International Tax Planning and Financial Performance of Listed Multinational Companies in Nigeria

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DOI: 10.56201/ijefm.v9.no7.2024.pg98.111

Abstract
The multiplicity of taxes and current unstable and volatile business environment has made companies to be aggressive in their tax planning strategies in order to remain afloat and profitable in their venture. This study was carried out to examine the effect of tax planning on financial performance of listed multinational companies in Nigeria. The independent variable being tax planning was proxied by effective tax rate, capital intensity and thin capitalization while the dependent variable being financial performance was proxied by return on assets. The research design employed in this study was ex post facto. Secondary data were used and the data employed was analysed using ordinary least square regression technique and the statistical software employed was E-View version 10. The result of the analysis revealed that effective tax rate has a significant negative effect on financial performance when proxied by return on asset.; Capital intensity has a significant positive effect on financial performance when proxied by return on asset; Thin capitalization has a significant positive. effect on financial performance when proxied by return on asset. It was therefore concluded that tax planning has significant effect on financial performance of conglomerate firms in Nigeria. It was therefore recommended among others that the management of conglomerate firms should have significant portion of their assets and investment being financed through long term debt as the firm would enjoy interest tax shield which in turn improves the financial performance of these firms.

Keywords: *Tax planning capital intensity, thin capitalization, effective tax rate, financial performance*

1.1 BACKGROUND TO THE STUDY

The main of objective of any business entity is to make profit and maximize the wealth of the owners whether a sole trader or shareholders of companies. Profit can only be maximised whether the company operate efficiently and effectively by enhancing revenue generating activities and minimizing expenses and other costs. Tax liability is one of the major expenses that reduce company's profit as well as erode shareholders' wealth. The multinational companies face multiple taxation as a result of operating in different companies thus they explore all the avenues available to reduce this tax burden through effective tax planning. With this strategy, the entity has to identify tax loopholes which minimises, postpones or entirely avoids tax payment so as to reduce its negative effect on financial performance (Arifa et al., 2020). Tax planning involves the in depth understanding and application of relevant shelters and incentives in tax enactment by economic entities to minimise tax liability. This includes incentives given in recognition of pioneer status, allowances given in respect of acquisition of assets used for business purpose, investment in rural areas, tax exemption on interest on loan, loan loss relief and so on. Tax planning bring in tax savings through deduction in liability. In this study tax planning is measured in terms of effective tax rate, capital intensity and thin capitalization.

Effective tax rate measures the actual tax burden borne by an entity in relation to their taxable income. It is the average rate at which a taxpayer or business is taxed on its taxable income; The effective tax rate considers the impact of deductions, exemptions, credits, and other tax planning strategies that reduce the taxable income and the resulting tax liability. Capital intensity refers to capital investment required to support a company's operations to create revenue. These capital investments such as investment in property plant and equipment entitle the firms to capital and other investment incentives. Thin capitalization arises when the company funds most of its investment with long term loans. Using more of debt capital allows a company to enjoy tax benefits of interest payment because interest is an allowable expenses ((Feld *et al.,* 2020). In certain jurisdictions, there are tax incentives specifically related to debt financing. These incentives can include tax deductions for interest expenses, tax credits for certain types of debt instruments, or accelerated depreciation benefits for financed assets.

Financial performance is a general measure of firms' overall financial health over a given period of time. It reflects the ability of an organisation to effectively utilize financial and production factors to generate revenue for shareholders. Profitability is the most common measure of an organizational growth and progress in terms of efficiency and productivity (Foyeke et al., 2016). Income tax expense is one of the deductions to companies profitability and effective strategies to minimise excessive tax burden is parament to safeguard the company's going concern. Taxation and tax policy of any economy have major implications both on the growth of that economy and the businesses in it. The multiplicity and overburdening Nigerian tax system coupled with the current inflation and other economic crises have made it near impossible for firms to survive. High tax burden impedes investment and productive capacity of a firm through restriction on financial resources availability. As a result of this, different strategies to reduce tax burden such as capital intensive investment and thin capitulation are adopted by different firms.

The empirical literature revealed that that most of these studies were done abroad

(Laurencia & Amalia; 2018; *Tackie et al.*,2022; Januri & Hanum, 2022). Even those researches done in Nigeria (Ogundajo & Onakoya, 2016; Kayode & Adegbie, 2020; Olurankinse & Mamidu, 2021) focused on other sectors of the Nigeria economy such as the manufacturing, banking, non- finance and health care sector of the Nigerian. Worst still, there was no unanimous agreements on the outcome of these studies as some researches have varying results ranging from negative, positive and even insignificant effects. It was thus based on these identified gaps that this study was undertaken to ascertain the effect of tax planning on the financial performance conglomerate firms in Nigeria.

2.1 REVIEW OF LITERATURE

2.1.1 Tax Planning

Tax planning involves taking conscious efforts to consider the tax that will be payable by a taxpayer at a future date and how such tax can be minimised. It involves anticipating a set of circumstances and identifying opportunities to minimise or defer tax liabilities within the ambit of the law. It involves arranging affairs to ensure that the maximum allowances, exemptions and reliefs are enjoyed. According to Pniowsky (2010), tax planning is a legal process used to conduct commercial operations in order to reschedule, minimize, or reduce the amount of tax paid to the government. Tax planning, like any other corporate management activity, aims to improve the firm's financial performance and economic worth, so maximizing the return on the owners' investment. (Santa, 2016). In theory, a corporation's tax requirement is directly tied to its income or profitability. In other to attain the company's wealth maximization through various methods of boosting profitability, the company engage in tax planning strategies so as to minimize its tax obligations (Richard et al., 2019). In other words, the attainment of the firm's wealth maximization goal through various methods of boosting profitability reduces the firm's ability to pay high taxes, resulting in a reduction in its tax liability. Tax planning is an important component of corporate strategy, and it means that some capital structure decisions provide the company and tax manager with a window of opportunity to reduce the company's tax liability, resulting in increased financial performance (Ogundajo & Onakoya, 2016).

2.1.2 Effective Tax Rate (ETR)

The effective tax rate is a fundamental concept in taxation that measures the actual tax burden borne by individuals or businesses relative to their taxable income. It provides a more accurate representation of the tax liability than the statutory tax rate, which is the tax rate set by law. The effective tax rate considers the impact of deductions, exemptions, credits, and other tax planning strategies that reduce the taxable income and the resulting tax liability. The calculation of the effective tax rate involves dividing the total tax paid by the taxable income and expressing it as a percentage. The effective tax rate allows for a comprehensive analysis of an individual's or company's tax position and provides insights into their tax efficiency. In Nigeria, tax rate (CITA) is 30% of assessable profit. The statutory tax rate minus the effective tax rate is the tax savings. Cash tax savings is a notable concept that denotes the amount of money saved from using the effective tax rate instead of the statutory rate. It arises from the

difference between effective tax rate and statutory tax rate multiplied by the profit before tax (Kawor & Kportorgbi, 2014). A higher effective tax rate indicates a larger tax burden, whereas a lower effective tax rate suggests a lower tax burden relative to the taxable income. However, effective tax rate is determined by a number of factors, including local tax rules and regulations, an individual's or company's financial status, and the use of available tax planning measures.

2.1.3 Capital Intensity

The quantity of capital investment required to support a company's operations and create revenue is referred to as capital intensity. It denotes the proportion of a company's fixed assets, such as buildings, equipment, and machinery, to its overall output or sales volume. Capital intensity is an important statistic for determining how much a company relies on capital investments to operate and produce income. In the words of Shahean & Malik (2012), it is the extent of investment businesses make on non-current assets. It can also be referred to as asset tangibility. There exist various advantages associated with capital intensity. Fixed assets, such as buildings, machinery, and equipment, are often required in capital-intensive industries. Over their useful lives, these assets may be eligible for capital allowance and other investment incentive from government. According to Tackie et al. (2022), some governments provide investment tax credits to encourage enterprises to participate in capital-intensive activities such as R&D, renewable energy initiatives, or equipment upgrades. These credits allow firms to deduct a portion of their tax liability for qualified capital expenditures, potentially resulting in tax savings. According to Oeta et al., (2019), capital allowances result to tax savings that increases after tax returns of a firm. Capital intensity is measured as a ratio of non-current assets to total assets of the firm.

2.1.4 Thin Capitalization

A company is said to be thinly capitalised when its capital is made up of a much greater proportion of debt than equity. Using more of debt capital allows a company to enjoy tax benefits of interest payment because interest is an allowable expense (Tackie et al. (2022). Similarly, those countries that charge taxes on interest repatriation does so on a very low withholding tax rate compared to withholding tax rate on dividend. Leverage can impact a company's tax liability, potentially reducing or increasing it, depending on various factors and tax planning strategies. In the case of debt financing, one of the primary tax benefits of leverage is the deductibility of interest expenses. Interest payments on debt are generally tax-deductible for businesses, meaning they can be subtracted from taxable income. By utilizing debt financing, a company can reduce its taxable income and, consequently, lower its tax liability. This interest deductibility provides a tax shield effect that can result in significant tax savings (Graham, 2003). In certain jurisdictions, there are tax incentives specifically related to debt financing. These incentives can include tax deductions for interest expenses, tax credits for certain types of debt instruments, or accelerated depreciation benefits for financed assets.

2.1.5 Financial Performance

Financial performance is a subjective measure of how well firms can use assets from its primary mode of business and generate revenue. It reflects the ability of an organisation to effectively utilize financial and production factors to generate revenue for shareholders. It can

be expressed in terms of income generated from its operation, after offsetting expenses to arrive at profit. It is used as a general measure of firms' overall financial health over a given period of time.it can be used to compare similar firms across the same industry or to compare industry or sectors in aggregation. Company's performance indicators include the financial and non-financial indicators. Financial indicators have been widely adopted because a company's long term goal is almost always purely financial in nature (Tackie et al. (2022). Financial performance evaluation indicators directly link up the company's financial study. And the measure of financial performance adopted for this study is profitability measured in terms of return on asset. The major accounting-based measures of performance are the return on assets (ROA) which is an indicator of how profitable a company is relative to its total assets, return on equity (ROE) which is the amount of net income returned as a percentage of shareholders equity and return on capital employed (ROCE) which is used for comparing the relative profitability of companies after taking into account the amount of capital used (Kurawa & Saidu, 2018). In this study financial performance is measured using return on asset. (ROA).

2.2 THEORETICAL FRAMEWORK

2.2.1 Tax planning theory by Hoffman (1961)

This theory was propounded by Hoffmann in 1961. The theory posits that taxation, mostly are based on accounting or business concept, thus a firm can modify such activities towards the attainment of reduction in tax liability. He identified some ambiguity and loopholes in tax laws as a result of legislators' unclear intentions and concluded that successful tax schemes work with legal concepts and precise wording of the statute, and compliance with these concepts as it relates to individual firms tends to be advantageous to firms in the form of tax savings. Tax planning, according to Hoffman (1961), aims to shift cash that might otherwise flow to tax authorities to corporate organizations. According to Uwah and Akpan (2019), tax planning efforts are useful inasmuch as they minimize taxable income to the barest minimum while preserving accounting income. The argument is based on the fact that a company's tax burden is determined by its taxable income rather than its accounting income. Thus, the goal is to increase activities that lower taxable income but have no indirect impact on accounting profit.

According to Ishola et al., (2020), Hoffman emphasized four critical aspects of tax preparation. They are as follows: Firstly, correctly handled tax preparation is not a straightforward procedure. Secondly, more gain will be achieved if the tax planning process is handled as a formalized approach. Thirdly, many tax planners do not use tax planning to its full potential, and fourthly, tax planning could assist many taxpayers but few are aware of its benefits. The theory further highlighted that tax planning may not be sustained for a long term if the tax planning activities are not flexible in the sense of continuity of the strategies.

This theory is the anchor theory for this study and is relevant to this study because it emphasizes tax planning and why corporations indulge in tax planning. Corporate entities are there for profit and would do anything to see their profits untouched especially by huge tax liabilities which could reduce profit significantly. This theory explains that there exist loopholes in the tax system which could be utilized by companies to their advantage to reduce excessive tax burden.

2.3 EMPIRICAL FRAMEWORK

This section explores prior related empirical literature and some of this literature are discussed below. Rini et al., (2024) scrutinized the impact of transfer pricing, tax havens, and thin capitalization on tax avoidance in the basic and chemical industrial sector companies listed on the Indonesia Stock Exchange from 2017 to 2022. The sample consisted of 13 companies selected through purposive sampling. The study utilized secondary data obtained from company annual financial statements and reports. Multiple linear regression analysis was employed to analyze the data. The findings indicated that transfer pricing has a negative effect on effective tax rate (ETR), which serves as a proxy for tax avoidance. Tax havens, on the other hand, have a positive effect on ETR, suggesting an increased level of tax avoidance. However, thin capitalization does not have a significant effect on ETR.

Ado et al., (2024) studied the impact of corporate tax planning on the financial performance of listed companies on the Nigeria Stock Exchange (NSE). Secondary data was collected from Thompson Reuters DataStream and annual reports of listed companies. Multiple regression analysis was used to analyze data from 84 companies listed on the NSE for a period of nine years from 2013 to 2022, resulting in 756 observations. The findings indicated that inventory intensity has no significant relationship with Return on Assets (ROA). On the other hand, capital intensity is negatively and significantly related to ROA, indicating that a substantial increase in capital intensity can lower financial performance. However, leverage is positively and significantly related to ROA, implying that highly leveraged companies tend to achieve higher ROA.

Bachas et al. (2023) examined the effect of firm size on effective corporate tax rates, utilizing comprehensive administrative tax data from 13 different countries. The findings revealed that small firms generally experience lower effective corporate tax rates compared to mid-sized firms. This disparity could be attributed to lower statutory tax rates and a higher likelihood of reporting losses among small firms. Moreover, in most countries, effective corporate tax rates decrease for the largest firms due to the utilization of tax incentives. This study focused on firms size and effective tax rate and was a comparative study across 13 different countries. The present study differs because the it focused on tax planning and financial performance. The present study is also different because it focused on conglomerate firms in Nigeria and only looked at Nigeria context.

Januri and Hanum (2022) investigated the relationship between tax planning, financial performance, and firm value in manufacturing companies. Tax planning was measured using the Effective Tax Rate (ETR), while financial performance was measured using Return on Assets (ROA). The population of the study consisted of manufacturing companies listed on the Indonesia Stock Exchange, selected through saturated sampling. The results of the partial (t-test) indicated a positive and significant effect of tax planning on firm value as measured by the ETR. Similarly, the results showed a significant effect of financial performance as measured by ROA on firm value.

Muhammed (2022) explored the impact of tax planning strategies on the financial performance of listed manufacturing consumer goods companies in Nigeria. The specific objectives included evaluating the effect of capital intensity, capital structure, research and development expenditure, and firm leverage on the financial performance of these companies.

The population consisted of 20 listed manufacturing consumer goods companies in Nigeria, with a sample size of 18 companies selected using judgmental sampling. Secondary data was collected from audited annual financial reports from 2011 to 2020. Robust least square regression analysis and correlation were employed for data analysis. The findings revealed that capital intensity and capital structure have a positive and insignificant impact on financial performance.

Obiora et al., (2022) examined the impact of board multiplicity on corporate tax avoidance in the healthcare manufacturing sector in Nigeria from 2010 to 2019. Two research questions and two hypotheses were formulated for the study. An ex-post facto research design was employed, and a sample of six healthcare manufacturing companies listed on the Nigerian Exchange Group (NSE) was selected. The study utilized secondary data obtained from annual reports of the sampled companies and the NXG website. Robust least square regression analysis was conducted to test the hypotheses. The findings revealed a significant positive effect of racial multiplicity on corporate tax avoidance, while gender multiplicity was not found to be significant.

Tackie et al., (2022) examined the relationship between tax planning and financial performance of insurance companies in Ghana and the moderating role of corporate governance. The findings revealed a non-linear association between tax planning, measured by effective tax rate (ETR), and the performance of insurance companies, measured by return on equity (ROE) and return on assets (ROA). Additionally, the study demonstrated that CG moderates the relationship between TP and the performance of insurance companies. As a recommendation, the study suggested that insurance company managers should prioritize the implementation of robust CG measures to address agency conflicts and associated costs between management and shareholders.

Erasmus and Uwikor (2021) examined the relationship between tax planning strategies and the financial performance of quoted banks in Nigeria. The tax planning strategies were measured using the effective tax rate, thin capitalization, and capital intensity, while financial performance is measured using return on equity, earnings per share, and net interest margin. The population of the study consisted of fourteen quoted banks in Nigeria, with a sample size of twelve banks selected using judgmental sampling techniques. Secondary data was collected from audited annual financial reports of quoted banks from 2006 to 2019. The findings revealed that the effective tax rate, thin capitalization, and capital intensity have a negative and insignificant impact on the return on equity and earnings per share of quoted banks in Nigeria.

Iormbagah et al., (2021) scrutinized the impact of corporate tax mix on the financial performance of listed manufacturing firms in Nigeria. Data was collected from 10 listed manufacturing firms across various sectors on the Nigerian Stock Exchange, covering the period from 2014 to 2018. The findings indicated that tax mix has a positive but insignificant effect on the net income of listed manufacturing firms in Nigeria, while deferred tax has a negative but insignificant effect on net income. Furthermore, the study revealed that company income tax has a positive and significant effect on net income.

3.1 METHODOLOGY

The research design adopted in this study was *Ex post facto* research design. This design was suitable for this study because data employed were historical obtained from secondary

sources. The population of this study consisted of 6 multinational companies listed on the floor of the Nigeria Exchange Group from 2014-2023. The multinational firms were chosen because they are exposed to risk of multiple taxation especially those with foreign branches. Since the population of this study was not too large, the entire pollution was studied and thus the technique employed was census technique .Secondary data source was employed to generate the data for analysis. This data source was chosen because secondary data tend to be more reliable and verifiable. The data for the conglomerate firms were sourced from Nigerian Exchange Group Fact Books and related companies' annual financial reports. Thus, the following hypotheses were formulated for the study;

Ho1: Effective tax rate has no significant effect on the return on assets of multinational companies in Nigeria

Ho2: Capital intensity has no significant effect on the return on assets of multinational companies in Nigeria

Ho3: Thin capitalization has no significant effect on the return on assets of multinational firms in Nigeria

Model specification

The model used in this study was adapted from the study of Olurankinse & Mamidu (2021) and was modified to fit this study as presented below;

$$ROA_{it} = B0 + B1EFTR_{it} + B2CAIT_{it} + B3TCAP_{it} + e_{it} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where;

ROA	=	*Return on Asset*
EFTR	=	*Effective tax rate*
CAIT	=	*Capital intensity*
TCAP	=	*Thin capitalization*
$B0$	=	Constant Term
$B1$- $B3$	=	Coefficient to be determined in the study
"{i}"	=	Cross section (sampled service firms)
"t"	=	Time frame (2014 to 2023)
e	=	Stochastic error term

4.1 ANALYSIS AND DISCUSSION OF FINDINGS

Regression analysis and some diagnostic test
Auto-correlation test
Table 1: Breusch-Godfrey Serial Correlation LM Test

F-statistic	1.070546	Prob. F(2,61)	0.9320
Obs*R-squared	0.361534	Prob. Chi-Square(2)	0.9224

Source: Author's computation (2024)

From table 1 above, the F-statistic of 1.070546 and a probability value of 0.9320 indicate that there is no autocorrelation in the model.

Multicollinearity test

The integrity of a regression model relies on the assumption of the absence of multicollinearity among independent variables, a condition where one or more variables can be expressed as a linear combination of others. Multicollinearity can be identified through the Variance Inflation Factor (VIF), a diagnostic tool. For this assumption to be valid, the VIF values for all independent variables should be less than 10 (Hair et al., 2010).

Table 2: Variance inflation factor analysis for the independent variables

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.133388	1775.400	NA
EFTR	0.003118	7.641932	2.474841
CAIT	0.001881	7.142174	2.335208
TCAP	0.006047	4.876667	1.748467
FIMZ	0.104143	1961.497	1.842819

Source: Author's computation (2024)

Table 2 shows that none of the centred VIFs were up to 10 or more. This therefore implies that there is no multicollinearity in the model.

Homoscedasticity test

This holds that error terms of the regression model should have a constant variance across all levels of the independent variables. Homoscedasticity in E-views can be assessed through the Breusch-Pagan Godfrey test for heteroskedasticity. The null hypothesis for this test states that there is no heterogeneity in the model and the alternate is that there is heterogeneity in the model. The test is presented below;

Table 4.3 Heteroskedasticity Test: Breusch-Pagan-Godfrey

F-statistic	1.494246	Prob. F(6,63)	0.1947
Obs*R-squared	8.720617	Prob. Chi-Square(6)	0.1899
Scaled explained SS	125.5387	Prob. Chi-Square(6)	0.0000

Source: Author's computation (2024)

From the result above, the Obs R-squared value (8.720617) has a p value of 0.1899 >0.05. therefore, we accept the null hypothesis. This implies that there is no heterogeneity in the model. The result shows that the assumption of homoscedasticity of the pooled OLS regression has not violated. Hence, the study proceeds with the Ordinary least square regression for the analysis and hypotheses testing.

Table 4: OLS Regression analysis of the effect of tax planning on financial performance

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.735288	0.365223	2.813259	0.0044
EFTR	-0.447262	0.055839	-2.046407	0.0258
CAIT	0.112296	0.043374	2.283483	0.0337
TCAP	0.087239	0.077764	2.121855	0.0162
FIMZ	-0.440120	0.322713	-2.063816	0.0445
R-squared	0.587197	Mean dependent var		0.173654
Adjusted R-squared	0.452118	S.D. dependent var		0.076862
S.E. of regression	0.072520	Akaike info criterion		-2.315263
Sum squared resid	0.331328	Schwarz criterion		-2.090414
Log likelihood	88.03422	Hannan-Quinn criter.		-2.225951
F-statistic	9.418257	Durbin-Watson stat		2.018175
Prob(F-statistic)	0.016273			

Source: Author's computation (2024)

The OLS regression outcome above shows an F-statistic of 9.418257 with p-value of 0.016273 indicating that overall, tax planning in this study have significant effect on return on assets of the firms under study. The model gave an R-squared value of 0.587197 which means that 59% of the changes in the dependent variable can be explained by the independent variables of this study. However, the unexplained part is captured in the error term.

4.2 Discussion of findings

4.2.1 Effective tax rate and return on assets

The regression result in table 4 revealed that effective tax rate (Coef; -0.447262; p-value = 0.0258) has a significant negative effect on return on assets of listed multinational firms in Nigeria. This implies that a unit increase in the effective tax rate will decrease the return on assets by 45%. In other words, the attainment of the firm's wealth maximization goal through various methods of boosting profitability reduces the firm's tax liability thus improving the profitability of that firm. A higher effective tax rate means that a greater share of the company's profits is allocated to tax payments, lowering its after-tax profits. This can lead to lesser net income and, as a result, lower profitability. A lower effective tax rate, on the other hand, might enhance after-tax profits, adding to better profitability. The effective tax rate also has an impact on a company's cash flow situation The outcome of this study supports the work of Olurankinse and Mamidu (2021); Ogundajo and Onakoya (2016); Kurawa and Saidu (2018); Laurencia and Amalia (2018) who found negative relationship between effective tax rate and financial performance.

4.2.2 Capital intensity and return on assets

The result obtained from the OLS regression in table 4 shows that capital intensity (Coef. 0.112296;p-value = 0.0337) has a significant positive effect on return on assets (ROA) of listed multinational companies in Nigeria. This implies that for each unit increase in the capital intensity of the pooled firms, the return on assets of these companies is expected to increase by 11%. High capital intensity frequently means large expenditures in fixed assets, which can result in greater capital allowance. High capital intensity create higher revenues and returns if fixed asset expenditures result in expanded production capacity, operational efficiency, or enhanced product/service offerings. The outcome of this study support the works of Olayiwola and Okoro (2021); Kayode and Adegbie (2020); and Olurankinse and Mamidu (2021) who found a positive effect between capital intensity and financial performance. The finding of this study is contradicted by Muhammed (2022) whose findings revealed that capital intensity and capital structure have a positive and insignificant impact on financial performance,

4.2.3 Thin capitalization and return on assets

The result obtained from the OLS regression in table 4 shows that thin capitalization (Coef. 0.087239; p-value 0.0445) has a significant positive effect on return on assets (ROA) of listed multinational companies in Nigeria. This implies that for each unit increase in the thin capitalization of the pooled firms, the return on assets of these companies is expected to

increase by 9%. One of the key tax implications of leverage is the deductibility of interest payments in deriving taxable income. This deduction reduces the company's taxable income, resulting in a lower tax liability. Therefore, companies that utilize thin capitalization can potentially benefit from lower taxes by deducting their interest expenses, which can positively impact their financial performance. The finding of this study is supported by Ogbonna et al., (2022) whose findings revealed that tax aggressiveness and thin capitalization significantly influence the financial performance of the selected banks in Nigeria.

CONCLUSION AND RECOMMENDATIONS

Tax planning is one of the strategies adopted by organization to minimize tax liabilities or excessive tax burden. Any company that wants to achieve its profit maximization objectives must engage in effective cost cutting strategies in other to improve financial gains. Based on the findings of this study, it was concluded that tax planning when proxied with effective tax rate, capital intensity and thin capitalization has significant effect on financial performance of conglomerate firms in Nigeria. Based on the findings of this study, it was recommended that management of multinational firms in Nigeria should engage in strategies that would reduce the effective tax rate as low effective tax rate increase cash tax savings and thus improvement in financial performance. Multinational firms should engage in capital intensive investment as this this would increase capital allowance as well as investment allowance which add up to improve financial performance.

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