

**AN EVALUATION OF THE EFFECTIVENESS OF THE INCOME TAX
(TRANSFER PRICING) REGULATIONS OF 2011 IN CURBING TRANSFER
PRICING IN UGANDA**

BY

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DECLARATION

I, Andrew Agaba, do hereby solemnly and sincerely declare that this work is entirely my own and it has not been submitted before to any other university or institution of higher learning for any award.

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APPROVAL

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Dr. Ahmed Kitunzi Mutunzi

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DEDICATION

This report is dedicated to my family, my father Charles Titiya, my mother Allen Titiya and to my siblings Michael, Allan, Ivan and Samie. Thank you for your unrelenting prayers, unwavering support and everlasting love.

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LIST OF ACRONYMS

ALP	Arm's Length Principle
CoBAMS	College of Business and Management Sciences
CPM	Comparable Price Method
CUP	Comparable Uncontrolled Price
EAC	East African Community
KRA	Kenya Revenue Authority
MNC	Multi National Corporation
NC	National Corporation
OECD	Organization for Economic Cooperation and Development
PSM	Profit Split Method
RPM	Resale Price Method
SPSS	Statistical Package for Social Sciences
TNMM	Transactional Net Margin Method
URA	Uganda Revenue Authority

ABSTRACT

There is a strong incentive for Multi-National Corporations to shift their profits from a country with a high tax regime like Uganda to another that has a favourable tax regime through transfer pricing. The purpose of this study was to evaluate the effectiveness of Uganda's transfer pricing regulations in curbing this vice.

The study used a cross-sectional design, 82 employees of Uganda Revenue Authority were the targeted sample and primary data was obtained using Self-Administered questionnaires. The questionnaires were edited for accuracy, consistency and completeness. The data was analyzed using Statistical Package for Social Sciences (SPSS).

The study found that the reporting requirements imposed under regulation 7(1), penalties under Regulation 7(6) and documentation requirements imposed under regulation 8 were effective in curbing transfer pricing.

However, it was recommended that there should be a mechanism to carry out monitoring and evaluation of these laws periodically so as to stop them from being circumvented or becoming obsolete.