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Transfer Pricing Abuse: the Ghanaian Perspective and the Role of the Accountant in Tax Compliance

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Abstract

Advancement in global technology and international trade has facilitated the development of complex business structures within many multinational enterprises (MNEs). Though establishing MNEs has been useful for the development of their host nations such as Ghana, most have adopted aggressive tax planning schemes that enable them to shift profits from one tax jurisdiction to another using Transfer Pricing to achieve their corporate profitability objective. Many nations have been deprived of their genuine tax revenue due to these practices. Governments of these affected nations have thus resorted to introducing measures that require the support of various professionals to ensure intra-company transactions are at arm's length. These measures are expected to help prevent mispricing of goods and services and to stop potential tax revenue losses to the states. This paper examines how transfer pricing abuse deprives countries like Ghana of huge tax revenues. It also outlines legislative measures introduced by the government to counteract aggressive tax avoidance schemes employed by the MNEs. It further identifies Chartered Accountants as principal stakeholders, who have roles to play in ensuring effective application of and strict adherence to anti-avoidance legislation in Ghana. The paper advocates for transparency of accounting transactions to enhance compliance with Transfer Pricing regulations.

Keywords: Abuse, accountant, anti-avoidance, multinational enterprises (NNEs), tax compliance, tax planning schemes, transfer mispricing.

1. Introduction

Many developing countries including Ghana host multinational enterprises (MNEs) to support their development agenda, hoping that these enterprises will honour their tax obligations and meet the expectations of all the relevant stakeholders. In contrast, a great number of MNEs take advantage of their size and complexity of structure to influence and subsequently deprive many of these developing nations tax revenues that could be used to advance their development agenda of accelerated and sustainable economic growth. Ghana for example is reported to have lost GBP 74 million between 2005 and 2007 to multinationals of US and EU residence (McNair & Hogg, 2009).

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Likewise, Davies (2012), a member of the UK Parliament for Monmouth recounted the plight of Ghanaian market traders who supposedly were paying an average annual income tax of £47 apparently far more than SABMiller, a British multi-national brewer located a few metres to some of these traders' humble market stores. In other words, the petty traders purportedly pay more taxes than the MNE that pays nothing at all. Similarly, it was asserted that SABMiller Plc., the majority shareholder of Accra Brewery Limited established complex structures that enabled the company avoid paying the required taxes, estimated at GHS2.2 million per annum (Hearson & Brooks, 2012). The developing complexity of MNEs and the increasing quest to maximise their shareholder value against meeting their tax obligations have assumed a phenomenal trend. The situation has now become a major aspect of development discourse, which Ghana and other developing nations cannot ignore. According to research by Tax Justice Network-Africa, as reported in paragraph 289 of the Budget Statement and Economic Policy of the Government of Ghana for the 2017 Financial Year, Ghana lost an estimated amount of GHS2.0 billion from Transfer Pricing abuse from the Extractive Sector. The need for Ghana to stem the tide of transfer pricing abuse can thus not be overemphasized.

2. MNEs defined

A multinational enterprise (MNE) is defined by the Organisation for Economic Co-operation and Development (OECD) as "companies or other entities established in more than one country and so linked that they may co-ordinate their operations in various ways" (Economic Co-operation and Development, 2008, p.12). The MNEs, also referred to as multinational corporations, establish subsidiaries in countries other than their home countries with several motives – one of which is to expand their market access so as to increase their revenue and return on investment. Multunational Enterprises contribute significantly to global production of goods and services. It is estimated that over 60% of international trade is handled by MNEs (OlatunjiIsau, 2014). According to statistics by Sikka and Willmott (2010), 51 of the largest 100 economies in the world are companies rather than nation-states, and thus command enormous authority and power. This is as a result of the resources they control. For instance, as the 100 largest corporations controlled assets of $3400 billion, of which 40% were located outside their home countries. Again, the 200 top corporations accounted for 28% of the world economic activity, and the top 500 transnational corporations controlled the following: 70% of the world trade; 80% of the foreign investments; 30% of the global GDP; one-third of all manufacturing exports; 75% of all commodities trade; and 80% of the trade in management and technical services.

In Ghana, many MNEs have registered to operate in various industries including, banking, breweries, oil and gas, mining and textiles. These companies and others depend on the government to provide an enabling environment including infrastructure, security, and human capital to aid the smooth operations of their businesses. In addition, the government grants these companies several years of tax holiday to enable them overcome the restraints of business start-up, among other reasons. In response to this generous gesture, MNEs are statutorily obliged to pay income tax to enable government mobilise revenue to provide state services that are critical for the smooth operation of their businesses. Unfortunately, most MNEs use various aggressive tax planning schemes to avoid paying the requisite amount of taxes, being their fair contribution to the government revenue portfolio. One of the commonest schemes used is to shift profits from the host countries, such as Ghana to other countries, including their home country through transfer mispricing of goods and services.

3. Transfer pricing

3.1 Transfer pricing as a management tool

Transfer pricing is an advanced management accounting method used to determine a suitable price for transactions conducted between related parties. It is considered as a technique used for optimal allocation of costs and revenues amongst subsidiaries, divisions, and joint ventures within a group of related entities (Sundaram, 2012; Sikka &Willmott, 2010). For example, when a business enterprise domiciled in Nigeria transfers goods or services to a related entity in Ghana, the price charged by the Nigerian company are referred to as the "transfer price". Transfer pricing could be market-based, referring to a price which is equivalent to what is being charged on the outside market for similar goods and services. Alternatively, it could be non-market based; this is the instance when the concern for fairness and transparency arises. In the case of non-market based pricing, goods or services are either transferred below or above the prevailing market prices often predicated on the aggressive tax avoidance scheme. Transfer pricing schemes are designed to accomplish certain objectives. The core objective for using transfer pricing is to determine the amount of profit or loss that is attributable to the activities of a decentralised sub-unit of a company.

It helps management to make several decisions including the decision to produce the output in question internally or buy them as inputs from external sources, depending on the strategy that is most suitable for the achievement of corporate objectives. In instances where a sub-unit is making losses, the decision of management could be tailored to determining whether the output of the sub-units be procured from external sources at a more competitive price, to optimise returns. Otherwise, for certain strategic advantages, the sub-unit's loss could be tolerated. Nonetheless, most MNEs implement Transfer Pricing Manipulation schemes that enable them arbitrarily select prices such that most of the profit is reported in countries with low effective corporate tax rates, thereby reducing the overall amount of corporate income taxes paid by the multinational group. This act of stashing profits in lower tax jurisdictions through Transfer Pricing Manipulation is not encouraged by governments.

3.2 Transfer pricing abuse

It is regrettable that many MNEs have predicated their profit-making, and their ability to meet their shareholders' expectation through the misuse of the transfer pricing tool. Transfer mispricing has been applied to shift profit from one jurisdiction to another - usually from tax jurisdictions where the effective tax rates are higher to tax jurisdiction where the effective tax rates are significantly lower (Holzmann, 2016; Nielsen, et al. 2014). Tax jurisdictions with significantly low effective tax rates are termed "tax havens", and several MNEs have subsidiaries in these tax havens for the purposes of profit shifting. For instance, it is reported that Maples and Calder law firm alone served as the registered office for 18,857 entities, including some of the biggest MNEs in the world at the Ugland House address in Cayman Islands (Government Accountability Office, 2008). The Government Accountability Office report further stressed that very few of the MNEs registered at the Ugland House address had a physical presence in the Cayman Islands. Ironically, the report established that the number of registered companies in the Cayman Islands was double the size of the population.

Generally, the establishments in the tax havens rarely carry out any significant business activities, yet they record huge amount of profits from which negligible or zero corporate income taxes are imposed and paid. On the contrary, the subsidiaries where most of the business activities are carried out also misleadingly report low or zero profits, and thus pay negligible or no taxes. Therefore, through transfer price manipulations, the MNEs are able to avoid payment of corporate income taxes. This occurs both in the countries where the profits are actually made but misleadingly reported as well as the tax havens where the profits are ultimately reported but no or lower taxes are imposed. The tax avoidance schemes used in these cases significantly affect the fiscal base of many economies, both developed and developing. But the developing countries such as Ghana bear the severest burden given that they already lack the needed amount of financial resources for providing the basic needs of the people.

3.3 Tax revenue losses from transfer pricing abuse – a global perspective

Revenue losses from transfer pricing abuse have become a global affair. According to Sikka and Willmott (2010), the Gross Domestic Product of Russia dropped by 14% in 2004 as a result of tax losses from transfer pricing malpractices. It is also reported by the Chinese government that about 60% of company losses recorded by the country were false, thereby triggering a tax loss of over 30 billion Yuen (US$4.39 billion) per annum (Chang & Jin, 2016). Similarly, between 2005 and 2007, MNEs siphoned substantial amounts of tax revenue to the 27 EU countries, Ireland, UK, and the United States of America (McNair & Hogg, 2009). Most recently, the United States Senate, Permanent Subcommittee on Investigations report dated 21st May, 2013, into the tax avoidance activities of Apple Inc. unfortunately revealed many aggressive tax planning schemes that sought to amass offshore cash in a tax haven. The chair of the subcommittee, Hon. Carl Levin stated in his opening statement that:

"*The company's engineers and designers have a well-earned reputation for creativity. What may not be so well known is that Apple also has a highly developed tax avoidance system—a system through which it has amassed more than $100 billion in offshore cash in a tax haven …… Apple has sought the Holy Grail of tax avoidance, offshore corporations that it argues are not, for tax purposes, resident anywhere in any nation.*" *(p. 2).*

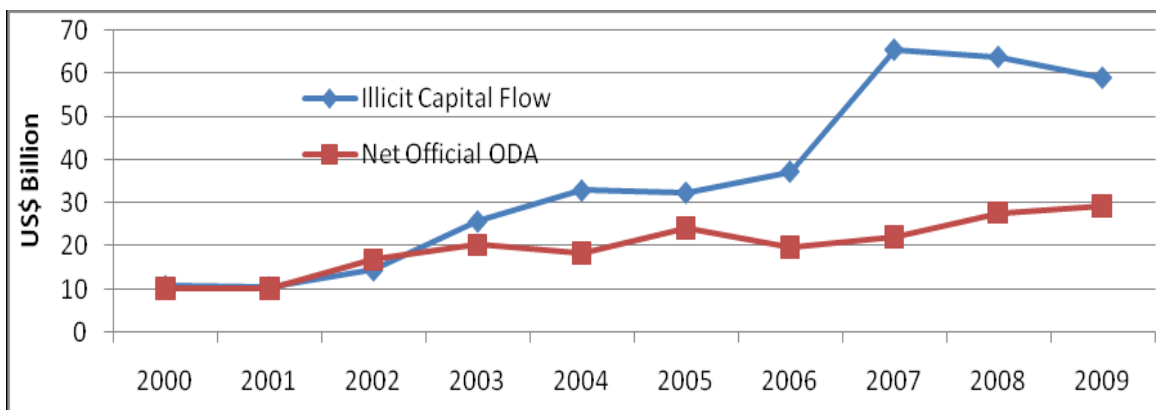
Regrettably, these arrangements, for all intents and purposes, were artificial. They lacked economic substance as the principal reason for engaging in such arrangements was to avoid payment of taxes. Such aggressive tax activities have been strongly criticised for eroding the tax base, and associated tax revenues, which tends to hamper the ability of the affected country to mobilize domestic resources for development (Sundaram, 2012).

Evidence also abound that the issue of transfer mispricing is not limited to only developed economies, but deeply rooted in African countries – most of which are less developed. Estimates carried out in the late 1990s, showed that 60% of the trade transactions into or out of Africa were mispriced through either abusive transfer pricing or re-invoicing. Capital flight component alone accounted for 7% of Africa's trade, estimated to be between U$10 billion and US$11 billion per annum in 1999 prices (OlatunjiIsau, 2014; Ville-Pekka, 2005). Also between 2005 and 2007, McNair and Hogg (2009) established that African countries such as Algeria, Cote d'Ivoire, Egypt, Morocco, and South Africa, lost Euros 386 million, 225 million, 272 million, 376 million and 962 million respectively to the 27 EU countries alone. These assertions were further buttressed by a recent research conducted in 2013 by the African Development Bank and Global Financial Integrity (GFI). It was recounted that between 1980 and 2009, African economies suffered a total loss between US$597 billion and US$1.4 trillion in net resources transferred away from the continent (OlatunjiIsau, 2014). This illicit transfer of capital achieved mainly through transfer mispricing has become an important subject matter difficult to ignore.

The Global Financial Integrity Report of 2014 indicated that the cost of fraudulent trade invoicing in five African countries amounted to $14.4 billion in revenue in the 10 years to 2011. The tax authorities in the five countries studied by Global Financial Integrity (GFI) - Ghana, Kenya, Mozambique, Tanzania and Uganda - lacked the trade, and tax and deals data to curb the illicit flows. The report further stated that over-invoicing and under-invoicing in the five countries facilitated the illegal inflows or outflows of more than $60 billion during the 10-year period. In Uganda's case losses amounted to an eighth of annual government revenue, at about $813 million in import over-invoicing to hidden capital outflows; Kenya lost an estimated $1 billion each year through export under-invoicing, where sellers deflated the true value of their exports so they could channel the difference to a foreign account. Tanzania, on the other hand, lost a similar amount to export over-invoicing through over-valued shipments to enable the parties collect export credits. Ghana had more than $14 billion in mis-stated invoices over the entire 10-year period, equivalent to 6.6 percent of its gross domestic product. And Mozambique lost $5.3 billion, which was equal to 9 percent of its national output through similar malpractices.

A critical analysis of illicit transfer of capital from Africa and the lost revenue thereon comparative to Official Development Assistance (ODA) in figure 1 shows that, the former is increasing at a rate three times higher than the rate at which the latter is increasing.

Figure 1. Illicit capital outflow compared with ODA to Africa between 2000 and 2009



Source: Global Financial Integrity 2010&2011, and OECD.

The 2010 and 2011 reports from Global Financial Integrity point out that illicit financial flows from Africa between 2000 and 2009 accounted for more than US$352 billion. Within the same period, the OECD recorded that net ODA to Africa amounted to $198.52 billion. Figure 1 is used to compare the average rate of growth of illicit transfers of capital from Africa against the net ODA Africa has received from its development partners within the period 2000 to 2009. It indicates that illicit transfer of capital grew at US$6.6 billion per annum, a rate three times higher than the rate of growth of net ODA of US$1.3 billion per annum. Between 2005 and 2009 the per annum rate of increase deteriorated to US$8 billion, which is more than four times the growth rate of net ODA for the same period. This clearly gives emphasis to the urgent need for African countries to collectively address the issues involved head-on. Collective action should aim at discourage transfer mispricing and allied practices that deny the continent the revenue critical for socio-economic development and sustainable growth.

Well developed countries such as the United States (US) have made significant progress in curbing transfer mispricing and profit shifting. These countries have improved tax regulations, enhanced tax audit systems, and an apprised public that support enforcement of tax regulations. According to Samuel and Femia (2008), the United States Treasury report to Congress in November 2007 on earnings stripping, transfer pricing and US income tax treaties indicated that the US had made significant progress towards curbing transfer pricing abuse through enhanced revenue collection and increased recovery. The report further stated that an amount of US$3.4 billion was retrieved from GlaxoSmithKline plc, a recovery that was considered in the US history as the largest single payment ever made to the US revenue services at that time. Unfortunately, Ghana as an emerging economy is yet to make any recovery, or prosecute any company for profit shifting through transfer pricing abuse. This notwithstanding, the practice is commonplace among many MNEs. In 2012, Ghana benefited from a five-country research by ActionAid UK which alleged that SABMiller, the company that holds majority shares in Accra Brewery had squirreled millions of Great British Pounds to tax havens through aggressive tax dodging schemes. The report identified four schemes often employed by SABMiller and similar MNEs to avoid the payment of corporate income taxes.

3.4 Transfer pricing abuse – The SABMiller case

SABMiller Plc. took possession of the iconic African beer brands and registered them in the name of its subsidiary in Rotterdam. Firstly, Accra Brewery paid about 2.1% of its turnover as royalties to this company in 2009. Moreover, SABMiller had established another subsidiary in Zug which purportedly provided management services. The ActionAid UK report *"Calling time, why SABMiller should stop dodging taxes in Africa"* conducted by Hearson and Brooks (2012) noted that Accra Breweries paid exactly 4.6% of its turnover annually as management fees to the Zug-based Bevman Services – a subsidiary of SABMiller Plc. The report further suggested that SABMiller Plc had also established another subsidiary in Mauritius responsible for procurement, where its corporate tax rate was 3%. Hearson and Brooks noted further that SABMiller's subsidiary established in Mauritius in 2008 had a total staff strength of only fifteen (15), mostly on on-the-job training. This subsidiary of 15 staff made £150 million per annum in revenue, all courtesy of transfer mispricing. The report further revealed that about 50% of Accra Brewery's procurement, together with items originating from South Africa and Brazil, goes through this company. Additionally, this Mauritius Company granted a loan to Accra Brewery. This loan agreement contradicted the thin capitalisation rule in the tax laws of Ghana, which sets a limit to the deductibility of interest on borrowing from an exempt-controlled entity to a debt-equity ratio of 2:1 (section 71(1) of Internal Revenue Act, 2000 (Act 592), as amended). The loan amount was more than seven times the capital of the Accra Brewery, and colossal amounts of interest were charged on this loan. Accra Brewery denied using aggressive tax planning schemes to avoid taxes, yet it could not provide any satisfactory explanations for failing to pay corporate income tax for three years between 2007 and 2010.

The negative impact of Transfer Pricing manipulations is the major losses of direct tax revenue to the government of Ghana. In effect, the government is often compelled to shift the burden of taxation to individuals and households through increased indirect taxation. The government again resorts to borrowing to boost revenue required to provide for essential services to the people. The Hon. Minister of Finance of Ghana in the 2012 Budget Statement (Clause 85) made the following observation about tax revenue loss to the country:

*"**Madam Speaker**, it is estimated that developing countries lose about US$160 billion every year through transfer pricing fraud. Recent studies in the mining sector showed that Ghana loses about US$36 million a year through transfer pricing. Together with the Ghana Revenue Authority we have drafted regulations to strengthen existing tax legislation to deal with taxation of multinational companies and minimize the incidence of abuse of transfer pricing. The regulation will soon be presented to Parliament." (p. 16).*

In order to limit the adverse impact of aggressive tax planning schemes of companies and their subsidiaries, to stripping income from countries, to others that play no role in generating that income, many governments including Ghana have passed a number of legislations. The next section briefly looks at relevant legislative provisions enacted to curtail transfer pricing abusive schemes in Ghana.

4. Legislative Measures Limiting Transfer Pricing Abuse

4.1 State of affairs prior to Transfer Pricing Regulations 2012 (L.I 2188)

Prior to the passage of Transfer Pricing Regulations 2012 (LI 2188), there were no specific transfer pricing rules in Ghana, although section 70 of the Internal Revenue Act, 2000 (Act 592) contained provisions against transfer mispricing.

However, the Ghana Revenue Authority through the application of the provisions of the said section 70 of Act 592, as well as the General Anti-Avoidance Rules (GAAR) always insisted on arm's length transactions being the norm and rule rather than the exception. Section 70(1) of Act 592, as amended provided that in a transaction between persons who are associates, the Commissioner-General may distribute, apportion or allocate inclusions in income, deductions, credits or personal reliefs between those persons as is necessary to reflect the chargeable income or tax payable which would have arisen for these persons if the transaction had been conducted at arm's length. This provision thus empowered the Commissioner-General to deal with transfer mispricing. Additionally, Section 112 of Internal Revenue Act, 2000 (Act 592) as well as section 34 of Income Tax Act, 2015 (Act 896) of Ghana have General Anti-Avoidance Rules that were enacted purposely to defeat such aggressive tax planning schemes. Section 112 of Act 592, as amended along with section 34 of Act 896 empower the Commissioner-General to either disregard or re-characterise an arrangement or part thereof entered into as part of a tax avoidance scheme, which is fictitious or does not have a substantial economic effect; or the form of which does not reflect its substance. In other words, the Commissioner-General of the Ghana Revenue Authority is empowered by these provisions to disregard any transaction that reduces or is likely to reduce the amount of taxes payable by companies for the reason that those transactions do not have a substantial economic effect; or the form of which does not reflect its substance, and the transaction is deemed fictitious or artificial.

Yet, the General Anti-Avoidance Rules in the Internal Revenue Act were largely considered ineffectual from a practical viewpoint, as there existed no clear framework or guidance to aid enforcement. There was also the possibility of inconsistent application of the intended principles. Therefore, there was an urgent need for Transfer Pricing Regulations to complement the existing provisions in the tax legislation on transfer pricing. Hence, Transfer Pricing Regulations 2012 (L.I 2188) was gazetted on July 31, 2012 and entered into force on September 14, 2012 to combat the suspected income shifting by MNEs out of the country.

4.2 Transfer Pricing Regulations 2012 (L.I 2188)

The main objective of the Transfer Pricing Regulations 2012 (L.I 2188) as stipulated in Section 1 (1) is to provide taxpayers with the guidelines on the determination of arm's length prices, with regards to the Ghanaian business environment. It also outlines the Commissioner-General's views on documentation and other practical issues relevant to the setting and reviewing of transfer pricing transactions. The provisions of the arm's length principle in Regulations 2012 (L.I 2188) is expected to apply not only to controlled transactions conducted by persons who are separate legal entities, but also to all financial and commercial tractions between connected taxable persons[4]. In compliance with the arm's length principle, a taxpayer may choose to apply any one of the appropriate transfer pricing methods:

1. Comparable Uncontrolled Price (CUP) method[5].
2. Resale Price (RP) method[6].
3. Cost Plus (CP) method[7].
4. Profit Split method[8].
5. Transactional Net Margin (TNM) method.[9]
6. Such other methods as may be prescribed, as in Ghana, by the Commissioner-General from time to time[10].

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[4]Section 1 (1) (3) of Transfer Pricing Regulations 2012 (L.I 2188)
[5]Section 3 (1) of Transfer Pricing Regulations 2012 (L.I 2188)
[6]Section 3 (2) of Transfer Pricing Regulations 2012 (L.I 2188)
[7]Section 3 (3) of Transfer Pricing Regulations 2012 (L.I 2188)
[8]Section 3 (4) of Transfer Pricing Regulations 2012 (L.I 2188)
[9]Section 3 (5) of Transfer Pricing Regulations 2012 (L.I 2188)

According to PricewaterhouseCoopers (2012), a taxpayer in Ghana shall apply to the Commissioner-General in writing of his intention to apply a transfer pricing method other than the approved methods contained above where it can be demonstrated that:

1. None of the approved methods can be reasonably applied to determine arm's length conditions for the controlled transaction;
2. Such other method yields a result consistent with that which would be achieved by independent persons engaging in comparable uncontrolled transactions under comparable circumstances;
3. The taxpayer asserting the use of a method other than the approved methods shall bear the burden of demonstrating that the requirements listed above have been met;

It is worth noting that availability of choices gives some form of comfort to professionals including accountants working with the MNEs.

5. The role of the accountant in tax compliance

The successful implementation of transfer pricing regulations essentially depends on the contribution and commitment of the relevant stakeholders. One of such key stakeholders whose role significantly influence the compliance or otherwise of transfer pricing regulations in Ghana are the Professional Accountant. According to Assenso-Okofo et al. (2011), the Institute of Chartered Accountants, Ghana, established by Act 170 of 1963 is the sole body authorised to regulate the accounting profession in the country. Therefore, an individual is considered as an accountant only if that person is admitted as a member of the Institute. It has also been emphasised that for a person to be recognised as an accountant, the Chartered Accountants Act 1963(Act 170), requires that the individual must be admitted into the membership of the Institute upon successful completion of the qualifying examinations organised by the Institute or admitted by virtue of being a member of equivalent foreign bodies, but excludes any individual who has been admitted into membership of the Institute as 'Practicing Accountant' (Marfo-Yiadom & Atsunyo, 2014; Republic of Ghana, 1963). In other words, not all persons doing work of an accounting nature are Accountants by virtue of the Act.

In Ghana, accountants play a central role in the proper structuring of cross-border investments through advisory services. For example, accounting firms and accountants working with MNEs are required to provide additional information on the measurement and data on financial transfers different subsidiaries of a multinational group of companies. Tax authorities require this data as part of the processes for addressing Base Erosion and Profit Shifting (BEPS). In this regard, accountants have a duty to ensure full compliance with the transfer pricing regulations. The law has outlined new procedures for documentation, including maintaining the "master file", the local file, providing an overview of the group activities, detailed in-country operations, as well as the country-by-country reporting template. This calls for a break-down on a country-by-country basis of group data such as revenue, profits, taxes paid, taxes accrued, assets, and employees. These measures will invariably increase MNEs accounting compliance costs; which accountants must be prepared to deal with.

Additionally, accountants must consider having a global agreement with one single reporting framework for their clients rather than dozens of different and uncoordinated ones. Accountants must therefore ensure that adequate information on the calculations and price adjustment factors used in determining comparability is provided. This entails determination and use of any arm's length range and the justifications thereof. For example, BEPS might not necessitate any specific changes to International Financial Reporting Standard (IFRS), nonetheless certain measures including uncertain tax positions, deferred tax assets, and liabilities will invariably impact on how IFRS are applied. Therefore, accountants in MNEs can and must ensure that their reporting framework is properly coordinated. Accountants together with Chief Executive Officers (CEOs) must clearly define the nature of the business in which the transactions took place, the property used and the extent of any other commercial or financial relationship; as well as details of the transactions including the terms of the contracts or agreements. They must ensure that business strategies and policies applied to transactions are at arm's length so as to minimise business risk.

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[10]Section 3 (6) of Transfer Pricing Regulations 2012 (L.I 2188)

For example, in a speech delivered at *Accountancy Age*, Head of the OECD/G20 group of nations' projects, states that BEPS will eventually be a "pain" only for Chief Finance Officers (CFOs) and MNEs who "take aggressive positions and walk the thin line between what is legal and what is not.

They will find many bumps on the road, be subject to constant scrutiny and face significant financial risks" (Nuthall, 2015). Professional accountants are therefore expected to account for profits in a way that aligns with economic activities and value creation. This is expected to enhance tax compliance and thus uplift the corporate image of affected MNEs. Consequently, accountants are encouraged to assume aggressive positions that will result in more certainty and predictability, thereby building a truly cooperative relationship with revenue agencies.

Accountants are thus entreated to complete the requisite Transfer Pricing Return Forms of the Ghana Revenue Authority with diligence and integrity to ensure transparency and compliance with the transfer pricing regulations as well as safeguard their own reputation, the image of their professional body (the Institute), the image of their employers/clients (MNEs), thus preventing any anticipated loss of revenue to the government through transfer pricing abuse.

6. Conclusion and recommendations

It is by and large established that the primary objectives of MNEs are essentially different from those of the host nations. As a result, effective application of transfer pricing legislation is expected to address the shortcomings associated with the anti-avoidance provisions in income tax laws in Ghana. It is the expectation that the operation of these legislations would significantly enhance government's tax revenue mobilisation by limiting the leakage of incomes through related party activities. It is therefore recommended that accountants as key stakeholders do not lose sight of "simplicity", which is regarded as one of the corner stones of a good tax system by Adams Smith (1776). By encouraging simplification, accountants' efforts will not only aid enforcement, but also boost voluntary compliance with the Transfer Pricing Regulations. Hence, there is the need for accountants to pursue various strategies and apply policies that provide relevant information to tax authorities. Tax authorities are equally expected to establish measures necessary to lessen the burden of tax compliance on the taxpayers.

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