world in terms of public service efficiency and providing the Nigerian government with the funds it needs to carry out its democratic obligations, this is a major cause for concern.

This research contributes to the reform agenda by offering empirical evidence to support the FIRS's commitment to reform (transfer pricing laws), thereby increasing the federal government's ability to collect enough tax revenue to fulfill its obligations. The study gives the FIRS the information it needs to make evidence-based choices concerning the transfer pricing regulations (implementation, compliance, and audit) and institutional capabilities it employs. Findings showed that all transfer pricing laws sub-variables contributed moderately to highly to the agency's tax performance. These results imply that the FIRS currently has to re-strategize internally to strengthen transfer pricing implementation and establish crucial institutional capacity that would improve its institutional performance with respect to tax revenue collection.

5.3 Recommendations

Based on the findings of this study, the following recommendations are made;

1. The study established that transfer pricing regulations has moderate, positive and significant effect on tax profit post reform in FIRS. Hence, as part of the reform agenda it is imperative for the management of FIRS to formulate a robust strategy; one that identify the capacity of the agencies, and prescribe appropriate measures to enhance the transfer pricing regulation compliance. This should improve the tax revenue collection of the agency and by extension improves their institutional contribution to federal government of Nigeria.
2. The study established that transfer pricing regulation as a whole has significant contribution to tax revenue performance in FIRS, however the significant effect is weak and this question appropriateness of the FIRS approach to transfer pricing regulations with respect to implementation, compliance and audit. It becomes imperative for management of FIRS to re-energize their commitment to transfer pricing regulations implementation, compliance, and audit and deploy appropriate strategy that would benefit the agency's capacity to improve revenue collection.
3. Institutional capacity fully mediates the interaction between transfer pricing regulations and tax revenue performance of FIRS, Nigeria. Hence, management of FIRS need to continue re-evaluating their strategic planning capability and continue to develop their human resource capability through constant training and upskilling. This is critical as they possess the capacity to guaranty the

positive influence of transfer pricing regulations on tax revenue performance for FIRS, Nigeria.

5.4 Contributions to Knowledge

The findings of this made important contributions to knowledge conceptually, theoretically, and empirically in the following ways:

This study makes substantial contributions to our conceptual understanding in a number of ways, as evidenced by the literature evaluation. The research found and filled in gaps in the existing literature on transfer pricing rules, institutional strength, and tax collection efficiency in Nigeria's Federal Inland Revenue Service (FIRS). The work also made a theoretical contribution by using transfer pricing regulations sub-variables. Sub-variables of transfer pricing legislation like as implementation, compliance, and audit are situationally dependent. Therefore, these methods may be used in future research to increase their applicability. Finally, the study's conceptual model hints at an additional area in which it has added conceptually to the body of knowledge; this is because no other research, theoretical or empirical, are known to have used the model. Thus, contributing to models that explain the connection between transfer pricing rules, institutional strength, and tax collection efficiency.

The theoretical foundations for this study came from the public interest theory of regulation and the dynamic capacities theory, both of which are consistent with the study's findings. These theoretical frameworks were chosen to serve as the basis for this research because of the insights they provide into the research questions. Second, the dynamic capability theory suggests that within a turbulent macro-environment, it is imperative for firms desiring to achieve superior performance to possess

capabilities that are renewable and can be used to adapt to the evolving business environment, both of which were explained by the public interest theory of regulation theory. As a result, FIRS's institutional capacity is viewed as a fluid ability that may develop further as macroeconomic variables shift.

This study's findings are consistent with the public interest theory of regulation and the dynamic capacities theory. When taken together, the two theories provide a theoretical explanation for the dynamic between FIRS, Nigeria's transfer pricing legislation, institutional capacity, and tax revenue performance. In order for the government and its agencies to generate the economic well-being that its citizens demand in the face of changing environmental conditions, state agency capability must be dynamic rather than static.

We can change and improve the metrics of institutional capacity used in this study and provide better public service as a result. Both the public interest theory and the dynamic capability theory benefit from the complimentary function that is played by the two. Institutional capacity serves as a mediator in the relationship between transfer pricing rules and tax revenue performance, and the contingency theory of fit as a mediator helped provide the groundwork for this conclusion.

Tax revenue performance in FIRS, Nigeria was analyzed to see how transfer pricing rules impacted their bottom line. This study's empirical findings provide a useful addition to the current literature and empirical findings on transfer pricing legislation, institutional capacity, and tax revenue performance in Nigeria's public sector, and they can also be used as a reference for future studies in the field. In particular, this

research's first aim was to verify the low level of tax profit in the pre-reform era. It was also found that transfer pricing laws had a positive and significant relative and combined effect on tax profit once reform was implemented (goal 2 and 3). The final goal, number five, showed that within FIRS, Nigeria, the relationship between transfer pricing restrictions and tax collection performance is totally mediated by institutional capacity.

5.5 Limitations of the Study

There are caveats to this study that need to be recognized in order to open opportunities for additional research. More specifically, FIRS is examined because it is a government organization whose sole responsibility is to collect and administer taxes. Therefore, the scope of this research is restricted to the FIRS in Nigeria. Due to the study's cross-sectional nature, it is impossible to draw any conclusions about the long-term effects of transfer pricing legislation and institutional capacity on the dependent variable (tax revenue performance). In spite of this limitation, the study is nonetheless valid because its overarching goal—which is to analyze how FIRS's transfer pricing restrictions affect tax revenue performance—requires a snapshot in time's worth of information. By doing so, you're highlighting the design's best features.

The questionnaire employed has some limitations as a data collection tool. The low response rate, the fact that some people filled out the questionnaire without reading it, and the presumption that the data they provided will be utilized negatively are all

weaknesses. The researcher makes sure that the questionnaire items were written in clear, unambiguous English to combat these issues and boost response rates. The researcher also ensures the respondents' anonymity and confidentiality, and obtains approval from human resource management to conduct the study, all of which increases the researcher's accessibility to the respondents. Finally, the statistical assumptions, sample size requirements, and other issues related to inferential statistics were major concerns for testing study hypotheses. However, these obstacles were overcome by adapting the data treatments and increasing the sample size of the study. Despite these caveats, this research does present important conceptual, empirical, theoretical, and practical implications for management of the FIRS, which are vital to boosting Nigeria's tax revenue performance.

5.6 Suggestion for Further Studies

The limitations of this study offer opportunity and suggested for future study.

1. Future studies may consider other revenue collection agency like the Nigeria Custom Service to enhance the generalization of this study's findings.
2. In order to provide explanations of causality between the variables studied over time, future studies may consider a longitudinal study.
3. The sub-variables of institutional capacity in this study is not exhaustive hence future should incorporate other institutional capacity like inter-agency networking capability, collaboration capability, and decision-making capability to see their first-order and or second-order effect on tax revenue performance in FIRS.
4. Future studies may consider incorporating other intervening variables like government policy, leadership, management creativity, and agile information

management to investigate the effect of transfer pricing regulations on institutional performance in different research context.

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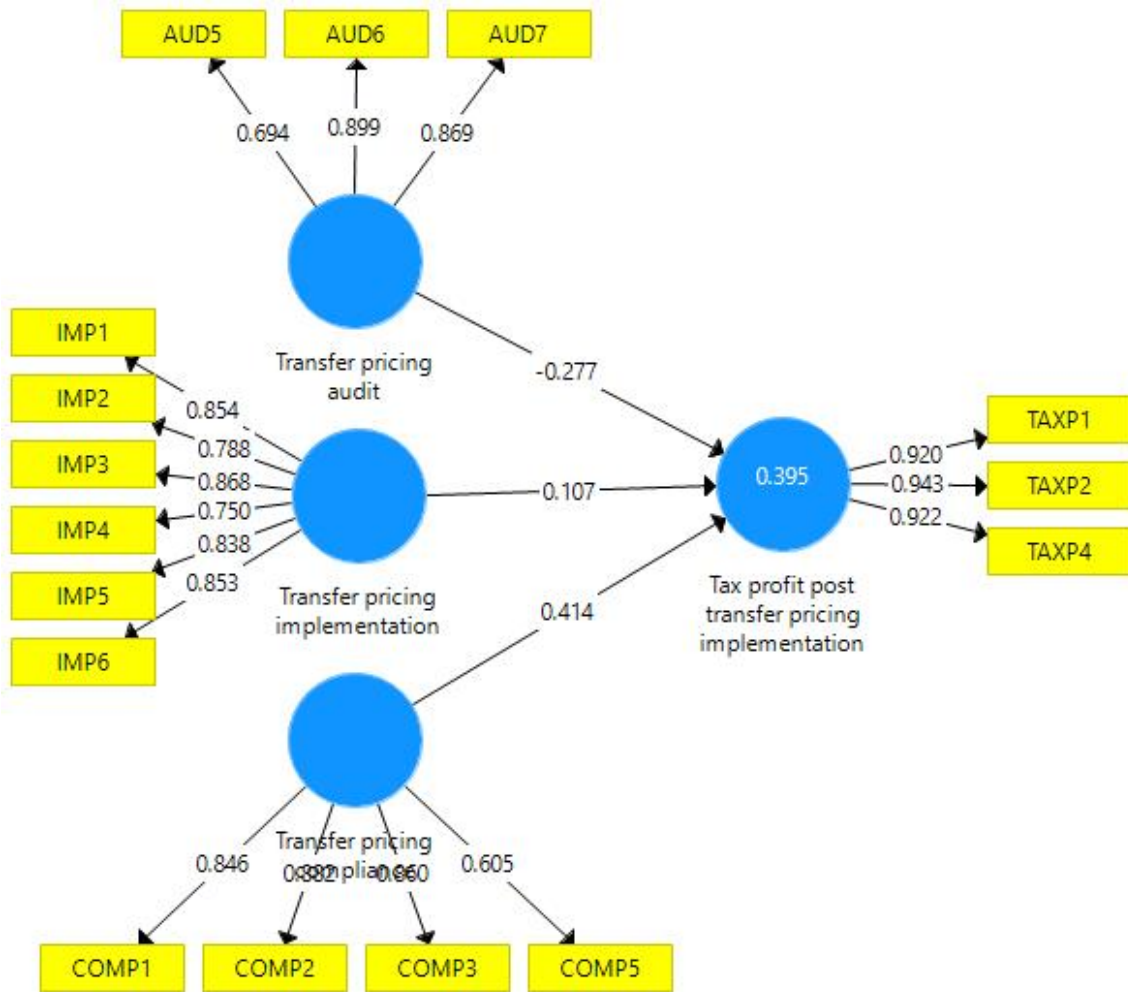
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APPENDICES

SmartPLS version 3.3.9 PLS-SEM

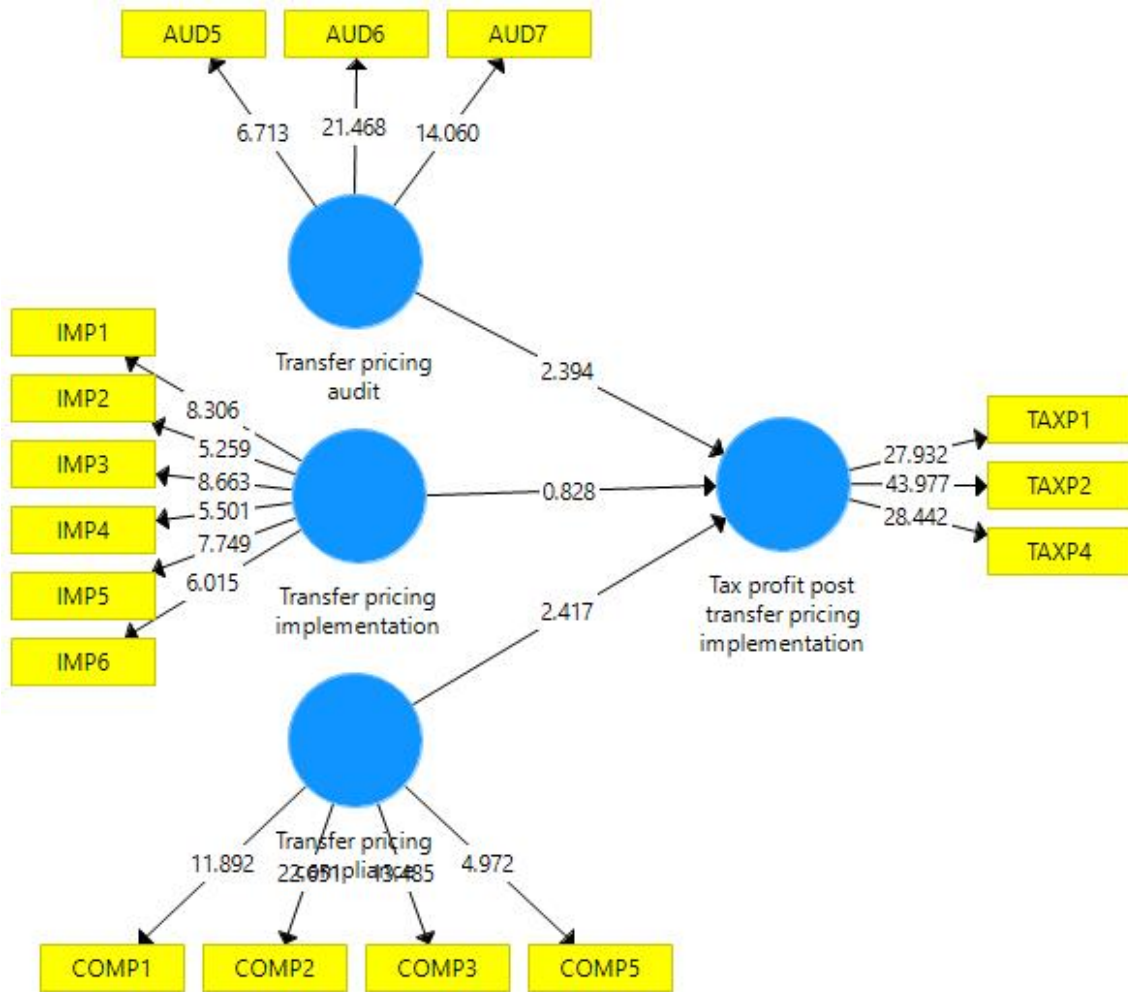
Hypothesis One

Transfer pricing regulations and tax profit post implementation



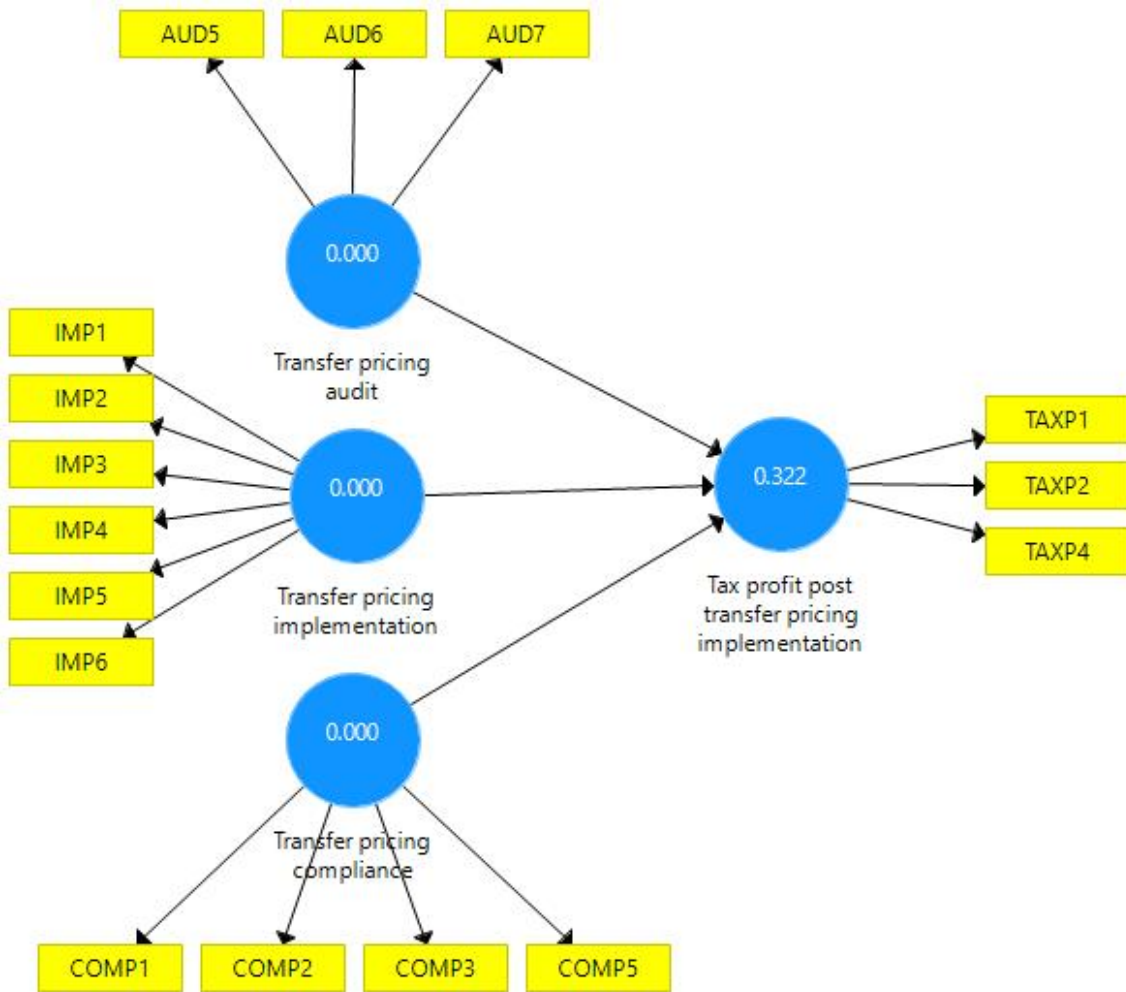
Measurement Model

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Structural Model

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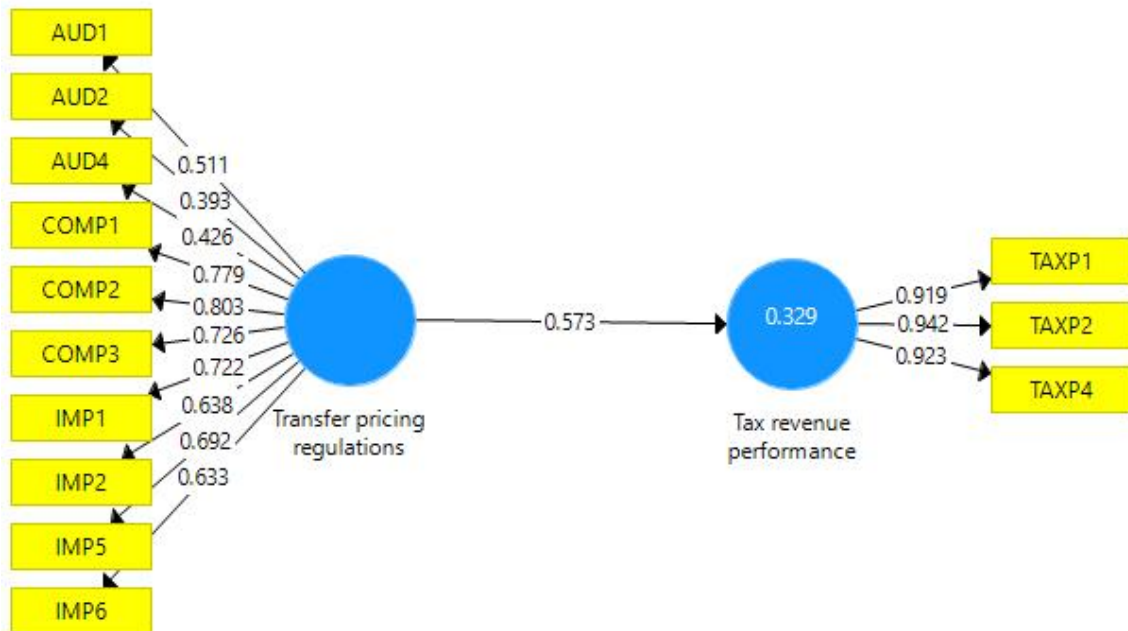


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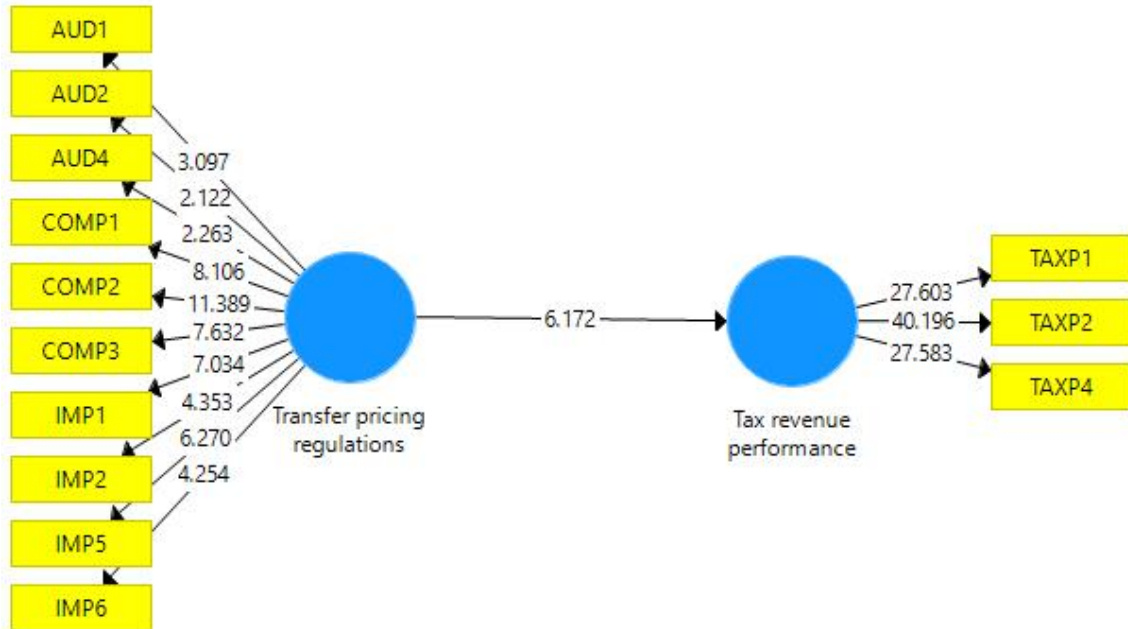
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Hypothesis Two

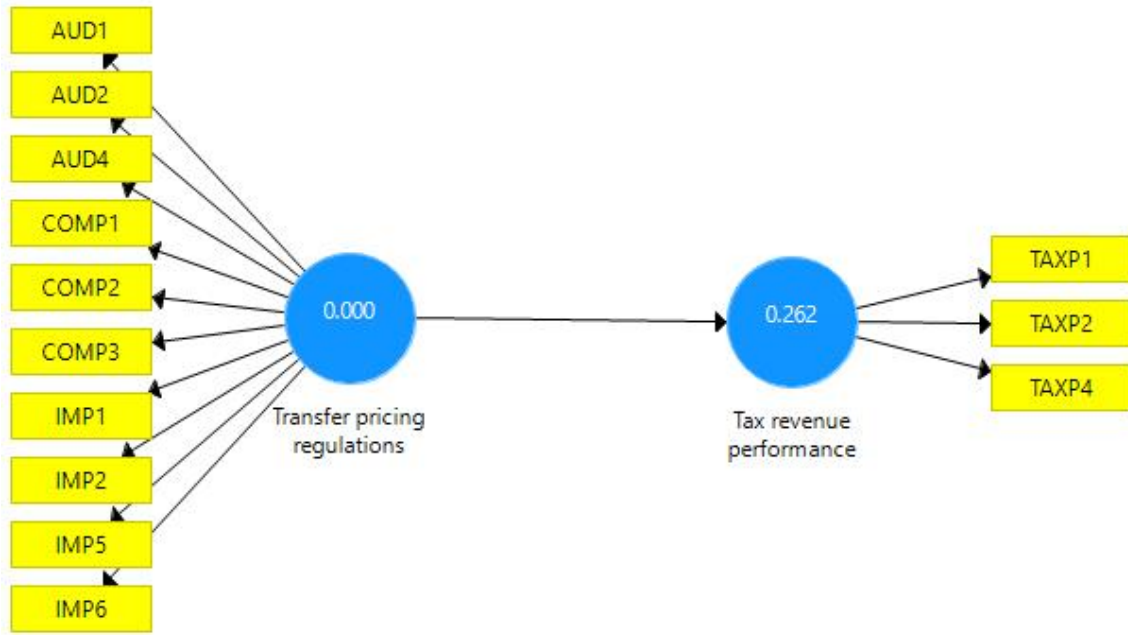
Transfer pricing regulations and tax revenue performance



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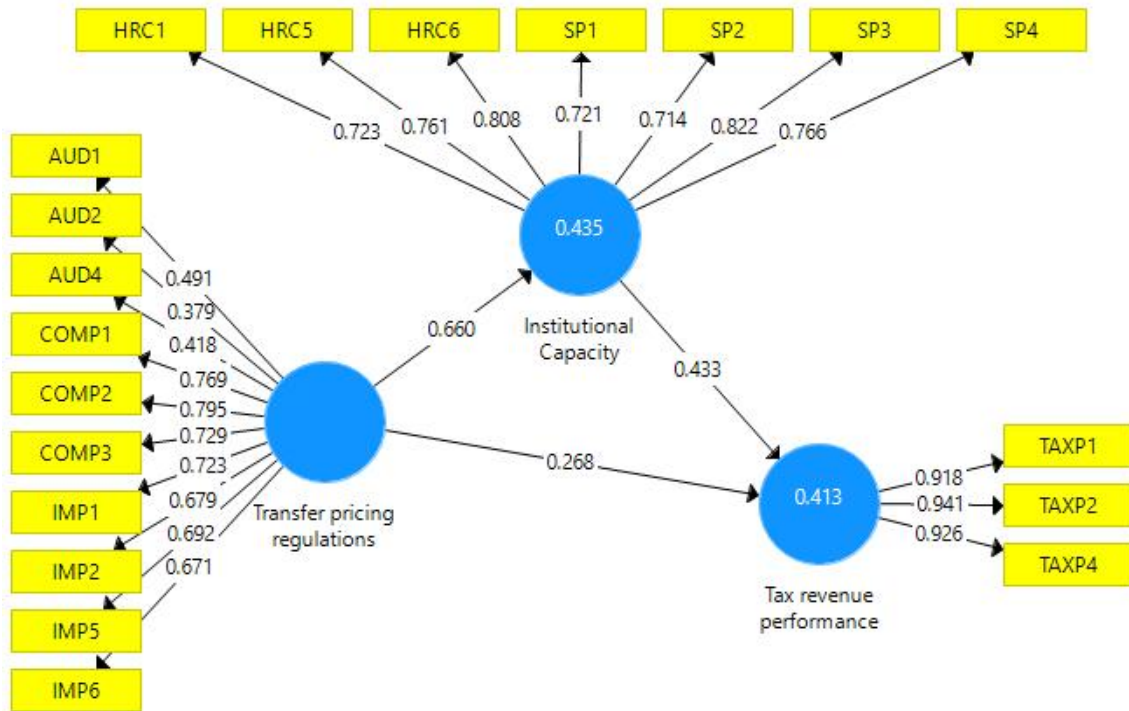
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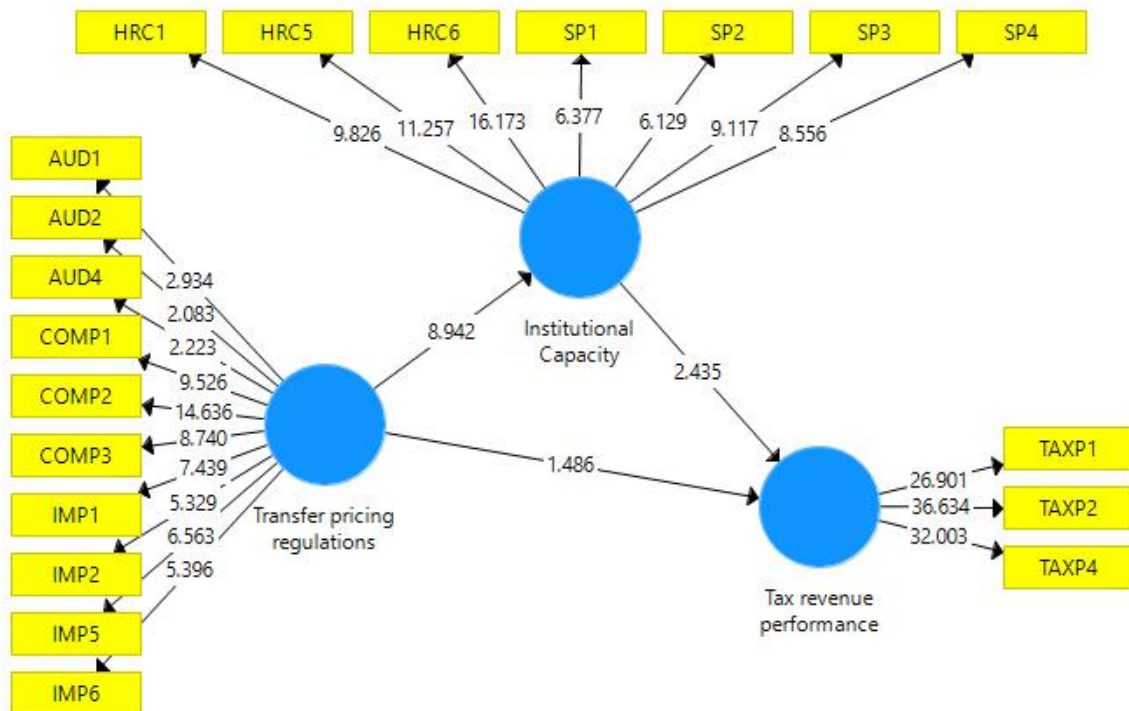
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Hypothesis Three

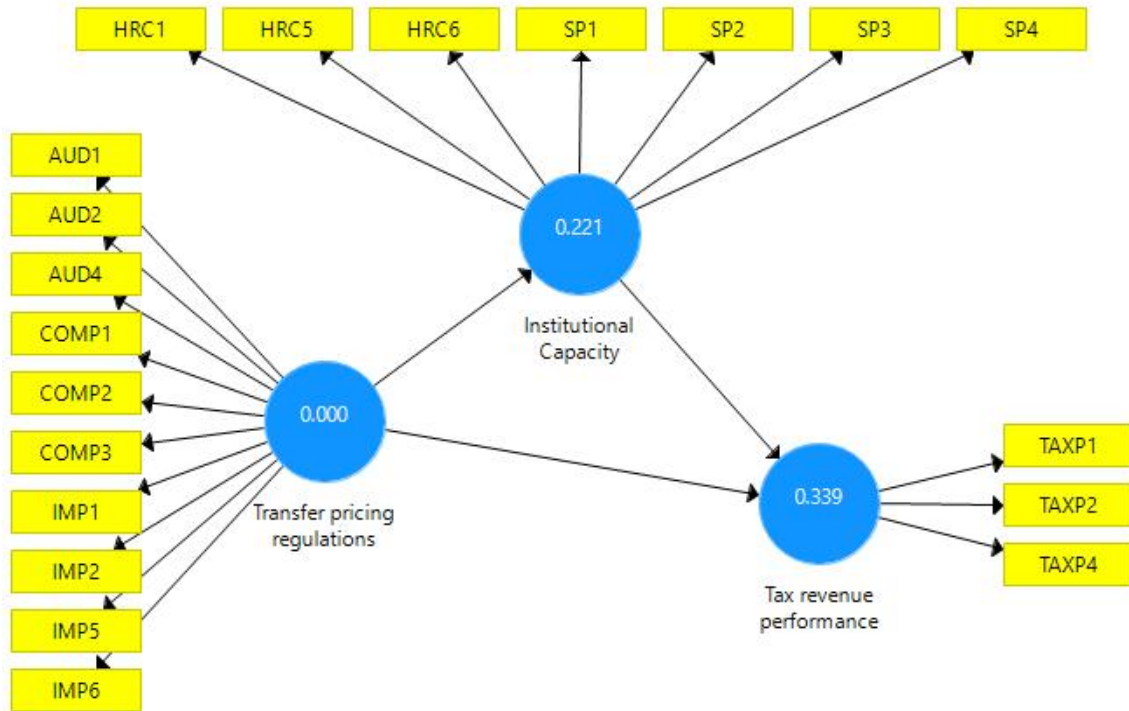
Mediating effect of Institutional capacity on the association between transfer pricing regulations and tax revenue performance



Measurement



Structural



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