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Transfer Pricing Development For Taxation Purposes: Africa As The Focal Point

Agbo, Elias Igwebuike

Department of Accounting and Finance, Faculty of Management and Social Sciences,
Godfrey Okoye University, Uguwuomu-Nike, Enugu, Enugu State, Nigeria.

Abstract: *Transfer pricing carried out with taxation as the motive refers to some communal exercise inside the wide domain of global taxation. It is aimed at shaping the tax foundation of the countries that get associated with multinational transactions, but has ever an issue that is controversial. Current governmental and general worries regarding tax dodging have animated the criticisms of the recent regulations and controversies concerning the plans for substitutes. This paper investigated the general grasp of the fundamentals of transfer pricing have evolved especially in Africa. This work employed conventional realities and appraisal of related literature. Although it observed a handful of challenges militating against the application of transfer pricing regulations, it noticed some progress and a measure of resilience to the employment of the arm's length guideline. It recommends that African governments ought to be more resolute in making sure that the taxable incomes of multinational companies are not diverted away from their jurisdictions artificially; they should insist that the tax foundations announced by the companies in their territories reflect the profitable activities carried out in them.*

Keywords: Transfer pricing development, Arm's length principle, Effectiveness, tax evasion, Africa.

1.Introduction

In a worldwide financial system where multinational enterprises (MNEs) play an essential role, it is mandatory for governments to insist that all the incomes of the multinational enterprises that are taxable are not diverted away artificially from their territories (EY Global,2022). As regards the tax payers, it is essential to avert the risks of their incomes being subjected to taxation more than once (EY Global,2022). The attitude of MNEs when it comes to paying their corporate income taxes has attracted much public attention currently; the focus has been on transfer pricing (TP) (Rogers & Oats,2022). Increased media and political attention have metamorphosed

TP from being totally concealed technical issue into a matter that now appears in public discourse. Also, recent happenings have provided some chance to survey the TP area from the point of view of worldwide taxation with the intention of supplying awareness on the broader inquiries concerning how the spheres of application and get adjusted with time.

Problem statement

Quite often, TP issue is viewed as the most vexatious features of a control structure (Omirigbe & Ibrahim, 2020). There serious controversies have arisen globally between tax jurisdictions and MNEs concerning how related party transactions should be priced (Pendse & Patil, 2012). While the tax jurisdictions contend that using non-arm's length system of pricing would deprive them of appropriate revenue, the MNCs usually prefer to use that approach in order to curb their tax liabilities. Further, despite the increasing benefits derived from the activities of MNEs in Africa, the former remit little amounts in terms of tax. Given this situation, it has become extremely hard for African nations to increase their revenue base for financing development and for them to carry out poverty reduction programs (Kabala & Ndulo, 2018).

As (PwC, 2012) had reported, in spite of the efforts being consistently mounted by the UN), the Organization for Economic Cooperation and Development (OECD), the European Commission (EC) and many African governments to get TP regimes properly set up in African nations have adopted the essentials of transfer pricing previously just only sluggishly. A crucial aspect is therefore shown in the present study. It is a crucial issue that relevant law-makers, policymakers and governments ought to pay attention to and take remedial measures. This study sought to evaluate how the general comprehension of the TP principles have developed, especially in selected African nations who, until recently, were used multinational business activities using tools like withholding tax schemes instead of adopting TP principles. In the interconnected universe of today, comprehending the fine distinctions of international taxation, more so from the perspective of TP key for preserving moral business practices, promoting economic development and growth and fostering cooperation among nations (Erasmus, 2023). Hence, the reason for this study.

The remaining sections in this work were arranged as follows:- Section two contains a brief literature review. The third section provides the methodology. Section Four traces the origin and growth of transfer pricing in the Globe. Section Five addresses the spread of TP in Africa. Section Six traces the current trends and development of TP in Africa and Section Seven concludes the research with some recommendations.

2. Review of Related Literature

2.1 Conceptual review

2.1.1 Transfer Pricing (TP)

Transfer pricing has to do with setting amount to be paid and determining other requirements that should be met before transferring goods and properties from one related firm to another that is sited in a different tax zone (Ping & Silberstein, n.d). The principal reasons for TP are to (i) attain goal congruence, (ii) facilitate equitable evaluation of sectional accomplishment and (iii) promote sectional independence (Vally, 1997). For the purpose of taxation, TP establishes the size of the profit which each party generates and consequently prescribes the tax payable in both the exporting and importing nations. PwC (2012) provides some additional reasons why TP has become a high profile issue in the recent times, viz:- i) The current and unending relocation of fabrication products to certain nations; (ii) the development of many new economies within the evolving nations together with their infrastructure, skilled labor, low production costs, conducive economic climate etc.; (iii) the round-clock trading in financial securities commodities; and (iv) the growth of electronic commerce and web business. A sub-field of global taxation (Rogers & Oats, 2021), TP is accompanied by some risks (OECD, 2020). It takes various forms. Some works conclude that exports could be under-priced from those jurisdictions that charge big tax to those that charge low tax. This would result in less profit being earned in the country charging soaring tax. Also, it takes place when the items exported from a low tax nation to the nation with soaring tax are over-priced. According to the TP theory, TP system has three cardinal intentions, viz:- (i) to attain goal congruence, (ii) to ensure equitable evaluation of sectional performance and (iii) to promote divisional autonomy (Vally, 1997).

Three organizational variables appear to have a significant connection the selection of TP method by an MNE viz (i) Firms possessing a small quantity of interdivisional trading employ non-cost oriented TP approaches, while those having a big quantity of interdivisional trading employ cost-oriented methods. (ii) The TP approaches chosen because of the involvement of some involvement of the head office management is usually cost-oriented, while the approaches chosen by the sections themselves are usually non-cost-oriented.

(iii) It is usual to employ cost-oriented approaches in firms where TP disagreements are ordinarily resolved by a kind of mediation from the headquarter.

2.1.2 Tax Consequences of transfer pricing

A key consequence of the spread of MNEs is that several cross-national business transactions take place within the companies established in several jurisdictions. TP important inferences is not just for management control and the connection between firms and their host countries; it equally very important for taxation. Whenever the

units are separate companies inside a group, transfer pricing is usually necessary for financial reporting and the computation of the income to be taxed. Also, whenever the firms or units separate tax jurisdictions, it becomes more important as a result of the existence of varying accounting laws and tax rates. Three methods often employed in setting TPs are; (i) agreed-upon prices (ii) cost basis and (iii) market price (Mohammad et al., 2005; Eagan,2023).

2.1.3The arm's length standard (ALS)

Arm's length refers to the business activities in which two or more independent groups consent to transact while at the same time acting separately and, in their self-regard, (Brock,2023). According to OECD (2013: 11), there are five approaches for deciding on the arm's length nature of TPs, viz:- the uncontrolled price that can be compared with others, resale price, cost plus, negotiable net profit and profit cut methods.

2.1.4 The factors that encourage transfer pricing

These factors are explained in Nguyen et al. (2018) thus: -

(i)**Firm size**: Large-sized firms often transact business more than small-sized companies do. Consequently, big companies can easily take advantages of lower income taxes (Rego,2003). (ii)**Profitability**: Researchers like Rego (2003), Wilkie (1998), Wilkie and Limberg (1993) all conclude that the companies that declare huge incomes usually seek for the avenues to reduce their tax obligations to the minimum levels (Rego,2003).

(iii)**Capital structure or firm leverage**: Rego (2003) and Dyreng et al. (2008) note that the companies that employ large amounts of financial obligation in total capital were conscious of the way these firms benefited from employing business loans. In their study, Bernard et al. (2006) proposed that companies employing more debt than owner's equity are inclined to being more TP aggressive than those that were less leveraged firms. (iv)**Intangible Assets**: The shift of incorporeal fixed assets from one affiliate to another to attain TP goals is a matter which is mentioned quite often with regard to TP aggressiveness (Nguyen, et al. ,2018).

(v) **The existence of MNEs**: Foreign firms that transact business in a given (Rego, 2003, Hanlon et al., 2007).

(vi) **Tax havens**: Tax havens are the nations where the government provides preferential treatment with regard to financial, taxation tax policies for enterprises carrying on some business activities (Nguyen, et al.,2018). According to World data. Info (2023), the existing tax havens globally has increased to 75. These jurisdictions sometimes impose little or no taxes on businesses.

2.1.5 Thin Capitalization Rules

Typically, company is funded through a combination of debt and owner's equity. OECD (2012) defines thin capitalization as the condition whereby a company is funded through a relatively heavy amount of debt compared to owner's capital.

Companies that are thinly capitalized are said to be highly geared or leveraged. This phenomenon, thin capitalization is important because the manner a company is capitalized will often affect the size of income it reports for taxation purposes significantly. Thin capitalization rules typically operate through either of two approaches: a) stating the highest size of debt based on which the deduction of interest payments are allowable; and b) fixing the highest amount of interest that might be deducted having regard to the ratio of the interest paid or payable to another variable (OECD, 2012).

2.1.6 Advance pricing arrangements

Advance pricing arrangements (APA) is a management strategy aimed at averting the arrival of TP disagreements. This is done by putting in place the bases for applying the arm's length principle to business activities before they occur (Kramer, 2021).

2.1.7 Safe Harbor

In a TP system, safe harbor is arrangement applies to a given group of taxpayers or deals. It discharges qualified taxpayers from some responsibilities otherwise foisted in a country's general TP laws (OECD, 2020). Safe harbors can bring significant advantages in terms of simplicity certainty, if properly planned and implemented in appropriate situations (OECD, 2020).

2.1.8 Transfer Pricing Documentation

This refers to a defense by those that pay tax that their deals were carried out and priced base on the principle of arm's length (Abdulrazaq, 2022). TP documentation needs are the steps that tax authorities take to demand tax payers to record all the levels of their TP examination.

2.1.9 Multinational Enterprise (MNE)

Multinational enterprise (MNE) refers to a firm that carries on business both in its home country and other nations in the universe.

An MNE establishes a headquarter in one country. The latter coordinates the management of its other offices like administrative branches or factories.

2.2 Theoretical framework

The TP theories are the foundation of this study are explained as follows:-

(i) Economic theory

This theory proposes that when selling division of a MNC is under-capacity, the TP ought to be determined based on differential cost (Adams & Drtina, 2008). Under that situation, merchant is not likely to be generating sufficient revenues to recoup the capital cost. This may persuade the managers of divisions to reject investment proposals that will increase corporate shareholder value. In situations like this, the price based on arm's length principle will impact the short-term global profits. (Adams & Drtina, 2008; Plasschaert, 1979).

(ii) Theory of reasoned action (TRA):

This theory is a common theory of human behavior that was initially founded by Martin

Fishbein in 1967. TRA was modified in Fishbein and Ajzen (1975) and Ajzen and Fishbein (1980). It specifies that a direct connection exists between attitudes and outcomes in such a way that if one has trusts that a particular conduct will bring about a desirable or favorable result, then one is certain that one will have a positive point of view towards the conduct.

(iii) Theory of planned behavior (TPB)

This theory was put forward by Ajzen (1991) arising from the limitations observed in the original representation of the TRA. The central point in this theory is the motive of the individual to exhibit a certain behavior. The theory assumes that the behaviors of individuals are guided by behavioral beliefs, normative beliefs and control beliefs (Oyewo&Adeyeye,2018).

2.3 Empirical review

Jelena and Danijel (2010) concluded some research and observed that TP influences the results related to divisional revenue and expenses. They noted that this situation generates competition between divisions for improving on their results. Pendse and Patil (2012) sought establish the intentions behind the pricing method employed by MNEs, using detailed related literature review showed that managing tax obligation was only part of the intention behind fixing the price for connected party transactions by MNCs. The authors discovered that other objectives existed that even ranked higher in priority and played a significant part in pricing plan. Also, they became aware that worldwide intentions required that finances be shifted from one site to another for sundry reasons that necessitated applying non-arm's length pricing technique

The study noted that non-tax consideration in TP was significantly strong. Grubert et al. (2013) conducted a research on tax dodging through TP scheme and observed that MNEs use TPs for income transfer to tax havens jurisdictions. Mooij and Liu (2018) employed a near-experimental research device while estimating the effects of TP rules on local and multinational firms in 2 nations for the period from 2006 to 2014. The authors concluded that the one-sided adoption of TP rules might impact negatively on the MNCs' ral investment. The study concluded that the influence of TP rules correlates with a rise in the TP-adjusted company tax rate by approximately a quarter. Omirigbe and Ibrahim (2020) strived to describe the notion of TP and highlight its expectations, problems and the way forward. Also, the authors wanted to highlight some of the benefits of TP, namely globalization, specialization mergers and acquisition, together with indicating the methods, principles and issues involved therein. They employed the doctrinal research paradigm and observed that many governments utilize TP audits to push up tax revenues. While drawing on the concepts of Bourdieu, Rogers and Oats (2022) conducted a qualitative work about the changing perspectives of TP. The authors focused their attention on how the perspectives and TP practices of TP professionals in the UK and US had altered during a period of

disarrangements exhibited some level of adjustment to using the arm's length principle that had been prevailing. Adeyeye et al. (2022) investigated efficacy of TP rules of 2018 and the extent of tax conformity among Nigerian firms. The authors wanted to discover the efficacy of TP rules in suppressing tax dodging. The staff of FIRS in Lagos State who participated in implementing TP rules made up the population of the study. A sample of 151 staff of FIRS in Lagos State was selected randomly out of the population. The study employed survey research approach and structured questionnaire to get primary data. The latter were analyzed with descriptive and inferential statistical techniques. The result of the study showed that TP rules are efficacious in checking tax dodging which was accomplished through transfer pricing strategy. Korolet al. (2022) assessed and analyzed the effect of internationalization and regional improvement on the operations of companies which are likely to get TP documentation ready. Their study was centered on analyzing the causes of worldwide economic risks and the part played by transfer pricing documentation, whose quality would help in mitigating the negative outcome of undesirable events for the worldwide economic system. The authors noted that not all countries applied the global instrument like Multilateral Instrument (MLI)-Multilateral Convention to Implement Tax Treatment Related Measures to avert base erosion profit shifting (BEPS). Ogunoye et al. (2023) investigated the influence of TP stratagems by MNEs on Nigerian economic growth. The study adopted an auto-regressive distributed lag paradigm to analyze data covering the period from 1986 to 2019. The findings reveal a non-significant link between the dependent and independent variables.

3. Methodology

The study employed a qualitative research paradigm using conventional realities and appraisal of related literature. It follows the research conducted by Sebele-Mpofua et al. (2022) which was centered on increasing the efficacy of transfer pricing regulation implementation in minimizing BEPS in African countries. The intention behind using the method of carrying out detailed literature review was to comprehend the nature and extent of the possible solutions to halting unlawful financial flows through TP. Since transfer pricing is a controversial matter and since legislation is only beginning to evolve in most African nations, database searches were carried out through Google scholar both for peer reviewed articles and upcoming literature.

4. Origin and advancement of transfer pricing

4.1 Origin

The end of the First World War marked was the first time that the various nations in the universe came together to set up the League of Nations. Their intention was to maintain peace and security and be deciding on matters concerning international affairs (Kumar,2022). First time in the 1920s, that alliance acknowledged the

possibility for connecting local tax systems together to bring double taxation face to face with double non-taxation of incomes. By then, the UK lunched the arm's length principle both in Europe and in India by virtue of section 43 of Income-tax Act, 1922. Later in 1948 and at the end of the Second World War, OECD in order to rebuild the economy of Europe which had regarded global taxation as a most pressing matter and published some guidelines on TP. That was when, for the first time, the global community pledged to amend their existing tax regulations. Transfer pricing was later made popular in global taxation by the increase in worldwide trade inside multinational companies and tax abuses (Kumar,2022).

4.2 Advancement of transfer pricing

During 1990s and after the global community had embraced TP, MNEs began to engage tax misuses in several dimensions (Kumar,2022). This took place as the dot-com boom was happening in the US and the MNEs were spreading throughout the globe. By 1992, India had liberalized and globalized its economy and opened doors for global MNEs (Kumar, 2022). According to IMF cited in Kumar (2022), tax evasion through the transfer of profit from one close to \$400 billion for OECD nations and \$200 billion for lower-income countries. A study carried consequent upon some global tax misuse. New approaches and techniques to arrive at the suitable TP from the viewpoint of one more operators in the system continue being developed. According to Kumar (2022), a host of complementary measures have been taken by several international agencies to spread and popularize the transfer pricing system. For instance, the OECD Committee on Fiscal Affairs continues to monitor the progress made in TP particularly the progress in the usage of profit-based approaches and comparability matters. Secondly, the EU Commission has evolved proposals on income allocation to members of multinational firms that have remained active in the EU since 2001. Further, a committee created by the EU Commission, comprising the representatives of EU member states and business experts has of recent come up with blueprints improving the TP dispute resolution and a proposal for harmonizing the requirements for documenting TP. For its part, the UN published a crucial report on International and Developing Countries 1988. In addition, the UN Conference on Trade and Development (UNCTAD) equally issued a major report on TP 1999. The UN is playing a leadership role, through the TP Manual, in trying to come up with some updated global TP guidelines which could be employed by countries globally evolving their TP Also, several global agencies are working actively to make available some guide on TP (PwC,2017).

5. Development of transfer pricing in Africa

Previously, the TP laws and regulations in Africa were limited (Jones,2022). About sixty per cent of business trips into or out of Africa are priced wrongly by an average higher than eleven percent 11%. This situation has caused capital flight component of

seven percent of African trade and totals about US\$10-11 billion yearly (Kazibwe,2013: 15). All these have delayed the progress of those African countries trying to key into the TP regime. Until recently, several of them were taxing cross-border transactions using instruments like withholding tax regimes.

Tables1 and 2 demonstrate the non-impressive and non-uniformity of the levels of implementation of the TP regime in Africa up to year 2013.year 2013.

Table 1: Summary of TP regimes in selected African countries

Country	Tax code provides some guidance on TP	TP Regimes	TP methods	Arms Length Standard	Document requirement	Thin capitalization rules	Safe harbors	Advance Pricing Arrangement APA program
Algeria	Yes	No	No	Yes	Yes	No	No	No
Angola	Yes	Yes	Yes	Yes	Yes	No	No	No
Congo, Republic of	Yes	Yes	No	Yes	No	No	No	No
Egypt	Yes	Yes	Yes	Yes	Yes		No	No
Ghana	Yes	No	No	Yes	No	Yes	Yes	No
Kenya	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Malawi	Yes	Yes	Yes	Yes	Yes	No	No	No
Mozambique	Yes	No	No	Yes	No	Yes	No	No
Namibia	Yes	Yes	Yes	Yes	No	Yes	No	No
Nigeria	Yes	Yes	Yes	Yes	No	No	No	Yes
South Africa	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Tunisia	Yes	No	No	Yes	No	No	No	No
Uganda	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Zambia	Yes	Yes	Yes	Yes	Yes	No	No	No
Zimbabwe	No	No	No	No	No	No	Yes	No

Source PwC(2012)

Table 2:

Summary of Transfer Pricing Regimes in Selected Southern African Countries

Country	Tax code provides guidance on TP	TP Regimes	TP methods	Arms Length Standard	Document Requirements	Thin Capitalization Rules	Safe Harbors	Advance Pricing Arrangement APA program
Angola	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Congo, Republic of	Yes	Yes	No	Yes	No	No	No	No
Malawi	Yes	Yes	Yes	Yes	No	No	No	No
Mozambique	Yes	No	No	Yes	No	No	No	No
Namibia	Yes	Yes	Yes	Yes	No	No	No	Yes
South Africa	Yes	Yes	Yes	Yes	No	Yes	Yes	No
Zambia	Yes	Yes	Yes	Yes	Yes	No	No	No
Zimbabwe	No	No	No	No	No	No	No	No

Source: PwC (2013: 8) in Kabala and Ndulo(2018)

5.1 The challenges

Readhead (2016) presents some of the problems faced by the tax paying public and tax authorities particularly in Africa. They are (i) Absence of some legal framework (ii) Lack of finance and know-how; (iii) Insufficient access to relevant information by revenue authorities; (iv) Lack of political will to tackle the TP issues; (v) Absence of uniform and consistent regional strategy for stopping tax dodging by regional institutions in Africa; (vi) Inappropriate appropriation of fund to the subsidiaries sited in the tax jurisdictions imposing low tax based on their operations; (vii) Employment of off-shore or safe havens by many MNEs to avoid paying tax; (viii) Absence of statistics on comparable independent transactions that would facilitate the assessment of transfer prices in a way that is in line with the arm's length; (ix) Non-adaptation of administrative structures of tax authorities to the efficient administration of TP regulations; (x) Difficulty in vetting the information from other tax zones by revenue authorities; (xi) Introduction of new laws in the global tax space and incessant amendments; (xii) Frequent alterations in taxation systems which inflate the

compliance cost;(xiii) Inadequate double taxation treaty network;(xiv) Paucity of financial capacity by governments (xv)Issues related to BEPS (xvi) Existence of multiple tax audit disputes which are time consuming;(xvii) Paucity of information technology infrastructure.

5.2 Progress registered

Notwithstanding the challenges confronting several African countries, TP has been an aspect of the tax systems in several nations in Africa for many years ago. For instance, South Africa, Kenya, Ghana and Nigeria have embraced and developed transfer pricing regimes since the past decade (Samuel-Onyeani & Maja, 2023). TP is now a crucial instrument employed by tax authorities for continuing to protect their tax base. Some countries in Africa have just started carrying out TP rules. Those that are already having TP rules continue striving to improve upon them to make sure that they align with international standards(Samuel-Onyeani & Maja,2023).In spite of the previous global recession, Africa's GDP grew by 5.2% between 2001 and 2010.This explains why so many investors increasingly consider Africa as a hub for opportunity and growth(Curtis &Todorova, 2012).According to PwC(2023),the control TP and the attempts to curb global tax base erosion have been very crucial for local tax authorities this time around. The study notes that, inside the frame of the BEPS project, OECD offered some suggestions which will enable local tax agencies to tackle BEPS matters. One of those recommendations concerns how to strengthen the TP documentation requirements. .PwC (2023) affirms that, as TP matters have become an increasing center of attention for African tax boards currently, several African nations have significantly developed their TP framework and new sets of regulations based on the TP principles that are now unfolding. While some African nations are yet to implement TP documentation regulations in tandem with international standards, majority of them have already evolved tax reporting requirements to make sure that MNEs provide important information with regard to the relations between their companies. In addition, PwC (2023) observes that several African nations (including Cameroon, Ghana, Morocco, Nigeria, Senegal, South Africa and Tunisia) have already taken one more step by introducing full-blown TP documentation guidelines for MNEs. For instance, with the 2022 Finance Bill Kenya had introduced an obligation, as from July 1, 2022, that Kenyan-based MNEs must now file on annual basis a Master File and Local File. Also, Ivory Coast introduced an obligation to document TP recently in accordance with OECD's recommendations through the 2023 Finance Act. The country did this in respect of the firms located in Ivory Coast and registered at either the Direction for Large Enterprises or the Direction for Medium Enterprises. The tax jurisdictions in Africa that have already implemented a local TP system have equally improved on their TP audit abilities.

6. Recent drifts and development of TP in Africa

As summarized in Paumier (2022), the pendant of transfer pricing is still moving and oscillating between complexity and simplification. Also, the force of incorporeal claim to incorporeal incomes is now higher. In addition, there is likely to arise some disagreement in no distant future concerning the services having little added value. Further, TP communication continues to be enhanced. Paumier (2022) highlights the recent spate of spread of transfer pricing system in few African nations as follows as follows:-

a) South Africa

- (i) A Draft model and legislation for APA system has been developed.
- (ii) South African Revenue Service (SARS) is now prepared to run some APA project that accepts only two-sided APA requests to make it possible for SARS to learn from other tax zones and increase their capacity before initiating a comprehensive APA program
- (iii) There is now Draft Interpretation on Intra-Group funding is now in place.

b) Zambia

- (i) An updated Country –by-Country Report is now in place.
- (ii) It is now obligatory for MNEs to make available the details of the members of the MNEs group, aggregate business activities per tax zone and provide any additional information like the nature of operations of the respective constituents.

c) Nigeria

- (i) Suspension has been lifted on the filing of CbC reports within the country. This is applicable to Nigerian subsidiaries of MNE Groups not headquartered in Nigeria, where required. This took effect from January 2022.
- (ii) Some rules have been introduced on arranging for shared services among banks and other financial institutions.
- (iii) Compliance obligations have also been put in place to guarantee that the arrangement for shared services are in agreement with TP regulations for banks and other financial institutions. This took effect from 1/6/ 2022.
- (iv) Integrated Tax Administration has also been introduced.
- (v) To beef up tax collection and simplify the tax conformity process in Nigeria, TP and CbCR filings are now to be done electronically.
- (vi) Revenue authority audits are now on the increase.

d) Ghana

- (i) OECD simplified method has been introduced for low in value adding services.
- (ii) The obligations of taxpayers with regard to writing and submitting TP and CbC reports have been revised.
- (iii) Companies are now obliged to file electronic copies of their local and master files with the Commissioner-General not later than four months at the close of each fiscal year.

e) Kenya

(i) The range of TP has been expanded to cover the business activities between resident entities and non-resident person/associated enterprise of a non-resident person/ a permanent establishment of a non-resident individual operating in Kenya who is located in a preferred tax zone including low tax zones

(ii) There is a proposal to introduce Country-by-Country Reporting Notifications notification requirements for MNEs resident in Kenya having gross turnover of KES 95B.

f) Rwanda

(i) The management, technical services and royalty fees offered to a non-resident individual which is higher than two percent of the turnover are no longer deductible expenses from taxable income. The deductible expenses are to be determined based on the sum of management, technical services and royalty fees in a particular tax period.

7. Conclusion and recommendations

Transfer pricing and tax dodging have become important and topical issues as they relate to BEPS in African nations. However, until recently, TP has been implemented sluggishly in several countries in Africa. Several studies are being carried out in Africa to evaluate the TP exploitation strategies, assess the efficacy of TP laws in reducing BEPS and the problems encountered in Africa. This work employed conventional realities and appraisal of related literature. Although it observed a handful of challenges militating against the application of transfer pricing regulations, it noticed some progress and a measure of resilience to the employment of the arm's length guideline. Just like Erasmus (2023), we anticipate that as the course for Africa's role in the developing landscape of global taxation and TP is being charted, collaboration, transparency, and technological innovation will undoubtedly shape the path of Africa positively in future. We recommend as follows:-

1. There should be public transparency by MNEs in African nations that they function in regarding information on TP.
2. Given the complexity of TP matters, there should be information among African nations on TP issues.
3. African countries should invest in more research and sharing of information on MNEs seeking to invest in Africa.
4. Political awareness ought to be raised concerning the TP problems since Africa is losing and is expected to continue to lose huge amounts of tax resources annually through TP.
5. Capacity building is fundamental and necessary in solving TP problems.
6. African countries should work together to make sure that the incentive structures among countries within Africa are harmonized.

7. African countries should stop reckless tax co breaks, exemptions and other tax incentives.

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