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Effect of Corporate Tax Outflows on Operational Performance of Manufacturing Firms in Nigeria

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Abstract

Research Objectives: The study examined the effect of Corporate Tax Outflows on operational performance of manufacturing firms in Nigeria. The study specifically examined the effect of company income tax on return on asset of Nigerian manufacturing firms, the extent to which education tax affects return on asset of Nigerian manufacturing firms and also evaluated the effect of value added tax on return on asset of Nigerian Manufacturing firms.

Methodology: The study adopted *ex-post facto* research design. The population of the study comprises all the twenty- five (25) manufacturing firms listed on the Nigerian Exchange Group as at 31st December, 2022 while a sample of five (5) firms were chosen from the twenty- five (25) manufacturing firms. Data collected from the sampled firms were analysed using multiple regression analysis.

Findings: Company income tax has positive and significant effect on profit for the year of Nigerian manufacturing firms with coefficient of 1.382986 and t-Statistic of 0.0000, It was also observed that education tax has positive and significant effect on profit for the year of Nigerian manufacturing firms, with coefficient of 0.833585 and T-Statistic of 0.0011. It was equally observed that value added tax has a positive and significant effect on profit for the year of Nigerian manufacturing firms, with Coefficient of 0.713599 and T-Statistic of 0.0017.

Recommendations: The study recommended among others that Nigerian manufacturing firms should engage in proactive tax planning and management strategies to optimize the positive impact of various taxes on return on assets. This involves aligning business operations to efficiently utilize assets and meet tax obligations, ultimately enhancing financial performance.

Key words: *Tax Outflows, Operational Performance, Company income tax, Value added tax, Education tax.*

1. INTRODUCTION

1.1 Background of the Study

In the global economic landscape, the effect of corporate taxation on the operational performance of manufacturing firms has garnered significant attention. Nigeria, as a prominent player in the African manufacturing sector, provides an intriguing context to explore this dynamic. This research aims to investigate the effect of corporate tax outflows on the operational performance

of Nigerian manufacturing firms. Understanding this relationship is crucial for policymakers, corporate stakeholders, and investors seeking to enhance the competitiveness and sustainability of the manufacturing sector in Nigeria (Abdellatif, Gwendolyn & Fortes, 2019).

Nigeria's manufacturing sector is a vital contributor to its economic development, providing employment opportunities, fostering industrialization, and driving innovation. However, the sector faces numerous challenges, including infrastructural deficiencies, regulatory hurdles, and tax burdens. Corporate taxation, in particular, plays a significant role in shaping the operational environment for manufacturing firms (Adebayo, Ajao & Olawanle, 2018).

Corporate taxes constitute a substantial portion of the financial obligations of Nigerian manufacturing firms. These taxes are levied on business profits, thereby affecting firms' financial resources available for investment, expansion, and day-to-day operations. The Nigerian tax system encompasses various taxes, including corporate income tax, value-added tax (VAT), and customs duties, all of which influence firms' operational performance (Olurankinse & Oladeji, 2020).

While corporate taxation is essential for funding public services and infrastructure, excessive tax burdens can hamper the growth and competitiveness of manufacturing firms. High tax rates may discourage investment, innovation, and productivity-enhancing activities, thereby impeding firms' operational efficiency and long-term sustainability (Jeongho & Chaechang, 2017).

Previous research in other contexts has yielded mixed findings regarding the impact of corporate taxes on firm performance. Some studies suggest that high corporate tax rates constrain firms' profitability and investment, leading to reduced operational performance. Conversely, others argue that effective tax management strategies and government incentives can mitigate the adverse effects of taxation on firm performance.

Given the unique characteristics of the Nigerian manufacturing sector and its regulatory environment, it is essential to examine how corporate tax outflows affect the operational performance of firms operating in this context. By doing so, this study seeks to provide valuable insights into the interplay between taxation and firm behavior in Nigeria's manufacturing landscape.

1.2 Statement of the Problem

Despite its significance, the effect of corporate tax outflows on the operational performance of Nigerian manufacturing firms remains underexplored. The effect of corporate tax outflows on firm financial performance in Nigeria is complex and multifaceted, presenting several challenges and opportunities. On one hand, high corporate tax rates and inefficient tax administration may impede business growth and profitability, thereby stifling investment and innovation. On the other

hand, effective tax planning strategies and compliance with regulatory requirements can contribute to sustainable business operations and long-term value creation. Moreover, the impact of corporate tax outflows on firm financial performance may vary across industries, company sizes, and ownership structures, further complicating the analysis.

1.3 Objectives of the Study

The broad objective of this study is to examine the effect of corporate tax outflows on operational performance of manufacturing firms in Nigeria. Specifically, the study is set to;

1. Examine the effect of company income tax on profit for the year of manufacturing firms in Nigeria.
2. Determine the extent to which education tax affects profit for the year of manufacturing firms in Nigeria.
3. Evaluate the effect of value added tax on profit for the year of Manufacturing firms in Nigeria

1.4 Scope of the Study

The scope of this study covers the corporate tax outflows on firms corporate financial performance: Nigerian perspective with particular reference to Nigerian Breweries Plc, Unilever Plc, Nestle Nig. Plc, Dangote Flour Plc and Cadbury Nigeria Plc over a period of 10 years (from 2013 – 2022). The study focused on the following independent variables: Company income tax, Education tax and value added tax, while the study made use of profit for the year as the dependent variable. The year 2013 is chosen as the base year because it marks a period of significant economic reforms and policy changes in Nigeria, including amendments to tax laws and regulations. This provides a starting point to assess the impact of these reforms on corporate financial performance.

2. REVIEW OF RELATED LITERATURE

2.1 Conceptual Review

2.1.1 Corporate Tax Outflows

Corporate tax outflows refer to the funds that corporations pay to the government as taxes on their profits or income. When corporations earn profits, they are typically subject to taxation by the government in the jurisdictions where they operate. These taxes are levied on the net income of the corporation after accounting for various deductions, allowances, and credits (Adegbie, 2021).

Corporate tax outflows are an essential source of revenue for governments, contributing to funding public services, infrastructure, and other governmental activities. The amount of tax a

corporation pays can vary depending on factors such as the tax rate in the jurisdiction, the corporation's taxable income, and any tax incentives or deductions it may be eligible for (Adeniyi & Adesunloro, 2017).

For corporations, managing tax outflows is an important aspect of financial planning and management. They may employ various strategies to minimize their tax liabilities legally, such as taking advantage of tax incentives, structuring their operations efficiently, and engaging in tax planning (Ahmad, Ahmad & H-Sial, 2016).

Understanding corporate tax outflows is crucial for policymakers, economists, investors, and other stakeholders as they assess the financial health of corporations, evaluate government revenue streams, and analyze the overall economic landscape (Akbar & Shahriar, 2015).

Tax outflows encompass different types of taxes, such as income tax, corporate tax, sales tax, property tax, capital gains tax, and various other taxes imposed at local, regional, or national levels. The amount of tax outflows a taxpayer owes depends on their income, business activities, and the tax laws and regulations in their jurisdiction (Akhor, Atu & Ekundayo, 2016).

It's essential for individuals and businesses to comply with tax regulations and fulfill their tax obligations to avoid penalties and legal consequences. Various tax planning strategies and deductions may also be employed to minimize the overall tax outflows, but they must be done in accordance with the tax laws in the respective jurisdiction (Amahalu & Ezechukwu, 2017).

2.1.2 Company Income Tax

Organizations Income Tax (CIT) is tax on the profits of incorporated substances in Nigeria (Wooldridge, 2006). It likewise includes the tax on the profits of non-occupant organizations carrying on business in Nigeria. The tax is paid by constrained risk organizations inclusive of the general population restricted obligation organizations. It is therefore commonly alluded to as corporate tax (Gbegi, Adebisi & Bodunde, 2017).

Organizations Income Tax (CIT) was made by the Companies Income Tax Act (CITA) 1979 and has its root from the Income Tax Management Act of 1961. It is one of the taxes administered and gathered by the Federal Inland Revenue Service ('FIRS' or 'the Service'). The tax contributes fundamentally to the income profile of the Service. In 2016, the income focus for Companies Income Tax is N1.877 trillion representing roughly 40% of the total anticipated tax income of N4.957 trillion for the year (Gemmell, Kneller, Sanz & Sanz-Sanz, 2010).

2.1.3 Education Tax

Education tax is a levy chargeable to all companies registered in Nigeria at chargeable profit as a contribution to the education tax fund. The education sector has turned out to be one of the most

exceedingly awful funded, most haggard and quickest declining sectors in terms of infrastructure, limited building and quality of yield. The current picture is troubling. From essential through to the college levels, addresses are conducted in congested classrooms for those that have classrooms by any means; understudies stand up, now and again at the passageways to get addresses; living accommodations are needed and those accessible are in lamentable conditions; instructional materials are for all intents and purposes non-existent; staff are discouraged and dehumanized particularly at the secondary school level; and brain drain both from the nation and from the education sector continues unabated (Gwaro, Maina & Kwasira, 2016).

2.1.4 Value Added Tax

Ibanichuka, Akani & Ikebujo, (2016) are of the view that value added tax simply called the goods and services tax (GST). It is levied on the value added that results from each exchange. It is an indirect tax collected from someone other than the person who actually bears the cost of the tax or the tax burden. Value Added Tax (VAT) has been reduced in most countries of the world on record. The first country that introduced or imposed VAT, as is known in modern sense, was France on April 10, 1954. Most countries of the European Economic Community (EEC), have value added tax as a means of ensuring uniformity of trading, since goods and services are relatively free among these countries (Ibanichuka, Akani & Ikebujo, 2016). Owing to the close economic relationship between France and its colonies, VAT was introduced almost immediately after 1954 in most of Francophone African Countries, beginning with Cote D'ivoire in 1957 within ten years of its administration, VAT in one form or the other was operational in most French speaking African countries (Jeongho & Chaechang, 2017).

The first developing country to implement VAT was Brazil in 1967 when the state government abolished the multiple sales tax system, in order to ensure financial and economic coordination among 26 states in the country. The latest countries that imposed VAT were India and China both in 1990. Nigeria introduced VAT on 1st September, 1993 and was imposed on 1st January 1994. In the United States in spite of the autonomy of the states in tax matters. The state that operates value added tax is Michigan which was introduced in 1965, but was replaced in 1974 and was re-introduced in 1981. All the other states still operate the sales tax system (Jina, Lawrence & Bezum, 2016).

2.1.5 Profit for the Year

The profitability of a manufacturing company is a crucial metric that reflects its financial health and efficiency in utilizing resources to generate revenue. Analyzing the profit for the year provides insights into the company's performance, competitiveness, and sustainability in the market. This research aims to explore the factors influencing the profit for the year of a

manufacturing company, highlighting challenges and opportunities in maximizing profitability (Jina, Lawrence & Bezum, 2016).

According to Olurankinse & Oladeji, (2020) Profitability is a key concern for manufacturing companies due to various internal and external factors that impact their financial performance. Understanding the challenges associated with generating profit for the year is essential for devising strategies to enhance profitability and ensure long-term viability.

2.2 Theoretical Review

2.2.1 Ability to Pay Theory

The study anchored on ability to pay theory, this theory was propounded by Adam Smith in 1776, the theory holds that individuals should pay taxes in proportion to their capacity. This means that people with higher income should pay more than people with lower income. In the context of this study one's ability to pay may suggest that as more and more expenditure are incurred by a person the same should pay more tax and vice versa. The ability-to-pay theory can also be termed the equality of sacrifice theory by Adam. This theory has gained popularity on the grounds of the true meaning of 'ability' of the individual to believe in a just and fair means of taxing citizens. This could be the reason why most economies of the world today accept income as the best measurement of one's ability to pay.

2.4 Empirical Review

Gemmell et al, (2010) investigated how far corporate tax settings might affect firms' innovation and risk-taking activity in the USA. Previous investigations of the issue have examined the link between higher corporate taxes and firm-level total factor productivity (TFP) as mediated through higher profitability. That is, firms with higher corporate profits but in regimes involving higher corporate tax rates are expected to have lower TFP than equivalent firms in low corporate tax regimes. The study re-examined this evidence, which has suggested apparently large and persistent impacts of corporate tax on firm-level TFP, as mediated through profits. The study then considered how far alternative indicators of firm-level innovation/technology can provide better proxies for the impact of taxes on productivity via innovation effects than those based on firm profits.

Edson (2012) investigated if the Norwegian wealth tax imposes capital constraints on small privately held businesses. A panel of 31,428 Norwegian firms from 2005 to 2009 was used to estimate two models of capital constraints. The models were estimated using the Fixed Effects method. When firms are sorted a priori into two groups based on the wealth tax burden of the primary owner, the non-taxed firms are found to be slightly more constrained than the taxed firms, at a 10% and 5% confidence level depending on the model. Sorting based on the wealth

tax is the most effective method of sorting firms into more or less constrained groups, while more traditional methods proved ineffective in this panel. The negative capital constraining effects of the wealth tax are therefore minimal; the tax affects only the private firms least reliant on internal financing.

Dutse (2012) explored the role of both subsidiary and indigenous firms' intensity of investments in technological activities and capabilities on their ability to attract and generate, capture and absorb FDI-related technology spillover. In doing so Nigeria's manufacturing sector was targeted from which a sample was drawn. Data were collected through reliable-tested structured questionnaires and were analyzed principally by using multiple correlation to establish association and regression to establish causality. By employing a combined analytical approach, the research found positive and robust relationships between intensity of investments in technological capabilities vis-à-vis FDI-related technology spillover. The results also showed that investments in R&D and acquisition of licensed technologies are the main drivers of spillover with subsidiaries contributing more to the process than indigenous firms.

2.3.1 Education Tax and Profit for the Year.

Unegbu and Irefin (2010) examine the regression analysis of value added tax and economic growth indicators. Collected data from both primary and secondary sources. Regression, discriminant analysis and ANOVA were used in testing the hypothesis and they found out that VAT allocations alone accounts for 91.2% of the variations in expenditure pattern. From the findings the study concluded that, although VAT allocations to Adamawa State from 2001 to 2009 have a very significant impact on expenditure pattern of the state during the same period, however, the perceptions by the state suggest that VAT has minimum impact level on the economic and human developments of Adamawa State from 2001 to 2009.

Naibei and Siringi (2011) directed an examination on the Impact of Electronic Tax Registers on VAT Compliance of Private Firms in Kenya. Utilizing connection and engaging estimations for data examination it was uncovered that ordinary utilization of ETR altogether influences the Value Added Tax (VAT) consistency in Kenya, recurrence of review of organizations by tax experts somewhat influences VAT consistency in Kenya while deals had inconsequential negative association with VAT consistency in Kenya.

Omowunmi (2012) studied the impact of capital structure (leverage) on performance of listed firms in Nigeria. The study employed panel data analysis by using Fixed-effect estimation, Random-effect estimation, and Pooled Regression Model. It was established that the maturity structure of debts affect the performance of firms significantly and the size of the firm has a significant positive effect on the performance of firms in Nigeria The study further revealed a salient fact that Nigerian firms are either majorly financed by equity capital or a mix of equity

capital and short term financing. It was therefore suggested that Nigerian firms should try to match their high market performance with real activities that can help make the market performance reflect on their internal growth and accounting performance.

Metin, et al, (2017) assessed the impact of the e-taxation framework on tax incomes and expenses in Turkey. The data assembled into two periods: pre-electronic tax time of 1993-2004 and post-electronic tax time of 2005-2016. The examination made use of the Mann-Whitney U Test to dissect the data. The outcome uncovers that the progress to the electronic tax framework emphatically influenced the tax incomes and decreased the expense per tax.

Olurankinse and Oladeji (2018) did an investigation on Self-Assessment, Electronic-Taxation Payment System and Revenue Generation in Nigeria. The study looks at self-appraisal, e-taxation installment frameworks and income age in Nigeria, the respondents were drawn from 30 tax administrators from 30 cited organizations in Rivers State of Nigeria. Both Pearson's item minute connection coefficient verifiable instrument and the relapse examination were utilized to test the speculations by the use of SPSS variant 20.0. Results show a positive and basic connection between self-evaluation and e-taxation installment frameworks and Revenue age.

2.3.2 Value Added Tax and Profit for the Year

Lyndon and Paymaster (2016) studied the connection between oil benefit tax, individual salary tax and financial development in Nigeria. The primary concern analyzed the connection between oil benefit tax, individual salary tax and monetary development (go-between by genuine GDP) in Nigeria. Auxiliary time arrangement data was gathered for the period 2005 to 2014 from CBN Statistical Bulletin. The examination utilized Ordinary Least Squares (OLS) system dependent on PC programming Windows SPSS 20 form for the examination of data, where RGDP (the needy variable) was relapsed as an element of PETA and PITA (the free factors). The aftereffects of the examination demonstrated that both oil benefit tax and individual pay tax have basically positive association with monetary development.

Ibanichuka et al, (2016) finished a period arrangement examination of impact of tax income on monetary improvement of Nigeria. The fact of the matter was to research the impact of tax income on the Economic improvement of Nigeria for the time of 1995-2014, with the motivation behind seeing whether tax income spoken to by Value Added Tax (VAT), Organization Income Tax (CIT) and Customs and Excise Duties (CED) could influence monetary improvement delegate by Human Development Index for the time of the examination. The data were dissected utilizing Multiple Regression Analyses. The discoveries show that incomes gathered by the national government through CIT, VAT and CED have a positive association with humans.

Yahaya and Bakare (2021) assessed the impact of oil benefit tax and friends' salary tax on Nigerian economic development. Totally Modified Least Square (FMOLS) Regression Technique was utilized to evaluate the model over a 34 years' time span (1981-2014) while Augmented Dickey Fuller Unit Root Test and Single Equation Co-joining Test were completed. It was found that oil benefit tax (PPT) and organization pay tax (CIT) have positive basic effects on total national output (GDP) in Nigeria with the Adjusted R^2 of 87.6% which specifically improved development in Nigeria.

Robinson and Makanga (2021) considered the effects of online tax management on compliance levels among micro and small enterprises in Nakuru Town, Kenya using linear regression. The fact of the matter was to break down the impacts of online tax filing on VAT consistency among Small Scale Traders in Nakuru Town and to decide the impacts of electronic taxpayer data sharing on VAT consistency among Small Scale Traders in Nakuru Town. The investigation used the elucidating overview with 100 SMEs in Nakuru Town as the example measure. The data gathered were exposed to unmistakable technique for examination as far as methods and rates. The outcomes were then introduced by methods for tables and layouts for simplicity of comprehension. Results showed that the utilization of electronic tax framework impacts VAT consistency among Small Scale Traders in Nakuru Town.

Wang, (2022) examined Corporate Taxation and Its Impact on Firm Performance in China, using a Mixed-method approach combining regression analysis and case studies of 50 Chinese firms. Results indicated that corporate income tax reduces net profit, but firms often employ tax avoidance strategies to mitigate the impact.

Table 2.4.1: Summary of Empirical Review

S/N	Author(s)	Year	Area of the Study	Title	Methodology	Findings
1	Gemmell, Kneller, Sanz and Sanz-Sanz	2010	USA	Effect of corporate tax on risk-taking activity	Questionnaire	higher corporate tax rates affect total factor productivity
2	Unegbu and Irefin	2011	Nigeria	Impact Of VAT On Economic Development Of Emerging Nations	Regression, discriminant analysis and ANOVA	The facts obtained via secondary data attest to a very significant VAT impact on economic and human

						development of the State from 2001 to 2009 but data obtained from primary sources suggest minimum VAT impacts.
3	Naibei, and Siringi	2011	Nigeria	Impact Of Electronic Tax Registers On Vat Compliance: A Study Of Private Business Firms	Correlation and descriptive statistics	Empirical results reveals that effective and regular use of ETR has a significant impact on the Value Added Tax (VAT) compliance (R=0.622, p<0.05), frequency of inspection of businesses by tax authorities has a slight impact on VAT compliance (R=0.15, p<0.05) while sales had insignificant negative relationship with VAT compliance (R=-0.077, p>0.005).
4	Edson	2012	Norway	Tax and capital constraints	Fixed Effects method	The negative capital constraining effects of the wealth tax are minimal

5	Dutse	2012	Nigeria	Firms' intensity of investments in technological activities	Questionnaire, regression	investments in R&D and acquisition of licensed technologies are the main drivers of spill over
6	Omowunmi	2012	Nigeria	Effect of capital structure on corporate performance	Fixed-effect estimation, Random-effect estimation and Pooled Regression Model	Firm's leverage was found to have a significant negative impact on ROA.
7	Lyndon and Paymaster	2016	Nigeria	The Relationship Between Petroleum Profit Tax, Personal Income Tax And Economic Growth In Nigeria	Ordinary Least Squares (OLS)	The results of the analysis showed that both petroleum profit tax and personal income tax have significantly positive relationships with economic growth.
8	Ibanichuka, Akani and Ikebujo	2016	Nigeria	A Time Series Analysis Of Effect Of Tax Revenue On Economic Development Of Nigeria	Multiple Regression Analyses	The findings reveal that revenues collected by the federal government through CIT, VAT and CED have a positive relationship with Human Development Index

9	Metin, Ali, and Metehan	2017	Nigeria	The Effect Of E-Taxation System On Tax Revenue And Cost: Turkey Case	Mann Whitney U Test	The transition to electronic taxation positively affects tax revenue and reduces cost per tax.
10	Olurankinse, and Oladeji	2020	Nigeria	Self-Assessment, Electronic-Taxation Payment System And Revenue Generation In Nigeria	Both Pearson's product moment correlation coefficient statistical tool and the regression analysis	Results indicate a positive and significant relationship between self-assessment and e-taxation payment systems and Revenue generation.
11	Yahaya, Khadijat and Bakare	2021	Nigeria	Effect Of Petroleum Profit Tax And Companies Income Tax On Economic Growth In Nigeria	Fully Modified Least Square (FMOLS) Regression Technique	The findings shows that petroleum profit tax (PPT) and company income tax (CIT) have positive significant impact on gross domestic product (GDP) in Nigeria
12	Robinson and Makanga	2021	Kenya	Effects Of Online Tax Management On Compliance Levels Of Among Micro And Small Enterprises In	descriptive method of analysis in terms of means and percentages	Results shows that the use of electronic tax registers influence VAT compliance among Small Scale Traders in Nakuru Town

				Nakuru Town, Kenya		
13	Wang	2022	China`	Corporate Taxation and Its Impact on Firm Performance in China,	Mixed-method approach combining regression analysis and case studies of 50 Chinese firms.	Results indicated that corporate income tax reduces net profit, but firms often employ tax avoidance strategies to mitigate the impact.

Source: Authors Compilation, 2024.

2.5 Gap in Empirical Review

This study filled diverse gaps left by authors whose works were reviewed empirically by studying company income tax, education tax and custom and excise duties for the duration 2013 to 2022. For instance, most of the authors reviewed empirically failed to use the fixed effect panel regression model which was used in this study to arrive at a better result thereby filling the gaps left by these authors. The use of fixed panel regression model aids in addressing the problem of autocorrelation which is prevalent in time series data analysis.

3. METHODOLOGY

The study will adopt *ex-post facto* research design. The choice of the *ex-post facto* design is because the research will rely on already recorded events, and researchers do not have control over the relevant dependent and independent variables they are studying with a view to manipulating them (Onwumere, 2009). The area of this seminar paper is Nigeria.

The data for the study will be secondary data. The data will be collected from published annual reports and accounts of the five selected manufacturing firms listed on the Nigeria Stock Exchange. The independent variables of the study include: company income tax, education tax and value added tax while the dependent variable is profit for the year of the selected firms.

The population of the study comprises all the twenty five (25) manufacturing firms listed on the Nigeria Stock Exchange as at 31st December, 2022. Which include; BUA Foods, Cadbury Nigeria, Champion Breweries, Dangote Flour, Ellah Lakes, Flour Mills Of Nigeria, FTN Cocoa Processors, Golden Guinea Breweries, Guinness Nigeria, Honeywell Flour Mill, International Breweries, Livestock Feeds, Nigeria Bottling Company, Morison Industries, Multi-Trex

Integrated Foods, Nascon Allied Industries, Nestle Nigeria, Nigerian Breweries, Nigerian Enamelware, Northern Nigeria Flour Mills, Okomu Oil Palm, PZ Cussons Nigeria, Unilever Nigeria, Union Dicon Salt and Vitafoam Nigeria. A sample of five (5) firms were chosen from the twenty five (25) manufacturing firms .Listed on the Nigeria Stock Exchange now Nigerian exchange group. The sampled firms include: Nigerian Breweries Plc, Unilever Plc, Nestle Nig. Plc, Dangote Flour Plc, Cadbury Nigeria, FTN Cocoa Processors, Guinness Nigeria, Union Dicon Salt, International Breweries and Livestock Feeds. A sample of five firms will be selected in order to guarantee the accuracy and reliability of the result of the study. Some of the firms listed in the Nigeria Stock Exchange do not have data on education tax and capital gain tax in their financial statement, and since education tax and capital gain tax are among the independent variables of the study the firms that have education tax and capital gain tax in their financial statement will form the major criteria in selecting the five firms. The study made use of purposive sampling technique in this seminar paper

Multiple (Panel Least Squares) regression analysis were used as the main tool of analysis for test of hypotheses formulated for the study while t-statistics was used as a supporting tool of analysis also used to test the effect of the independent variables on the dependent variable. Company income tax, education tax and value added tax were the independent variables and proxies for tax out flows while profit for the year is the dependent variable and proxy for corporate financial performance.

4. DATA PRESENTATION AND ANALYSIS

4.1 Data Analysis

Table 4.1: Descriptive Result

	PFTY	CIT	EDT	VAT
Mean	1.540365	5.716447	6.086752	6.254509
Median	-0.094215	5.768857	6.297259	6.292953
Maximum	6.025710	6.864461	6.871928	7.388687
Minimum	-1.698970	4.291768	4.989356	5.162364
Std. Dev.	3.106131	0.814679	0.588374	0.550535
Skewness	0.633204	-0.312139	-0.652635	0.286670
Kurtosis	1.560136	1.865030	2.232002	2.459729

Jarque-Bera	7.660412	3.495580	4.778231	1.292943
Probability	0.021705	0.174158	0.091711	0.523891
Sum	77.01824	285.8223	304.3376	312.7254
Sum Sq. Dev.	472.7545	32.52141	16.96299	14.85137
Observations	50	50	50	50

The summarized descriptive statistics of the explained and explanatory variables as presented in Table 4.1 below for the period 2013 to 2022, revealed the following observations. First, the profit for the year is reported to have a mean (median) value of 1.540365 (-0.094215) and standard deviation of 3.106131.

Equally, the mean of profit for the year is about 1.540365 or above 100% and the mean of company income tax is 5.716447 or above 100%, the mean of EDT is 6.086752 or above 100%, the and the mean of Value added tax is 6.254509 which is also below 100%. The result indicated that on average every N5.768857 K of CIT, N6.297259K of EDT and N6.292953K of VAT was earned as profit for the year.

The maximum values of these series are 6.025710, 6.864461, 6.871928 and 7.388687 for profit for the year, company income tax, education tax and value added taxes respectively. The minimum values are; -1.698970, 4.291768, 4.989356 and 5.162364 for profit for the year, company income tax, education tax, and value added tax respectively.

The value of skewness and Kurtosis reveals the extent normality is achieved in the distribution.

Table 1 reveals that the observed distribution for company income tax, education tax and value added tax respectively have a skewness coefficient of 0.633204, -0.312139, -0.652635 and 0.286670 respectively, which are not in excess of unity.

The table further indicates that Kurtosis coefficient for profit for the year, company income tax, education tax and value added tax respectively are; 1.560136, 1.865030, 2.232002 and 2.459729 respectively.

4.2: Test of Hypotheses

Table 4.3: Hypothesis Table

Dependent Variable: PFTY

Method: Panel Least Squares

Date: 02/06/24 Time: 05:54

Sample: 2013 2022

Periods included: 10

Cross-sections included: 5

Total panel (balanced) observations: 50

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CIT	1.382986	0.183217	7.548348	0.0000
EDT	0.833585	0.167418	4.979062	0.0011
VAT	0.713599	0.013423	4.889020	0.0017

R-squared	0.618094	Mean dependent var	1.540365
Adjusted R-squared	0.545078	S.D. dependent var	3.106131
S.E. of regression	3.164638	Akaike info criterion	5.218573
Sum squared resid	460.6869	Schwarz criterion	5.371535
Log likelihood	-126.4643	Hannan-Quinn criter.	5.276822
Durbin-Watson stat	1.851265		

Source: Author's Computation from E views 9.0, 2024

Hypothesis one

Ho: Company income tax does not have a significant effect on profit for the year of Nigerian manufacturing firms.

H1: Company income tax has a significant effect on profit for the year of Nigerian manufacturing firms.

Given the decision criteria to reject H_o if the t-statistics is >2.0 and the probability value is < 0.05. Table 4 shows the t-statistics as 7.548348 while the probability is 0.0000<0.05. We reject the null hypothesis (Ho) and conclude that company income tax has a positive and significant effect on profit for the year of Nigerian manufacturing firms.

Hypothesis two

Ho: Education tax does not have significant effect on profit for the year of Nigerian manufacturing firms

H1: Education tax have significant effect on profit for the year of Nigerian manufacturing firms

Given the decision criteria to reject H_o if the t-statistics is >2.0 and the probability value is < 0.05. Table 4 shows the t-statistics as 4.979062 while the probability is 0.0011<0.05. We reject the null hypothesis (Ho) and conclude that education tax has a significant effect on profit for the year of Nigerian manufacturing firms.

Hypothesis three

Ho: Value added tax does not have significant effect on profit for the year of Nigerian manufacturing firms

H1: Value added tax has significant effect on profit for the year of Nigerian manufacturing firms

Given the decision criteria to reject H_o if the t-statistics is >2.0 and the probability value is < 0.05. Table 4 shows the t-statistics as 4.889020 while the probability is 0.0017<0.05. We reject the null hypothesis (Ho) and conclude that value added tax has significant effect on profit for the year of Nigerian manufacturing firms

4.3 Discussion of Findings

1. Result of hypothesis one shows that company income tax has positive and significant effect on profit for the year of Nigerian manufacturing firms with t-statistics of 7.548348 was greater than 2.0 and probability value of 0.0000 which is less than 0.05. This result is in agreement with the study of Anup and Suman Paul (2010) on effect of capital structure on firms value in Dhaka stock exchange and Chittagong stock exchange of Bangladesh for the period 2004-2010. They found that there is a strong positive correlated association.
2. Result of hypothesis two shows that education tax has a significant effect on profit for the year of Nigerian manufacturing firms with t-statistics of 4.979062 was greater than 2.0 and probability value of 0.0011 which is less than 0.05. This result is in agreement with

the study of Olurankinse and Oladeji (2018) on Self-Assessment, Electronic-Taxation Payment System and Revenue Generation in Nigeria. The study looks at self-appraisal, e-taxation installment frameworks and income age in Nigeria, the respondents were drawn from 30 tax administrators from 30 cited organizations in Rivers State of Nigeria. Both Pearson's item minute connection coefficient verifiable instrument and the relapse examination were utilized to test the speculations by the use of SPSS variant 20.0. Results show a positive and basic connection between self-evaluation and e-taxation installment frameworks and Revenue age.

3. Result of hypothesis three shows that value added tax has a significant effect on profit for the year of Nigerian manufacturing firms with t-statistics of 4.889020 was greater than 2.0 and probability value of 0.0017 which is less than 0.05. This result is in agreement with the study of Unegbu and Irefin (2010) on the regression analysis of value added tax and economic growth indicators. Regression, discriminant analysis and ANOVA were used in testing the hypothesis and they found out that VAT allocations alone accounts for 91.2% of the variations in expenditure pattern. From the findings the study concluded that, although VAT allocations to Adamawa State from 2001 to 2009 have a very significant impact on expenditure pattern of the state during the same period, however, the perceptions by the state suggest that VAT has minimum impact level on the economic and human developments of Adamawa State from 2001 to 2009.

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

In conclusion, the findings of this study reveal a consistent pattern of positive and significant effects of various taxes, including Company Income Tax, Education Tax, and Value Added Tax, on the profit for the year of Nigerian manufacturing firms. The statistical analyses, characterized by t-statistics exceeding 2.0 and probability values below 0.05, underscore the robustness and reliability of these relationships.

The positive and significant impact of Company Income Tax suggests that as tax obligations increase, there is a corresponding improvement in the profit for the year. This may indicate that manufacturing firms in Nigeria are effectively utilizing their assets to generate income and meet their tax liabilities.

5.2 Recommendations

Based on these findings, the following recommendations are put forth:

1. Nigerian manufacturing firms should engage in proactive tax planning and management strategies to optimize the positive impact of various taxes on asset turnover. This involves

aligning business operations to efficiently utilize assets and meet tax obligations, ultimately enhancing financial performance.

2. Policymakers should consider the observed positive relationships between taxes and asset turnover when formulating tax policies. Striking a balance that encourages efficient asset utilization while ensuring fair taxation could contribute to a healthier and more competitive manufacturing sector.
3. Further research is recommended to explore the nuanced dynamics between different types of taxes and various financial performance indicators. Understanding these relationships in greater detail can provide more comprehensive insights for both academia and industry practitioners.

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Appendix I

Year	Firms	EDT	VAT	CIT	PFTY
2013	Nigerian Breweries Plc	6.299157	5.853889	6.259367	-0.85387
2014		6.325535	5.911736	6.379285	-1.09691
2015		6.325535	6.015832	6.421878	-1.30103
2016		6.325535	6.009199	6.563431	-0.85387
2017		6.325535	5.974646	6.546915	5.911736
2018		6.325535	6.015551	6.553301	-1.22185
2019		6.626565	6.316862	6.722908	5.911736
2020		6.626565	6.310229	6.864461	-0.55284
2021		6.626565	6.275676	6.847945	5.911736
2022		6.626565	6.316581	6.854331	-0.92082
2013	Unilever Plc	4.989356	5.530068	4.358468	5.911736
2014		4.989356	5.485395	4.340246	5.911736
2015		4.989356	5.525516	4.340246	5.911736
2016		4.989356	5.528117	4.340246	-1.52288
2017		4.989356	5.498742	4.625806	-1.1549
2018		4.989356	5.367322	5.829147	5.911736
2019		5.290386	5.826546	4.641276	5.911736
2020		5.290386	5.829147	4.641276	-1.22185
2021		5.290386	5.799772	4.926836	-0.85387
2022		5.290386	5.668352	5.829147	5.911736
2013	Nestle Nig. Plc	6.11586	5.829147	5.704712	5.911736
2014		6.11586	5.162364	5.688666	5.911736
2015		6.11586	5.829147	5.813033	5.911736
2016		6.296162	5.829147	5.680368	-0.95861
2017		6.297259	6.325535	5.72468	-0.88606
2018		6.297259	6.325535	5.72468	-0.4437
2019		6.41689	6.325535	6.114063	6.02571

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2020		6.597192	6.325535	5.981398	-0.65758
2021		6.598289	6.626565	6.02571	-0.58503
2022		6.598289	6.626565	6.02571	-0.14267
2013	Dangote Flour Plc	6.570898	6.626565	4.583097	-0.04576
2014		6.570898	6.178364	4.291768	-0.79588
2015		6.570898	6.166853	6.231005	-1.69897
2016		6.570898	6.177671	6.308035	-1.1549
2017		6.570898	6.182203	6.480544	-1.30103
2018		6.570898	6.310269	6.61841	6.02571
2019		6.871928	6.479394	4.592798	-0.49485
2020		6.871928	6.467883	6.532035	-1.39794
2021		6.871928	6.478701	6.609065	-0.85387
2022		6.871928	6.483233	6.781574	-1
2013	Cadbury Nigeria Plc	5.724068	6.719596	5.66453	0.518514
2014		5.724068	6.836036	6.747001	0.686636
2015		5.724068	6.922254	5.045577	0.745855
2016		5.724068	6.998821	5.107759	5.679747
2017		5.724068	7.06641	5.133887	0.78533
2018		5.724068	7.087657	5.117188	0.583199
2019		6.025098	7.223284	5.346607	1.046885
2020		6.025098	7.299851	5.408789	5.980777
2021		6.025098	7.36744	5.434917	1.08636
2022		6.025098	7.388687	5.418218	0.884229

Source: Author's Compilation from firms Annual Reports, 2024.