The Impact of Corporate Income Tax on Financial Perofrmance Ofquoted Selectedfirms in Nigeria

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ABSTRACT
This study examines the impact of Corporate income tax on financial performance of selected quoted firmsin Nigeria. The study has been conducted in different parts of the globe and in Nigeria with different findings which are mixed and inconclusive. The population of the study consists of ten (10) firms quoted on the Nigerian stock exchange as at 31st December 2020 out of which ten (10) firms were selected as samples for a period of Ten (10) years from 2011 to 2020 based on purposeful sampling technique. The study uses regression as a toolfor analysis. The study shows that Corporate income tax has a positive significant impact on Financial performance of quoted selected firms in Nigeria.
Keywords: Corporate income tax,Firm size and Leverage.

I.   INTRODUCTION
Income tax both for academic and professional environment has been a subject of great interest on a microeconomic and macroeconomic level Pitulicea (2018). Corporate income tax is a levy that is imposed on the Profit before Tax of firms, computed as the excess of receipts over allowable expenses. The separate taxation of incomes of corporations and shareholders follows the legal principle that corporations and shareholders are distinct entities. Corporate income taxes are mainly flat rate levies, rather than extensively graduated taxes. Corporate taxes may be graduated according to the rate of return on invested capital rather than the absolute size of profits. In Nigeria, Corporate tax is regulated by an act called Company income tax act (CITA). The tax regime in Nigeria is a multi-level tax system, which simply means that taxation is administered by the three (3) tiers of Government. Tax is very essential in helping Government with funds that can be used for capital expenditure. Corporate income tax influences financial performance in the sense that the higher the profitability of firms, the higher the revenue generated for government as tax. On the other hand, if firms' financial performance is poor, corporate income tax revenue will be low and government will not have adequate funds for capital expenditure. Empirical studies have been conducted on the Corporate Income Tax and Financial performance include studies ofNekesa, Namusonge & Makokha (2017), Monica (2015), Gatsi, Gadzo & Kportorgbi (2013) and Uchechukwu (2018)are largely from Kenya, Ghana, Uganda and Nigeria. This study in Nigeria has received little attention and the studies that have been conducted in Nigeria are not conclusive and could not provide adequate evidence on the impact ofCorporate Income Tax onFinancial performanceas far as firms in the Consumer goods, industrial goods and conglomerate sectors are concerned. Those studies have provided mixed and inconclusive findings due to the data collected, methodology used and the industry used and to the best of our knowledge, among studies conducted in Nigeria, we have not seen a study that took into considerationthe selected quoted firms from Consumer goods, Conglomerate and industrial goods sectors. To this end, this study attempts to fill the gap by examining the impact of Corporate income tax on financial performance of selected quoted firms of Consumer goods, industrial goods and conglomerate sectors in Nigeria. The main objective of the study is to examine the impact of

Corporate income tax on financial performanceof quoted selected firms in Nigeria.The Specific objective of the study is to determine the extent to which Corporate income tax impact onfinancial performance of quotedselected firms in Nigeria.In line withthe specific objective, a hypothesiswas formulated whichis: HO1 Corporate income tax has no significant impact onfinancial performance of quoted selected firms in Nigeria.

II LITERATURE REVIEW

Various studies have attempted to examinedthe impact of Corporate tax on financial performance. Mwangi, Gitau & Kungu (2021) examined the effect of corporate income tax incentives on financial performance of manufacturing firms in Kenya. They employed descriptive research design. Their population was 447 manufacturing companies and the sample size selected was 211 companies using stratified random sampling technique. The data was from 2009 to 2018 and targeted respondents were officers in the senior management and the accountants in the organizations. Questionnaires were issued to the respondents and only 73.5% of the questionnaires were returned. Data analysis was conducted by use of descriptive and inferential analysis. Diagnostic tests were carried out which involved test of auto-correlation, multi-collinearity, test of heteroscedasticity and test of normality. The data violated the test of normality and so they applied non-parametric method of analysis. They adopted ordinal regression analysis in order to determine the predictive model of the study. Their result showed that corporate income tax incentives has a statistically significant effect on financial performance of manufacturing companies measured by ROA. Nekesa, Namusonge & Makokha (2017) studied the effect of corporate income tax on financial performance of the companies listed on the Nairobi Securities Exchange in Kenya. They employed both qualitative and quantitative research design. Secondary data from the NSE database, Capital Markets Authority (CMA) database, journals and other publications was used for the study. A sample of fifty-nine out of a target population of sixty-nine companies publicly listed as at January, 2015 was extracted from the NSE website. The Results of their findings were that there is a positive relationship between corporate income tax and financial performance of listed companies on the NSE in Kenya. Maina (2014) examined the impact of income taxes and economic performance in Kenya. They employed an endogenous growth model for the period 1970 to 2012. Other variables included for control are consumption tax, foreign trade, government consumption, and population growth rate. Regression model was estimated using OLS and VECM. The result of the study revealed a negative relationship between income tax and economic performance but this relationship was not significant. Consumption tax, foreign trade, and population growth rate did not significantly influence the economic performance. Government consumption positively influenced performance of the economy. Pitulicea (2018) examined the influence of income tax over a company's performance of companies listed on Bucharest Stock Exchange. Two econometric models were designed using dependent variables return on equity and net profit's margin rate. They applied multiple regressions, using a sample of companies listed on Bucharest Stock Exchange and analyzed indicators extracted from their annual financial statements. The result showed that effective tax rate influenced in a negative way a company's financial performance. Gatsi, Gadzo & Kportorgbi (2013) analyzed the Effect of Corporate Income Tax on Financial Performance of Listed Manufacturing Firms in Ghana. They used panel data methodology covering ten listed manufacturing firms over seven years. They revealed that there is a significant negative relation between corporate income tax and financial performance. Firms' size, age of the firm and growth of the firm showed a significant positive relationship with financial performance. Uchechukwu (2018) investigated effect of corporate income tax on the performance of selected banks in Nigeria (study of Diamond Bank, GTBank, Zenith Bank and Union Bank). They employed secondary data from 2008-2017 extracted from Annualreports and Financial statements of the four selected Banks. They adopted expost facto research design because the data are already in existence and linear regression technique was engaged to determine the relationship between variables.The resultsof the study revealed that Company Income Tax has significant and negative effect on profit after tax. They also found out that corporate income tax also exhibits indirect and non-significant effect on return on assets of selected banks. Corporate income tax yielded a negative and non-significant effect on returns on equity of money deposit banks in Nigeria.Monica (2015) examined the impact of corporate income tax on financial performance of commercial Banks in Uganda, a case study of Centenary Rural Development Bank lshaka. They used two study variables: corporate income tax as an independent variable and financial performance was the dependent variable, Descriptive research

design was employed because they relied on the respondents' views and a case of Centenary bank lshaka branch was employed to represent commercial banks. The population of 30228 respondents out of which a sample of 395 respondents was selected using Sloven's formula. Purposive and stratified sampling techniques were used, Cross sectional research design was used. Data was analyzed using SPSS and data presented in tables using frequencies and percentages. Pearson correlation coefficient was used. The findings of the study showed that corporate income tax reduces retained earnings, share price and loan interest income. The major determinants of bank performance were capital, liquidity and management. Corporate income tax showed an inverse relationship with financial performance. Chukwumerije & John (2011) examined the impact of the tax incentives on the overall performance of registered small- scale industries in Rivers State, Nigeria. Eleven, out of the twenty -two registered small- scale food and beverages manufacturing industries in Rivers State were selected randomly for the study. Questionnaires were administered to 260 respondents in the selected companies. Frequency distribution and chi-square were used in the analysis of data and hypotheses testing respectively. Their findings showed that there are various tax incentives available to small scale industries and the operators in these industries are very familiar with them. It was also discovered that tax incentives do significantly affect the profitability, staff strength and the growth and development of small-scale industries positively.

III METHODOLOGY
This research adopted correlation research design and was considered adequate and appropriate for this studybecause it describes the statistical relationship between an independent variable of the study (Corporate income tax) and the dependent variable (Return on Equity). The population consists of selected firms namely Cadbury Nigeria Plc, Champion Breweries Plc, Chellarams Plc, Dangote cement Plc, Guinness Nigeria Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Transnational Corporation of Nigeria Plc, PZ Cussons Plc and Nigeria Breweries Plc quoted on the Nigerian Stock Exchange as at 31st December 2020 and covered a period of Ten (10) years (2011-2020). Purposeful sampling technique was employed to select the sample. The sample selected is: Cadbury Nigeria Plc, Champion Breweries Plc, Chellarams Plc, Dangote cement Plc, Guinness Nigeria Plc, Nestle Nigeria Plc, Unilever Nigeria Plc, Transnational Corporation of Nigeria Plc, PZ

Cussons Plc and Nigeria Breweries Plc. In line with this, the sample size is all the ten (10) selected quoted firms on the Nigerian stock exchange. The study employed panel data using statistical package for social sciences (SPSS 25) and Ordinary Least Square (OLS) method adopted in this study is a parametric statistical test that is based on a number of assumptions, the violation of which could affect the reliability of the results. The Pearson correlation and t-test statistics were used for inferential analysis. Two of the most commonly encountered problems addressed in this study relate to normal distributionof the variables and descriptive statistics was used to test for normality of data.

Model Specification
The model that was used to test the hypothesis formulated for this study is presented below. The null Hypothesis is tested considering the results for the P-values at 1%, 5% and 10% level of significance.

$ROE = f(CIT\beta_1 + LEV\beta_2 + FSIZE\beta_3)$

$ROE = \alpha + \beta_1 CIT + LEV\beta_2 + FSIZE\beta_3 + \epsilon_i$

Where

α= the intercept

ROE = Profit after Taxdivided by Total Equity.

CIT =Company income tax deducted from profit before tax.

LEV = the total liabilities divided by total assets.

FSIZE = Firm Size measured as Natural log of total assets

ϵ_i= error term

Firm size and leverage are controls variables.

IV. DATA PRESENTATION
This part presents the results of the descriptive statistics and regression results on the impact of Corporate income tax onfinancial performance of selected quoted firms in Nigeria. Anexplanatory variable and one (2) control variables are employed for the purpose of explaining and predicting the impact of impact of Corporate income tax on financial performance of selected quoted firms in Nigeria**.**

Test of Normality
The normality tests are supplementary to the graphical assessment of normality. For this study, Z skewness and Z Kurtosis are used to test for normality of an independent variable namely Corporate income tax. The Z skewness was computed as skewness divided by standard error of skewness and the Z kurtosis was computed as kurtosis divided by standard error of kurtosis.

Table 4.2.1 shows the skewness, kurtosis and Z skewness and Z kurtosis.

Table 4.2.1 Descriptive Statistics Table for the Variables

Variables	Skewness	Standard Error	Z Skewness	Kurtosis	Standard Error	Z Kurtosis
CIT	0.557	0.245	2.273	0.312	0.485	0.643

This table shows the normality test for Corporate income tax.

In Smallsamples like that of this study which the number of observations is 100, values of Z skewness and Z kurtosis greater or lesser than 1.96 are sufficient to establish normality of the data. The result of Skewness forCorporate income tax is 0.557.The Z skewness of Corporate income tax is 2.273which is more than 1.96 shows that the data is normal which indicates that the data for Corporate income tax relates linearly to the dependent variable (Financial performance). The result of the Kurtosis for Corporate income tax is 0.312 and the Z kurtosis of Corporate income taxis0.643 isless than 1.96 and therefore, is normal which indicates that the data for Corporate income tax relates linearly to the dependent variable (Financial performance).Ghasemi and Zahediasl (2012).

4.2.2Corporate Income tax impact on Financial performance

Variable	Coefficient	T – value	P – value
Constant	0.285	0.029	0.977
INSTOWN	0.058	2.281	0.025
LEV	0.135	5.095	0.000
FSIZE	0.660	1.759	0.082
R	0.521		
R^2	0.272		
Adj R^2	0.248		
F stat	11.571		
F-Sig	0.000		
DW	1.496		

Source: Author's computation using SPSS 25

The estimated equation of the study is presented as follows:

ROE= 0.285 + 0.058 (CIT) +0.135 (LEV) +0.660FSIZE.

Financial performance would be equal to 0.285when all other variables are held to zero. One-unit change of Corporate income tax all other variables remain constant, would increase Corporate income tax by 0.058.The regression result of the study shows that the beta coefficient in respect ofCorporate income tax is (0.058) and the t-value is (2.281) and it is significant at 5%. This means that, Corporate income taxhas a positive significant impact on financial performance of quoted selected firms in Nigeria. The implication of this is that, the higher the Corporate income tax, the better the financial performance of quoted selected firms in Nigeria. This provides an evidence of rejecting thehypothesis stating that Corporate income tax has no significant impact on financial performance of quoted selected firms in Nigeria.

The impact of the Corporate income tax is able to explain the dependent variable up to (52%). This shows a positive relationship as indicated by the R valueand the remaining (48%) are controlled by other factors. Similarly, the result of the F-statistic shows the overall fitness of the model. The F- statistic has a value of (11.571) and is significant at 1% which implies that the model is fit because it is significant at all levels of significant. Durbin Watson of (1.496) shows that there is no problem of autocorrelation in the data set (Gujarati, 2004).

FINDINGS OF THE STUDY
Corporate income taxhas a positive significant impact on financial performance of quoted selected firms in Nigeria.

V.   CONCLUSIONS

This study has contributed to findings on Accounting Research in Nigeria. It investigated whether Corporate income taxon financial performance of quoted selected firms in Nigeria.The study concludes that Corporate income taxhas a positive significant impact on financial performance of quoted selected conglomerate, consumer goods and industrial goods firms in Nigeria.

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