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### Transfer Pricing Regulation: A Pre-Post assessment of Tax Revenue Generation in Federal Inland Revenue Service, Nigeria

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#### Abstract

The financial link between States and their citizens is established by taxation, making tax revenue the core of any country's revenue base. However, multinational companies' habitual questionable profit-shifting practices have become commonplace and this resulted in the enforcement of transfer pricing regulation to curb the menace. Hence, the study investigates tax revenue generation pre and post transfer pricing regulations in Nigeria. This study adopted a cross-sectional survey research design, and the population was 749 staff of Federal Inland Revenue Service (FIRS), Nigeria. All the 575 staff of FIRS in Lagos State were used as the unit of analysis hence the adoption of total enumeration method. A validated questionnaire was used to

collect data. The Cronbach's alpha reliability coefficients for the constructs ranged from 0.65 to 0.95. A response rate of 85.7% was achieved for the study. Data were analyzed using descriptive statistics. Findings revealed that the level of tax profit pre-reform was low given the mean value of 2.05. In addition, tax revenue generation was high post TPRs implementation. This study concluded that TPRs is critical for generating tax revenue growth in Nigeria. The study recommended that 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.

**Keywords:** Federal Inland Revenue Service, Taxable Profit, Transfer Pricing Regulation. Theory of Regulation

#### 1. Introduction

Taxes are universally a reliable means through which governments invest in the long-term prosperity of their citizens through the provision of developmental infrastructure facilities. The financial link between States and their citizen's expectations is partly attributable to the strength of their capacity to administer taxation, making tax revenue the core of many countries' revenue base. However, when multinational organisations begin to circumvent fulfilling their tax obligation through different price-shifting means, it creates a concern with a negative ripple effect on the State's capacity to meet citizen expectations. This narrative becomes a cause of concern and begs the need for States to implement appropriate transfer pricing reforms to address this challenge.

In both developing and developed economies, tax revenue is major 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 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 (Johnson, Bieltvedt, & Stephane, 2017) <sup>[12]</sup>. 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 (Ioana & Ionescu-Feleagă, 2022; Johnson *et al.*, 2017) <sup>[10, 12]</sup>.

Global tax authorities now understand the importance of enforcing transfer pricing documentation requirements due to revenue loss caused by transfer pricing manipulations (Amidu, Coffie, & Acquah, 2019; Nguyen, Tham, Khatibi, & Azam, 2020; Ovie, Eniola, & Lateef, 2022) <sup>[1, 14, 16]</sup>. 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. Moreover, Ovie *et al.* (2022) <sup>[16]</sup> stressed that transfer pricing regulations define such metrics as those that businesses must use to prove that the price, they charge each other for intra-company transactions is fair. To demonstrate compliance with the arm's length principle, appropriate pricing means that transactions within a firm can be compared to those between independent entities under similar conditions (Joel, Kwadwo &

Sharon, 2017)<sup>[11]</sup>. 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 (Joel *et al.*, 2017)<sup>[11]</sup>. 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 are greatly decreased. The OECD guidelines serve as an overarching framework for understanding transfer pricing documentation requirements, which are spelled out in each country's transfer pricing rules (Johnson, Bieltvedt & Stephane 2017; OECD, 1995)<sup>[12, 15]</sup>. 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 to reduce the incentive for tax haven evasion through profit shifting.

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 (Udin & Kasuwa, 2017)<sup>[22]</sup>. Nigeria, like many other countries, has recognized this and adopted transfer pricing legislation, which it enacted in 2012 and began enforcing effectively in 2014 (Asongu, Uduji, & Okolo-Obasi, 2019; Johnson, Bieltvedt & Stephane 2017; Ovie *et al.*, 2022; Shongwe, 2019)<sup>[5, 12, 16, 21]</sup>. 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. These efforts in transfer pricing regulations by the government are expected to address the issues of pricing shifting and its negative consequences. 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 (Asongu, Uduji, & Okolo-Obasi, 2019; Shongwe, 2019)<sup>[5, 21]</sup>. This is significant because it reduces the drop in tax collection caused by profit shifting, allowing state authorities to use funds 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. Although this narrative appears conceptually logical, an empirical study is required to substantiate the position on the linkage between transfer pricing regulations and tax profit in Nigeria following reform.

Further analysis of extant literature suggests studies that examined the link between transfer pricing regulation and tax performance, especially post reform implementation in Nigeria, is sparse. A few that did focus on substantiating profit shifting and problems emanating from MNEs and stressed the need for transfer pricing mechanisms to address the menace within a developing economy context (Asongu, Uduji, & Okolo-Obasi, 2019<sup>[5]</sup>; Joel *et al.*, 2016; Johnson *et al.*, 2017<sup>[12]</sup>; Navarro, 2018<sup>[13]</sup>; Nguyen, Tham, Khatibi, & Azam, 2020<sup>[14]</sup>; Ovie *et al.*, 2022<sup>[16]</sup>; Shongwe, 2019<sup>[21]</sup>). This gap in literature posits that nothing concrete is known within the Nigeria context about the relevance of transfer pricing regulation as critical to tax profit. Considering how much tax revenue is lost over time when multinational corporations shift their income, it is very important to look at the benefits of transfer pricing restrictions and how they affect tax revenue productivity. Consequently, the study addressed two objectives; identify the level of taxable profit before transfer pricing regulation implementation and determine the level of taxable profit post transfer pricing regulation implementation.

## 2. Literature review

### 2.1 Theoretical Background

The study is built on the foundations of the theory of regulation. The theory of regulation offers a theoretical explanation as to what can happen to tax revenue generation when Nigeria's transfer pricing laws is implemented and enforced. According to the theory of regulation proposed by Authur Cecil Pigou in 1932, regulations are put in place when the public calls for them to address inefficient or unfair market processes. This highlights the potential benefits of changes like the Transfer Pricing regulations can bring to organizational performance. The relevance of the public interest theory of regulation (as called in some studies) is because it prescribes the need for government to design and implement reforms that can be used to better the society and its citizens. The tenant of the theory of regulation aligns with the central focus of this study which is to identify if a positive change in taxable profit occur after the implementation of transfer pricing regulations in Nigeria.

### Transfer pricing regulation and Tax Revenue Generation

According to research, regulations can reduce the appeal of low-tax jurisdictions for passive investments and impede the flow of multinational revenue to low-tax jurisdictions (Ovie *et al.*, 2022; Asongu, Uduji, & Okolo-Obasi, 2019; Shongwe, 2019)<sup>[16, 5, 21]</sup>. According to the findings of a comparable study including 191 multinational corporations in the United States, income is shifting in response to changes in tax rates. This is consistent with previous study, which found that income moves from high-tax jurisdictions to low-tax jurisdictions when incentives for such behavior are in place (Beer, De Mooij, & Liu, 2018).

Furthermore, according to a 2018 United Nations research, the degree of income shifting is related to the number of intra-firm foreign sales and regional variations in company tax rates utilizing financial statement disclosures under the Statement of Financial Accounting Standards (SFAS). According to Internal Revenue Service research, taxpayers minimize their taxable income in the United States by inflating the prices of related party transactions, moving

economic activity to a low-tax or no-tax jurisdiction, and thereby lowering their taxable income in the United States. Furthermore, there are major tax administration compliance issues relating to the location of intangible assets and related transfer pricing considerations. Affiliates of a worldwide firm generally use intercompany operations such as sales, licensing, and leasing to allocate and track their separate revenues.

According to research on the methods used by MNEs to minimize their tax liabilities, the management of an MNE group examines the tax laws and administrative requirements in different tax jurisdictions of operation to estimate its potential tax liabilities and then formulates a plan to shift profits from high-tax regions to low-tax regions or even tax havens. According to studies on MNEs' transfer pricing management practices, multinational firms are more likely to comply with tax requirements when they feel they will be exposed to transfer pricing audits and transaction modifications if they do not maintain proper transfer pricing documentation (Aniyie & Enabulele, 2020) [2].

Several contemporary researchers have proposed a link between transfer pricing regulations and tax revenue performance in order to determine whether transfer pricing can improve tax performance (Joel, Kwadwo, & Sharon, 2017; Ovie *et al.*, 2022) [11, 16]. Despite the contextual disparities in the existing literature on the importance of transfer pricing regulation in relation to tax performance, their findings indicate that the implementation of transfer pricing regulation will cease price shifting by multinational corporations. Moverover, Ogidiaka *et al* (2022).s findings emphasized that transfer pricing regulation will eliminate tax evasion loopholes and ensure that multinationals pay more tax, lowering the debt-revenue ratio and boosting Nigeria's economic growth.

### 3. Methodology

#### Setting, Design, Instrument, Data Collection, and Analysis

The study adopted a quantitative method with an emphasis on cross-sectional survey research design, given its ability to assist with data collection at a point in time to achieve the objective of the study (Onamusi, 2021). The target population was the 612 people who work in the International Tax Department at FIRS in Nigeria. Because the sample size was small, total enumeration was used.

This study's instrument of data collection was a structured questionnaire, which was self-developed to address the peculiarities of the issue under investigation. Questionnaires are helpful because they make it easier to get answers based on how people feel and what they think (Onamusi & Ayo, 2021) [17]. They are also good for getting data from a large number of people quickly on timely topics, and they improve the quality of quantitative data analysis. According to the existing literature, the Likert-type scale was used for the response alternatives in this study's questionnaire, which is compatible with (Asikhia, Makinde, Onamusi, 2020) [18]. The numbers on this scale represent ordinal intervals, from four to one. On the survey's Likert scale, all of the answers were, respectively, strongly agreed (SA) = 4, Agreed (A) = 3, Disagreed = 2, and strongly disagreed (SD) = 1. There are four parts to the questionnaire: Fourteen (14) items dealt with tax income in Section C, whereas four (4) items dealt with demographic characteristics in Section A. There were thirteen (13) elements in Section D that dealt with the

institutional capacity.

Data analysis was done using descriptive statistics to provide answers to the research questions raised on the level of taxable profit pre and post transfer pricing regulation enforcement. The descriptive analysis was carried out using SPSS version 25.

#### Validity and Reliability

The study conducted validity and reliability tests to ensure that the instrument was valid and reliable. The SmartPLS version 3.3.9 offers analysis of structural models that presents statistics for construct validity and reliability. For construct validity, emphasis was on convergent (AVE) and discriminant validity (HTMT). Therefore, evidence of construct validity for each measured variable was supplied by an AVE greater than 0.5 (Onamusi, 2020) [18] and by a discriminate validity value for the entire construct below 0.9 on the Heterotrait-Monotrait (HTMT) criterion (Henseler, Ringle, & Sarstedt, 2015) [9]. 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 1 and 2. The Cronbach's alpha reliability statistic suggests that the instrument is reliable.

**Table 1:** Summary of Construct Validity and Reliability Test

Variable	Composite Reliability	Cronbach's alpha coefficient	AVE	Remark
Audit	0.679	0.655	0.61	Reliable
Compliance	0.809	0.644	0.60	Reliable
Human resource capability	0.859	0.790	0.60	Reliable
Implementation	0.870	0.813	0.73	Reliable
Strategic planning	0.960	0.953	0.50	Reliable
Tax profit post reform	0.711	0.647	0.57	Remark

Source: Computed from Pilot study, (2022)

The HTMT criterion, which Henseler, Ringle, and Sarstedt say is a reliable method for establishing discriminant validity by gauging average correlations between indicators and constructs, is one example Henseler *et al.* (2015) [9]. Where the HTMT values for all the reflective constructs are below 0.90, a researcher proposed that discriminant validity has been established between the reflective constructs. Table 2 shows the HTMT criterion for this study, which was calculated with the SmartPLS statistical platform, version 3.3.9.

**Table 2:** 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		

Source: Computed from Pilot study, (2022)

All of the reflective constructs in table 2 above have HTMT values below 9.00, which is consistent with the threshold for proving discriminant validity given by Henseler *et al.* (2015) [9], Hair *et al.* (2018) [8] and was corroborated by (Asikhia,

Adewole, Onamusi, Makinde, 2022) [3]. 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 (Asikhia *et al.*, 2022 [3]; Onamusi, 2021).

#### 4. Results

A total of five hundred and seventy-five (575) copies of questionnaire were administered, and five hundred and

forty-seven (547) copies were returned. After sorting the questionnaires only four hundred and ninety-three (493) copies were certified as duly filled and considered usable. The useable questionnaire represented 85.7% 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.

**Table 3:** 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)

Table 3 presents the demographic and personal profile of respondents used for this study. From the table, 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 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.

**Table 4:** Answering Research Question One: Level of Taxable profit prior to Transfer Pricing Regulation

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
Weighted Mean					2.03

**Source:** Field Survey Results (2022)

According to results in Table 4. 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.

#### Answering Research Question Two determine the Level of Taxable profit Post Transfer Pricing Regulations

**Table 5:** 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)

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 6:** Descriptive Analysis of the response on Transfer Pricing Regulation Compliance

<b>Compliance</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>Mean</b>
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
<b>Grand Mean</b>					<b>3.60</b>

**Source:** Field Survey Results (2022)

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 7:** Descriptive Analysis of the response on Transfer Pricing Regulation Audit

<b>Audit</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>Mean</b>
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
<b>Grand Mean</b>					<b>3.54</b>

**Source:** Field Survey Results (2022)

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.

Relating results in tables 5, 6, and 7 together, the transfer pricing regulations (implementation, compliance, & audit) have varying patterns of increase. 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.

**Table 8:** Descriptive Analysis of the response on Level of Taxable profit Post Transfer Pricing Regulations

<b>Taxable Profits Post Regulations Assessment</b>	<b>SA</b>	<b>A</b>	<b>D</b>	<b>SD</b>	<b>Mean</b>
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
<b>Weighted Mean</b>					<b>3.33</b>

**Source:** Field Survey Results (2022)

According to results in Table 8. 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.

## 5. Conclusion

The study investigated the taxable profits prior to transfer pricing reforms and determined whether the introduction of transfer pricing regulations could inform increase in tax

revenue generation from FIRS perspective. The result of the descriptive statistics confirms the suspicion that multinational corporation in Nigeria were practicing price shifting which resulted in low tax revenue generation by FIRS and this provided economic justification for the implementation of transfer pricing regulations.

In addition, the result of the descriptive statistics confirm that transfer pricing regulation have been implemented, FIRS ensure its compliance and audit the process to satisfy its achieving require goals. Transfer pricing regulation given the mean value obtained suggest that its adoption is high and holds potential for improving taxable revenue. This assertion was confirmed by the descriptive statistics on taxable profit post reform. According to the result, taxable profit post transfer pricing regulation improved significantly. The findings corroborated the findings of earlier scholars (Barker, Asare, & Brickman, 2017; Ovie *et al.*, 2022) [7, 16] on the need for government tax administrators to introduce transfer pricing regulation to curb price shifting by multinational companies. Ovie *et al.* (2022) [16] findings stressed that transfer pricing regulation will address tax evasion loopholes and ensure that multinationals pay more tax, which will help decrease the debt-revenue ratio, which has a positive ripple effect on Nigeria's economic growth. The practical implication of the findings of this study for the management of FIRS in Nigeria is that it offers strategic information which confirms the relevance of transfer pricing regulation as a critical tool to address the challenges of profit shifting by multinational companies and consequently improve tax revenue generation. Likewise, it becomes one of a few studies that showed the level of taxable profit pre and post transfer pricing regulation and offered reasonable explanation regarding tax revenue growth post reform. The study established that transfer pricing regulation is critical for tax revenue growth. 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.

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