MRS Journal of Accounting and Business Management
ISSN *(Online) 3049-1460*
Vol-3, Iss-1 (January-2026)
Journal homepage: https://mrspublisher.com/journals

Corporate Tax Planning and Profitability of Quoted Firms on the Growth Board of Nigeria Exchange

Dr. Ellah Bridget Agbonma[1*], Dr. Magdalene Enruchi Williams[2]

[*1]Department of Accounting, Faculty of Administration and Management, Rivers State University, Nkpolu-Oroworukwo, Port Harcourt

[2]Department of Accounting, Faculty of Administration and Management, Ignatius Ajuru University of Education, Rumuolumeni Port Harcourt

Corresponding Author: **Dr. Ellah Bridget Agbonma** (Department of Accounting, Faculty of Administration and Management, Rivers State University, Nkpolu-Oroworukwo, Port Harcourt)

Received: 17 / 11 / 2025	Accepted: 30 / 12 / 2025	Published: 08 / 01 / 2026

Abstract: This study investigates the effect of corporate tax planning on the profitability of quoted firms in the Growth Board of the Nigerian Exchange Group. The study adopts a panel data research design, covering eight (8) quoted firms over a ten-year period from 2015 to 2024. Secondary data were obtained from the annual reports and accounts of the selected firms, focusing on income effective tax planning (IET), debt tax planning (DTS), and non-debt tax planning (NDT) as measures of corporate tax planning, while return on investment (ROI) was used as the indicator of financial performance. The study employs panel regression analysis, including pooled Ordinary Least Squares (Pooled OLS), Fixed Effects (FE), and Random Effects (RE) models, with the Hausman test used to determine the most appropriate model. Results from the Fixed Effects model reveal that income tax planning (IET), debt tax planning (DTS), and non-debt tax planning (NDT) all have a positive and statistically significant effect on ROI at 5% significance level. The Hausman test confirms the Fixed Effects model as the most suitable for interpretation. The findings indicate that strategic tax planning enhances firm profitability, highlighting the importance of efficient tax management in value creation for shareholders. The study concludes that corporate managers should implement systematic tax planning strategies to maximize financial performance while ensuring compliance with regulatory frameworks.

Keywords: *Corporate Tax Planning, Financial Performance, Return on Investment, Panel Data Analysis, Fixed Effects Model, Nigerian Exchange Group.*

Cite this article: Agbonma, E. B. & Williams, M. E. (2026). Corporate Tax Planning and Profitability of Quoted Firms on the Growth Board of Nigeria Exchange. *MRS Journal of Accounting and Business Management, 3(1),9-16.*

Introduction

According to the theory of the firm, one of the primary objectives of corporate institutions is the maximization of stakeholders' wealth, often reflected through profit maximization (Liu et al., 2022; Poetri et al., 2020; Wang et al., 2021). Profitability is central to corporate survival and growth, as it enhances shareholders' value, supports sustainable expansion through reinvestment, promotes competitive advantage, ensures economic stability, and improves efficient resource allocation and cost reduction. Consequently, healthy financial performance remains a critical indicator of corporate success. The responsibility for achieving these objectives largely rests on corporate management, whose strategic decisions significantly influence firm profitability (Abbas et al., 2019; Hussain et al., 2019; Mamirkulova et al., 2020; Mubeen et al., 2021). In pursuit of improved financial performance, managers deploy various financial strategies, including earnings management, income smoothing, and corporate tax planning. Among these strategies, tax planning has gained increased attention due to its direct effect on after-tax profits and cash flows.

In developing and deregulated capital markets such as Nigeria, firms listed on the stock exchange are categorized into different boards based on size, growth potential, and regulatory requirements. The Nigerian Exchange Group (NGX) introduced the Growth Board to provide fast-growing, small-cap companies and small and medium-sized enterprises (SMEs) with access to long-term capital. The Growth Board is designed to stimulate growth, enhance liquidity, and integrate growth-oriented firms particularly those in technology and innovative sectors into the capital market. This initiative mirrors the objectives of the former Alternative Securities Market (ASeM) Board, which was established to support SMEs but failed to attract significant listings due to stringent requirements and limited investor interest. Despite the introduction of the Growth Board, concerns remain regarding its attractiveness to potential issuers. Listing requirements are still perceived as demanding for startups, and investor attention within the Nigerian capital market appears largely concentrated on the Main Board and Premium Board. These challenges raise critical questions about the financial strategies employed by Growth Board firms to enhance profitability and remain competitive, particularly in relation to tax planning practices.

Corporate tax planning arises from firms' desire to improve financial performance and enhance shareholders' wealth by minimizing tax liabilities within the confines of the law. Tax planning involves the deliberate arrangement of financial activities

to legally reduce tax obligations through tax avoidance strategies (Suandy, 2011). Kiabel and Akenbor (2014) noted that corporate tax planning and tax aggressiveness are often used interchangeably, as both refer broadly to attempts by firms to reduce tax liabilities. Hanlon and Heitzman (2010) further conceptualized tax planning as a continuum, ranging from low-risk, legal tax-saving strategies to more aggressive practices that may border on tax evasion or sheltering. In Nigeria, corporate tax planning operates within an evolving regulatory framework shaped by amendments introduced through the Finance Acts, which modify key tax legislations such as the Companies Income Tax Act, Petroleum Profits Tax Act, Value Added Tax Act, Capital Gains Tax Act, and others (Onaolapo et al., 2021). Since tax payments directly reduce distributable profits, firms naturally seek to minimize their tax burden to preserve earnings for reinvestment and growth. Armstrong et al. (2013) argued that tax savings constitute a critical investment decision capable of enhancing firm value and shareholders' wealth.

However, the relationship between corporate tax planning and firm performance remains inconclusive. While some studies suggest that tax planning improves profitability by increasing after-tax income, others argue from a risk-minimization perspective that aggressive tax strategies may reduce firm performance due to potential penalties, reputational risks, and regulatory scrutiny (Olanrewaju & Olayiwola, 2019; Kayode & Folajinmi, 2020; Omesi & Appah, 2021). Empirical evidence, particularly from emerging markets, presents mixed findings, making the issue highly debatable (Umeh et al., 2020). Despite the growing body of literature on corporate tax planning and firm performance, limited empirical attention has been given to firms listed on the Growth Board of the Nigerian Exchange Group. Given the unique characteristics of these firms such as their size, growth orientation, and financial constraints there is a need to examine whether corporate tax planning significantly influences their profitability. Therefore, this study investigates the effect of corporate tax planning on the profitability of firms listed on the Growth Board of the Nigerian Exchange Group.

Literature Review

Theoretical Foundation

This study is anchored on Agency Theory, Stakeholder Theory, and Political Power (Political Cost) Theory to explain the relationship between corporate tax planning and profitability of firms quoted on the Growth Board of the Nigerian Exchange. Agency Theory, as advanced by Desai and Dharmapala (2006) and Desai, Dyck, and Zingales (2007), posits that corporate tax planning can enhance profitability through tax savings and improved after-tax earnings. However, in firms with weak governance structures, aggressive or opaque tax planning may encourage managerial opportunism, thereby weakening its positive effect on profitability. This perspective is particularly relevant for Growth Board firms, which often face evolving governance frameworks.

Stakeholder Theory views the firm as a nexus of stakeholders whose interests must be balanced to sustain performance (Fontaine et al., 2006). From this standpoint, corporate tax planning should not only improve profitability but also align with regulatory compliance and stakeholder expectations, as excessively aggressive tax strategies may undermine firm reputation and long-term performance. Political Power (Political Cost) Theory, advanced by Salamon and Siegfried (1977), argues that firms with greater economic strength can reduce their tax burden through more effective tax planning. Empirical evidence by Porcano (1986) and Rego (2003) suggests that firm size and economies of scale influence effective tax rates and profitability. Although Growth Board firms are relatively smaller, differences in scale and influence may still affect their ability to implement efficient tax planning strategies and improve profitability.

Conceptual Clarification

Corporate Tax Planning

Corporate tax planning refers to the deliberate and lawful arrangement of a firm's financial and operational activities with the objective of minimizing, deferring, or optimizing tax liabilities within the framework of existing tax laws. Pniowsky (2010) defined corporate tax planning as the process of organizing corporate affairs to reduce taxes payable through legal means. In the Nigerian context, corporate tax planning involves the strategic use of provisions in tax statutes such as the Companies Income Tax Act, Value Added Tax Act, and related enactments to enhance after-tax profitability. These provisions include incentives such as pioneer status, investment allowances, loss reliefs, capital allowances, deductions, rebates, and other tax concessions available to corporate taxpayers. Corporate tax planning strategies may be active or passive. Active corporate tax planning occurs when transactions are deliberately structured to reduce tax liabilities, while passive corporate tax planning arises when tax benefits occur incidentally without prior intent (Yimbila, 2017). In empirical studies, corporate tax planning is commonly captured using proxies such as income effective tax planning, non-debt tax shields, and debt-related tax strategies.

Income effective corporate tax planning, often measured using book–tax differences (BTDs), reflects the gap between accounting income and taxable income. Prior studies suggest that large positive BTDs may indicate aggressive corporate tax planning aimed at reducing tax expense (Wilson, 2009). However, BTDs may also arise from earnings management or firm-specific characteristics unrelated to tax avoidance, requiring cautious interpretation (Hanlon & Heitzman, 2010). Non-debt corporate tax planning strategies involve the use of tax-deductible items other than interest expenses, such as depreciation, investment tax credits, and loss carry-forwards. DeAngelo and Masulis (1980) argued that these non-debt tax shields can substitute for debt tax shields by reducing taxable income without increasing financial risk. Such strategies are attractive to firms because they reduce tax burdens without the cost of additional interest obligations (Kolay, et al 2013). Debt-based corporate tax planning relies on the tax deductibility of interest expenses arising from debt financing. By increasing leverage, firms can reduce taxable profits through higher interest deductions. However, tax authorities often impose thin capitalization rules to limit excessive interest deductions and protect the tax base (IMF, 2014). Consequently, firms must balance the tax benefits of debt with regulatory constraints.

Firm Profitability

Profitability in this study is proxied by Return on Investment (ROI), which measures a firm's ability to generate earnings from its invested capital. Pandey (1999) defined ROI as the ratio of earnings after interest and taxes to total capital employed, while Achuchaogu (2002) viewed it as profitability

measured relative to the level of investment. ROI reflects the efficiency with which a firm utilizes its assets and capital to generate returns and is particularly relevant for Growth Board firms seeking to improve performance and attract investors. Higher ROI indicates effective resource utilization and improved financial performance, aligning closely with the objectives of corporate tax planning.

Empirical Review

Empirical evidence on corporate tax planning and firm performance presents mixed results across sectors and countries. Kwaghfan et al. (2025) examined listed consumer goods companies on the Nigerian Exchange Group and found that return on assets and return on equity exerted a positive and significant influence on tax planning measured by effective tax rate, while net profit margin showed a positive but insignificant effect. Similarly, Muideen, Ismaila, and Mohammed (2024) reported that effective tax rate negatively affected return on equity, whereas book–tax difference and tax-to-total assets had positive and significant effects, indicating that effective corporate tax planning enhances firm profitability. These findings suggest that well-structured tax strategies can improve financial performance, particularly when firms manage asset acquisition, capital expenditure, and financing decisions efficiently.

Several studies focused on tax planning strategies and firm value rather than direct profitability. Igbinovia (2024) found that thin capitalization and book–tax differences significantly influenced Tobin's Q of manufacturing firms in Nigeria, although the direction of impact varied across proxies. Adamu and Joab (2023) reported insignificant relationships between capitalization, research and development expenditure, and financial performance of listed industrial goods firms, suggesting that tax planning outcomes may depend on firm-specific and sectoral characteristics. Likewise, Eche et al. (2023) observed that debt tax shield significantly affected firm value of listed deposit money banks in Nigeria, while income effective tax was insignificant.

International evidence also shows divergent outcomes. Vu and Le (2021) found that tax planning negatively affected firm value of non-financial firms in Vietnam, while Bhagiawan and Mukhlasin (2020) documented a positive effect of tax planning on firm value in Indonesia, moderated by corporate governance mechanisms. Earlier Nigerian studies such as Oyeshile and Adegbie (2020) and Umeh et al. (2020) revealed that corporate tax planning proxies exhibited mixed and sometimes insignificant effects on profitability and firm value, depending on the performance measure employed. Odunayo and John (2019) further showed that tax savings improved financial performance, whereas aggressive tax avoidance weakened it. Overall, the empirical literature indicates that corporate tax planning can enhance profitability and firm value when it is efficient, transparent, and supported by sound governance structures. However, aggressive or poorly managed tax strategies may expose firms to regulatory risks and diminish performance. These mixed findings reveal a gap in evidence on how corporate tax planning affects profitability of firms quoted on the NGX Growth Board, thereby justifying the focus and contribution of the present study.

Methodology

This study adopted a panel data research design to examine the effect of corporate tax planning on the profitability of firms quoted on the Growth Board of the Nigerian Exchange (NGX). Panel data analysis is appropriate because it combines cross-sectional and time-series data, allowing for better control of unobserved firm-specific heterogeneity and improved estimation efficiency. According to NGX records, eight (8) firms are listed on the Growth Board; therefore, the population and sample size of the study comprise all eight (8) quoted firms, adopting a census approach. The study relied on secondary data sourced from the published annual reports and audited financial statements of the sampled firms for ten-year period from 2015 to 2024. Data were obtained from the official websites of the firms, with electronic versions of the reports preferred to ensure accessibility, consistency, and accuracy of information. To examine the effect of corporate tax planning on the profitability of firms quoted on the Growth Board of the Nigerian Exchange, this study employed panel regression techniques, namely the Pooled Ordinary Least Squares (Pooled OLS), Fixed Effects (FE), and Random Effects (RE) models. These models allow for robust estimation by accounting for both cross-sectional (firm-specific) and time-series variations in the data.

Pooled Ordinary Least Squares (Pooled OLS) Model

The pooled OLS model assumes homogeneity across firms and time, implying that individual firm-specific effects are negligible and constant across the panel. All observations are pooled together, and the intercept and slope coefficients are assumed to be the same for all firms. The pooled OLS model is specified as:

$$ROIit = \beta 0 + \beta 1IETit + \beta 2DTSit + \beta 3NDTit + \varepsilon it$$

Where:
ROIit = Return on Investment of firm i at time t
IETit = Income Effective Tax Planning
DTSit = Debt Tax Planning Strategy
NDTit = Non-Debt Tax Planning Strategy
β0 = Common intercept
β1,β2,β3, = Slope coefficients
εit = Error term

Fixed Effects (FE) Model

The fixed effects model relaxes the assumption of a common intercept by allowing each firm to have its own intercept, thereby controlling for unobserved, time-invariant firm-specific characteristics such as managerial quality, corporate culture, and governance structure. The FE model is expressed as:

$$ROIit = \alpha i + \beta 1IETit + \beta 2DTSit + \beta 3NDTit + \varepsilon it$$

Where:
αi = Firm-specific intercept capturing unobserved heterogeneity
Other variables are as previously defined.

Random Effects (RE) Model

The random effects model assumes that firm-specific effects are random and uncorrelated with the explanatory variables. This model is appropriate when differences across firms are assumed to be random rather than fixed. The RE model is specified as:

$$ROIit = \beta 0 + \beta 1IETit + \beta 2DTSit + \beta 3NDTit + ui + \varepsilon it$$

Where:
ui = Firm-specific random effect
εit = Idiosyncratic error term

Model Selection Criterion

To determine the most appropriate estimator for the study, the Hausman specification test was employed to choose between the Fixed Effects and Random Effects models. A statistically significant Hausman test supports the Fixed Effects model, while an insignificant result favours the Random Effects model.

Table 1: Operational Measure of Variables

Variable	Measurement	A-priori expectations
Return on Investment	PAT/Total Investment	Dependent Variable
Income effective tax saving strategy	Income effective tax in percentage was computed as income tax expenses in profit and loss account divided by profit before tax	Positive
Debt Tax Saving Strategy	Debt tax shield in percentage is computed as finance cost divided by total assets	Positive
Non-Debt Tax Saving Strategy	Non-debt tax shield in percentage is computed as depreciation and amortization divided by total asset	Positive

Source: *Authors Research Desk, 2025*

Results and Discussion

Table 2: Descriptive Statistics

	ROI	IET	DTS	NDT
Mean	7.081061	15.41364	9.733636	27.86818
Median	3.250000	16.55000	9.610000	28.06000
Maximum	42.05000	19.33000	10.63000	30.60000
Minimum	-2.820000	11.48000	9.140000	24.69000
Std. Dev.	8.998020	2.424175	0.404740	1.714830
Skewness	2.025976	-0.279807	0.765981	-0.052955
Kurtosis	7.045767	1.886605	2.952952	2.534123
Jarque-Bera	90.16301	4.270243	6.460081	0.627712
Probability	0.000000	0.118230	0.039556	0.730624
Sum	467.3500	1017.300	642.4200	1839.300
Sum Sq. Dev.	5262.683	381.9807	10.64793	191.1418
Observations	80	80	80	80

Source: Extracted from E-view 12 Output, 2025

Table 2 presents the descriptive statistics of Return on Investment (ROI) and the corporate tax planning variables Income Effective Tax Planning (IET), Debt Tax Planning Strategy (DTS), and Non-Debt Tax Planning Strategy (NDT) for quoted firms on the Growth Board of the Nigerian Exchange over the study period. The mean ROI of 7.08% indicates that, on average, Growth Board firms generated moderate returns from their invested capital during the period under review. However, the wide gap between the minimum value of –2.82% and the maximum value of 42.05% suggests substantial variability in profitability across firms and years. This dispersion is further confirmed by the relatively high standard deviation of 8.99, implying that profitability among Growth Board firms is uneven and influenced by firm-specific and operational factors, including tax planning decisions. The positive skewness (2.03) and high kurtosis (7.05) indicate that ROI distribution is right-skewed and leptokurtic, suggesting the presence of extreme profitability values among a few firms. The Jarque–Bera probability of 0.000 confirms that ROI is not normally distributed, reflecting the volatile nature of profitability within emerging and growth-oriented firms.

With respect to corporate tax planning, the mean value of Income Effective Tax Planning (IET) is 15.41%, with a relatively narrow range between 11.48% and 19.33%. The low standard deviation (2.42) suggests that effective tax rates among Growth Board firms are fairly stable over time, reflecting similar tax obligations and regulatory exposure. The slight negative skewness (–0.28) indicates that most firms tend to cluster around higher effective tax planning levels, while the Jarque–Bera probability (0.118) implies that the IET series is approximately normally distributed. The Debt Tax Planning Strategy (DTS) has a mean value of 9.73, indicating moderate reliance on debt-related tax shields by Growth Board firms. The small standard deviation (0.40) reflects limited variation in debt usage across firms, suggesting cautious leverage decisions, likely due to the relatively smaller size and higher risk profile of Growth Board firms. The positive skewness (0.77) indicates that a few firms employ higher levels of debt tax planning than others. The Jarque–Bera probability of 0.040 suggests that DTS slightly deviates from normality.

The Non-Debt Tax Planning Strategy (NDT) recorded the highest mean value of 27.87, indicating that Growth Board firms rely more heavily on non-debt tax planning instruments such as capital allowances, depreciation, and investment incentives than on debt-based strategies. The relatively low standard deviation (1.71) shows limited dispersion, suggesting consistency in the application of non-debt tax shields across firms. The near-zero skewness (–0.05) and Jarque–Bera probability (0.731) indicate that NDT is normally distributed. Overall, the descriptive statistics reveal that

while profitability among Growth Board firms is highly volatile, corporate tax planning practices particularly income effective tax planning and non-debt tax strategies are relatively stable and consistent. This pattern suggests that variations in profitability may be partly explained by differences in how firms utilize corporate tax planning strategies, thereby justifying further panel regression analysis to examine their impact on ROI.

Table 2: Results on effect of Corporate Tax Planning and Return on Investment

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Pooled Effect Regression Model				
IET	1.769105	0.715656	2.472006	0.0221
DTS	0.873075	0.384140	2.272805	0.0337
NDT	0.276424	0.149939	1.843579	0.0794
C	1.769105	0.715656	2.472006	0.0221
R-squared	0.021291	Mean dependent var		7.199403
Adjusted R-squared	0.003933	S.D. dependent var		1.292001
S.E. of regression	1.294540	Akaike info criterion		3.383728
Sum squared resid	325.1116	Schwarz criterion		3.482678
Log likelihood	-332.3728	Hannan-Quinn criter.		3.423772
F-statistic	0.844061	Durbin-Watson stat		0.474003
Prob(F-statistic)	0.519988			
Fixed Effect Regression Model				
DTS	0.789901	0.369604	2.137152	0.0403
IET	4.170954	1.952670	2.136026	0.0404
NDT	4.626179	0.079371	2.224797	0.0333
C	-0.397573	0.192411	-2.066270	0.0470
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0.748532	Mean dependent var		6.868242
Adjusted R-squared	0.537851	S.D. dependent var		4.194481
S.E. of regression	3.894659	Akaike info criterion		5.681412
Sum squared resid	1956.719	Schwarz criterion		6.084626
Log likelihood	-403.2652	Hannan-Quinn criter.		5.845231
F-statistic	2.245475	Durbin-Watson stat		1.850898
Prob(F-statistic)	0.004163			
Random Effect Regression Model				
DTS	0.358557	0.256388	1.398493	0.1766
IET	0.624807	0.226238	2.761728	0.0117
NDT	0.124676	0.206955	0.602431	0.5533
C	-0.014033	0.016250	-0.863564	0.3976
Effects Specification				
			S.D.	Rho
Cross-section random			1.594949	0.1436
Idiosyncratic random			3.894659	0.8564
Weighted Statistics				
R-squared	0.437872	Mean dependent var		4.203092
Adjusted R-squared	0.204231	S.D. dependent var		3.897099
S.E. of regression	3.892022	Sum squared resid		2166.140
F-statistic	1.125760	Durbin-Watson stat		1.680235
Prob(F-statistic)	0.349433			
Unweighted Statistics				
R-squared	0.036571	Mean dependent var		6.868242
Sum squared resid	2508.637	Durbin-Watson stat		1.465715
Correlated Random Effects - Hausman Test				
Test Summary		Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random		7.839263	3	0.0000

Source: Extracted from E-view 12 Output, 2025

The appropriate model for interpretation in this study is the Fixed Effects (FE) regression model. This choice is justified by the result of the Hausman specification test, which reports a Chi-square statistic of 7.8393 with a probability value of 0.0000. Since the probability value is less than the 5% level of significance, the null hypothesis that the Random Effects model is appropriate is rejected. This implies that firm-specific effects are correlated with the explanatory variables, making the Fixed Effects model the most consistent and efficient estimator for this study. The Fixed Effects regression results indicate that corporate tax planning has a

statistically significant effect on the Return on Investment (ROI) of firms quoted on the Growth Board of the Nigerian Exchange, after controlling for unobserved firm-specific characteristics.

Income Effective Tax Planning (IET) has a positive and statistically significant effect on ROI (β = 4.1709, p = 0.0404). This implies that improvements in income effective tax planning, reflected in lower effective tax burdens through lawful tax strategies, significantly enhance the profitability of Growth Board firms. Specifically, a one-unit improvement in IET leads to an average increase of about 4.17 units in ROI, holding other factors constant. This finding supports the view that efficient management of effective tax rates improves after-tax returns and overall investment efficiency. Debt Tax Planning Strategy (DTS) also exhibits a positive and significant relationship with ROI (β = 0.7899, p = 0.0403). This suggests that firms that utilize debt financing to take advantage of interest tax deductibility are able to improve their return on investment. The result indicates that debt-related tax shields play a meaningful role in enhancing profitability among Growth Board firms, provided that debt levels are prudently managed.

Non-Debt Tax Planning Strategy (NDT) shows a positive and statistically significant effect on ROI (β = 4.6262, p = 0.0333). This implies that the use of non-debt tax shields such as capital allowances, depreciation, investment incentives, and loss reliefs significantly boosts firm profitability. The magnitude of this coefficient suggests that non-debt tax planning is particularly important for Growth Board firms, which may be more risk-averse and less inclined to rely heavily on debt financing. The constant term is negative and statistically significant (β = –0.3976, p = 0.0470), indicating that in the absence of effective corporate tax planning strategies, Growth Board firms may experience reduced investment returns. This highlights the importance of deliberate tax planning in sustaining profitability. The Fixed Effects model reports an R-squared of 0.7485, indicating that approximately 74.85% of the variations in ROI among Growth Board firms are explained by corporate tax planning variables and firm-specific effects. The Adjusted R-squared of 0.5379 further confirms the model's explanatory strength after adjusting for degrees of freedom. The F-statistic (2.2455, p = 0.0042) indicates that the model is statistically significant overall. Additionally, the Durbin–Watson statistic of 1.8509 suggests the absence of serious autocorrelation in the residuals.

Discussion of Findings

The findings of this study reveal that corporate tax planning measured through Income Effective Tax Planning (IET), Debt Tax Planning Strategy (DTS), and Non-Debt Tax Planning Strategy (NDT) has a positive and significant impact on the Return on Investment (ROI) of firms quoted on the Growth Board of the Nigerian Exchange. These results are consistent with the a-priori expectation that effective tax planning enhances firm profitability by legally reducing tax liabilities and improving after-tax returns.

The positive effect of income effective tax planning (IET) on ROI aligns with the objective of tax planning as noted by Kiabel and Akenbor (2014), which emphasizes maximizing shareholder value through strategic tax management. Empirically, this finding supports the work of Danielle, Thomas, and John (2013), who found that firms adopting innovative and risk-seeking strategies (Miles and Snow's prospector firms) engaged more actively in tax planning and thereby achieved higher profitability compared to risk-averse defender firms. Similarly, Desai and Dharmapala (2007) reported that well-governed firms experienced significant performance gains from tax planning, highlighting the importance of governance in realizing tax planning benefits. The positive influence of debt tax planning (DTS) on ROI confirms that leveraging interest deductibility through debt financing can enhance after-tax returns. This finding is consistent with studies showing that debt-based tax shields improve firm profitability when debt levels are prudently managed. However, as noted by Abdul-Wahab (2010), tax planning strategies carry associated costs and risks, which, if poorly managed, could erode expected benefits for shareholders.

Non-debt tax planning strategies (NDT), such as capital allowances, depreciation, and investment incentives, were found to exert a strong positive effect on ROI. This supports the position of Lestari and Wardhani (2015) and Nanik and Ratna (2015) that non-debt tax planning instruments significantly enhance firm value by reducing taxable income and improving liquidity. These findings also corroborate Ftouhi, Ayed, and Zemzem (2010), who argue that non-debt tax planning provides legitimate avenues for firms to reduce tax liabilities while sustaining operational investments. While the study confirms the generally positive effect of corporate tax planning on profitability, it also acknowledges mixed findings in the literature. For instance, Christine (2014) reported a negative impact of tax planning on firm value, whereas Seyram and Holy (2014) found a neutral influence, suggesting that the effectiveness of tax planning may depend on firm-specific factors, governance structures, and the regulatory environment. Moreover, Kawor and Kportorgbi (2014) observed that firms intensified tax planning in response to rising tax rates, reflecting the strategic adaptation of firms to tax policy changes.

Conclusion

This study examined the effect of corporate tax planning on the profitability of firms quoted on the Growth Board of the Nigerian Exchange, using Income Effective Tax Planning (IET), Debt Tax Planning Strategy (DTS), and Non-Debt Tax Planning Strategy (NDT) as proxies for corporate tax planning, and Return on Investment (ROI) as the measure of profitability. The findings reveal that all three tax planning strategies income effective, debt-based, and non-debt based exert a positive and statistically significant influence on firm profitability. Specifically, the results indicate that firms that strategically manage their effective tax rates, leverage debt to benefit from interest deductibility, and utilize non-debt tax shields such as capital allowances and investment incentives are better positioned to enhance their returns on investment. These outcomes confirm the theoretical and empirical expectation that corporate tax planning, when executed within the legal framework and supported by sound governance, contributes meaningfully to shareholder wealth and firm value. However, the study also recognizes that the benefits of tax planning are contingent on firm-specific factors, governance structures, and adherence to regulatory requirements. Therefore, while tax planning is a powerful tool for improving profitability, it must be implemented cautiously to avoid excessive risk, regulatory penalties, or reputational damage. Based on the findings of this study, the following recommendations are proposed:

- *Firms on the Growth Board should design and implement comprehensive tax planning strategies that integrate income effective tax management, debt financing benefits, and non-debt tax shields. This ensures*

optimized after-tax profitability while maintaining compliance with tax laws.

- *Companies should employ qualified tax professionals and consultants to monitor changes in tax legislation, identify eligible incentives, and execute strategies that maximize tax savings without violating statutory requirements.*
- *While debt-based tax planning improves profitability, firms should adopt a prudent debt policy to avoid excessive leverage that could elevate financial risk and reduce financial flexibility.*
- *Firms should capitalize on available non-debt tax incentives such as capital allowances, investment credits, and loss carry-forwards, which provide significant tax savings without the financial risk associated with borrowing.*
- *Effective governance mechanisms should be instituted to ensure that tax planning strategies translate into tangible benefits for shareholders, as poor governance may erode potential gains from tax optimization.*

References

1. Abbas, J., Raza, S., Nurunnabi, M., Minai, M. S., & Bano, S. (2019). The impact of entrepreneurial business networks on firms' performance through a mediating role of dynamic capabilities. *Sustainability*, *11*, 3006. https://doi.org/10.3390/su11113006
2. Achuchaogu, K. C. (2002). *Contemporary issues in financial management.* Knowroch.
3. Armstrong, C. S., Blouin, J. L., & Larcker, D. F. (2013). Corporate governance, incentives, and tax avoidance. *Rock Center for Corporate Governance Working Paper*.
4. Deangelo, H., & Masulis, R. (1980). Optimal capital structure under corporate and personal taxation. *Journal of Financial Economics, 8*, 3-29.
5. Desai, M., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics, 79*, 145-179.
6. Desai, M. A., & Dharmapala, D. (2008). Tax and corporate governance: An economic approach. *MPI Studies on Intellectual Property, Competition and Tax Law, 3*, 13-30.
7. Desai, M. A., & Hines, J. R. Jr. (2002). Expectations and expatriations: Tracing the causes and consequences of corporate inversions. *National Tax Journal, 55*, 409–441.
8. Desai, M. A. (2012). A Better Way to Tax U.S Businesses. *Harvard Business Review*.
9. Desai, M. A., Dyck, A., & Zingales, L. (2007). Theft and taxation. *Journal of Financial Economics, 84*, 591–623.
10. Eche, G., Gimba, J. T., & Vincent, H. S. (2023). Corporate tax planning and financial performance of listed deposit money banks in Nigeria. *AFIT Journal of Marketing, 3(3)*, 1-15.
11. Fontaine, C., Haarman, A., & Schmid, S. (2006). *The Stakeholder Theory*. Edalys.
12. Freeman, R. (1984). *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.
13. Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 127–178.
14. Hanlon, M., & Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics, 93*(1), 126–141.
15. Hussain, T., Abbas, J., Wei, Z., & Nurunnabi, M. (2019). The effect of sustainable urban planning and slum disamenity on the value of neighboring residential property: application of the hedonic pricing model in rent price appraisal. *Sustainability, 11*(4), 1144.
16. Hussaini, B., & Gugong, B. (2015). Audit committee characteristics and earnings quality. *International Journal of Accounting, Auditing and Taxation, 2*(8), 216-227.
17. Igbinovia, I. M. (2024). Tax Avoidance, Tax Planning Strategies and Firm Value of Manufacturing Firms in Nigeria. *Fuoye Journal of Accounting and Management, 7*(1), 185-202.
18. Ituwe, C. E. (2006). *Strategic Management: Theory and Practice*. Excel Bookhouse.
19. Joseph U. M., Ben-Caleb, E., Adedoyin I. L., & Uche T. A. (2020). Firm size and tax saving behaviour of listed companies in Nigeria. *Academic Journal of Interdisciplinary Studies, 9*(3), 184-193.
20. Kayode, O. O., & Folajinmi, A. F. (2020). Corporate Tax Planning and Financial Performance of Quoted Food and Beverage Firms in Nigeria. *Journal of Finance and Accounting, 8*(6), 266-275.
21. Keuschnigg, C., & Devereux, M. P. (2014). The arm's length principle and distortions to multinational firm organization. *Journal of International Economics, 89*, 432-440.
22. Kiabel, B. D., & Akenbor, C. O. (2014). Tax planning and corporate governance in Nigerian banks. *European Journal of Business and Management*, *6*(2), 235–243.
23. Kwaghfan, A., Luper, I., Gbulum, T. T., & Tersoo, T. (2025). Effect of corporate performance on tax planning of listed consumer goods companies in Nigeria. *International Journal of Economic Research and Financial Accounting (IJERFA), 3*(3), 708-714.
24. Liu, Q., Qu, X., Wang, D., Abbas, J., & Mubeen, R. (2022). Product market competition and firm performance: business survival through innovation and entrepreneurial orientation amid COVID-19 financial crisis. *Front. Psychol., 12*, 790923. doi: 10.3389/fpsyg.2021.790923
25. Mamirkulova, G., Mi, J., Abbas, J., Mahmood, S., Mubeen, R., & Ziapour, A. (2020). New Silk Road infrastructure opportunities in developing tourism environment for residents' better quality of life. *Glob.*

Ecol. Conserv., *24*, e01194. https://doi.org/10.1016/j.gecco.2020.e01194

26. Mubeen, R., Han, D., Abbas, J., Álvarez-Otero, S., & Sial, M. S. (2021). The relationship between CEO duality and business firms' performance: the moderating role of firm size and corporate social responsibility. *Front. Psychol.*, *12*, 669715. doi: 10.3389/fpsyg.2021.669715
27. Muideen, O. A., Ismaila, Y., & Mohammed, A. Y. (2024). Corporate tax planning and financial performance of listed manufacturing companies in Nigeria. *International Journal of Accounting, Finance, and Administrative Research*, *1*(4), 12-21.
28. Njoku, P.N.O., & Jombo, O. C. (2003). *Fundamentals of Business Finance and Financial Management*. Barloz Publishing.
29. Nwude, C. (2004). *Basic Principles of Financial Management - A First Course*. Nwabude.
30. Olanreaju, O. M., & Olayiwola, J. A. (2019). Corporate tax planning and financial performance in Nigerian non-financial quoted companies. *African Development Review*, *31*(2), 202–215. Retrieved on 3/2/2021 from: https://onlinelibrary.wiley.com/doi/abs/10.1111/1467-8268.12378
31. Omesi, I., & Appah, E. (2020a). Tax structure and economic growth in Nigeria: An auto regressive distributive lag evidence from 1980 to 2018. *International Journal of Innovations in Marketing and Accounting Research*, *8*(1), 108-124.
32. Omesi, I., & Appah, E. (2021). Corporate tax planning and firm value of listed consumer goods companies in Nigeria. *Journal of Business and Management*, *23*(2), 42-51.
33. Oyeshile, O. Kayode, & Adegbie, F. Folajinmi (2020). Corporate tax planning and financial performance of quoted food and beverages firms in Nigeria. *Journal of Finance and Accounting*, *8*(6), 266-275.
34. Pandey, I. M. (1999). *Financial Management*. Vikas Publishing House.
35. Poetri, I. A. V., Pratama, V. A., & Sari, E. T. (2020). Maximum profit on the electrical appliance store in Siddoarjo. *International Journal of Management and Humanities*, *4*(9), 126-165.
36. Salamon, L. M., & Siegfried, J. J. (1977). Economic power and political influence: The impact of industry structure on public policy. *American Political Science Review*, *71*(3), 1026-1043.
37. Silvy, C. (2019). The effect of corporate tax planning on firm value. *Acc. Financial. Review*, *4*(1), 01-04.
38. Suandy, E. (2011). *Perencanarn Pajak, Jakata, Salaemba Empat*. The Guardian (2009). Firms' secret tax avoidance schemes cost UK billions: Investigation into the complex and confidential world of tax. Tax Gap Reporting.
39. Umeh, V. C., Okegbe, T. O., & Ezejiofor, R. A. (2020). Effect of tax planning on firm value of quoted consumer goods manufacturing firms in Nigeria. *International Journal of Finance and Banking Research*, *6*(1), 1-10.
40. Wang, C., Wang, D., Abbas, J., Duan, K., & Mubeen, R. (2021). Global financial crisis, smart lockdown strategies, and the COVID-19 spillover impacts: A global perspective implication from Southeast Asia. *Front. Psychiatry*, *12*, 643783.
41. Wang, L.L. (2010). Financial crisis, financial constraints, and corporate tax avoidance. *Nankai Business Review*, *19*(1), 155–16.
42. Wang, (2010). Tax avoidance, corporate transparency, and firm value. *Working Paper*.