Corporate Taxes and Financial Performance of Quoted Manufacturing Companies in Nigeria

Eneisik, Gogo Erasmus, PhD; Prof. L. C. Obara & Moses Kpane Uwikor Department of Accountancy Rivers State University, Port Harcourt Nigeria Email:eneisik.gogo@ymail.com

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Abstract

The study empirically investigated the effect of corporate taxes on financial performance of quoted manufacturing companies in Nigeria. The population of the study consists of sixty quoted manufacturing companies in Nigeria. The study adopts purposive sampling techniques to select thirty quoted manufacturing companies as a sample size. Secondary data was obtained from audited annual financial reports of quoted manufacturing companies in Nigeria from 2006-2020. Hypotheses formulated were tested using panel least squares regression through pooled effect, fixed effect, and random effect, determined by the Hausman test, fixed effect regression was preferred for results interpretation with the aid of Eviews 10 econometric statistical software. Findings show that companies' income tax, capital gains tax, and tertiary education tax had insignificant effects on return on equity of quoted manufacturing companies in Nigeria. Companies' income tax and tertiary education tax had insignificant effect on return on capital employed of quoted manufacturing companies in Nigeria. Companies income tax and tertiary education tax had insignificant effect on net profit margin of quoted manufacturing companies in Nigeria. Capital gains tax had significant effect on return on capital employed and net profit margin of quoted manufacturing companies in Nigeria. The study concludes that corporate taxes have insignificant effect on financial performance of quoted manufacturing companies in Nigeria. The study recommends, among others, that the government should introduce new tax incentives, tax exemptions, tax allowances, tax relief, tax rebates, and tax shelters for corporate taxes. Capital gains tax should be scrapped to enable companies to plough back profit on sale of assets into their business operations. The government should create a corporate tax management database through modern information technology to ensure effective and efficient corporate tax administration devoid of the incidence of corporate tax evasion and multiples taxation.

Keywords: Corporate Taxes, Financial Performance, Nigeria

Introduction

Corporate taxes serve as a mechanism for the collection of taxes in any economy and tax is one of the fiscal policy tools for regulating the economy of any nation. Government in Nigeria adopts the instrument of tax policy to stimulate economic growth. Corporate taxes act as disincentive to manufacturing companies in Nigeria. Gatsi, Gadzo and Kportorgbi (2013) reported that introduction and payment of corporate taxes plays a significant role in the misfortunes of the manufacturing companies. Corporate taxes generate revenue to the government and serve other purposes. Corporate taxes are used to protect infant industries and create incentive for investors to invest in certain areas of the economy. Corporate taxes can be used by the government to create disincentive for other economic activities. Dickson and Nwaobia (2012) argue that unfriendly corporate taxes could stunt economic growth of developing countries with negative effects on both citizen of the country and corporate organizations that are already under the weight of wrong corporate taxes policies from inefficient and ineffective tax policies of the governments. High corporate taxes can lead to a reduction in the profits of manufacturing companies in Nigeria. This is because corporate taxes reduce the amount of money that the company can retain after paying taxes. This, in turn, can affect the company's ability to invest in new technologies, research and development, and other growth initiatives that can enhance its competitiveness. Elevated corporate taxes can also reduce the overall investment attractiveness of the manufacturing sector in Nigeria. This is because investors may be deterred from investing in companies that are subject to high taxes, which can affect the sector's growth potential. The impact of corporate taxes on the financial performance of manufacturing companies in Nigeria can depend on the tax policies and regulations in place. For instance, tax incentives, exemptions, and deductions can help to offset the negative impact of corporate taxes on the financial performance of manufacturing companies in Nigeria. The government of any nation is concerned about raising more revenue to finance its expenditure responsibilities, while investors are interested in conducive business environment with a reduced tax burden (Pitulice, 2016). Every manufacturing company of any economy was eager to contribute to the growth and reflects visibly in job creation, and also improved tax contribution in their economy. Corporate taxes are used to redistribute income, reduce inflation, control consumption of certain goods, generate employment, and stimulate economic growth and development. The primary objective of the Nigerian tax system is to promote fiscal responsibility and accountability, provision of stable resources for the government to provide public goods to the citizenry, facilitation of economic growth and development, address inequalities in income distribution, stabilization of the Nigerian economy and correction of market failures and imperfections. Kiabel (2014) stated that taxation is the process of collecting taxes within a particular location. He noted that taxation is the means of contributions from individuals and corporate bodies to the government. Kiabel (2016) defined taxes as a compulsory payment imposed on the income, profit, property, goods and services or transaction of individuals or corporate bodies by the government and for which there is no guaranteed compensatory benefit. Kiabel (2017) stated that in Nigeria taxes are imposed on individual basis which are personal income tax, development levy and on corporate entities comprising companies income tax, petroleum profit tax, tertiary education tax, information technology, development levy and on transaction consisting of value added tax, capital gain tax, stamp duty, excise duty, import duty, export duty while on assets it is property tax.

Corporate taxes are the taxes that companies are required to pay on their profits or income. These taxes are typically based on the net income or taxable income earned by the company during a given tax period. The purpose of corporate taxes is to generate revenue for the government and fund public services and programs. Corporate taxes are a direct tax imposed on the income or capital of corporations or analogues legal entities. Corporate taxes are taxes on the taxable income of companies. Corporate taxes are a direct tax imposed on the net profit or profit that enterprise made from the business. Corporate taxes reduce the net profit or profit before tax of manufacturing companies in Nigeria. Kiabel (2019) stated that there are different types of corporate taxes in Nigeria such as company income tax, petroleum withholding tax, tertiary education tax, national information technology profit tax. development tax, capital gains tax, value added tax. This study measures corporate taxes with companies income tax, capital gains tax and tertiary education tax. Companies income tax is payable upon the profit of all incorporated entities in Nigeria accruing in, derived from, brought into or received in Nigeria. Companies' income tax, corporate tax or corporation tax is a direct tax imposed on the income or capital of corporations or analogous legal entities. The present chargeable rate of CIT is 30%. Bassey (2019) reported that capital gains tax Act 1967 came into force on 1st April, 1967 (i.e. 1967/68 assessment year). The Act is now referred to as the Capital Gains Tax Act, Cap. Cl, LFN 2004. The Act makes provisions for the taxation of capital gains accruing to any person on disposal of assets. The profits made by a company from the sale of its products or provision of services are taxable under the Companies Income Tax Act, but the gains arising from the sale of its fixed assets such as building, land, plant, machinery, furniture, etc are taxable under the Capital Gains Tax Act. The education tax act 1993 now referred to as the education tax act, Cap. E4, LFN 2004 imposes tertiary education tax at a rate of 2 percent on the assessable profits of companies registered in Nigeria. Tertiary Education Tax formerly Education Tax is a tax imposed on the assessable profits of all companies registered in Nigeria. It is established by the Tertiary Education Trust Fund (Establishment, Etc.) Act No 16, of 2011. The Federal Inland Revenue Service is charged with the responsibility for the assessment of this tax. The primary objective of the Education Tax is to achieve restoration, rehabilitation, consolidation and development of tertiary education in Nigeria. Owolabi and Alu (2012) stated that financial performance is significant to the success of companies and by implication to the successful functioning of the economy as profitable companies are better positioned to render quality services. Pratama (2017) reported that the government remains significant claimants in companies profit and such claim manifest in the form of tax remain one of the significant factors that affect company's financial performance and have implication on shareholders wealth maximization as it reduces distributable earning to shareholders. Lee, Curran and Blackburn (2013) suggest that financial performance is an indicator of the overall entity competitiveness and the degree of the achievement level of an organization strategic objective. However, this study measures financial performance in terms of return on equity, return on capital employed and net profit margin. Suprivadi and Terbuka (2021) reported that return on equity is a measure of the profitability of a business in relation to the equity. Because shareholder's equity can be calculated by taking all assets and subtracting all liabilities Kiabel (2017) reported that corporate taxes substantially reduce company's distributable profits thereby acting as a check or a disincentive to investors and that tax rob investors of their possible reward without providing any compensation in the case of corporate failures. Government benefits from the profit of corporate organizations when profit is made while the investor bears the losses. The fortunes of companies are share by the government and the entire citizenry while the misfortunes of corporate organizations are borne by the investors. This is a potential disincentive to investors and shareholders of the companies in Nigeria. Corporate taxes environment in Nigeria is characterized with high tax rate which may lead to the movement of resource and investors from a heavily taxed business environment to a low tax business environment. High corporate taxes in a business

environment could discourage the establishment of new business corporations and new organizations or companies would seek for business environment with low tax rate. Multiple taxation and high corporate tax rate acts as a check on the production of manufacturing companies leading to a decline in the quantity of goods and services and high price of goods and services. The investment inhibition tendencies of multiple taxation and high tax rate reduce the quantity of goods and services produced, leading to reduction on the profit of corporate organizations.

Empirical studies associating corporate taxes and financial performance have mixed conclusion. For example Nnamdi & Ike (2020); Chukwuebuka & Ndu (2020); Olatunji & Olawatoyin (2019) reported a positive relationship between taxation and financial performance of companies in Nigeria. However, the studies of Kwurawa and Saidu (2016); Omodero and Ogbonnya (2018) on corporate tax and financial performance of listed consumers goods companies in Nigeria reported mixed result of significant and no significant relationship between corporate tax and financial performance of listed consumer goods companies in Nigeria and the listed deposit money banks in Nigeria respectively. Empirical evidence suggests that studies have been conducted on corporate taxes and financial performance of companies in Nigeria. (see Nnamdi and Ike 2020; Okolo 2020; Izuchukwu and Patricia 2015; Nwaorgu, Oyekezie & Abiahu 2020; Morrison 2020; Onyeukwu, Ihendinihu & Nwachukwu 2021; Timah and Chukwu 2021; Ezugwu and Akubo 2014). However all of these studies focused on companies in Nigeria but none was on quoted manufacturing companies in Nigeria. But the current study focused on corporate taxes and financial performance of quoted manufacturing company in Nigeria. The results of these studies mention above are mixed, with some studies indicating that there is a positive relationship between corporate taxes and financial performance while some shows that there is no positive relationship between corporate taxes and financial performance of companies in Nigeria. The previous studies mention above adopt withholding tax, information technology tax, education tax, companies income tax, value added tax, effective tax rate, marginal tax rate, average tax rate as a measure of corporate taxes while this current study adopt companies income tax, capital gains tax and tertiary education tax as a measure of corporate taxes, which is different from previous studies. Financial performance was proxied by profit before tax, profit after tax, earnings per share, return on asset, return on equity by past studies mention above while this current study adopt return on equity, return on capital employed and net interest margin as measure of financial performance. Hence this study intends to investigate the effects of corporate taxes on financial performance of quoted manufacturing companies in Nigeria.

Statement of the Problem

The current tax rate for manufacturing companies in Nigeria is 30%, which is significant burden. This high tax rate reduces the amount of profits that companies are able to retain and reinvest in their business. The tax laws in Nigeria are complex and difficult for manufacturing companies to navigate. This can result in compliance challenges and may lead to errors in tax reporting, which can result in penalties and fines. Many manufacturing companies in Nigeria may not be aware of the tax incentives that are available to them. This can result in missed opportunities to reduce their tax liabilities and improve their financial performance. Tax evasion and avoidance are significant problems in Nigeria, which can result in lost government revenue and unfair competition. Manufacturing companies that engage in tax evasion and avoidance may be able to reduce their tax liabilities, but this can also lead to legal and reputational risk. Zwingina and Opusunju (2017) stated that poor tax management practices had triggered companies tax expenses which had reduce return on equity and net interest margin of most manufacturing companies in Nigeria. Tax payment has implication for cash flow and availability of fund for re-investment with its attendant effect on wealth maximization objective of the manufacturing companies. Corporate tax has been identified by scholars as cost of doing businesses. Annuar (2014) stated that corporate tax takes away a greater proportion of manufacturing companies profit before tax and subsequently reduce their disputable profit. Nwaobia (2013) argue that taxation if not properly managed can have adverse effect on manufacturing company's cash flow and shareholders wealth. To mitigate the effect of corporate taxes on financial performance of manufacturing companies, there is need for manufacturing companies to carry out tax planning in order to reduce their corporate tax cost of doing business (Akakpo, 2008). With the separation of ownership from management, tax management activities could become possible opportunities for managers to pursue self-interests. Desai and Dharmapala (2016) posited that costs is significant enough to become disadvantages to shareholders under the agency framework, relevant efforts must be made to mitigate such effect of managerial diversion.

Conceptual Framework



Figure 1.1: Conceptual Framework of the relationship between corporate taxes and financial performance

Conceptual framework is a symbolic representation of association or relationship among study variables or phenomenon. Conceptual framework is a set of structure or concepts which predicts or explain a phenomenon. Thus, the above conceptual framework highlights the interrelationship between the dimension of the predictor and criterion variable. The antecedent variable corporate taxes is proxed by companies income tax, capital gains tax and tertiary education tax while the consequence variable financial performance is proxed by return on equity. This study aims to ascertain the extent and degree to which the dimensions of the regressor variables enhance the measures of the regressand variable.

Purpose of the Study

The objective of the study is to investigate the effect of corporate taxes and financial performance of quoted manufacturing companies in Nigeria. The specific objectives are to:

- 1. Determine the effect of companies' income tax on return on equity of quoted manufacturing companies in Nigeria.
- 2. Investigate the effect of capital gains tax on return on equity of quoted manufacturing companies in Nigeria.
- 3. Ascertain the effect of tertiary education tax on return on equity of quoted manufacturing companies in Nigeria.

Research Questions

The following research questions were addressed:

- 1. What is the effect of company's income tax on return on equity of quoted manufacturing companies in Nigeria?
- 2. What is the effect of capital gains tax on return on equity of quoted manufacturing companies in Nigeria?
- 3. What is the effect of tertiary education tax on return on equity of quoted manufacturing companies in Nigeria?

Research Hypotheses

The following research hypotheses were tested:

- H_{01} : There is no significant effect of companies' income tax on return on equity of quoted manufacturing companies in Nigeria.
- H_{02} : There is no significant effect of capital gains tax on return on equity of quoted manufacturing companies in Nigeria.
- H_{03} : There is no significant effect of tertiary education tax on return on equity of quoted manufacturing companies in Nigeria.

Literature Review

Theoretical Foundation

Ability to Pay Tax Theory

Ability to pay tax theory was propounded by Ely Seligman 1920. Ability to pay tax theory state that taxes should be levied based on individuals ability to pay the tax. In order words, individuals, corporations, partners and other entities who earn a higher income will need to pay more taxes because they have the ability to do so. It emphasized that tax should be levied on individuals and corporate bodies according to their ability to pay. According to the scholar, it was stated that tax burden should be placed on companies and individuals with higher income. He said money for the public expenditure should come from him that hath instead of "him that hath not. This implies that more tax burden should be imposed on companies and individuals with higher income. Akapo (2009) stated that the ability to pay theory is one the principles of taxation which are based on the taxpayers' ability to pay thus there is no 'quid pro quo. This principle belief that taxes are paid and seen as a sacrifice by the tax payers and also raise the issues of what the sacrifice of each tax payer should be and how it should be measured. This theory has the following principles as an addendum; equal sacrifice: This simply states that the proportional loss of utility as a result of tax paid should be equal for all taxpayers so that those that can afford to pay higher taxes are made to pay than those who cannot afford; equal proportional sacrifice: This principle states that the proportional or quantity of proportional loss as a result of tax paid should be equal for all taxpayers such that the payment of tax paid should not deprive anybody of what he or she

would have sacrificed previously; equal marginal sacrifice: The instantaneous loss of utility measured by the derivative of the utility function as a taxation should be equitable to all taxpayers which will require the least collective sacrifice. This current study evaluates the finding to assess whether the principles under the ability to pay theory is fully adhered to in the case of corporate tax in Nigeria. The study is anchored on the ability to pay theory because it emphasis justice and equity on tax payment as contained in the core concept of embarking on effective taxation which tends to ensure that firms are not over taxed.

Conceptual Review

Corporate Taxes

Corporate taxes transfer wealth from businesses to the government. Tax collection in Nigeria is performing by federal Inland Revenue service. Bassey (2019) reported the Federal Inland Revenue Services (FIRS) is charged with powers of assessment, collection of and accounting for the taxes which the Federal Government is empowered to collect. These taxes are stated in the schedule to the taxes and levies (approved list for collection) Act, Cap. T2, LFN 2004. They include, inter alia, companies income tax, withholding tax on companies and nonresident individuals, petroleum profits tax, value added tax, tertiary education tax, capital gains tax on bodies corporate and non-resident individuals, stamp duties on bodies corporate and personal income tax in respect of members of the Armed Forces of the Federation, members of the Nigeria Police Force and staff of the Ministry of Foreign Affairs and nonresident individuals. The FIRS also collects national information technology development levy introduced in 2007. Bassey (2019) defined corporate taxes are taxes collected by government of a country on the net income of companies. Christopher (2021) reported that corporate taxes is a means of imposing compulsory levies by the government on the income of companies either directly or indirectly for the purpose of generating revenue, redistributing such revenue generated from surplus to deficit sector of the economy and providing social amenities for benefit of the entire populace. Corporate taxes are a compulsory levy by the government through its agent on the profits, income of cooperation or organization. It is also viewed as a compulsory and obligatory contribution made by individuals and organization towards defraying the expenditure of government (Dandago & Alabede 2020). Kotler (2015) posits that it is a charge levied by the government on the income corporate organization for the common benefit of all. Similarly, Ogundele (2018) defines corporate taxes as the transfer of real economic resources from private sector to the public sector to finance public sector activities. It may be inferred from the foregoing that corporate taxes is the transfer of financial resources from private economic agents like corporate bodies, to the public sector to finance the development of the society. Christopher (2021) stated that corporate taxes itself is the amount of money that must be paid by all the cooperation's or organization that are doing business in Nigeria. Kiabel (2016) noted that the contribution from corporate entities and individual persons as imposed on them by government is tax while the whole associated activities, resulting in the gathering of the contribution is taxation. The primary objective of the Nigerian tax system is provision of public goods, redistribution of income and wealth, provision of social and economic welfare, economic stability and regulation.

Companies Income Tax

Company's income tax is a tax that is levied on the profits or income of companies or other entities that engage in commercial activities. It is a form of direct tax that is imposed on the taxable income earned by companies during a given tax period, typically a fiscal year. Companies income tax is an important source of revenue for governments and plays a significant role in the financial management of companies. It is a critical aspect of a company's financial performance and is closely monitored by management, investors, and other stakeholders to ensure that the company is meeting its tax obligations and maximizing its profitability. Ogbonna and Appah (2016) defines Companies Income Tax as a tax levied on the profit of companies (excluding profit from companies engaged in upstream operations) accruing in, derived from, brought into or received in Nigeria in respect of any trade or business, rent, premium, dividends, interest, loyalties and any other source of annual profit. Okoye and Gbegi (2013) submitted that Company Income Tax is payable by all incorporated entities in Nigeria on profits accruing in, derived from, brought into or received in Nigeria. It also includes taxes on the profits of non-resident companies carrying on business in Nigeria and is paid by both private and public limited liability companies. CIT was created by the Companies Income Tax Act (CITA) 1979 and has its root in Income Tax Management Act of 1961. Christopher (2021) stated that companies' income tax is charged on the profits of incorporated entities in Nigeria, it also includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is paid by limited liability companies inclusive of the public limited liability companies. It is therefore commonly referred to as corporate tax. It is one of the taxes administered and collected by the Federal Inland Revenue Service (FIRS), and the tax contributes significantly to the revenue profile of the government. Such profits shall be deemed to accrue in Nigeria wherever they have arisen (worldwide) and whether or not they have been brought into or received in Nigeria (Ugochukwu & Azubike, 2015). These include profits in respect of any trade or business, rent on use of property, dividends, interest, royalty, discounts, charges, annuities, fees for services rendered and other sources of annual profits or gains. Company Income Tax Act in Nigeria is therefore collected from both Nigerian as well as foreign companies. Company income tax is one of the most important sources of revenue collection for the Government of Nigeria. Every Company is registered to engage business activities with a view to making profit. Company Income Tax in Nigeria was introduced and regulated by Company Income Tax Act (CITA) CAP.60. Law of Federal Republic of Nigeria, 1990 and it is charged at the Rate of 30% of total profit on all companies operating in Nigeria except those companies that are specifically exempted by the Act (Adegbite, 2015). Company income tax is administered by the Federal Inland Revenue Service (FIRS) using the enabling Act (CITA) as guide. Company Income Tax is payable upon the profit of all incorporated entities in Nigeria accruing in, derived from, brought into or received in Nigeria. This form of taxes extended to the profits of nonresident companies (both private and public limited liability) accrued from carrying on business in Nigeria (Appah, 2013). CIT was created by the Companies Income Tax Act (CITA) 1979 which regulates the assessment and collection procedures. It is one of the taxes administered and collected by the Federal Inland Revenue Service (FIRS), and the tax had been contributing significantly to the revenue profile of the government. The profits of Nigeria incorporated companies shall be deemed to accrue in Nigeria wherever they have arisen (worldwide) and whether or not they have been brought into or received in Nigeria (Ugochukwu & Azubike, 2015). These profits chargeable to tax shall be in respect of: any trade or business; rent or premium arising from use of property; dividends, interest, royalty, discounts, charges or annuities; fees, dues and allowances for services rendered; and any gains arising from acquisition and disposal of short term money instruments. The present chargeable rate of CIT is 30%.

The Finance (2020) Act and Tax policy Implications: the recently passed finance act also had some provisions that provided for tax incentives and reliefs. The Finance Act 2019, which was signed into law on 13 January 2020, contains various tax changes with effect from 13 January 2020. The Finance Act introduced over 80 amendments to the existing tax and regulatory legislations in Nigeria, including the Capital Gains Tax Act, Companies Income Tax Act, Personal Income Tax Act, Value Added Tax Act, Nigeria Export Processing Zone Act, Oil and Gas Export Free Zone Act, Federal Inland Revenue Service (Establishment) Act, and Customs and Excise Duties Act, among others. New companies income tax rates based on turnover, have been introduced. Company income tax is a charge on business profits of companies except such companies are clearly exempted under the Act. Companies in Nigeria were subjected to taxation at a rate of 30 percent on their taxable profits; however, the Finance Act 2019 introduced a progressive form of company income tax, exempting companies with annual turnover of less than N25m from company tax and minimum tax; and reducing the tax rate of medium sized companies (with annual turnover of N25m to N100m) to 20 per cent. Thus, only companies with annual turnover in excess of N100m will pay tax at the rate of 30%. Nigerian companies are also subject to withholding tax on dividend, interest, or royalties received by Nigerian companies or paid to non-Nigerian companies with economic presence in Nigeria. For companies subject to company income tax, tax represents a sacrifice based on the profits of companies for the purpose of creating revenue for the government (Doki & Sule, 2015). The Finance Act 2021 has clarified an ambiguity in the Finance Act 2020 in relation to the reduced minimum tax rate. By way of background, the minimum tax rate was reduced by the Finance Act 2020 from 0.5% to 0.25% for tax returns prepared and filed for any year of assessment (YOA) falling due on any date between 1 January 2020 and 31 December 2021. However, at the time of the commencement of the Finance Act 2020 in January 2021, most companies had filed their 2020 YOA returns for the 2019 Financial Year (based on the preceding year basis for filing CIT returns). The Finance Act 2020 did not provide clarity on whether companies that have computed their minimum tax for the 2020 YOA using the 0.5% rate could recompute and file their taxes based on the reduced rate. The Finance Act 2021 has now clarified that the reduced minimum tax rate was adopted for tax returns prepared and filed with respect to *financial years ending* on any date between 1st January 2020 and 31st December 2021, both days inclusive. Taxpayers that previously paid minimum tax at 0.5% for the 2020 and 2021 YOAs may now elect to apply the reduced rate in preparing their tax returns for any two accounting periods ending on any date between January 2019 and December 2021. The rates for Fiscal Year 2020 are as follows: small company with the annual turnover of 25m or less paid tax rate of 0%, medium sized company of more than 25m but less than 100m of annual turnover paid 20% of tax rate, large company of 100m and above turnover paid 30% of tax rate. Finance Act (2020).

Capital Gains Tax

The purpose of capital gains tax is to generate revenue for the government and to encourage long-term investment by reducing the tax burden on long-term capital gains. Capital gains tax is a tax on the profit earned from the sale of an asset, such as real estate, stocks, bonds, or other investments. The tax is imposed on the difference between the purchase price or cost basis of the asset and the selling price, which represents the capital gain. Obi-chukwu (2013) defined capital gains tax as tax charged on the profit obtained from a disposal or exchange of certain kinds of assets. In the same vein, Oba (2004) sees capital gains tax as a tax payable by

the owner of any disposable assets on the profit made from selling the asset, over and above the original cost of purchasing the asset. In connection with these views, capital gains can be considered from the perspective of assets realization in the sense that gains can only be obtained from an asset when it is realized. According to Oserogho (2014) capital gains tax is a tax payable by the owner of a capital asset on the profit he derived from selling the asset over and above the original cost of purchasing and maintaining the asset and the cost incurred in the disposal of the asset. That means capital gains tax is only charged on capital assets as spelt out by the Capital Gains Tax Act of 2004. Capital asset here is defined to include property of any kind, whether fixed, circulating, movable, immovable, tangible or intangible and whether or not they are used for business or profession. The Capital Gains Tax Act Cap C1 LFN, 2004 came to be. The Act provides for the taxation of capital gains accruing on the disposal of capital assets in Nigeria. The Capital Gains Tax Act provides that capital gains tax should be charged at a flat rate of 10% on gains arising from assets disposal. It must be noted that Nigeria is one of the countries with the lowest capital gains tax rate in the world. For instance, in the African continent, only Kenya charges lower than Nigeria at the rate of 5%, with South Africa having the highest rate of 40%. Capital Gains Tax Act 1967 came into force on 1st April, 1967 (i.e. 1967/68 assessment year). The Act is now referred to as the Capital Gains Tax Act, Cap. Cl, LFN 2004. The Act makes provisions for the taxation of capital gains accruing to any person on disposal of assets. The profits made by a company from the sale of its products or provision of services are taxable under the Companies Income Tax Act, but the gains arising from the sale of its fixed assets such as building, land, plant, machinery, furniture, etc are taxable under the Capital Gains Tax Act. The disposal of a taxpayer's fixed asset is a capital transaction and the profit arising there from is referred to as capital gain. Where the cost of a capital asset exceeds the proceeds obtained from its sale, the difference represents a capital loss. Capital gains occurs when a capital asset is disposed of and disposal occurs when ownership changes through the process of exchange or sale or when the owner divests himself or herself of his/her rights or interests in the property (Ibigbami, 1991).

Tertiary Education Tax

The education tax act 1993 (now referred to as the education tax act, Cap. E4, LFN 2004) imposes an education tax at a rate of 2 percent on the assessable profits of companies registered in Nigeria. Based on the current finance act 2020, tertiary education trust fund acts (TETFA): The rate of tertiary education tax has been changed from 2% of assessable profits to 2.5% of assessable profits (Section 1 of TETFA). For other companies, the assessable profit is ascertained in accordance with the companies income tax act that is assessable profit is the adjusted profit before taking into account balancing charge, loss relief and capital allowances. Education tax came into being owing to deterioration in all segments of the education sector. There were poor infrastructure, poor staffing, low morale among workers, as the working condition remains grossly poor and dehumanizing, as a result, brain drain become the order of the day. The educational tax fund was established under Act No. 7 of 1993 and amended by the Act No. 40 of 1988; for project management, to improve the quality of Education in Nigeria. To enable the education tax fund achieve the above objectives, Act No. 7 1993 as amended imposes a 2 percent (2%) Education Tax on the assessable profit of all registered companies in Nigeria and the Federal Inland Revenue Service (FIRS) empowered by the Act to assess and collect Education Tax. Tertiary Education Trust Fund Act (TETFA): The rate of tertiary education tax has been changed from 2% of assessable profits to 2.5% of assessable profits [Section 1 of TETFA]. The Finance Act 2021 now increases the tertiary education tax ("TET") payable by Nigerian Companies, from 2% to 2.5% of assessable profits. Small companies remain exempted from this tax. The

timeline for payment of TET has been reduced from 60 days to 30 days, thereby aligning the timing of payment of TET with the CIT and the current practice of the FIRS.

Financial Performance

Financial performance is the company's ability to generate profits and manage its financial resources effectively. It involves measuring the company's financial results over a specific period of time, such as a fiscal year, and comparing them to previous periods or to industry benchmarks. Financial performance can be evaluated through various financial metrics, such as revenue, net income, gross margin, return on investment, and cash flow. These metrics provide insights into the company's profitability, efficiency, liquidity, and overall financial health. Financial performance is a critical factor in determining a company's success and ability to meet its financial obligations, such as paying debts and dividends to shareholders. It is also an important consideration for investors, who use financial performance indicators to assess the value and potential of a company's stock or investment opportunities. Financial performance is a key aspect of a company's operations and is closely monitored by management, investors, and other stakeholders to ensure the company is meeting its financial objectives and remaining competitive in the marketplace. A firm that performs well is one that successfully achieves its goals and is strategically executes tasks in achieving its goals. Financial performance refers to the ability to operate efficiently, profitably, survive, grow and react to the environmental opportunities and threats (Mawanda, 2008). Thus, financial performance is measured by how efficient an organization is in use of resources in achieving its objectives. It is the measure of attainment achieved by an individual, team, and specified accounting- based performance utilizing three markers; return on assets, return on equity and return on sales. Corporate performance is a compound evaluation of how well a firm effectively and efficiently carries on its vital functions which are typically the market, financial and shareholder performance. The Corporate performance of a firm deals with the health of an organization, which over time has been traditionally evaluated in terms of financial performance (Wigmore, 2015).

Return on Equity

Return on Equity is a financial ratio that measures the profitability of a company in relation to the shareholders' equity. Return on equity is calculated by dividing the company's net income by its shareholder's equity. Return on equity is an important measure of a company's financial performance and indicates how effectively it is using its equity to generate profits. A higher return on equity indicates that the company is generating more profits per unit of equity invested by shareholders, which is generally seen as a positive sign. Return on equity can vary widely depending on the industry and company size. Companies with a high return on equity are often seen as more attractive to investors because they are generating higher returns on their investment. However, it is important to consider other factors such as the company's risk profile, growth potential, and financial stability when evaluating its investment potential. Return on equity is an important metric used by investors, analysts, and other stakeholders to assess the financial performance and value of a company. Epps and Cereola (2008) stated that return on equity is a measure of financial performance calculated by dividing net income by shareholders equity, shareholders equity is equal to a company asset minus debt. Chagbadari (2011) narrated that return on equity is considered a measure of the profitability of a corporation in relation to stockholders equity. Return on equity is expressed as a percentage and can be calculated for any company if net income and equity are both positive number. Net income is calculated before dividend paid to common shareholders and after dividends to preferred shareholders and interest to lenders. Madura (2015) stated

that net income is the amount of income, net of expense, and taxes that a company generates for a given period. Average shareholders' equity is calculated by adding equity at the beginning of the period. The beginning and end of the period should coincide with the period during which the net income is earned, it is considered best practice to calculated return on equity based on average equity over a period because of the mismatch between the income statement and balance sheet. Bloomsbury (2009) suggested that return on equity is the measure of a company's annual return, which is net income divided by the value of its total shareholders' equity, expressed as a percentage. Alternatively, return on equity can be derived by dividing the firm dividend growth rate by its earnings retention rate. Return on equity is a two part ratio in its derivation because it brings together the incomes statement and the balance sheet where net income or profit is compared to the shareholders equity.

Empirical Review Webometric Analysis on Corporate Taxes and Financial Performance

| S/No | Authors and | Countr | Area of Study/Topics | Methodology | Study Variables | Majors Findings | Research Gap |
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| | Years | y of | | | | | |
| | | Study | | | | | |
| 1. | Olatunji and Oluwatoyin (2019) | Nigeria | Effect of corporate taxation on the profitability of some selected firms in Nigeria from 2007 to 2016 | Pooled ordinary least square as the estimation technique. | Corporate tax was proxies by withholding tax, value added, and education tax while financial performance was proxied by profit after tax. | Corporate tax rate and education tax as the major taxes paid by companies have positive and significant effects to influence profit after tax | This current study time framed is from 2007 to 2016 while our study time framed is from 2006-2020. This study is based on selected firm in Nigeria while our study focus on quoted manufacturing |
| | | | | | | | companies in Nigeria |
| 2. | Kurawa and Saidu (2018) | Nigeria | Effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006- 2016. | Regression analysis was used as a technique for data analysis | Company income tax was proxied by effective tax rate, firm size and firm age while financial performance was proxied by return on asset | There is an insignificant negative relationship between corporate tax and financial performance using return on assets as a measure. | This study focused on listed consumer goods in Nigeria from 2006- 2017 while our study focus on quoted manufacturing companies in Nigeria from 2006-2020 |
| 3. | Gatsi, Gadzo, &Kportorgbi (2013) | Ghana. | The Effect of Corporate Income Tax on Financial Performance of Listed Manufacturing Firms in Ghana. | The study used panel data methodology covering ten listed manufacturing firms over seven years | Corporate income tax was proxied by company income tax, age, growth, firm size, liquidity while financial performance was proxied by net profit margin | There is asignificant negative relation between corporate income tax and financial performance. | This study is based in Ghana while our study is Nigeria. The variables adopted in our study is different from the previous study |
| 4. | Omodero and Ogbonnaya (2018) | Nigeria | The impact of corporate tax on profitability of Deposit Money Banks in Nigeria. | Multiple regression analysis and t- test were used to analyze the data with the aid of SPSS version 20. | Corporate income tax was proxied by company income tax while financial performance was proxied by profit after tax | Revealed a positive significant impact of CIT on PAT and existence of a positive relationship between PAT and CIT | Our current study is based on quoted manufacturing sector while this previous study is based on deposit money banks in Nigeria |

| 5. | Adegbite,Ade | Nigeria | The analysis of the | Pearson | Corporate income | Corporate income | Our study focus on |
|----|--------------|---------|-------------------------|-----------------|---------------------|----------------------|-------------------------|
| | jare& | | impact of corporate | product | tax was proxied | tax has negative | corporate taxes and |
| | Akande | | income tax on | moment | by company | and statistical | financial performance |
| | (2017) | | investment in Nigeria | correlation and | income tax, | impact on | quoted manufacturing |
| | | | | multiple | import, exchange | Investment in | companies while the |
| | | | | regressions | rate, exchange | Nigeria | previous study focused |
| | | | | were employed | and interest rate | | on taxation and |
| | | | | | while investment | | investment in Nigeria. |
| | | | | | was proxied | | |
| | | | | | investment | | |
| 6. | Nnubia and | Nigeria | The effect of corporate | The study used | Corporate tax was | Three explanatory | The variable adopted |
| | Okolo (2020) | | tax on profitability of | ex-post facto | proxied by | variables have | in our study is |
| | | | business organizations | research design | marginal tax rate, | positive significant | different from the |
| | | | in Nigeria from 2011- | | effective tax rate, | effect on the | variables adopted from |
| | | | 2015. | | average tax rate | dependent | this previous study. |
| | | | | | while financial | variables – Return | Our study focus on |
| | | | | | performance was | on Assets and | quoted manufacturing |
| | | | | | proxied by return | Return on Equity | companies in Nigeria |
| | | | | | on asset and | (Profitability). | while these previous |
| | | | | | return on equity | | focused on business |
| | | | | | | | organization in Nigeria |

Methodology

This study adopts ex-post facto research design using panel data for 14 years (2006-2020) period of study. This type of research design is used where the phenomenon under investigation has already taken place. The population of this study comprises of (60) sixty quoted manufacturing companies on the Nigeria Stock Exchange Group. The purposive sampling technique was adopted to select thirty (30) quoted manufacturing companies to represents the sample size. Secondary data was obtained from audited annual financial reports of quoted manufacturing companies in Nigeria from 2006-2020. Companies Income tax was measure as 30% of total profit at the end of each year, capital gains tax was measure as 10% of gains on disposable assets at the end of each year, tertiary education tax was measure as 2.5% of total profit at the end of each year, Return on equity is measured as net income divide by shareholders equity at the end of each year. The study adopt panel least square regression through pooled effect, fixed effect, random effect, determined by Hausman test, to test the formulated hypothesis at 0.05 level of significance, with the aid of Eviews 10 econometric statistical software. The study carryout unit root test, co-integration test, granger causality test, vector error correctional estimates, error correction model test as diagnostic test.

Model Specification

The study adopt econometric model to investigate the effect of corporate taxes on financial performance. The functional models are state below

| FPF = f(CTX) | (3.1) |
|---|-------|
| $FPF = \alpha_0 - \alpha_1 CTX + \varepsilon_{it}$ | (3.2) |
| ROE = f(CIT, CGT, EDT) | (3.3) |
| $ROE_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT + \beta_3 TET_{it} + \varepsilon_{it}$ | (3.4) |
| Where | |

- CTX = Corporate Taxes
- FPF = Financial Performance
- CIT = Company Income Tax
- CGT = Capital Gain Tax
- TET = Tertiary Education Tax
- ROE = Return on Equity
- $it_1 it_4 =$ Slope

 $\beta_1 - \beta_4 =$ Regression Coefficient $\alpha =$ Regression Constant $\varepsilon_{it} =$ Error Term

Result and Discussion

This segment present statistical analysis and interpretation of findings obtained from secondary data used for the study. The study empirically investigate the effect of corporate taxes on financial performance of quoted manufacturing companies in Nigeria from 2006-2020.

| | CIT | CGT | TET | ROE | | |
|-------------------------|-----------|-----------|----------|-----------|--|--|
| Mean | 27365366 | 15255.58 | 1824638. | 4.379155 | | |
| Median | 633717.8 | 745.6500 | 43019.44 | 0.181933 | | |
| Maximum | 1.631409 | 921100.0 | 1.091708 | 1816.689 | | |
| Minimum | -860802.6 | -317.9000 | 45.70000 | -4.594301 | | |
| Std. Dev. | 1.539508 | 66440.04 | 10193120 | 85.73655 | | |
| Skewness | 7.695956 | 8.519982 | 7.695990 | 21.10598 | | |
| Kurtosis | 68.92231 | 93.39782 | 68.92283 | 446.6389 | | |
| Jarque-Bera | 85924.92 | 158664.9 | 85926.22 | 3715425. | | |
| Probability | 0.072800 | 0.280103 | 0.307020 | 0.410708 | | |
| Sum | 1.232310 | 6865009. | 8.211308 | 1966.241 | | |
| Sum Sq. Dev. | 1.054919 | 1.989512 | 4.675816 | 3293139. | | |
| Observations | 450 | 450 | 450 | 450 | | |
| Source: Eviews 10, 2022 | | | | | | |

 Table 4.1: Univariate Analysis for Study Variables

Table 4.1 explained the descriptive or univariate analysis for the variables adopted for the study through mean, median, maximum, minimum, standard deviation, skewness, kurtosis, jargue-bear, probability. Companies income tax (CIT), capital gains tax (CGT), tertiary education tax (TET), return on equity (ROE).

| Varia bles | Methods of Test | Coefficient | Probability | Level | Discovery | Decision |
|---------------|-----------------------------|-------------|-------------|-------|--------------|---|
| CIT | Levin, Lin & Chu t* | -4.71780 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | Im, Pesaran and Shin W-stat | -6.30773 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | ADF - Fisher Chi-square | 157.477 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | PP - Fisher Chi-square | 252.757 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| CGT | Levin, Lin & Chu t* | -4.86823 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | Im, Pesaran and Shin W-stat | -8.62361 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | ADF - Fisher Chi-square | 193.139 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | PP - Fisher Chi-square | 520.691 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| TET | Levin, Lin & Chu t* | -4.55684 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | Im, Pesaran and Shin W-stat | -6.21740 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st |
| | ADF - Fisher Chi-square | 155.947 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | PP - Fisher Chi-square | 245.041 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| ROE | Levin, Lin & Chu t* | 443.014 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | Im, Pesaran and Shin W-stat | -16.9473 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |
| | ADF - Fisher Chi-square | 246.003 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st |
| | PP - Fisher Chi-square | 390.732 | 0.0000 | 1(1) | No Unit Root | Stationary at 1 st Difference |

| Table 4.2: Summary | of Panel Unit | Root Test at First | Difference Level | One for all Study |
|--------------------|---------------|---------------------------|------------------|-------------------|
| Variables | | | | |

Source: Extract from Panel Unit Root Test Result in Eviews 10, 2022

Table 4.2 shows synopsis of panel data unit root test for all the variables adopted in this study. In panel data analysis, variables are expected to be stationary in order to avoid spurious regression and interpretation of coefficient estimates. The study adopt different unit root test method such as Levin, Lia and chu test, 1m, Pesaran and shin w-statistics test, ADF-fisher chi-square and pp-fisher chi-square test and the results show that all the variables are stationary at first difference because the probability value of the variable as indicated in the result are less than 0.05 significance level. Stationarity test on panel data analysis enhance validity and reliability of the result devoid of spurious regression. Hence since our data is stationary at first difference we proceed to conduct panel least squares regression analysis.

Table 4.3: Fixed Effect for Return on EquityDependent Variable: ROEMethod: Panel Least SquaresDate: 07/07/22Time: 13:42Sample: 2006 2020Periods included: 15Cross-sections included: 30

Total panel (unbalanced) observations: 450

Variable Coefficient Std. Error t-Statistic Prob.

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| C | 1 110550 | 1 571172 | 0.072175 | 0 2210 |
|-----|-----------|----------|-----------|--------|
| C | 4.448552 | 4.5/11/5 | 0.9/31/3 | 0.5510 |
| CIT | 2.302907 | 5.150105 | 0.004477 | 0.9964 |
| CGT | -2.701506 | 8.509305 | -0.031768 | 0.9747 |
| TET | -3.473806 | 0.000772 | -0.004497 | 0.9964 |
| | | | | |

Effects Specification

Cross-section fixed (dummy variables)

| R-squared | 0.764757 | Mean dependent var | 4.379155 |
|--------------------|-----------|-----------------------|----------|
| Adjusted R-squared | 0.607184 | S.D. dependent var | 85.73655 |
| S.E. of regression | 86.04398 | Akaike info criterion | 11.81825 |
| Sum squared resid | 3079884. | Schwarz criterion | 12.12010 |
| Log likelihood | -2620.197 | Hannan-Quinn criter. | 11.93723 |
| F-statistic | 0.900135 | Durbin-Watson stat | 2.048744 |
| Prob(F-statistic) | 0.627130 | | |

Source: Eviews 10, 2022

Table 4.3: Shows fixed effect regression result for the joint effect of companies' income tax, capital gains tax and tertiary education tax on return on equity of quoted manufacturing companies in Nigeria. The fixed effect regression model allowed for differences among individual or cross sectional unit may have some characteristics of its own. The intercept in the regression model is allowed to vary across space as a result of the fact that each crosssectional unit may have some special characteristics. It is very suitable in cases where individual specific intercepts may be correlated with one or more regressors. The panel least square regression result shows that companies' income tax had positive and insignificant effect on return on equity of quoted manufacturing companies in Nigeria. The least square regression result shows that capital gains tax had negative and insignificant effect on return on equity of quoted manufacturing companies in Nigeria. The panel least square regression result indicates that tertiary education tax had negative insignificant effect on return on equity of quoted manufacturing companies in Nigeria. The probability value of companies' income tax (0.9964), capital gains tax (0.9747) and tertiary education tax (0.9964) are greater than 0.05 significant levels. Thus, companies' income tax, capital gains tax and tertiary education tax jointly has insignificant effect on return on equity of quoted manufacturing companies in Nigeria. The coefficient of determination which measure goodness of fit as indicated by Rsquare is 0.764757. This implies that 76% of the variation observed in the independent variables (companies income tax, capital gains tax and tertiary education tax) was attributed to variation in the dependent variable (return on equity) while 24% of the changes were explained by unknown variable. The f-statistic value of 0.900135 and the probability of the fstatistic which is value at 0.627130 is greater than 0.05 at 5% level of significance. This suggest that companies income tax, capital gains tax and tertiary education tax jointly has insignificant effect on return on equity of quoted manufacturing companies in Nigeria. The Durbin Watson statistics test result of the regression model of 2.0487744. This suggests that there is no serial correlation in the panel least square model, because the result of the Durbin Watson is within accepted threshold.

Table 4.4: Redundant Fixed Effects for Return on Equity

| Redundant Fixed Effects Tests Equation: Untitled Test cross-section fixed effects | | | | |
|---|-----------------------|----------------|------------------|--|
| Effects Test | Statistic | d.f. | Prob. | |
| Cross-section F Cross-section Chi-square | 0.991048 29.995650 | (29,416) 29 | 0.0017 0.4142 | |

Source: Eviews 10, 2022

Table 4.4: Described redundant fixed effects model tests which determined the best fit model between the pooled ordinary least square and fixed effect model. The cross section f-statistics result indicates 0.991048 with a probability value of 0.0017 which is less than 0.05 significances level. The hypothesis of the redundant fixed effect model test or likelihood ratio test state that if the cross section f-statistics probability is greater than 0.05 significance level then the pooled ordinary least square regression model is appropriate (null hypothesis) while if the cross section f-statistic probability value is less than 0.05 significance level the fixed effect model is appropriate (the alternate hypothesis). Based on the result of our redundant fixed effect test which the cross section f-statistics probability is 0.0017 which is less than 0.05 significances level. We therefore accept the fixed effect model. Based on our result we proceed to determine between fixed effect and random effect model using the Hausman specification test.

Table 4.5: Eviews Output for Hausman Test for Return on Equity Model One

Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects

| Test Summary | Chi-Sq. Statistic Chi-Sq. d. | .f. | Prob. | |
|----------------------|---------------------------------|-----|--------|--|
| Cross-section random | 0.287255 | 3 | 0.0224 | |

Source: Extract from Eviews 10, 2022

Table 4.5: Shows the Hausman tests which contrast between fixed effect and random effect model to determine the best fit for analysis. The hypothesis of the Hausman test stated that if the cross section random probability value is greater than 0.05 significance level then (random effect is appropriate) (null hypothesis) while if the cross section probability value is less than 0.05 significance level then (fixed effect model is appropriate) (alternate hypothesis). Based on the result of our Hausman specification test which the cross section random chi-square statistics indicates 0.287255 with a probability value of 0.0224 which is less than 0.05 significances level. Therefore, we conclude that fixed effect model is the best model among the three models to be used for analysis of our results.

Table 4.6: Pedroni Residual Cointegration Test for Return on Equity

Pedroni Residual Cointegration Test Series: ROE CIT CGT TET Date: 07/07/22 Time: 14:10 Sample: 2006 2020 Included observations: 450 Cross-sections included: 2 (28 dropped) Null Hypothesis: No cointegration Trend assumption: No deterministic trend Automatic lag length selection based on SIC with a max lag of 1 Newey-West automatic bandwidth selection and Quadratic Spectral kernel

Alternative hypothesis: common AR coefs. (within-dimension)

| | | | Weighted | |
|---------------------|-----------|--------|-----------|--------|
| | Statistic | Prob. | Statistic | Prob. |
| Panel v-Statistic | -1.251510 | 0.8946 | -0.998249 | 0.8409 |
| Panel rho-Statistic | -0.040425 | 0.4839 | -0.131242 | 0.0478 |
| Panel PP-Statistic | -4.513679 | 0.0000 | -4.894396 | 0.0000 |
| Panel ADF-Statistic | -5.088820 | 0.0000 | -5.011028 | 0.0000 |
| | | | | |

Alternative hypothesis: individual AR coefs. (betweendimension)

| | Statistic | Prob. |
|---------------------|------------------|--------|
| Group rho-Statistic | 0.367895 | 0.6435 |
| Group PP-Statistic | -6.238278 | 0.0000 |
| Group ADF-Statistic | -6.498290 | 0.0000 |

Source: Eviews 10, 2022

Table 4.6: Described the Pedroni Residual Cointegration Test effect of the endogenous on exogenous variables of the study. Pedroni cointegration test is a very popular panel cointegration tests for allowing heterogeneity in the errors across cross-sectional units, while cointegration vector could vary across different sections of the panel. Pedroni Cointegration method is used to examine the existence of long run relationship among companies' income tax, capital gains tax, tertiary education tax and return on equity. The results of Pedroni cointegration is divided into two groups such as within dimension and between dimensions. The within dimension has statistical test such as panel v-statistic, panel rho-statistic, panel PP-statistic and panel ADF-statistic and the between dimension test such as group rhostatistic, group PP-statistic and group ADF-statistic. The within dimension has a total of eight tie between dimension has a total test of three. Thus padroni residual cointegration test has a total of eleven tests. Pedroni residual cointegration tests hypotheses state that if the probability value is greater than 0.05 significance level, then there is no cointegration, suggesting that there is no longer relationship between the variables of study but if the probability value is less than 0.05 significance level, then there is cointegration, suggesting that there is long-run relationship between the outcome and covariate variable. Thus, based on our result with a total of eleven statistical tests, seven have a probability that is less than 0.05 significances level while four have a probability that is greater than 0.05 significance level. Thus, we conclude that there is cointegration between controlled and control variable and that there is long-run relationship between the predictand and predictor variable of the

study.

Table 4.7: Pairwise Granger Causality Tests for Return on Equity

Pairwise Granger Causality Tests Date: 07/07/22 Time: 14:13 Sample: 2006 2020 Lags: 2

| Null Hypothesis: | Obs | F-Statistic | Prob. |
|--------------------------------|-----|-------------|--------|
| CIT does not Granger Cause ROE | 387 | 0.02173 | 0.9785 |
| ROE does not Granger Cause CIT | | 0.00639 | 0.9936 |
| CGT does not Granger Cause ROE | 387 | 0.01362 | 0.9865 |
| ROE does not Granger Cause CGT | | 0.01944 | 0.9808 |
| TET does not Granger Cause ROE | 387 | 0.02174 | 0.9785 |
| ROE does not Granger Cause TET | | 0.00640 | 0.9936 |
| CGT does not Granger Cause CIT | 390 | 47.8661 | 3.8419 |
| CIT does not Granger Cause CGT | | 38.6385 | 5.9216 |
| TET does not Granger Cause CIT | 390 | 6.51805 | 0.9999 |
| CIT does not Granger Cause TET | | 0.00049 | 0.9995 |
| TET does not Granger Cause CGT | 390 | 38.6373 | 5.1316 |
| CGT does not Granger Cause TET | | 47.8661 | 3.5719 |

Source: Eviews 10, 2022

Table 4.7: Shows pairwise granger causality tests between predictant and predictor variables of the study. Corporate taxes was proxied by companies income tax, capital gains tax and tertiary education tax while financial performance was proxied by return on equity. Granger causality test determines whether one time series is useful forcasting another. Pairwise causality test shows the direction of causality between two or more variables. A variables granger cause another if it help to make accurate prediction of the other variables than if the past data of the variables was used as the prediction. The result of the granger causality test indicate that companies income tax does not granger cause return on equity and return on equity does not granger cause companies income tax. This is because the probability value of 0.9785 and 0.9936 is greater than 0.05 significances level. The result shows that there is a uni-directional relationship between companies' income tax and return on equity of quoted manufacturing companies in Nigeria. The result also indicates that capital gains tax does not granger cause return on equity and vice versa. This is because the probability value of 0.9865 and 0.9808 are greater than 0.05 significances level. The result shows that there is unidirectional relationship between capital gains tax and return on equity of quoted manufacturing companies in Nigeria. The granger causality test result indicates that tertiary education tax does not granger cause return on equity and return on equity does not granger cause tertiary education tax. This is because the probability value of 0.9785 and 0.9936 are greater than 0.05 significances level. The result indicates that there is uni-directional relationship between capital gains tax and return on equity of quoted manufacturing companies in Nigeria. The granger causality test results show that there is no causal relationship between response and stimulus variable in the study.

Table 4.8: Vector Error Correction Estimates for Return on Equity

Vector Error Correction Estimates Date: 07/07/22 Time: 14:18 Sample (adjusted): 2009 2020 Included observations: 357 after adjustments Standard errors in () & t-statistics in []

| CointegratingEq: | CointEq1 | |
|------------------|--------------------------------------|--|
| ROE(-1) | 1.000000 | |
| CIT(-1) | -1.577406 (1.94806) [-0.84427] | |
| CGT(-1) | 1.221605 (5.46306) [2.26040] | |
| TET(-1) | 2.351305 (2.86305) [0.84204] | |
| С | -0.452056 | |

Source: Eviews 10, 2022

Table 4.8: Explained the associationamong the velocity of modification between regressand and regressor variables. The error correction model is a statistical tool that illustrates the speed of alteration at which the endogenous variables amend to change in the exogenous variables. Given the speed of amendment within which the model will restored its symmetry following any disturbed. Thus, we test the alacrity of modification using the short run dynamism of error correction model. The vector error correction model result shows that one percent change in companies income tax, capital gains tax and tertiary education tax will lead to -1.577406, 1.221605, 2.351305 percent increase in return on equity. The result shows that there is a convergence from short run dynamics towards long run stability. Hence there is the presence of long run association between the variables in the sequence.

 Table 4.9: Error Correction Mechanism for Return on Equity

 System: UNTITLED

IIARD – International Institute of Academic Research and Development

Estimation Method: Least Squares Date: 07/07/22 Time: 14:28 Sample: 2009 2020 Included observations: 358 Total system (unbalanced) observations 1431

| | Coefficient | Std. Error | t-Statistic | Prob. |
|------------|-------------|------------|-------------|--------|
| ECM (1) | -0.073753 | 0.073617 | -13.77071 | 0.0000 |
| D(ROE(-1)) | 0.064818 | 0.052922 | 1.224792 | 0.2209 |
| D(ROE(-2)) | -9.872405 | 0.001055 | -0.093494 | 0.9255 |
| D(CIT(-1)) | -1.081906 | 9.061407 | -1.189786 | 0.2343 |
| D(CIT(-2)) | -5.633707 | 9.042507 | -0.622460 | 0.5337 |
| D(CGT(-1)) | 1.101705 | 2.373706 | 4.637235 | 0.0000 |
| D(CGT(-2)) | 5.136406 | 2.154806 | 2.382076 | 0.0173 |
| D(TET(-1) | 1.619105 | 1.365905 | 1.188300 | 0.2349 |
| D(TET(-2) | 8.438306 | 1.366105 | 0.621992 | 0.5340 |
| C | -0.030775 | 0.101837 | -0.302196 | 0.7625 |

Source: Eviews 10, 2022

Table 4.9: Described the error correction model of the swiftness of adjustment among the controlled variable return on equity, return to symmetry after change in other control variables such as companies income tax, capital gains tax and tertiary education tax. The error correction model is suitably signed with a negative coefficient of -0.073753 and a probability value of 0.0000 which is significant. Since the error correction model is both negative and statistically significant it implies that the present value of return on equity attuned rapidly to changes in companies income tax, capital gains tax and tertiary education tax respectively. The error correction model coefficient value of 0.073753 shows a feedback of about 73.75% from the preceding period disequilibrium of the present level of return on equity in fortitude of causality between the present level of return on equity and the present level of companies income tax, capital gains tax and tertiary education tax. It shows that about 75% of the dissimilarity from equilibrium is collected each year. This shows a very rapid velocity of adjustment from short-run disequilibrium to long-run stability. The coefficient of present and past lag one and two values of companies income tax is positive demonstrating that raise in companies income tax will lead to increase in return on equity and their t-statistic are insignificant at 0.05 significance level with their probability value also been insignificant at 0.05 significance level. The coefficient of existing and past lag one and two of capital gains tax are negative, which implies that capital gains tax increase will lead to increase in return on equity and with their t-statistics and probability value been insignificant at 0.05 significances level. The coefficient of current and past lag one and two of tertiary education tax is positive. Which suggests that tertiary education tax will lead to increase in return on equity and the t-statistic and probability value is insignificant at 0.05 significant level.

Conclusions

The study sought to investigate the effect of corporate taxes on financial performance of

quoted manufacturing companies in Nigeria. Corporate taxes have a negative impact on financial performance of quoted manufacturing companies in Nigeria, as they reduce the amount of profits that can be retained and reinvested in the business. However, corporate taxes also play an important role in supporting public services and infrastructure, and help to promote a fair and equitable tax system. Companies that is able to manage their tax liabilities effectively can achieve better financial results and attract investors. The conclusions drawn are based on the findings of the study. The study concludes that corporate tax had insignificant effect on financial performance of quoted manufacturing companies in Nigeria. Company's income tax had positive and insignificant effect on return on equity of quoted manufacturing companies in Nigeria. Capital gains tax had negative and insignificant effect on return on equity of quoted manufacturing companies in Nigeria. Tertiary education taxes had negative and insignificant effect on return on equity of quoted manufacturing companies in Nigeria. Tertiary education taxes had negative and insignificant effect on return on equity of quoted manufacturing companies in Nigeria.

Recommendations

Based on the findings of the study, the following recommendations were made for policy formulation and practices: The government should reduce companies' income tax rate in Nigeria from 30% to 20% to ensure prompt payment of tax by taxpayers, which will reduce their tax burden and improve the financial performance of corporate organizations. Lowering tax rates can increase the after-tax profits of companies, which can stimulate investment and economic growth. This can also make Nigerian quoted manufacturing companies more competitive with companies in other countries. The government should introduce new tax incentives, tax exemptions; tax allowances, tax relief, tax rebates, and tax shelters for corporate taxes to help reduce the negative impact of corporate taxes on financial transactions and improve their financial performance. The government can provide tax incentives for quoted manufacturing companies that invest in certain industries or regions. This can encourage investment and economic development in these areas. The government can provide tax credits for companies that invest in research and development. This can encourage innovation and help companies develop new products and technologies. The government should create a corporate tax management database through modern information technology to ensure effective and efficient corporate tax administration devoid of the incidence of corporate tax evasion and multiple taxations. Capital gains tax should be scrapped to enable companies to plough back the profit on the sale of assets into their business operations to ensure capital for investment and improve financial performance. The government can encourage compliance by providing educational programs and outreach to help quoted manufacturing companies understand their tax obligations. This can reduce the number of companies that avoid paying taxes or engage in tax evasion.

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