THE NEXUS BETWEEN COMPANY INCOME TAX ON FIRM'S PROFITABILITY – EVIDENCE FROM THE CONSUMER GOOD COMPANIES IN NIGERIA

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Abstract

This paper analyzed the influence of Company Income Tax on Firms' Profitability in the consumer goods sector of the Nigerian economy. The study employed secondary data obtained from the published financial statements of the fifteen (15) selected consumer goods companies quoted on the Nigerian Stock Exchange (NSE). The data sets used were; Profit after Tax (PAT), Company Income Tax (CIT), Firm Size (FMS) and Net Asset (NEA) for the considered period of 2012 to 2018 which represented the scope of the study. A Panel Fully Modified Ordinary Least Square (FMOLS) model approach was adopted in analyzing the collected data and the result from the analysis indicates that company income tax has a positive and significant influence on profit after tax in consumer goods sector of the economy. It is therefore recommended that companies should pay special attention to payment of taxes as it has a significant influence on their profitability which can also be used to improve corporate image.

Keywords: Company Income, Tax, Profit after Tax, Consumer Goods firms, Net Assets.

Introduction

Taxation serves as a mechanism for the collection of taxes in any economy and it is one of the fiscal policy tools for regulating the economy of any nation. At intervals, every incoming government in Nigeria adopts the instrument of tax policy to stimulate the corporate growth

in the private sector (Nwaobia, 2014). On the other hand, taxation policies do act as disincentive to manufacturing sectors, that creates an additional value for stakeholders and also improve the value of the companies. According to Gatsi, Gadzo and Kportorgbi (2013) introduction and payment of company income tax, plays a role in the misfortunes of the manufacturing sector.

The tax policy, apart from generating revenue for the states also serves other purposes. It is used to protect infant industries and create incentive for investors to invest in certain areas of the economy. In addition, it creates disincentive for other activities (Gatsi, Gadzo and Kportorgbi, 2013). Dickson and Nwaobia (2012) argue that unfriendly tax policies could stunt economic growth of developing countries with negative effects on both individual citizen of the country and corporate organisations that are already under the weight of wrong policies from inefficient and ineffective governments.

The government of any nation is concerned about raising more revenue to finance its expenditure responsibilities, while investors are interested in a conducive business environment with a reduced tax burden (Pitulice, 2016). Every manufacturing sectors of any economy will be eager to contribute to the growth and reflects visibly in job creation, and also improved in tax contribution in their economy. One of the challenges of the consumer goods sector is high Company Income Tax rates of 30% which deter the foreign direct investment in this sector. Whatever forms it takes, taxation plays a significant role in the misfortunes of every consumer good sectors because tax policies, apart from generating revenue for the state; it also serves many other purposes.

Imposition of tax can be used as a means of protecting infant industries, create incentive for investors to invest in certain areas of the economy, and also, create disincentive for other activities products (Nnadi & Akpomi 2007). Governments, over the years, made some pronouncements and policies that are meant to create tax incentives for businesses. Fortunately,

Previous studies have examined the relationship between company income tax on organizational performance, and their effects separately on both the corporate bodies and the investors in different sectors of the economy (Bambang, Yudha & Abim, 2017; Adegbite & Akande, 2017) etc. They laid more emphases on developed economy that has different company income tax rates and, their impacts on the profitability and organizational performance. Their studies revealed that key measures such as Net Asset, Total profit and Size. This put robustness of their work in doubt. Bambang, Yudha, & Abim (2017) examined few factors that affect the company's tax avoidance. Among which were size, leverage, profitability, and capital intensity.

Omodero & Ogbonnaya (2018) investigated the impact of company income tax on the profitability of money deposit banks in Nigeria. This was a built up on the work of Adegbite and Akande (2017) who evaluated the impact of corporate income tax on investment profit taken into accounts some key factors such as allowable and disallowable expenses; allowable and disallowable income; provision of tax incentives; tax reliefs; minimum tax etc that may affect consumer goods businesses. Therefore, this study comes to fill the gap by establishing

whether there is a relationship between company income tax and firms profit among listed consumer goods companies in Nigeria.

Furthermore, this study will examine the Influence of Company Income Tax and Firms' Profitability in Nigeria being one of the developing economies. It also intends to use a FMOLS approach in the analysis of financial results of listed consumers' goods companies over eight years to ascertain robust check of the study.

Objectives of the Study

The broad objective of this study was to examine the company income tax and factors that influence the profit after tax. However, the specific objective of this study was to: Investigate the influence of company Income Tax on Firm's profitability.

Conceptual Review

The macroeconomic implications of a tax-shift were discussed in the theories of fiscal repression according to (Demirgüç-Kunt and Huizinga 1999). The literature stressed the fact about the possibilities of the growth of an economy, are largely affected by the size and efficiency of its financial sector that govern the capital accumulation and allocation processes. It is highly reasonable to presume that the importance of the distortions generated by the taxation of financial services is closely dependent on who is actually carrying the tax burden, the bank or its customers.

Chude (2015) revealed in their study that the amount of company tax paid has an effect on the profitability. The study stated that the positive and significant relation between the profitability and the taxation explanatory variables depicts that policy measures expand tax revenue through the effective tax administration, and has a great positive impact on the growth of the company's profitability. The study recommended that Government should expand the tax yield through improved tax system administration.

Armstrong (2012) examined the relationship between tax management incentives and accounting standards. The effective rate of tax on cash, difference between book and taxable profit, and tax rate where specific information related to managers' reward were used. From this study it was revealed that the incentive reward for financial managers has a strong negative relation with financial effective rate, however, there is a weak positive relation with other variables. It is interpreted that for declining the level of tax costs reported in financial statements, the financial managers have a strong incentive. In the olden economies, Government levied taxes to generate revenue to cover the cost of administration and defense while modern day economy tax is now one of the major sources of government revenue. Taxes are compulsory levies imposed as a rule, not designated for a special purpose; rather they are regarded as a contribution to the general revenue pool from which most government expenditures are financed according to (Ogbonna and Appah 2012).

Corporate Profits after Tax

Profitability is a mechanism used to measure the firms' efficiency utilization of resources and also ability of a firm to generate revenue which is capable of absorbing all necessary, exclusive and reasonable expenses, including tax and then leave a balance that could be revolved back

into the business for expansion. Peavier (2012) defined profitability as the organizational performance indicator which reveals the return on sales and return on investment. Profit after tax is the net amount earned by a business after all tax expenses have been deducted (Ezegwu & Akubo, 2014). The corporate profits after tax are expected to accrue in Nigeria wherever they have arisen (worldwide) and whether or not they have been brought into or received in Nigeria (Ugochukwu & Azubike, 2016). These include profits in respect of any trade or business, rent on use of property, dividends, interest, royalty, discounts, charges, annuities, fees for services rendered and other sources of annual profits or gains.

Company Income (CIT) Tax in Nigeria

The Finance Bill 2019 was an Executive Bill prepared by the Honourable Minister for Finance, Budget and National Planning. It was signed and approved by His Excellency, President Muhammadu Buhari into law to become the Finance Act, 2019. Before the birth of the Finance Act, 2019; the Nigerian domestic revenue mobilization was observed to be one of the lowest in the world. This has had a severely limiting impact on economic growth and creation of an enabling framework for investments. The Federal Government implemented tax amnesty initiatives between 2016 and 2018 to drive up tax revenue and expand the tax base. However, these initiatives have proven insufficient to stimulate the type of revenue growth required. As at 2018, the nation's tax to GDP ratio was estimated at roughly 6%, a slow and unimpressive growth from 2016. The Finance Act is the first of its kind in over two decades and is intended to support the funding of the 2020 budget. The Act contains several long-awaited changes to the tax framework which seek to address issues of low tax revenue growth. In view of global economic and tax trends, the Finance Act also seeks to modernize the Nigerian tax system by incorporating recommendations of the OECD on taxation of the digital economy and profits earned by non-resident companies.

Minimum Tax Provisions

Prior to the enactment of the Finance Act 2019, the generally applicable Company Income Tax (CIT) rate in Nigeria was 30% of taxable profits. However, manufacturing and agric businesses in their first 5 – 7 years were allowed to pay tax at a reduced rate of 20%. Unfortunately, this incentive did not apply to start-ups, Small Enterprises (SEs) and Medium-sized Companies (MSCs), and the provisions states as follow:

Minimum tax is payable by a company when the total profits generated from all sources produced no tax liability, or a tax payable which is less than the minimum specified by the law. Minimum tax was computed and payable at the highest of:
   a. 0.5% of Gross Profit
   b. 0.5% of Net Assets
   c. 0.25% of Paid-Up Share Capital
   d. 0.25% of Turnover of ₦500, 000.

If however the turnover is higher than N500, 000, the minimum tax payable will be the highest of the above plus 0.125% of the excess turnover above N500, 000. The Finance Act 2019 replaces the cumbersome procedure for computing minimum tax, under the Company Income Tax Act (CITA), with a simplified base rate of 0.5% of the qualifying company's gross turnover less franked investment income. This modification was made in recognition of the

need to shift the impact of minimum tax from capital basis to a purely revenue-based approach. The more far-reaching amendment of this section is the deletion of the previously available exemption for companies with at least 25% imported equity capital and the addition of a new class of companies exempted from minimum tax, being small companies with an annual gross turnover of less than N25 million.

Theoretical Review
Ability-To-Pay Approach Theory
This theory was propounded by Kendrick (1939), and emphasized that tax should be levied on individuals and corporate bodies according to their ability to pay. According to the scholar, it was stated that tax burden should be placed on companies and individuals with higher income. He said money for the public expenditure should come from "him that hath" instead of "him that hath not". This implies that more tax burden should be imposed on companies and individuals with higher income. Akapo (2009) stated that the ability to pay theory is one the principles of taxation which are based on the taxpayers' ability to pay thus there is no *'quid pro quo'*. This principle belief that taxes are paid and seen as a sacrifice by the tax payers and also raise the issues of what the sacrifice of each tax payer should be and how it should be measured. This theory has the following principles as an addendum;

- Equal sacrifice: This simply states that the proportional loss of utility as a result of tax paid should be equal for all taxpayers so that those that can afford to pay higher taxes are made to pay than those who cannot afford.
- Equal proportional sacrifice: This principle states that the proportional or quantity of proportional loss as a result of tax paid should be equal for all taxpayers such that the payment of tax paid should not deprive anybody of what he or she would have sacrificed previously.
- Equal marginal sacrifice: The instantaneous loss of utility measured by the derivative of the utility function as a f taxation should be equitable to all taxpayers which will require the least collective sacrifice. This current study evaluates the finding to assess whether the principles under the ability to pay theory is fully adhered to in the case of company income tax in Nigeria.

Empirical Review
Olaoye and Alade (2019) examined the effect of corporate taxation on the profitability of some selected firms in Nigeria from 2007 to 2016. They used secondary data which was sourced from various publications of the firms' financial report using pooled ordinary least square as the estimation technique; the study found that corporate tax and education tax as the major taxes paid by companies have positive and significant effects on profit after tax.

Sebastine and Costel (2018) in their own findings stated that one percentage point increase in overall firm-specific tax rate, triggers 0.15 percentage points decrease in return on assets while, tangibles, leverage and size have a negative effect on listed companies' performance. Also, liquidity, growth and lagged profitability have a positive effect.

 Gartchie et al (2013) used panel data methodology in their study which covered ten listed manufacturing firms for the period of seven years. The study empirically determines the effect of corporate income tax on the financial performance. The findings revealed that there is a

significant negative relationship between corporate income tax and the financial performance of the manufacturing firms. They also went further and stated that the firms' size, age and growth of the firm show a significant positive relationship with financial performance. The study recommended that manufacturing companies should employ the services of tax experts to aid in tax planning in other to reduce the net tax payment in order to increase their financial performance. They should increase their asset size and ensure efficient use of those assets to reflect in the production turnover of the companies.

Velnampy (2006) where Altman Original Bankruptcy Forecasting model based on 25 public listed companies in Sri Lanka were used. The researcher observed the relationship between financial position and profitability, and was concluded that only four companies out of twenty-five companies were financially sound, while others are likely to be bankrupt in the nearest future. The study was based on examination of the earnings to total assets ratio, the ratio of the market value of total equity to book value of debt, sales to total assets, and the most significant ratios on the company's financial position of the companies.

Stability and continuity in tax collection would cause the stability in government planning. The change in the government economics and method of the production and distribution of the revenue and the wealth requires reviewing of the types of the taxes and the collection methods. In today analysis, almost 90 to 95 percent of the general government costs are covered through taxation, in the developed countries (Ahmadi, 2006).

Chipeta (2002) stated in their study that high rate of tax serves as one of the reasons for tax evasion. The study went further to point out that a higher tax rate percentage increases the tax payers' burden and reduces his disposable income and make the possibility of evading tax higher. Richard and Eric (2003) in their research conducted, where the induction of tax policy was designed and developed. The co-integration test, unit root test and ordinary least square regression were used to test the variables. Their findings revealed that globalization and other factors may lead to further convergence of tax system.

Methodology

The study adopted an *ex post facto* design in obtaining secondary data for a balanced panel using purposive sampling technique to select a sample size of fifteen (15) out of the total population of twenty one (21) as at December, 2018 which comprised of annual data of quoted Consumers' Goods Industries in Nigeria for the period of 2012-2018 on corporate income tax and firm profitability due to non- availability of data from remaining firms. The data were obtained from each of the selected firms annual reports while the mathematical equation for estimating the relationship between corporate income tax and firm performance was adapted from the studies of Ezugwu & Akubo (2014) and Olaoye & Alade (2019). The model is stated as follows:

$$PAT \quad = \quad f(CIT) \tag{1}$$

Equally, firm's activities are usually affected by some specific variables due to their roles in various undertakings. The equation (1) incorporates these variables and it becomes:

$$PAT \quad = \quad f(CIT, FMS, NEA) \tag{2}$$

Thus, equation (2) forms the base line equation for this study as other control variables that can influence Profit after Tax (PAT) are incorporated in line with evidence from literature (See Adegbite et al 2018, Olaoye & Alade, 2019)

Hence;

- ✓ PAT   =   Profit after Tax (A measure of Firm's profitability)
- ✓ CIT   =   Company Income Tax (As an Independent variable)
- ✓ FMS   =   Firm's Size (As an independent dummy variable)
- ✓ NEA   =   Net Asset (As an independent dummy variable)

Estimation Procedure

Panel Unit Root Test

A precondition in estimating a panel cointegration is the determination of stationarity (unit root) as well as long run cointegrating relationship in the data sets. This study employs the Im, Pesaran and Shin (IPS) panel unit root test, which is based on the well-known Augmented Dickey-Fuller (ADF) procedure and offered a panel unit roots test that combines time series information from cross sectional units, with fewer time observations required for the test to have power. The IPS test has superior competency above others in analysing long-run relationships in panel data and it specifies a separate ADF regression for each cross-section with individual effects and no time trend. We state equation 3 as follows:

$$\Delta y_{it} = \alpha_i + \rho_i y_{i,t-1} + \sum_{j=1}^{P_i} \beta_{ij} \Delta y_{i,t-j} + \varepsilon_{it} \qquad (3)$$

where $i = 1, \ldots, N$ and $t = 1, \ldots, T$

IPS adopts a different unit root tests for the N cross-section units based on the ADF statistics averaged across groups. Thus, the average of the *t*-statistics for p_1 from the individual ADF regressions $t_{iT_i}(p_i)$: is stated as:

$$\bar{t}_{NT} = \frac{1}{N} \sum_{i=1}^{N} t_{iT}(p_i \beta_i) \qquad (4)$$

The *t*-bar is standardized and its statistic converges to the standard normal distribution as N and $T \rightarrow \infty$.

Panel Cointegration Tests

Having established the panel unit root test, a prerequisite condition for cointegration test is that all variables must be of order I(1). Once this condition is fulfilled, the next step is to test for the existence of a long-run cointegration the specified variables using panel cointegration tests suggested by Pedroni (2004) which comprise seven panel cointegration statistics in determining the fitness of the tests after normalizing the panel statistics with correction terms. The estimated residual for the long-run regression is stated as:

$$y_{i,t} = \alpha_i + \delta_i t + \beta_{1i} x_{1i,t} + \beta_{2i} x_{2i,t} + \ldots + \beta_{Mi} x_{Mi,t} + e_{i,t} \qquad (5)$$

for $t = 1, \ldots, T$; $i = 1, \ldots, N$; $m = 1, \ldots, M$,

where: T is the number of observations over time, N number of cross-sectional units in the panel, and M number of regressors. In this set up, α_i is the member specific intercept which varies across individual cross-sectional units. The same applies to the slope coefficients and member specific time intercepts, $\delta_i t$.

Fully Modified Ordinary Least Squares (FMOLS) Estimation

Once the outcome of the panel unit root and cointegration test satisfy the use of the FMOLS, the study employs the FMOLS procedure in order to obtain asymptotically efficient consistent estimates from the panel series which cater for non-exogeneity and serial correlation problems in regression analysis. It is well known that OLS estimation yields biased results because the regressors are endogenously determined in the $I(1)$ case. The starting point OLS as in the following cointegrated system for panel data:

$$y_{it} = \alpha_i + x'_{it}\beta + e_{it} \tag{6}$$
$$x_{it} = x_{i,t\ 1} + \varepsilon_{it}$$

where $\xi_{it} = \left[e_{it}, \varepsilon'_{it}\right]$ is the stationary with covariance matrix Ω_i. The estimator β will be consistent when the error process $\omega_{it} + [e_{it}, \varepsilon'_{it}]'$ satisfies the assumption of cointegration between y_{it} and x_{it}. The limiting distribution of OLS estimator depends upon nuisance parameters. Based on the position of Phillips and Hansen (1990), a semi-parametric correction is required for the OLS estimator to eliminates the second order bias arising from endogenous regressors. Pedroni (2000) adopts the same principle and allows for the heterogeneity in the short run dynamics and the fixed effects. FMOLS Pedroni's estimator is constructed as follow:

$$\hat{\beta}_{FM} \quad \beta = \sum_{i=1}^{N}\hat{\Omega}_{22i}^{2}\sum_{t=1}^{T}(x_{it} \quad \hat{x}_t)^2 \quad {}^1 \sum_{i=1}^{N}\hat{\Omega}_{11i}^{1}\hat{\Omega}_{22i}^{1}\sum_{t=1}^{T}(x_{it} \quad \overline{x}_t)e_{it} \quad T\hat{\gamma}_i \tag{7}$$

$$\hat{e}_{it} = e_{it} \quad \hat{\Omega}_{22i}^{1}\hat{\Omega}_{2li}, \qquad \hat{\gamma}_i = \hat{\Gamma}_{2li} + \hat{\Omega}_{2li}^{0} \quad \hat{\Omega}_{22i}^{1}\hat{\Omega}_{2li}\left(\hat{\Gamma}_{22i} + \hat{\Omega}_{22i}^{0}\right) \tag{8}$$

where the covariance matrix can be decomposed as $\Omega_i = \Omega_i^0 + \Gamma_i + \Gamma_i$

Ω_i^0 is the contemporaneous covariance matrix,

Γ_i is a weighted sum of autocovariances.

$\hat{\Omega}_i^0$ denotes an appropriate estimator of Ω_i^0.

Thus, this study employs panel group FMOLS test from Pedroni (2000). The test statistics constructed from the panel group estimators are designed to test the null hypothesis $H_0 : \beta_i = \beta_0$ for all i against the alternative hypothesis $H_A : \beta_i \neq \beta_0$, such that the values for β_i are not constrained as the same with the alternative hypothesis.

Results and Discussions
Table 1: Im, Pesaran and Shin W-stat Panel Unit Root Results

	Level		First Difference	
	Statistic	Prob.	Statistic	Prob.
PAT	-0.01586	0.4937	-2.31475	0.0103**
TAX	0.58320	0.7201	-1.38670	0.0428**
SIZE	1.94040	0.9738	-1.87087	0.0307**
NET_ASSET	1.96185	0.9751	-2.17300	0.0149**

Table 1 presents the results of Im-Pesaran-Shin (IPS) Panel Unit Root Test Resultsfor level and first differences. The IPS test allows for heterogeneous coefficients with the null hypothesis that all series follow a unit root process and to reject this, the IPC probability value must be less than or equal the level of significance value of 0.05. The IPS test revealed that all variables are not stationary at level but tend stationary at first difference.

Table 2: Augmented Dickey-Fuller (ADF) - Fisher Chi-square Panel Unit Root Results

	Level		First Difference	
	Statistic	Prob.	Statistic	Prob.
PAT	29.3602	0.4987	54.8523	0.0037**
TAX	22.7097	0.8270	42.7626	0.0415**
SIZE	21.3570	0.8764	52.3378	0.0070**
NET_ASSET	13.4620	0.9960	49.9016	0.0127**

Table 2 presents the Augmented Dickey-Fuller (ADF) - Fisher Chi-square Panel Unit Root Results for level and first differences for the data. This test allows for heterogeneous coefficients with the null hypothesis that all series follow a unit root process and to reject this, the IPC probability value must be less than or equal the level of significance value of 0.05.

3: Pedroni Residual Co-integration Test Result

Common Auto-Regressive coefficients (within-dimension)	Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic	-0.779977	0.7823	-1.581446	0.9431
Panel rho-Statistic	2.139195	0.9838	2.254415	0.9879
Panel PP-Statistic	-11.44311	0.0000	-8.153784	0.0000
Panel ADF-Statistic	-5.804570	0.0000	-4.861253	0.0000
Individual Auto-Regressive coefficients (between-dimension)				
	Statistic	Prob.		
Group rho-Statistic	4.241845	1.0000		
Group PP-Statistic	-9.651672	0.0000		
Group ADF-Statistic	-5.758724	0.0000		

Source: Author's Computation Using E-views 8 (2020)

Table 3 reveals the result of the Pedroni residual co-integration test which shows that two (Panel PP and ADF statistics) out of the four statistics under common auto-regressive coefficients (within-dimension) rejected the null hypothesis of no cointegration in the data series, while two (Group PP and ADF statistics) out of the three under the individual auto-regressive coefficients (between-dimension) rejected the hypothesis of no cointegration in the data series. The Pedroni result was confirmed by Kao Residual, and the result as presented in table 4 below were in accordance with the Pedroni residual co-integration result.

Table 4: Kao Residual Cointegration Test Result

	t-Statistic	Prob.
ADF	-1.679557	0.0465
Residual variance	1.18E+14	
HAC variance	9.69E+13	

Source: Author's Computation Using E-views 8 (2020)

The Kao Residual co-integration test result in table 4 reveals a probability value of 0.0465 which is less than 5%. This implies that the null hypothesis of the Kao test which states that there is no co-integration in the specified variables is rejected. Instead the variables selected for this analysis co-integrated for dynamic panel analysis as they move together in the long run. Having fulfilled the necessary conditions for running the panel FMOLS as shown in the preceding analysis, the result of the FMOLS analysis is presented in the table below:

4.1 Descriptive statistics

	TAX	PAT	SIZE	NA
Mean	1693160	4613186.	68668739	28900007
Median	578697.0	1946490.	39811415	12285297
Maximum	17060374	43008026	3.44E+08	1.51E+08
Minimum	-4183014.	-3866298.	57287.00	-4545559.
Std. Dev.	3318841.	7815230.	79247377	33372802
Skewness	2.707091	2.564596	1.482472	1.291057
Kurtosis	12.02742	10.79893	4.737006	3.998654
Jarque-Bera	475.5500	373.9414	50.67637	32.89399
Probability	0.000000	0.000000	0.000000	0.000000
Sum	1.74E+08	4.75E+08	7.07E+09	2.98E+09
Sum Sq. Dev.	1.12E+15	6.23E+15	6.41E+17	1.14E+17
Observations	104	104	104	104

Source: Author's Computation (2020) Using E-views 10 (2020)

Table 4.1 revealed that the average corporate tax for the selected firms in Nigeria between 2012 and 2018 was ₦1,693,160 with a minimum loan of (₦4,183,014) and a maximum of ₦17,060,374. The average profit after tax was ₦4613186 with a minimum of (₦3,866,298) and a maximum ₦43,008,026 within the period under consideration. Similarly, the average size s

was ₦68,668,739 with a minimum of ₦57,287 and a maximum of ₦343,933,158. The average net asset for the selected period was ₦28,900,007 with a minimum of (₦4,545,559) and a maximum of ₦151,446,296. The Jarque-Bera statistics showed that the data series for corporate tax and firm performance in Nigeria were normally distributed for further analysis.

Discussion of findings

The coefficient of determination (R-square) value of 0.7789 implies that 77.89% of variations in profit after tax can be attributed to changes in variables such as corporate tax, size and net asset. In addition this corroborates the findings in the study of (Sebastine and Costel, 2018) on Romanian listed firms and (Olaoye and Alade, 2019) on Nigerian Listed firms across all sectors though 15 companies were sampled.

Conclusion and Recommendations

This study reveals empirical evidences in support of the significant role that tax plays in determining profit after tax in the consumer goods industry and concludes that tax and profit after tax are positively related. Thus, it is logical to conclude that when government increases tax rate or base the net profit of the company's declines. Tax is an avoidable expense that increases with profit after tax but decreases with net profit similarly; the size and net asset have a positive influence on profit after tax.

Hence it is recommended that the Nigerian government should have a downward review of company income tax rate in order to encourage and boost the employment capacity of the consumers' goods firm and also stimulate their growth. Pay attention to payment of taxes as it has a significant influence on their profitability which can also help to improve the corporate image.

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