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*Journal of Innovations, Vol. 3, No. 2, 2025 ISSN: 2837-9950 (E)*

**International Transfer Pricing and Tax Compliance: A Study of Listed Multinational Corporations in Nigeria**

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**Fun Factor:** This paper unravels the intricate dance between multinational corporations and tax policies, where numbers tell a story of strategy, compliance, and financial ingenuity in a globally connected economy.

**Abstract:** The volatility of the global economy, coupled with unpredictable market conditions, regulatory changes, and geopolitical risks, significantly impacts the value of multinational corporations (MNCs). Additionally, evolving consumer preferences complicate transfer pricing, decision-making, and investment strategies, ultimately shaping investor perceptions and market valuations. This study examines the relationship between international transfer pricing and tax compliance among listed MNCs in Nigeria. An ex post facto research design was employed, utilizing secondary data sourced from the Machameratio Data PC platform, covering the period from 2012 to 2023. The study population comprised

566 MNCs listed on the Nigerian Exchange Group, with Census Sampling Techniques used to ensure comprehensive analysis. Findings indicate a strong and significant relationship between international transfer pricing and tax compliance. Effective marginal tax rates also play a crucial role in shaping tax compliance behavior among listed MNCs. Furthermore, efficient transfer pricing practices contribute to improved tax compliance, enhanced financial performance, and tax savings. The study concludes that a well-structured international transfer pricing framework reduces the corporate tax burden while promoting financial stability and growth. It recommends the timely adoption of a comprehensive international

1

transfer pricing treaty and regulatory policies to ensure continuous tax compliance, which should be effectively implemented and publicized.

**Keywords:** International Transfer Pricing, Tax Compliance, Multinational Corporations (MNCs), Effective Marginal Tax Rate (EMTR), and Financial Performance

**Reference** to this paper should be made as follows: APALOWOWA, O. D., OGUNRINDE, O. P., OMOSEBI, A. and AKINSETE, T. R. (2025). International

Transfer Pricing and Tax Compliance: A Study of Listed Multinational Corporations in Nigeria. *Journal of Innovations.* 3(2), 1-16. DOI: https://doi.org/10.62470/1b253035

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# INTRODUCTION

In terms of global considerations, the failure to comply with tax duties is a significant problem both at the individual, corporate bodies, and structural levels. The complex nature of tax legislation in Nigeria necessitates a detailed response to non-compliance with tax regulations at the individual and systemic levels because the nature of tax legislation requires a holistic solution to ensure compliance with tax payments (Setiawan & Ekaningsih, 2025). Ambarita et al. (2025) posit that several parts of the economy and government incur negative repercussions resulting from non- compliance. While the pursuit of sustainable growth and development is essential to Nigeria, this will only come through a profound understanding of various international transfer pricing methods and their subsequent effective implementation (Olaleye et al., 2024). Not only are they crucial to maximising the results in terms of finances but also ensure compliance with the legal framework of operation (Mamoudou & Hima, 2025). International transfer pricing and tax compliance is an extremely important aspect of financial management in Nigeria, through which people and businesses pass through the difficult terrain of fiscal obligations and economic progress (Jung, 2023).

To attain middle-income status, emerging countries concentrate on multinational corporations offering incentives that encourage investment rather than placing a heavy tax burden on multinational corporations. Kubaje et al. (2025) claim that market value is the amount of money that rich investors are willing to pay to buy a company which includes the value that the public at

large gives to the company in terms of its ability to continue running its operations. There lies the association of international transfer pricing agreements and multinational corporations with inequality between accounting income and expenditures recognized on the grounds of commerce versus fiscality, there arise inequalities of tax payable computations (Olika et al., 2024). The bottom line, hence, calls for smartly strategized taxes from multinational corporations to minimise this burden while producing steady returns in growth for and expanding their business activities.

This could be achieved through transfer pricing strategies, which are one of the most significant components guiding the business decisions of multinational corporations. The effective tax rate is the pay and benefits an organization pays in terms of taxes after having represented all the expense derivations, exceptions, and credits (Abaneme & Tella, 2025; Isenmila et al., 2021). The tax rate on taxable income refers to the percentage rate at which the taxable income of a business institution is taxed by the relevant tax authorities usually the rate at which the next unit of revenue for an individual or corporate organization is taxed (Abaneme & Tella, 2025; Mamoudou & Hima, 2025; Olaleye et al., 2024. For example, in Nigeria, even though the government is trying to resuscitate multinational corporations because most of them have had low tax compliance despite their business performance. Financial managers, as of now, focus on financial restructuring, accompanied by working capital management, to restore their performance. The weakness in international transfer arrangements emanates from the very narrow and delicate boundary between law-based tax optimization practices and illegal practices of tax evasions arising from tax regulations complexities contribute to making obscurity which marks the gray areas between law-abiding international transfer pricing procedures and abusive taxation procedures which unwittingly arise under non-compliance (Pratiwi & Fauzan, 2025; Asongu et al., 2019). In Nigeria many multinational corporations in Nigeria are not denied the opportunity to enjoy benefits through deductions and exemptions in the Nigerian tax law. Therefore, multinational corporations suffer litigation expenses with the tax authorities in the form of audits and penalties as they fail to comply with paying taxes. This study aims to establish a connection between international transfer pricing and tax compliance among listed multinational corporations in Nigeria. Specifically, examine the impact of the effective marginal tax rate on tax compliance; investigate the influence of the effective tax rate on tax compliance; and ascertain the effect of taxable income rate on tax compliance among listed multinational corporations in Nigeria. International transfer pricing is an important component of the corporate world, irrespective of the size or industry of the firms. Multinational corporations face the important task of maximizing their tax positions while also encouraging innovation. The study is relevant to tax authorities since it would ease international cooperation and the adoption of congruent tax norms in simplifying the global tax challenges of MNCs. The study was limited to multinational corporations listed on the

Nigeria Exchange Group covering 12 fiscal years from 2012-2023.

# LITERATURE REVIEW

## Overview of Concepts

### Tax Compliance

Tax compliance is proceeding according to tax authorities' tax rules and regulations relating to a certain jurisdiction. Garba et al. (2024) assert that tax compliance is the manner by which individuals and entities appropriately record income, outlay, and other relevant financial entries to pay the corresponding taxes on time. Isenmila et al. (2021) opined that tax compliance involves the punctual and accurate submission of income, deductions, and credits tax returns for income, sales, or corporation taxes. Noncompliance bears penalties, fines, and possibly legal issues.

### International Transfer Pricing

Osho and Shaka (2023) posit that international transfer pricing concerns rules and methods based by multinational corporations that surround pricing a transaction between their subsidiaries or affiliated entities across countries in terms of goods, services, or Intellectual property. Pricing of such cross-border transactions is done against the market reflecting the conditions of the countries it has come from or is going into (Ogunoye et al., 2023; Ashiedu et al., 2022). One priority of international transfer pricing is to ensure fair allocation of profits to different subsidiaries with each tax authority taking their respective share of revenue in taxation relating to each country involved. Otherwise, this study therefore, seen, international transfer pricing a subject to manipulations in the transactions between the multinational corporations and transfer profits to low-tax jurisdictions whereby, for such countries, possible tax avoidance would be in high-tax countries making it a complicated discipline in terms of fair taxation, and practicality to multinational corporations (Olayeye, et al., 2023; Ashiedu et al., 2022; Okonkwo & Chukwu, 2019).

## Effective Marginal Tax Rates

Olaleye et al. (2024) proposed that the effective marginal tax rate is a decrease in the amount of tax that enterprises are required to pay, resulting in higher retained earnings and enabling them to expand their investments. The effective marginal tax rates (EMTRs) refer to the portion of income that exceeds the marginal tax rates of the personal income tax system. The effective marginal tax rates are determined by the margin of the taxable entity, rather than its income (Kubaje et al., 2025). Okolo, (2024) as cited in Etoama et al. (2023) proposition, the ability to present tax expenditures as either revenue enhancements or spending reductions should make the restriction of tax expenditures attractive to corporate entities seeking to decrease government spending, as well as to relevant tax authorities (governments) aiming to utilise additional revenue to reduce fiscal deficits.

## Effective Tax Rate

Following accounting deducting expenses, exclusions, and credits, the effective tax rate is part of income procured in charges by organizations to pay taxes (Isenmila et al., 2021). Effective tax rates, defined by Garcia-Bernardo et al. (2023) as the computed income statement statistics of multinational corporations (MNCs), are a useful instrument for assessing the corporate income tax burden of MNCs across many countries. A corporation's effective tax rate (ETR) is the mean rate at which pre-tax profit is at risk for tax collection measurable sign of an organization's expense execution, the successful duty rate (ETR) shows the duty execution comparative with pre-charge benefit characterized by effective tax rate is the genuine measure of tax paid by multinational corporations over the assigned period (Olanda & Marietza, 2024; Shado, 2024).

## Taxable Income Rate

Okonkwo and Chukwu (2019) assert that the taxable income rate refers to the percentage at which the government taxes corporate entities' taxable income by considering elements such as income level, filing status, and relevant tax legislation. It denotes the fraction of earnings that is liable to be taxed once all deductions, exemptions, and credits have been taken into consideration (Ashiedu et al., 2022).

### Nigerian Government Tax Policies and Regulatory Framework

Complexities and frequent changes in tax laws pose challenges to effective tax compliance, especially for multinational corporations operating in Nigeria. Government commitment to a transparent tax environment is expected to play a significant role in improving the business climate in Nigeria and attracting foreign investment by strictly adhering to local tax regulations and greatly contributing to national revenue (John et al., 2024; Etoama et al. 2023). Good tax compliance is important for the stability of an economy and increased investor confidence in the country. Stronger mechanisms of enforcement coupled with better guidelines help in building a better compliance culture, addressing concerns about double taxation, and balancing tax obligations with corporate growth to further encourage voluntary compliance (Umoh, 2024; Olayeye et al., 2023).

## Theoretical Overview

The study reviewed the following three theories: Arm's Length Principle (ALP) Theory and Profit Split Theory**.** The study is grounded on Arm's Length Principle Theory because the theory promotes uniformity in how different countries assess cross-border transactions, which enhances predictability and stability in international business operations.

### Arm's Length Principle Theory

The Organization for Economic Co-operation and Development (OECD) created and supported the Arm's Length Principle (ALP) mainly in (1995) inside its Transfer Pricing Guidelines. The

principle was first proposed as part of global initiatives to guarantee that transactions between related parties, such as subsidiaries of a multinational corporation) are priced as if the parties were independent and dealing at "arm's length," as if they were unrelated and negotiating freely in the open market (Sander et al., 2024; Doeleman, 2023). Later on, this approach was adopted and developed in the OECD model tax convention, which is today commonly accepted for cross-border taxes and transfer pricing regulations. The idea holds that transactions between linked firms should be priced as though they were between independent, unrelated parties, therefore ensuring that the prices fairly reflect current market conditions (John, et al., 2024).

Based on the arm's length idea, which aims to stop tax fraud by ensuring that revenues are not disproportionately moved to nations with lower tax rates, many international transfer pricing policies strive to forbid The ALP feels that the pricing of goods, services, and financial transactions between linked parties such subsidiaries inside the same company group should represent terms and conditions that would apply should the parties be Etoama et al., 2023). Critics contend that the ALP gives too much focus on the form the appearance of market-based pricing and not enough on the economic substance of a transaction, so enabling multinational corporations to engage in tax avoidance by means of transfer pricing arrangement modification to minimise taxable income (Agba, 2024; Ogunoye et al., 2023; Agba et al., 2023).

### Profit Split Theory

The OECD Transfer Pricing Guidelines in (1995) developed the "Profit Split Theory" in response to its most often related use in the field of transfer pricing, employed in international taxes. Richter (2024) reasoned that the Profit Split Theory holds that the economic contributions of every entity engaged in transactions between related entities should determine how profits from such transactions should be distributed.

Under this theory, when it is difficult to establish comparable transactions between independent entities in the case of unique intangible assets and intercompany services for sharing profits proportionately based on each entity's contribution to the value creation process, the total profit of a multinational group is allocated between different subsidiaries based on their respective contributions to the overall value chain (Gaiya et al., 2024; Garbo et al., 2024). Scholars believe that a combined profit pool exists, which could be fairly distributed among the entities engaged depending on enough, and trustworthy data regarding how similar entities allocate profits is available and could be reasonably determined (Umoh, 2024; Sihotang et al., 2024; Richter, 2024).

## Empirical Review

Researching transfer pricing and customs valuation for Regional Integration in ECOWAS Mamoudou and Hima (2025). The statistical insignificance of the intermediate tariffs suggests that the generally used tariff rates are not expected to be favourable for the development and strengthening of new and existing value chains non-ECOWAS. The requirement of this regional

economic community to take into account lowering tariffs downward is urgent for both the success of value chains and general regional trade integration in general have learned about the goal of regional integration and the main problems militating against its complete actualisation. The 2025 Pratiwi and Fauzan research looked at how leverage, financial stress, and transfer pricing affected tax evasion in manufacturing companies listed on IDX in the energy sector 2018-2020. This paper investigates the effect of independent factors on tax evasion using many linear regression analyses. They discover that tax avoidance is substantially influenced by leverage; financial hardship and transfer pricing have no appreciable impact. The findings showed that whilst financial crisis and transfer pricing had little effect on tax avoidance practices among the sample energy sector companies over the research period, leverage helped to shape tax avoidance strategies.

Researching the effect of audit cost and quality on transfer price, Ambarita and Rahmadania (2025) Using BEI between 2018 and 2022, investigated the financial statement analysis of the chosen foreign companies. Based on 19 multinational companies in Bursa Efek Indonesia between 2018 and 2022, the data utilised was obtained using the purposive sampling approach. Second-tier financial data from every company that helped with the study is used in this report. The dependent variables of this study are Pay (X1), Audit Quality (X2), and Transfer Pricing (Y). Their research takes advantage of the panel data regression approach According to their studies, audit quality has no effect on transfer price whereas Pajak does influence it in part. When all the elements are considered, though, they affect Transfer Pricing in concert. Using a dynamic threshold model, Kubaje et al. (2025) for instance looked at how FDIs and tax income affected economic growth. The average tax rate of the tested nations falls below a threshold level of taxes sufficient to drive economic growth, hence the results revealed that tax income has a little impact on economic growth. Once more, from the model, it is abundantly evident that tax revenue favourably affects economic growth at 15% of the tax rate but becomes a deterrent to economic growth above this level.

Using liquidity as a moderating factor, AR et al. (2025) examined how the business size and transfer price affected financial performance. The study drew on secondary data financial statements for the years 2021-2023. MRA is the analytical instrument used in order to examine the interaction impact of the moderating variable and the direct effects. They also found that while business size had no appreciable effect on financial performance, transfer pricing favourably and greatly affected it.

Olanda and Marietza (2024) conducted a study on the impact of tax avoidance on corporate value, utilising earnings management as a mediating factor. The research population consists of manufacturing businesses that have been registered on the Indonesia Stock Exchange (BEI) from 2018 to 2022. Their research results show that earnings management does not operate as a mediator for the effect of tax avoidance on the value of a firm; both earnings management and tax avoidance do not affect the value of a company.

Garcia-Bernardo et al. (2023) examined effective tax rates (ETRs) computed using multinational corporate (MNC) income statement data. Comparing the corporate income taxes of MNCs over several countries makes these ETRs quite useful. Using Orbis' unconsolidated data

from 2011 to 2015, their analytical method is to fairly project Effective Tax Rates (ETRs) for as many countries as feasible. They especially concentrate on nations with at least 50 enterprises, which produces a sample of 47 nations mostly from Europe. Their studies exposed notable differences in several countries between statutory tax rates and Effective Tax Rates (ETRs).

## Gaps

Prior research has explored the wide range of tax incentives and credits that aim to stimulate manufacturing expenses. The main objective has been to comprehend the impact of various fiscal mechanisms on the decision-making processes of corporations. Countless studies have been conducted on international transfer pricing in various countries, such as the studies by Olanda and Marietza (2024) in the Indonesia Stock Exchange (BEI) from 2018 to 2022; and the study by Garcia-Bernardo et al. (2023) in multinational corporations (MNCs) using unconsolidated data from Orbis from 2011 to 2015. Nevertheless, there is a scarcity of studies that have examined industrial enterprises in Nigeria. Prior research focused on shorter timeframes, such as 2011-2015, 2010-2021, and 2018-2022. This study examined three key variables related to international transfer pricing effective marginal tax rates, effective tax rates, and taxable income rates throughout 12 years from 2012 to 2023.

# METHODOLOGIES

The study applied an ex post facto methodology. The design was chosen because the necessary data is easily accessible in the Machameratio Data PC. The data utilized were obtained from secondary sources via the Machameratio Data PC, covering 2012 to 2023. The research population comprised 566 manufacturing multinational corporations registered on the Nigerian Exchange Group. These firms were selected using census sampling techniques, which ensured a high level of precision and provided a representative sample. The study utilized the framework to develop an international transfer pricing model. The study addressed the following research questions and hypotheses respectively.

* How does the effective marginal tax rate affect tax compliance among listed multinational corporations in Nigeria?
* To what extent does the effective tax rate affect tax compliance among listed multinational corporations in Nigeria?
* What is the effect of taxable income tax rate on tax compliance among listed multinational corporations in Nigeria?

## Hypothesis Statement

Providing absolute solutions to the above research questions, the following hypothesis statements were stated and tested in Null form.

**H01:** effective marginal tax rate has no significant effect on tax compliance among listed multinational corporations in Nigeria.

**H02:** there is no significant relationship between effective tax rate and tax compliance among listed multinational corporations in Nigeria; and

**H03:** there is no significant relationship between taxable income tax rates on tax compliance among listed multinational corporations in Nigeria.

The study's model is defined in functional and linear forms as follows: The equation is represented as:

*PER = β10 + β1ETRit + β12EMTRit + β13IETRit + β14FSit + εit* *(i)*

Where:

*Price Earnings Ratio = PER Effective Tax Rate = ETR*

*Effective Marginal Tax Rate = EMTR Income Effective Tax = IETR*

*Size of a Firm = FS Error term = Εit*

## Table 1: Presents the Measurement of Variables used in the Research

|  |  |  |
| --- | --- | --- |
| **Variable** | **Abbreviation** | **Measurement** |
| **Independent Variable** |  |  |
| International transfer pricing | ITP | Effective tax rate, effective marginal tax rate, and tax rates |
| Effective Tax Rate | ETR | Cash Effective Tax (%) = Tax Paid/ Profit Before Tax |
| Effective Marginal Tax Rate | EMTR | Change in Tax/Change in Taxable Income |
| Taxable Income Rate | TIR | Income Effective Tax(%) = Tax Expenses/Profit Before Tax |
| **Dependent Variable** |  |  |
| Tax compliance | TaxCom | Price Earnings Ratio |

Source: Authors’ Computation (2025)

Another important statistic for this study was the evaluation of firm value from the perspective of the Price Earnings Ratio (PER). The model above represents the relationship between PER and other factors, including ETRit, EMTRit, IETRit, FSizit, and εit. The coefficients β0, β1, β2, β3, and β4 represent the impact of each factor on PER. The study's independent variable is international transfer pricing, which were represented by the effective tax rate, effective

marginal tax rate, and tax rates. The business value was measured by the price-earnings ratio, which served as the dependent variable.

# DISCUSSIONS

## Descriptive Statistics

The average is where all values are combined and then divided by the count while the median is the center value within a sorted list of numbers. Furthermore, in the case of Tax Compliance (TAXCOM), the average is 54.71, which indicates that the data is offset. The median for Tax Compliance is 4.95. Effective Marginal Tax Rate (EMTR) also reveals positive skewness as it has an average of 85.20 and a median of 23.46. In this case however, the difference between the average and median is greater than that of tax compliance. Having a mean of 39.41, Effective Tax Rate (ETR) reveals modest positive skewness. With the median being 20.45, the mean is greater. Taxable Income Rate (TIR) reveals a mean of 38.38, hence demonstrating positive skewness as the median is 27.50. The vast difference that can be noted with the means and medians of the varying variables indicates the presence of outliers or a heavy-tailed distribution. The range along with the potential outliers are distinguished by the maximum and minimum values. For TAXCOM, the maximum value is 15.00 and the minimums is 0.09. With these values, there is quite a narrow range, therefore allowing considerable variance.

With a maximum of 28.41 and a minimum of -42.74, EMTR exhibits negative values displaying the data might demonstrate a scenario where possible negative tax rates exist, like incentives or subsidies. ETR shows a maximum of 12.8 and minimum of 0, indicating a more specific range for this variable. TIR, on the other hand, shows a max of 82.28 and a min of -36.16, hinting the variable might have a larger range and may encounter more severe negative situations. Skewness defines the degree of asymmetry of the distribution. Skewness of 5.69 proves that TAXCOM has very positively skewed data. A positively skewed distribution has one or more high-value outliers which elevate it to the right. The skewness of 20.28 suggests that EMTR has an even stronger right tilt when the tail side to distributions are extended. ETR’s value of 7.95 proves that it has a great positive tilt but is not as extreme as EMTR. TIR 3.5 which is lower than the previous two, displays positive tilt as well. On the whole, all 3 variables showcase a strong level of positive tilt which indicates the data is not symmetric.

Kurtosis is the measure of the "tailedness" of the distribution. High values of kurtosis indicate extreme outliers. For TAXCOM, the kurtosis is 37.63, which is very high and indicates that this distribution is extremely heavy meaning it has outliers far from the mean. The kurtosis for EMTR is 45.93, indicating even more extreme outliers than TAXCOM. ETR has a kurtosis of 79.66, which is highly high, giving evidence that this variable has a distribution highly leptokurtic with many outliers. TIR has a kurtosis of 19.18, which, though not extreme as in the case of ETR or EMTR, is nevertheless high. A high value of kurtosis in all variables indicates that these distributions are peaked with lots of extreme values or outliers. The means are well over the

median, indicating that there is a high-value skew in these data sets. High standard deviations, skewness, and kurtosis across these variables indicate extreme outliers that one should keep in mind when interpreting the data. These characteristics suggest that in practical terms, policies or

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| decisions related observations. | to | these variables  **Table** | could be influenced by  **2: Descriptive Statistics** | rare but | impactful high-value |
| **Descriptive Statistics** |  | TAXCOM | EMTR | ETR | TIR |
| Mean |  | 54.71 | 85.20 | 39.41 | 38.38 |
| Median |  | 4.95 | 23.46 | 20.45 | 27.50 |
| Maximum |  | 16.50 | 28.41 | 12.80 | 82.28 |
| Minimum |  | 0.09 | -42.74 | 0.00 | -36.16 |
| Std. Dev. |  | 20.17 | 13.17 | 101.97 | 113.72 |
| Skewness |  | 5.69 | 20.28 | 7.95 | 3.50 |
| Kurtosis |  | 37.63 | 45.93 | 79.66 | 19.18 |
| Observations |  | 566 | 566 | 566 | 566 |

Source: Authors’ Computation (2025)

## Findings and Analysis

The regression study found that strategic measures taken all year to reduce the amount of taxes businesses owing demonstrate a significant link between international transfer pricing and tax compliance among multinational corporations in Nigeria. One computes a mean square value of 2463.095. Found to be 92.177 with degrees of freedom 3 and 562 is the F-statistic. With the p- value of 0.000, less than the 0.05 significance limit. This result shows a significant link between the tax compliance and international transfer pricing.

## Table 3: ANOVA

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Source | Sum of Squares | df | Mean Square | F | P-Value |
| Regression | 7391.286 | 3 | 2463.095 | 92.177 | .000 |
| Residual | 1502.431 | 562 | 2673.138 |  |  |
| Total | 2241.717 | 565 |  |  |  |

Source: Authors’ Computation (2025)

The coefficient estimates for the effective tax rate indicate a mean value of -0.016, which suggests that the proportion of income paid in taxes by individuals or corporate entities, after accounting for all deductions, exemptions, and credits, is bounded by 0.117. Presenting tax expenditures as either income rises or spending cuts becomes more difficult when the effective marginal tax rate is negative. This is shown by the p-value of 0.000, which is less than 0.05. This suggests that limiting tax expenditures is attractive to corporate entities seeking to reduce government spending, as well as to tax authorities who wish to generate additional revenue to

reduce fiscal deficits. The tax income rate of 1.0095 represents the percentage at which the taxable income of an individual or corporate entity is liable to be taxed by the government. This rate is derived by considering aspects such as income level, filing status, and relevant tax legislation.

## Table 4: Bayesian Estimates of Coefficients

Posterior 95% Credible Interval

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Parameter | Mode | Mean | P-Value | Lower Bound | Upper Bound |
| (Intercept) | 16.750 | 16.750 | 60.733 | 1.470 | 32.030 |
| ETR | -.016 | -.016 | .005 | -.149 | .117 |
| IET | 1.0095 | 1.0095 | .000 | 8.8956 | 1.1285 |
| EMTR | -.001 | -.001 | .000 | -.012 | .010 |

Source: Authors’ Computation (2025)

The Bayesian estimates of error variance in the study's variation revealed the extent to which the dependent variable influences. In this scenario, a corporate organization needs to implement international transfer pricing to increase reported earnings within a specific time frame before the expiration of tax losses. The variation of 26.913 highlights that international transfer pricing encompasses not just efforts to minimize tax liability, but also takes into consideration the impact of tax compliance on a corporation's cash flow which includes figuring out when would be best for a company to pay its tax debt-free from penalties. The Posterior Mean 28.60 serves as a resource for taxpayers to alleviate the amount of tax they are required to pay as indicated in the table below.

## Table 5: Bayesian Estimates of Error Variance

Posterior 95% Credible Interval

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Mode | Mean | Variance | Lower Bound | Upper Bound |
| 26.35 | 28.60 | 26.913 | 248.870 | 301.84 |

Source: Authors’ Computation (2025)

## Discussion of Findings

The marginal tax rate is levied on the subsequent dollar of income or profit obtained. Considering the tax implications of new revenue or expenses is crucial for making decisions at the margin. Tax compliance in Nigeria is significantly influenced by International transfer pricing. The value of multinational corporations and the effective tax rate have a clear relationship with tax compliance. Furthermore, good marginal tax rates greatly affect tax compliance. The results of this study align with those of AR et al. (2025), which examined the impact of firm size and transfer pricing on financial performance; their results revealed that transfer pricing favourably and significantly impacted financial performance while the size of the firm did not greatly affect it. Disagreed with

the results of the Mamoudou and Hima (2025) study on customs valuation and transfer pricing for Regional Integration in ECOWAS. The statistical insignificance of their research results from the intermediate tariffs suggests that the current essentially applied tariff rates are not likely to be favorable for the development and strengthening of new and existing value chains non-ECOWAS.

# CONCLUSIONS

Conclusively, the study demonstrates that employing efficient and complying with international taxation agreements results in favorable operation of business activities, adherence to tax legislation, and cost savings. Implementing well-devised international transfer pricing not only decreases the tax load for multinational corporations but fosters financial stability and expansion. Corporate taxpayers bolster their overall financial stability and protect their assets by utilising the different exemptions, deductions, and legal protections available to them. Regularly evaluating and adjusting these techniques in response to changes in tax legislation and economic circumstances is crucial for maintaining maximum tax efficiency and attaining sustainable long- term financial success. The study recommended that promoting the proactive adoption of comprehensive international transfer pricing for multinational corporations' latest tax regulations that seek advice from a competent tax expert should be established, there should be room for corporate taxpayers to identify opportunities to optimise credits, deductions, and tax-exempt investments. To ensure adherence to tax regulations and optimal financial performance there should be periodic evaluations of financial goals and tax obligations of multinational corporations within the context of Nigeria. Therefore, Nigerian government tax policies and regulatory framework will be discussed in another study.

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