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# CORPORATE TAXES AND FINANCIAL PERFORMANCE OF LISTED INFORMATION AND COMMUNICATION TECHNOLOGY COMPANIES IN NIGERIA

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**ABSTRACT:** *This paper examined the effect of corporate taxes and financial performance of listed information and communication technology companies (ICT) in Nigeria. The corporate taxes were proxied by company income tax and education tax while financial performance was proxied by profit after tax. Content analyses of the annual report of sampled companies were carried out using descriptive and inferential statistics. An ex-post facto research design was adopted for the study. A simple random sampling technique was used to select the sample. Data were obtained from annual reports and accounts of sampled ICT firms in Nigeria for a period of five years (2018-2022). Regression was used to test the hypothesis at a significance level of 5%. The findings showed that corporate taxation positively and significantly affected the financial performance of information and communication technology companies in Nigeria (p-value =0.0000; <0.05). The findings also showed that company income tax was positively and significantly related to financial performance in quoted information and communication technology companies in Nigeria. However, education tax has significant negative effect on financial performance of information and technology companies in Nigeria. The Adjusted R Square of 0.9974 showed that 0.3% is outside financial performance matrix and was recommended that the government should encourage voluntary payment of taxes with the introduction of reduced tax rates, public awareness, reduction of ambiguity in the tax law and provision of adequate infrastructural facilities which tax payer's fund were used to provide for the society to encourage taxpayers' compliance culture.*

**KEYWORDS:** Company Income Tax, Education Tax, Financial Performance, Profit After Taxation, Taxation.



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## INTRODUCTION

Investor's expectation on return on investment keeps on rising despite hash economic condition faced by companies in recent time. Adverse economic conditions such as high exchange rate, unstable power supply, hostile political climate, coupled with rising level of crime e.t c has led to a sharp reduction in the company's profitability which have led to low return on investment (Adenekan, Sanni & Itodo, 2019). Despite stiff competition faced by major brands in the global market, corporate managers are under pressure to balance the corporate mission, goals, objectives and unending stakeholders' needs. Low level of profitability all over the world has reduced revenue generated from tax by the government (Gourinchas, 2022).

Downward trend in Nigeria's economy, resulting from decline in crude oil revenue, as well as continuous increase in government expenditure has made the Federal government of Nigeria to realign her revenue focus to taxation (Ighosewe, Akan & Agbogun, 2021). Nigerian government has used various methods and approach to increase the tax net of the nation with the aim of generating high revenue from taxation. Lots of high net worth individuals are now inside the tax net of the government. Tax can either be direct or indirect depending on the modality of collection. Prominent types of taxation in Nigeria are: company income tax, petroleum profit tax, personal income tax, value added tax, withholding tax, capital gain tax, education tax etc. Unlike developed countries where government gives varieties of incentives to ameliorate problem faced by companies. Incentives available to companies in Nigeria are merely on paper without implementation. Most government policies on taxation in Nigeria are geared towards collection leaving the survival of the business to its owner. Collapse of companies is hardly noticed by government agencies until several months when no returns were made (Samuel, & Tyokoso, 2014).

To make the matter worse in Nigeria there continue to be a lot of unregulated taxes paid in several forms. Multiplicity and duplication of taxation on the firm, most especially manufacturing has resulted in some of them embarking on illegal means of tax avoidance and tax evasion with the aim of reducing tax liabilities to the government. It is important to note that multiplicity and or duplication of taxation affect companies negatively. However, both the Federal Inland Revenue Services and the State Internal Revenue have never spared rod on erring industries as they continue to conduct back duty assessments from time to time with the aim of ensuring the right taxes are paid. Back duty assessment make many companies that evade taxation illegally to pay back outstanding taxes including to interest and penalty to government coffer (Bello & Temitayo,2017)

Taxation levied on company's profits is a component of fiscal policy that impacts positively on country's macroeconomic and microeconomic components (Taiwo & Oyedokun, 2022). A corporate tax is a tax on the profits of a company, while tax management refers to every lawful strategy embraced by manager of business organisation in handling business operations and other transactions or activities in such a way to make maximum use of tax concessions, rebates, exemptions, holidays, tax credits, deductible allowances available under the law in attempt to minimize tax exposure of the company (Fakile, Nwanji, Egbide, Ojeka and Eluyela 2021).


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Government tax policy is the pivot on which the wheel of the country's fiscal policy framework rotates. This is mainly because increase or decrease in tax rate has significant role to play in economic control as well as wellbeing of a nation. It has to do with the combined effect of expenditure of government and taxation on income, production, employment, and other economic activities. Government can pursue either expansionary or contractionary expenditure pattern depending on stages of development of the economy. It is referred to as expansionary when there is a rise in government expenditure and could be contractionary if the government pursues a reduction in expenditure through the process of increase in taxation. Government administering any nation should understand that whichever policy it pursues, tax should be structured in way to avoid uncompetitive exchange rate, high interest rate that have negative impact on the real sector of the economy (Taiwo & Oyedokun,2022).

In Nigeria, firms are required by law to pay tax at the rate of 30% on profits produced by the company, education tax at the rate of 2.5%, withholding tax at the rate of 10%, and value-added tax at the rate of 7.5% in the year prior to assessment. Tax authorities that are relevant and responsible for the smooth operation and management of taxes at the federal, state, and local levels of government include, the federal inland revenue service, the state internal revenue service, and the local government revenue committee respectively (Olaoye & Alade 2019). Corporate executives participate in tax planning with the intention of reducing their company's tax obligations through legal means. However, this is anticipated to have a favorable impact on the firm's cash flow and increase its after-tax profits (Nwaobia & Jayeoba, 2016).

A lot have been written on taxation and performance of companies in Nigeria, with special reference to manufacturing industries, Oil and gas, banking and other financial institution (Taiwo & Oyedokun (2022)' Lormbagah, Abiahu, & Ibiam (2021); Williams, Onmonya and Ebire, (2023)), yet very little research work focused on listed Information and Communications Technology (ICT) companies in the Nigeria. Reason adduced to this might be because of newness of this sector in Nigeria compared to other sectors of Nigeria's economy. Also this area is being studied mainly because it is a fast growing sector that affected virtually every human being. Also, tax is dynamic and keeps changing by nature and rate, therefore, the need to continue to study with the aim of determining its effect from time to time.

This study examined the effect of corporate taxes on the financial performance of listed information and communication technology companies in Nigeria. However, the specific objectives were set to:

1. Examine the effects of company income tax on the financial performance (profit after tax) of listed information and communication technology companies in Nigeria.
2. Ascertain the effects of education tax on the financial performance (profit after tax) of information and communication companies small in Nigeria.


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## LITERATURE REVIEW

### Conceptual Review

### Profitability and Taxation

One accounting statistic used to assess a company's financial success is profitability. According to Yadav, Pahi, and Gangakhedkar (2022) it is the standard for identifying a company that is performing well in terms of return on asset, return on investment, and/or return on equity. It is the capacity of an organization to utilize its resources to produce revenues above its costs. Therefore, it is the capacity of a business to make money from its operations. Research on the impact of taxes on business profitability has been the subject of intense debate among academics and tax professionals. While some experts hold the belief that tax expense negatively impacts profitability, other experts hold a different perspective. Corporate income tax has a favorable, considerable impact on Profit After Tax, according to a study by Omodero and Ogbonaya (2018) on the profitability of Nigerian deposit money banks. Additionally, the findings of Nekasa, Namusouge, and Makokha's (2017) demonstrate a strong correlation between corporate income tax and the financial performance of companies listed on Kenya's Nairobi Securities Exchange. According to the study, corporate income taxes have a substantial impact on financial performance. As a result, policymakers should make sure to establish measures that will encourage early payment of corporate taxes to the government. In contrast to the aforementioned study, Gallemore, Mayberry, and Wilde (2017) examined the connection between corporation taxation and bank outcomes in the United Kingdom. Bank outcome variables are: lending growth, leverage, liquid asset holdings, and risk-taking. The study revealed that corporate income tax affected bank outcomes variables, such as lending and leverage which subsequently affected the capital available for both individuals and non-bank corporation.

### Concept of a tax system

Tax is a compulsory levy payable to government coffer by businesses, private individuals, and other entities in conformity with the laws. All over the world, taxation has been recognized as a good source of revenue to government. Every nation generates a significant and consistent revenue stream to meet the government's fiscal necessities from taxation. The legality of taxation finds its root in every country's constitution and noncompliance is punishable under the law. Taxation imposed on individual and companies by the state aimed at guiding consumption and regulating production in an economy (Odinkonigbo, 2021). Broadly, tax can either be direct or indirect tax. The classification is based on how the tax is collected. When a tax is imposed directly on individuals or businesses, who are responsible for paying the tax, it is considered to be direct (Odinkonigbo, 2021; Omodero, Okafor, & Nmesirionye, 2021). As a result, the tax burden cannot be transferred to another party. In the event of an indirect tax, the tax is paid by middlemen. Indirect tax incidence can be changed. The taxable person is not the party with the greatest financial impact. Due to differences in tax collection methods, earnings assumptions, and the transfer of fiscal tax burden, the effects of indirect and direct taxes on the economy vary greatly. The financial system will benefit most from taxes when direct and indirect taxes are used in the proper proportions.


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Thus, best canon of taxation lies with the plan to foster economic growth and development (Odinkonigbo,2021). The study of Mawejje and Munyambonera, (2016) revealed major barriers to effectiveness of income tax from agriculture and allied industries.

**Company Income Tax**

Profit of company from all sources is taxable under Company Income Tax (CIT). Rate at which company income tax is levied on profit differs from country to country. In Nigeria, the CIT is now assessed at a 30% rate for businesses with annual revenue over N100 million. Additionally, it is levied at a 20% rate for businesses with a N25 million to N100 million annual revenue. Tax on corporate income is calculated based on preceding year basis. In accordance with the Finance Act of 2019, businesses with a turnover of less than N25 million are not required to pay company income tax. The Companies Income Tax Act (CITA), Cap. C21, LFN 2004 (as modified), governs company income tax. Some gains are free from CIT as long as they do not come from the company's own trade or commercial operations, like cooperative societies. It also includes the tax on the profits of non-resident companies carrying on business in Nigeria. The tax is payable by both private limited liability companies as well as public limited liability companies. It is therefore commonly referred to as corporate tax. Study on company income tax in relation to financial performance in various sectors of the economy both in advanced and developing countries is inconclusive as many revealed positive and significant relationship while others revealed negative relationship. Study conducted by Williams, Onmonya, and Ebire (2023) on Nigeria listed consumer goods companies from 2011 to 2021 revealed that company income tax has negative effect on financial performance while education tax has a significant positive effect on financial performance. The study however, concluded that corporate tax has a statistically significant effect on the financial performance of consumer goods firms in Nigeria.

**Education Tax**

Deterioration in all aspects of education sector led to the promulgation of Education Tax Decree No 7 in 1993. The decree imposed education Tax of 2% on the assessable profits of all companies in Nigeria. Main aim of this tax is to help tertiary institution ameliorate numerus problems facing them such as poor infrastructure, poor staffing, to low morale among workers, non-conducive working condition, brain drain of experts in this nation building profession (Nnamdi & Ike, 2020). Also, poor and irregular remuneration as well as lack of teaching aids due to insensitivity of all tiers of government in Nigeria. In addition, to ensure proper management and administration, the Federal government established Education Tax Fund (ETF) and a Board of Trustees. The Federal Inland Revenue Service (FIRS), which is authorized by the Act to assess and collect education tax, is responsible for enforcing this tax. ( Ekeocha, Ekeocha, Malaolu, & Oduh, 2012). Olaoluwa (2021) noted that the Finance Act (2021) and Tertiary Education Trust Fund (TETF) Act stipulated that the education tax is payable by companies registered in Nigeria at the rate of 2.5% of the assessable profit.


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**Theoretical Review**

This study is anchored on the ability-to-pay theory. Omodero & Ogbonnaya (2018) argued that individuals and companies should pay taxes according to the amount of money earned. The ability to pay theory was propounded by Kendrick (1939). Implication of this theory is that high tax burden should not be placed on companies or individuals with low income and individuals with higher income should be subjected to high taxes. In essence, is fair that companies as well as individual pay taxes in line with their earnings. Thus, the adage that money for public expenditure should come from "him that hath" instead of "him that hath not". This is quite reasonable in actual sense that a person with low income does not have much to offer the society since total income is low. The implication is that corporations as well as individuals with higher income should be saddled with responsibility of paying higher taxes. Also, companies and individuals with lower income should pay lower taxes according to what they earn. The strength of any country's taxes depends on the ability of both the corporate entity and individual to pay, hence this theory is very germane to tax practice. To avoid unintentional tax evasion and avoidance, ability to pay tax should be considered seriously. This is in line with progressive taxation principle, fairness and equity. Firms acting rationally in this case will push investment to the point where the marginal yield on physical assets and earnings from the reduction in tax rate is equal to the desired capital stock of the firm (Tuoyo & Adeusi, 2018).

**Empirical Review.**

The findings on corporate taxes and financial performance are inconclusive. While some found that corporate taxes levied on firms increases performance (Olaoye & Oluwatoyin, 2019; Taiwo & Oyedokun, 2022; Ojelabi,2023). In contrast, other studies found that corporate taxes impede the financial performance of firms (Oladipo, Iyoha, Fakile, Asaleye & Eluyela, 2019; Yoke & Chan, 2018), while other studies found no association between corporate taxes and performance (Nwaorgu, Oyekezie & Abiahu, 2020; Iormbagah, Abiahu & Ibiam, 2021). This study focused on information and communication technology companies in Nigeria. Some of the study conducted on taxation and financial performance are discussed below.

Also, Lormbagah, Abiahu, and Ibiam (2021) found a positive association between income tax and financial success in their study on corporate taxes and financial performance in Nigerian manufacturing enterprises. The study also shows a negative relationship between net profits of Nigerian limited manufacturing enterprises and deferred tax. Ten manufacturing companies were chosen because they possessed comprehensive records for the years under research, therefore their annual reports were used to gather data for the study. The study's five-year time frame was from 2014 to 2018. *Ex post facto* research methods were employed in the study, and both correlation and linear regression were used in the data analysis. The study's conclusions inspired the suggestion that further tax incentives be provided.

In Nigeria, the impact of taxes on corporate profitability was assessed by Agunuwa and Johnson (2021). The study's conclusions showed a favorable correlation between Nigerian firm profitability and value added tax, petroleum profit tax, and company income tax. Based on these findings, it was suggested that the tax net money be distributed and effectively used to help increase corporate profitability. In 2020, Onwuzurike and Ugwu looked at how taxes in Nigeria effected business profitability. The study's findings showed that many taxes, including market rate tax, development levies, and firm premises registration tax, have a detrimental


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effect on profitability. The study analyzed 10 years of data, between 2009 and 2018, that were taken from food and beverage corporations' annual reports.

Nnubia and Okolo (2020) critically analyzed how corporate taxes affected the success of Nigerian businesses. From sampled companies' annual reports and financial statements for the five years between 2011 and 2015, secondary data was gathered. Ex-post facto research design was employed to meet the research goal. For the study, five banks listed on the Nigerian Stock Exchange were chosen. The study's conclusions showed that the three explanatory variables had a favorable, substantial impact on the dependent variables, return on assets and return on equity (profitability) for the Nigerian listed banks.

Additionally, the findings of a study by Onwuzurike and Ugwu (2020) showed that corporation income tax had a favorable and significant impact on the asset turnover of food and beverage companies in Nigeria. The study mainly examined how Nigerian food and beverage companies' profitability was impacted by Company Income Tax (CIT) and Education Taxation. Ex post facto research methodology was used for the investigation. From annual accounts and financial statements for the years 2009 through 2018, secondary data were retrieved. The study's conclusions showed that Education Tax has a marginally negative impact on Nigeria's listed food and beverage companies' asset turnover. The findings led to the conclusion that tax should be treated cautiously

Petroleum Profit Tax and Value Added Tax had a favorable and considerable impact on the increase of output in the economy, according to a second study on the effect of taxation on output performance for Nigerian Companies. The study spanned a 15-year period from 2005 to 2020. Petroleum Profit Tax (PPT), Company Income Tax, and Value Added Tax were utilized as the independent variables, and Gross Domestic Product was used as the dependent variable. According to the study's findings, company income taxes hinder the economy's ability to produce goods and services. According to the report, the government should use tax money to improve the Nigerian economy's domestic sector. Additionally, due to the crucial roles that the manufacturing and associated industries play, income from manufacturing should be reinvested in those areas that will aid the development of the sector (Ologbenla 2022).

Omodero and Ogbonaya, (2018) also performed research on how corporate taxation affects deposit money bank profitability in Nigeria. According to the study, Company Income Tax has a favorable effect on ProfitAfter Tax. This suggests that Profit After Tax and Company Income Tax have a favorable association. The analysis also showed that one of the main causes of the liquidity issues Nigerian banks are facing is a high corporation income tax rate. The information for the study was gathered from the publicly available financial statements of Nigerian deposit money institutions from 2006 to 2016. The report suggests enacting tax measures that give banks and other financial organizations access to sufficient tax incentives.

In addition, Tuoyo and Adeusi, (2018) looked into how tax responsibilities affected the financial results of listed manufacturing enterprises in Nigeria. The research design used ex post facto. The yearly accounts and financial statements of the chosen manufacturing enterprises served as secondary sources for the data. The study spanned a five-year period from 2012 to 2016. According to the study's findings, Nigeria's listed manufacturing enterprises' return on assets was significantly impacted negatively by corporation income tax. Profit before taxes and corporate income tax have a positive but statistically insignificant link. Therefore, it


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was advised that listed companies find a legal approach to lower their tax obligations in order to boost their return on assets, profit before taxes, and distributable income.

Onuora, Okegbe, and Ezejiofor (2017) provide fresh information on the value added tax and the Nigerian economy. Ex post facto research design was employed for this study. The indicators used to evaluate the condition of the Nigerian economy include Gross Domestic Product, Per Capital Income, and Total Revenue. The study ran from 2003 to 2015. The financial statements and annual reports of the selected companies were used to gather the data. The figures for the various aspects of the Nigerian economy were provided by the Federal Inland Revenue Service, the Federal Ministry of Finance, and publications. Data were assessed using simple regression analysis. Value added tax, according to study, has not significantly affected Nigeria's GDP.

In order to investigate how corporate income tax influences financial performance, Otwani, Namusonge and Elizabeth (2017) used a mixed research design. The annual report's secondary data, were used for the study. The sample size included 59 firms that are traded on the Kenyan Stock Exchange. The independent variables included firm size, liquidity, investment, and age/debt, whereas the dependent variables included profitability and return on investment. According to the study's findings, corporate income tax benefits companies that are listed on Kenya's Nairobi Securities Exchange financially. The research states that taxation agencies like Federal Inland Revenue should make sure that businesses pay their corporation taxes on time and in full.

Etale and Bingilar (2016) studied the impact of company taxes in Nigeria on economic growth as measured by the country's gross domestic product and income tax, respectively. Data was gathered from annual reports of sampled companies and the Central Bank of Nigeria's Statistical Bulletin for the years 2005 to 2014. With the help of SPSS 20, data were analyzed using the Ordinary Least Squares (OLS) method. The study's findings showed that both value-added tax and corporate income tax have a considerable favorable impact on economic growth. In order to increase tax revenue, the report advises that the government strengthens the tax administration system. Additionally, voluntary compliance should be promoted as well as tax knowledge.

Patricia and Izuchukwu (2015) looked into how taxes affect business profitability in Nigeria. The study used secondary sources of data. According to the study results, Nigerian businesses' profitability is significantly impacted by the level of corporate income tax. The profitability of the business and taxation were found to be positively and significantly correlated. According to the study's findings, it was advised that the government should increase tax revenue through a better tax structure and administration to reduce the risk of the economy being overly dependent on crude oil export earnings.


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## METHODOLOGY

Population of the study consists of 9 (Nine) listed *Information and Communications Technology* (ICT) companies on the Nigeria Exchange Group (NGX)as at 31st December 2022 (NSE Fact book 2022). Samples size consists of 6 (six) firms selected by using purposive sampling techniques. Attempt to ensure all companies' selected have been listed and have minimum of five (5) year annual published account, made purposive sampling techniques appropriate. Companies delisted and those listed during the period of five years were not considered for the study so as to have a balanced data. Data were sourced from annual report of sampled ICT companies, which were available on the data base of the Nigeria Exchange Group. Thirty years of observations were covered by the study for the period, 2017– 2022. Regression analyses method was utilized in analyzing the data sourced. At a 5% level of significance, the F-statistic was employed to evaluate each explanatory variable's impact on the criterion variables separately. F statistics was employed to examine the model's general acceptability and goodness-of-fit from a statistical standpoint, also at the 5% level of significance.

### Model Development

This study's objective is to investigate how corporate taxes affect the financial performance of Information and Communications Technology (ICT) companies listed on the Nigerian Exchange Group. Two key variables are utilized to meet the study's goal. These factors are both independent and dependent. The taxation of corporations is an independent variable, while the financial performance of Information and Communications Technology (ICT) companies registered on the Nigerian Exchange Group is the dependent variable.

Thus,
$Y = f(X)$

Y = Dependent Variable- Financial Performance (FP)

X = Independent Variables-Corporate Taxation (CT)

$Y = y_1$

$X = x_1, x_2$

$y_1$ = Profit after Tax

$y_1 = f(x_1, x_2)$

$x_1$=Company Income Tax   $x_2$= Education Tax

$$FP = f(CIT, EDT) \qquad - \quad 1$$

$$FP_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 EDT_{it} + \mu$$

Thus, in line with the ability to pay theory adopted for this study and prior studies, the models are specified and justified.


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**Table 1. Explanation and Measurement of Variables**

| **Sign** | **Dependent Variable** | **Proposed measurement** |
|---|---|---|
| PAT | Profit After Taxation | Proxy by PAT disclosed in annual report Ojelabi, (2023), Olaoye & Oluwatoyin (2019). |
| **Sign** | **Independent Variable** | **Proposed measurement** |
| **Corporate Taxation Variables** | | |
| CIT | Company Income Tax | Measured as the 30% of assessable profit. Ojelabi, (2023); (Kurawa & Saidu, (2018); Williams, Onmonya & Ebire, (2023) |
| EDT | Education Tax | Measured as the total amount paid as educational tax. (2.5% of assessable profit). Onwuzurike & Ugwu (2020); Nnamdi & Ike's (2020); Williams, Onmonya & Ebire, (2023) |

*Researchers' calculation of variables 2023*

## DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

This section addressed the panel data regression results used to assess the effect of corporate taxation on financial performance of Information and Communications Technology (ICT) firms listed in Nigeria.

### 4.1 Descriptive analysis

**Table 2: Descriptive Statistics**

| | **Mean** | **Std. dev** | **Min** | **Max** |
|---|---|---|---|---|
| **EDT** | 1,714,480 | 4,609,796 | 0 | 20,375,000 |
| **CIT** | 16,933,968 | 44,500,000 | -141,242 | 184,304,000 |
| **PAT** | 35,490,788 | 94,700,000 | -3,136,413 | 380,361,000 |

Source: *Researcher's Work (2023)*

Table 4.1. above showed the result of descriptive statistics. The minimum and maximum financial performance of listed information and communications technology companies in Nigeria measured by profit after tax is NGN-3,136,413 and NGN 380,361,000. Also, minimum and maximum company income tax variable of listed information and communications


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technology companies in Nigeria is NGN-141,242 and NGN 184,304,000. While the minimum and maximum education tax of listed information and communications technology companies is NGN 0 and NGN 20,375,000. In addition, the descriptive statistics of Education Tax (EDT), Company Income Tax (CIT) and Profit after Tax (PAT) showed standard deviation and mean of 4,609,796: 44,500,000: 94,700,000 and 1,714,480: 16933968: 35490788 respectively. The descriptive statistics table above showed that all series exhibited a high level of consistency because the mean values of each series were within the range of the minimum and maximum values for the series. The relatively low values of the standard deviations showed how little the real data deviates from its mean value. According to statistics, the series were both positively and negatively skewed, indicating that the distribution has a left and right tail, with the left tail pointing toward the distribution's higher end. The low standard deviation value, which showed that there was little dispersion in the distribution since all the scores were reasonably close to one another, is a measure of the series' homogeneity. Some of the variables' sum of square deviations were high, indicating that they were widely distributed, while others have modest sums, indicating that they were grouped near to the mean score.

Hypothesis Testing

Hypothesis One

**Research Hypothesis**: Company income taxation has no significant effect on the financial performance of listed Information and Communications Technology (ICT) companies in Nigeria.

**Table 3: Estimation Results for Model one**

| **Sector** | **PAT** | | | |
|---|---|---|---|---|
| **Estimation Techniques** | **Random effect with Driscoll-Kraay standard errors** | | | |
| **Dependent Variable:** | **Coeff.** | **Std. Err** | **T-Stat** | **Prob.** |
| Constant | -629033.40 | 195389.80 | -3.22 | 0.023 |
| CIT | 2.790043 | 0.1429164 | 19.52 | 0.000 |
| EduTax | -6.411152 | 1.430623 | -4.48 | 0.007 |
| Adjusted $R^2$ | 0.9974 | | | |
| F-Stat/Wald Stat | $F_{(2,5)}$ =11196.6 (0.0000) | | | |
| Hausman Test | $Chi^2_{(1)}$ = 2.64 (0.2665) | | | |
| Testparm/LM Test | $Chi^2_{(2)}$ = 14826.59 (0.000) | | | |
| Heteroskedasticity Test | $Chi^2_{(7)}$ = 53.95 (0.0000) | | | |
| Serial Correlation Test | $F_{(1,6)}$ = 32.313 (0.0013) | | | |
| Cross sectional Dep | -1.350 (0.1769) | | | |

**Source:** ***Researcher's Work (2023)***


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**Interpretation Model**

This model assessed how corporate taxes affected Nigerian telecommunications companies' financial results. To determine which method of estimating the regression Model 1 was most appropriate among the pooled OLS, fixed effects, and random effects the Hausman test was used and outcome revealed that random effects is the best estimator. Given that its null hypothesis states that there is no presence of unobserved variables, random effect has a p-value of 0.2665, which is higher than the study's chosen level of significance of 5%. Although the Hausman test result showed that Random effects were adequate, the confirmation of the Hausman test result was done using the LM test since this test aids in choosing the most appropriate model between Random effects and Pooled OLS regression. The results of the LM Test, which had a p-value of 0.000, less than the significance level of 5%, showed that random effects were a suitable method for estimating model 1.

To assess the model's robustness, heteroskedasticity, cross-sectional dependency, and serial correlation were investigated. The series underwent cross section dependency; the test's null hypothesis is that the model's residuals do not exhibit any temporal correlation. The Pesaran CD test was used to conduct the test, and the result with a p-value of 0.00—less than the study's chosen level of significance of 5 percent—indicated that the model's standard errors were correlated over time, suggesting that there was cross-sectional dependence issue.

The null hypothesis indicates that the standard errors of the model were constant over time, and the heteroskedasticity test aided in determining whether or not the fluctuations in the residuals of the model were constant over time. The Breusch-Pagan/Cook-Weisberg test was used for this analysis, and the absence of heteroskedasticity, as indicated by a p-value of 0.000, which is less than the study's chosen level of significance of 5%, means that the model's residuals are constant over time.

In conclusion, the diagnostic tests showed that the model has issues with serial correlation and cross-sectional dependence. As a result, the effect of corporate taxation and financial performance of listed telecommunication businesses in Nigeria was estimated using the Random Effect Regression with Driscoll-Kraay standard errors

$FP_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 EDT_{it} + \mu$ - Model 1

$-629033.40 + 2.790043CIT_{it} – 6.411152EDT$

Model I assessed the effect of corporate taxation on financial performance of telecommunication companies in Nigeria. The result showed that CIT had positive effect on financial performance of telecommunication companies in Nigeria, this is indicated by its coefficient CIT =2.790043. This result is consistent with our a priori expectation as it was expected that independent variable would exert positive effect on performance in telecommunication firms in Nigeria. The result further implied that improvement in performance in terms of finance could bring about more Company income tax in telecommunication companies in Nigeria. An increase in profitability of company brings about proportionate increase in company income tax. Despite the fact that the independent variables have joint and strong positive relationship with financial performance yet individually education tax showed a negative relationship with profit after tax with a coefficient of -


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6.411152. It further showed that 99.74% variation in financial performance was caused by corporate taxation while the remaining 0.26% was not captured in the model (i.e factors outside the model).

In conclusion, the Probability of T-statistics =11196.6 and p-value =0.000 which gauged the model's combined effect, was lower than the 0.05 level of significance chosen for the study, showing that the proxy for corporate taxation, as measured by company income tax and education tax, had a significant effect on the financial performance of telecommunication companies in Nigeria. Hence, the study rejected the null hypothesis which stated that corporate taxation does not have any significant effect on financial performance of telecommunication firms in Nigeria but rather accepted the alternate Hypothesis.

**Test of Hypothesis Two**

**Research Hypothesis**: Education taxation has no significant effect on the financial performance of listed Information and Communications Technology (ICT) companies in Nigeria.

The model outcome from table 4.4 demonstrated that education tax has a negative and significant impact on the financial performance of listed Information and Communications Technology (ICT) companies in Nigeria. The threshold of significance is 0.007, or a probability value less than 0.05 percent, and the coefficient is -6.411152 with a t-statistic of -4.48. As a result, the null hypothesis that education tax has no discernible effect on the financial performance of Information and Communications Technology (ICT) companies listed in Nigeria was disproved at the 5% level of significance and the alternate hypothesis was accepted. This study's findings were consistent with those of Taiwo and Ogundokun (2022) and Lormbagah, Abiahu, and Ibiam (2021).

## DISCUSSION OF FINDINGS

In Nigerian listed information and communications technology (ICT) companies, it was discovered through the analysis in table 3. that Company Income Tax had a beneficial and significant influence on profit after tax (PAT). This implies that a unit rise in business income tax (CIT) will result in a 2.790043 increase in profit after tax (PAT). This finding is consistent with research conducted by Olaoye and Oluwatoyin (2019), who employed regression analysis to analyze the effects of corporation income tax on the profitability of enterprises in Nigeria from 2007 to 2016. According to the study's results, there was a significant and favourable association between a company's earnings after taxes and its corporate income tax.

The findings were in line with a study done by Ojelabi (2023), who analysed the impact of corporate income tax on the corporate performance of listed manufacturing companies in Nigeria. According to the study, CIT has a positive and considerable impact on profit after tax (PAT) in Nigerian publicly traded manufacturing enterprises, meaning that if CIT is raised by one unit, profit after tax (PAT) will rise by more than one unit. The conclusion, however, did not support the research of Gatsi, Gadzo, and Kportorgbi (2013), which showed a strong but negative relationship between the financial success and corporate income tax of Ghanaian manufacturing enterprises.


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Table 3 further showed that the Education Tax significantly and negatively affects the profit after tax (PAT) of listed Nigerian ICT companies. This suggests that a unit decrease in Education tax (EDT) will make profit after tax (PAT) to reduce by -6.411152 (-6%) The finding is in line with Nnamdi & Ike's (2020) research, which assesses how the education tax affected the food and beverage sectors' profitability in Nigeria. The study found that the education tax had an unfavorable and negligible impact on Nigerian food and beverage companies.

The study negated the result of Olaoye and Oluwatoyin, (2019) which was conducted on the effect of company income tax on the profitability of companies in Nigeria from 2007-2016 using regression analysis. Outcome of the study revealed that there was a positive and significant relationship between company education tax and profit after tax of the company. In addition, Maduabuchi**,** Okechukwu & Oghenekohwo, (2023) studied education tax effect on firm's value of consumer products industries in Nigeria. The results of the study indicated that Education Tax has a significant and positive effect on return on equity of sampled consumer products industry in Nigeria.

## CONCLUSION

According to the study's findings, the income tax that the company paid during the study period had a positive and significant impact on the financial performance of Nigerian enterprises that specialize in information and communication technology. The study also revealed a negative and significant association between the tertiary education tax and the financial success of information and communication technology businesses in Nigeria.

## RECOMMENDATIONS

Government agencies, such as Federal Inland Revenue, tasked with the responsibility of collection and administration of Company Income Tax should embark on a public awareness campaign and urge the management of listed information and communication technology companies in Nigeria to pay attention to paying Company Income Tax as soon as it is due because CIT has a positive impact on the profitability of the businesses. Workshop, seminars and or online training program should be organised for the company's tax manager, various staff union and business owner with the aim of sensitise workforce and other tax stakeholders.

Secondly, persuasion of firm's managers on the need to pay education tax should be strengthened. Since tertiary education tax provides funds for research which aim at solving existing company's problem and invention of new product which in turn leading to a better profitability and society. Nevertheless, Education Tax have a negative effect on Profit after tax implies its application should be handled with caution so that it does not demoralization the payer.


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