

Profit shifting

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I am unambiguous about the ethical duty of accountants is to promote tax compliance. This is to ensure that a company pays the right tax in the right place at the right time, where 'right' means that the economic and geographic substance of the transaction accords with the taxation and locational identity it is given when reported. In that context I think Deloitte's are way off beam when they suggest in an article on tax planning in the [Bangkok Post](#) that:

By engaging in transfer-pricing planning on day one as opposed to waiting until the tax holiday ends, the Thai company and its multinational group may be able to take advantage of the tax holiday to shift a supportable level of profit to the Thailand company to reduce the multinational group's worldwide tax cost, while also planning ahead for the day when the tax holiday ends.

Deloitte's are explicit: they are endorsing the use of transfer pricing is to shift profits. I've said that this is what the Big 4 do. It's good to have it confirmed in writing.

It's also interesting to note that they say:

A significant proportion of the revenues and/or expenses of these companies may arise from transactions with related companies. For example, the Thailand manufacturing company may export all of its production to its parent company based in a foreign country.

Our proposals for [country-by-country reporting](#) by multinationals would help prevent this abuse. That has to be for the benefit of society as a whole.