Transfer pricing in the Saudi Arabia Oil and Gas sector

By

Ali Faya Alhassan (BSc, PGDip, MSc)

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ABSTRACT

This study examines transfer pricing behaviour for the purpose of shifting profits between national tax jurisdictions with different rates of profit tax in the context of the Saudi oil and gas sector as well as that of several other countries (i.e., Australia, Canada, Czech Republic, France, Korea, Japan, Kuwait, Norway, Poland, Sweden, UK and US). The methodology of the Bartelsman and Beetsma (2003) is proposed as the basis for testing the hypothesis.

The results of this study show that the Bartelsman and Beetsma (2003) model when applied to the Saudi Arabia oil and gas sector does not detect transfer pricing behaviour for the purpose of shifting profit. However, the Bartelsman and Beetsma (2003) model when applied to other countries such as Japan, Korea, Norway, Poland, and the United Kingdom does show results that suggest the presence of transfer pricing behaviour for the purpose of shifting profits.

Keywords: Corporate tax rates; Income splitting; STAN database; transfer pricing; UNSD Statistical Databases; WDI database.
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