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Tax Planning and Firms' Value in Nigeria

Sinebe, M. T.
Department of Accounting, Faculty of Management Sciences, Delta State University, Abraka

Emudainohwo, O. B. PhD.
Department of Accounting, Faculty of Management and Social Sciences, Dennis Osadebay University

ABSTRACT

The connection between tax preparation and firm's value matters. Thus, this study examined tax planning proxy with income effective tax and cash effective tax influence on firm value proxy with Tobins Q in Nigeria. The researchers sampled forty-four non-financial firms listed on the Nigeria Exchange Group over the period 2011 to 2020. The variables data extracted from sampled firm's annual report and account were subjected to panel multiple regressions analysis after rigorous data exploration. The study finds that income effective tax and cash effective tax has insignificant adverse impact on firm value for the period examined. The study recommends that, management should examine their tax savings activities to enable them to improve their firm's value.

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Introduction

Tax is described as a "compulsory levy" on businesses, individuals and organizations by the government. Tax revenue is used for providing services such as good amenities, social infrastructures, security, and development in various segment of an economy and for the well-being of its citizens. Towards achieving tax objectives, several tax strategies are used by the government (Omesi & Appah,

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2021a). However, high company taxation constitutes major concern to firms as it results in effective tax rate exceeding the statutory income tax rate. This stipulation has the effect of establishing a high-cost structure for the firms, as a result, corporate bodies continually implement methods to postpone, reduce or evade tax payment (Omesi & Appah, 2021b). These activities by corporate bodies could be considered legal or illegal. It is called tax planning when it is legal and tax evasion when it is illegal (Izevbekhai & Odion, 2018; Akintoye, Adegbie, & Iheme-Onyeka, 2020). Consequently, "tax planning" by business organization is seen as arranging of their financial affairs in a manner that decreases its tax burden without breaching any legal rule. This may be a deliberate and astute strategy for an organization's activities to profit from tax exemptions, grants, and reliefs to exploit tax system loopholes or avoid paying taxes (Belz, Hagen, & Steffens, 2019). Additionally, there is the presumption that businesses that use superior tax planning strategies will most likely increase their firm value by lowering their tax obligations.

A tax planning approach is an important phenomenon in describing and interconnecting the role of the tax purpose within and outside the business and implanted in the general company policy and be distinct in separation from the firms' corporate control frame (Chukwudi, Okonkwo, & Asika, 2020). The company tax arrangement motivations are enclosed in the Petroleum Profit Tax Act (PPTA), Company Income Tax Act (CITA) and other Tax laws which include pioneer status incentive, commencing rule, ending rule, investment allowance, and roll-over loss relief (Wahab & Holland, 2015). Though tax planning is designed to increase the firms' income by saving on tax expenses, big companies are cautious due to its legal cost implications if they are found to be evading tax while smaller enterprises are limited by their management skill to implement such aggressive measures (Kirkpatrick & Radicic, 2020). To this end, management are advised to examine their tax savings activities in order to enable them maintain a stable performance while trying to improve the value of the firms through income generation from the reduction of expenses (Sinebe & Akpomiemie, 2023). The concept of tax planning, over time, has become more critical in taking financial decisions. Chytis, Tasios, Georgopoulos, and Hortis, (2019) presents a set of corporate decisions that are influenced by the composition of taxes such as capital structure, dividend pay-out policy, risk management, and corporate form.

On the other hand, the value of a firm is an economic measure of all the stake of shareholders and debt securities. Firm value can be seen as the value of the company's assets which can be arrived at based on either book value or market value (Belz, et al, 2019). Firm value can be seen as the price an investor is willing to pay for the ownership of the corporation. According to Sinebe (2023), businesses should pay close attention to their financial operations and dealings because shareholder engagement and commitment are ultimately influenced by their financial performance. Hasseldinea and Morrisb (2013) mentioned some concept of firm value to include the nominal value, market value, intrinsic value, book value and liquidation value. Nominal value or par value is described as the face value of a security which is the value of a share or bond at time of issue rather than current market value, (Payne & Raiborn, 2018). For a bond, this is the redemption price or the amount of money that a bondholder will get at maturity while book value is seen as the total net assets of a firm computed as total asset minus intangible assets (goodwill, patents) and liability, it is the carrying value on the face of a firm's statement of financial position (Weld, Michaely, Thaler & Benartzi, 2009). Intrinsic value is the fundamental analysis of the value of the firm's stock, product, or currency without taking into account the cost. In most cases, it is determined by adding up the discounted future income that the asset will generate in order to determine its present value. According to Umobong and Agburuga (2018), the liquidation value of an asset is the expected price at which it will trade if forced or mandated liquidation

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prevents it from having enough time to be sold on the open market. Usually, this value is less than the market value. With the aforementioned information in mind, this study aims to answer the question, "How do Income Effective Tax Rate, Cash Effective and Leverage Affect Firms' Value?

Literature Review

Concept of Firm Value

Firm value is described as the degree of the performance of the executives who act as managers in a firm (Chukwudi, et al, 2020). The administrator, as the business's representative, is responsible for the optimum exploiting of the firm's value. Investors appraise a business' healthiness on its worth, which is linked to its stock value, meaning that, the higher the stock value, the higher the value of a firm (Ftouhi, Ayed & Zemzem, 2010). Though, more than a few authors have diverse opinion on the estimate of firm's value, this study classifies two opinions on firm estimate which are Tobin's Q and market capitalization which could be denoted to as enterprise value (Izevbekhai et al, 2018).

Tobin's Q

Various situations have seen Tobin's Q being used in literature to scrutinize various financial and investment decisions. Thus, market value of the firm could be gotten from Tobin's Q (Wahab, et al, 2015; Dharmapala & Khanna, 2013). High Tobin's Q indicates that a company's managers have increased market value from their assets (Fu, Rajeev & Parkash, 2016). According to Akintoye, et al. (2020), organisations with Tobin's Q values more than one effectively use scarce resources, whilst those with values less than one waste resources. Due to its relevance in researching tax-aggressive behaviour, Tobin Q is also frequently employed as a proxy for firm value (Adegboyegun, Alade, Ben-Caleb, Ademola, Eluyela, & Oladipo, 2020).

Income Effective Tax (IET)

In a bid to understanding the relationship between income effective tax (IET) and firm value, several studies have showed significant inverse relationship between a firm's corporate tax burden levels and its overall valuation (Izevbekhai, et al, 2018; Akintoye, et al 2020; Chukwudi, et al, 2020). Various factors influence income effective tax, and they include tax rates, tax aggressiveness strategies, tax credits, allowable deductions, and exemptions, taxation and economic growth, and tax policy design. Scholars such as Andreoni, Erard, and Feinstein (1998) and Feld and Frey (2007) investigated the determinants and consequences of tax evasion, providing insights into the challenges faced by tax authorities in minimizing tax gaps. The study concludes that tax avoidance and evasion practices can significantly affect income effective tax. In their studies of the effect of income taxes on economic growth, Barro (1990) and Myles (2000) found that high tax rates may deter work effort, saving, and investment, ultimately slowing down economic growth. Auerbach (1997) provided insights into optimal income tax structures, highlighting the trade-offs between equity, efficiency, and revenue generation.

Researchers added weight to this argument by demonstrating that higher effective tax rates result in low company valuations, originating from reduced after-tax cash flows, investment opportunities, and profit forecasting (Wei Ling, & Abdul Wahab, (2018); Zhu, Mbroh, Monney & Bonsu, (2019). Furthermore, the use of strategic tax planning methods employed by companies affects their efficient income taxation rates; primarily, it affects their valuations negatively. Multinational corporation valuation can be influenced significantly by various international taxes and relevant treaties for businesses. A study by Dharmapala et al (2013) revealed that corporations benefitting from favorable taxation treaties or low international fiscal burdens experience a commensurate favorable increase in overall value despite

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acknowledging to the fact that adhering to complex global standards can certainly complicate their tax process greatly. Effectively, paying actual taxed amounts relative to pre-taxation earnings is another critical measure influencing business valuations worldwide; anti-evading laws attempt to regulating this anomaly everywhere, forcing firms to comply with transparency requirements and standard accounting practices (Fagbemi, Olaniyi & Ogundipe, 2019). The researcher hypothesis that "income effective tax has no significant effect on firm value of listed firms in Nigeria".

Cash Effective Tax

Tax preparation actions are referred to as cash effective tax. Estimating the amount of tax to be paid through corporate tax planning can raise the company's value. According to agency theory, managers (agents) typically pursue tax planning measures to lower tax expenditures; nevertheless, this can occasionally result in a communication gap between the manager (agent) and the business owner (Principal), (Tonbraladoh, 2021). According to a study by Chukwudi et al. (2020), tax planning decreases business value; the value of Cash ETR is inversely correlated with corporate tax planning and vice versa. It might be claimed that the relationship between Cash ETR and corporate value is adverse. Multiple regression was used by Christina (2019) to analyse the impact of corporate tax planning on manufacturing companies listed on the Indonesian Stock Exchange (IDX) between 2014 and 2016. The study demonstrated that while tax planning as proxied by the effective cash tax rate has no impact on business value, tax planning as proxied by the effective cash tax rate and tax savings does. Based on this justification, the following study hypothesis is put forth: For Nigerian listed companies, the cash effective tax rate has no discernible impact on firm value.

Leverage

The debt-to-equity ratio, which compares the total liabilities to the total equity of the company, serves as a proxy for leverage, which is the ability of the company to pay off short-term obligations and long-term maturities at a specific point in time. Leverage is a crucial instrument for assessing how well corporate debt is working. When evaluating stocks, investors should take the leverage idea into account. According to Hidayat, Wahyudi, Muharam, Shaferi, and Puspitasari (2019), the decision to spend money could damage a company's potential to make profits for shareholders. The higher the leverage ratio, the larger the financial risk. Debt ratio is a ratio that gauges how much money a company borrows to finance its assets (Chytis et al., 2019). The lower the debt ratio, the higher the level of capital supplied by the company's shareholders and the better security for creditors against the danger of unpaid debt, hence creditors generally prefer that the ratio be lower. Companies with larger debt-to-equity ratios are more effective at lowering corporate income tax, according to Ftouhi et al.'s (2015) observation. Financial leverage, according to Hidayat et al. (2019), offers a tax shield as a strategy for tax planning that boosts shareholders' profits and raises the company's worth. The research by Oeta, Kiai, and Muchiri (2019); Timothy, Izilin, and Ndifereke (2020); suggests a weak negative correlation between financial leverage and business value. Leverage does not considerably alter an organization's tax planning, the study's main hypothesis stated.

Theoretical framework

This section examines the impact of the Keynesian theory on the shareholder. It is based on the John Keynes (1936) study which is anchored on stock market volatility caused by the herd-like 'spirit' of the investors. Keynes used the analogy of the contest which features in a newspaper picture of several young women. Readers are expected to vote their favorite contestant as it will be won on popularity or number of votes. A set of six faces from the images of the women "that are most beautiful" are given to

probationers, and those who choose the most frequently chosen face are eligible for the award. Probationers are supposed to rely on their judgement of beauty but will rather rely on the judgment of other probationers for the most popular face to win the prize. Similarly, Keynes argued that investors behavior was like that of the probationers in pricing, shares not based on basic values but on what everyone else thinks is the true value. In the context of this study, this theory is a critique to the market capitalization as a measure of a firm's value.

Methodology

This study investigated the "relationship between tax planning and firms' value." The causal research design was chosen for this investigation and the population of the research comprises of non-financial firms registered on the Nigerian Exchange Group (NGX) over the period 2011 to 2020. Using a filtering sample technique, 42 of the listed non-financial firms were chosen for this investigation; panel multiple regressions was utilized to evaluate the model of the study. Descriptive statistics was used in describing the nature of the data, while correlation analysis was conducted to ascertain the level the variables are linearly related. Regression was run to make interference from the outcome of the results as to their direction, magnitude, and significance level of their impact on the dependent variable. The study's model is specified as follows:

$$FV = \beta_{0it} + \beta_1 IETit + \beta_2 CETit + \beta_3 LEVit + \beta_4 LEV\_2it + \beta_5 LEV\_3it + \mu it \ldots\ldots\ldots\ldots\ldots\ldots (1)$$

Where:

FV = firm value (proxy with Tobin's-Q)

IET = income effective tax.

CET = cash effective tax.

LEV = Leverage.

LEV_2 = Leverage squared (higher power of leverage)

LEV_3 = Leverage cubed (higher power of leverage)

i = Company.

t = Time.

β_0 = intercept.

$\beta_1, \beta_2, \beta_3, \beta_4$ and β_{5j} = coefficients.

μ_{it} = stochastic term

Result Presentation and Discussion

To check for model misspecification, the variables were first regressed with the independent variables (IET, CET) and the control variable (LEV).The Ramsey RESET test for omitted powers of fitted values of tobinsq, returned p-value = 0.000 which is < 0.05. The test was repeated with omitted powers of fitted values of right-hand side (IET, CET, and LEV), it showed p-value = 0.0001 which is < 0.05. Furthermore, linktest was employed to test for omitted variable, it showed p-value of _hatsq = 0.005, this further suggests misspecification.

Model misspecification will render the study's regression result bias. Thus, higher power of right-hand side variables (IET, CET, and LEV) were rigorously valuated to know which of their higher power(s) to

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include in the study's model. After rigorous checks, leverage-square (LEV_2) was included as further control variable (omitted variable[1]). Renewed Ramsey RESET test for omitted variables, thereafter, was performed to test for omitted powers of fitted values of tobinsq, and it showed prob > F = 0.0679, and linktest p-value of _hatsq = 0.157. Both results suggest the model is now well specified with the inclusion of LEV_2 in the model (see tables 4.1 & 4.2, respectively).

Table 4.1: Ramsey RESET test for omitted variables: Omitted: Powers of fitted values of TobinsQ. Ho: Model has no omitted variables

F(3, 412) = 2.39	Prob > F = 0.0679

Source: Researcher's computation, 2023.

Table 4.2: Linktest for Model Specification

Source	**SS**	**df**	**MS**	Number of obs.	= 420
Model	24.56098	2	12.28049	F(2, 417)	= 22.72
Residual	247.20956	417	0.59283	Prob > F	= 0.0000
Total	271.77054	419	0.64862	R-squared	= 0.0904
				Adj R-squared	= 0.0860
				Root MSE	= 0.76995
TobinsQ	Coefficient	Std. errs.	t	p>|t|	
-hat	1.79811	0.58544	3.07	0.002	
_hatsq	**-0.18698**	**0.13198**	**-1.42**	**0.157**	
_cons	-0.70512	0.53922	-1.31	0.192	

Source: Researcher's computation, 2023.

Descriptive analysis

Fir the statistics as shown in Table 4.3, Tobinsq's mean value is inferred to be 1.2809, with a 0.8054 measure of dispersion from the mean. 0.23 is the least and 3.97 is the maximum. According to the descriptive data, the enterprises in this study are often overvalued (mean of 1.2809 > 1). This is due to the fact that the market value is higher than the value of the company's recorded assets, which implies that some unmeasured or unrecorded assets of the company are reflected in the market value. The standard deviation of the IET is 196.4987, with an average IET of 0.6053. It ranges from -719.47 to 2520.39 as its minimum and highest. The average CET is 23.1853 with deviation from mean of 91.4578. Its minimum is -370 and maximum is 1227.49. The average leverage (LEV) ratio as measured by debt to equity was 67.5953, with a standard deviation of 44.6503. Its maximum is 393.45 with minimum of 13.7.

Table 4.3 Descriptive Statistics

	Obs.	**Mean**	**Std. dev**	**Min.**	**Max.**
TOBINSQ: TobinsQ	420	1.2809	0.8054	0.23	3.97
INCOME EFFECTIVE TAX: IET	420	0.6053	196.4987	-719.47	2520.39
CASH EFFECTIVE TAX: CET	420	23.1853	91.4578	-370	1227.49
LEVERAGE: LEV	420	67.5953	44.6503	13.7	395.45
LEVERAGE SQUARED: Lev_2	420	6558.021	14544.51	187.69	156380.7

Source: Researcher's computation, 2023.

[1] LEV_2 impact on firm value has coefficient of 0.00004, p-value of 0.000. suggesting it's a strong determinant of firm performance.

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Normality test

Jarque-Bera normality test returned 180.1 Chi (2) 7.7e-40 (table not included). The test null hypothesis is Ho: normality. The result suggests rejecting Ho and accepting the alternative hypothesis of non-normal distribution because the p-value is less than 0.05. The Kernel density estimate (figure 4.1) further confirmed non-normality. The curve deviated from the normal density curve and skewed to the right. Although some qualities just do not fit a bell curve, there is nothing inherently wrong with non-normal data. Regardless of sample size, summary metrics that are suitable for normal distributions may be misleading when used with non-normal distributions. Normality is frequently not as important when doing statistical tests (Sainani, 2012).

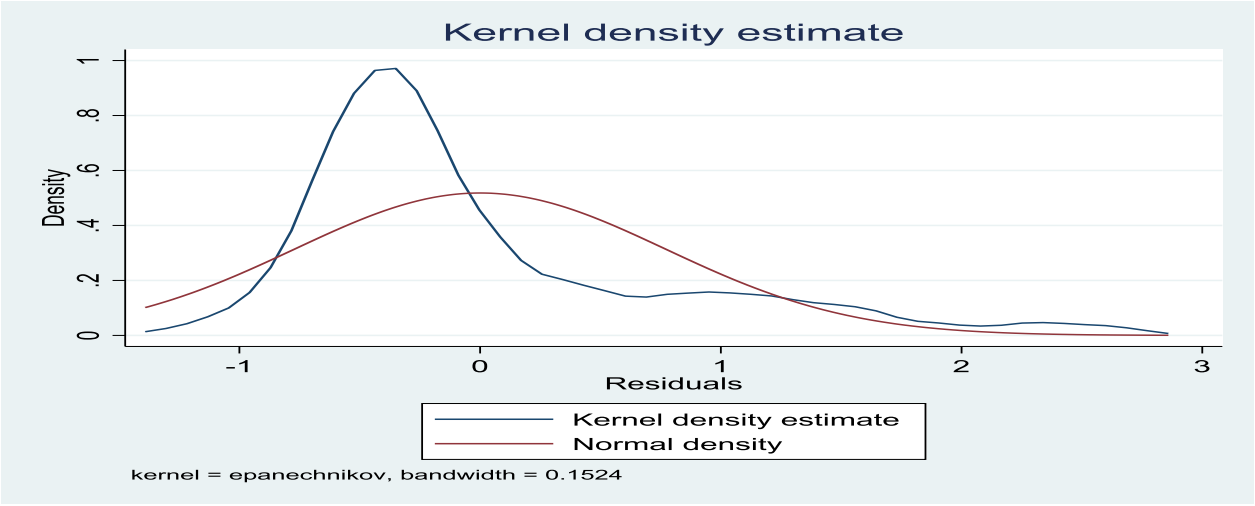

Figure 4.1: Kernel density estimate
Source: Researcher's computation, 2023.

Correlation result

The correlation result is presented in table 4.4. It shows that IET (-0.0583) and CET (-0.0785) both has weak negative correlation with TobinsQ. The correlation between leverage and TobinsQ (0.1660) is weak but positive. As expected, the correlation of the leverages will be high because they are not independent and are related.

Table 4.4: Correlation matrix

	TobinsQ	IET	CET	LEV	LEV_2
TOBINSQ: TobinsQ	1.0000				
INCOME EFFECTIVE TAX: IET	-0.0583	1.0000			
CASH EFFECTIVE TAX: CET	-0.0785	0.4941	1.0000		
LEVERAGE: LEV	0.1660	0.0344	-0.0524	1.0000	
Leverage squared: Lev_2	0.2360	0.0333	-0.0489	0.9357	1.0000

Source: Researcher's computation, 2023.

Multicollinearity test

Variance inflation factor (table 4.5) was employed to examine correlation issue. It shows that VIF range from low (1.33) to highest (8.05), and with a mean VIF of 4.6.9 It suggests no multicollinearity challenge with the variables data based on rule of thumb of 10.

Table 4.5: Variance Inflation Factor

Variable	VIF	1/VIF
LEVERAGE: LEV	8.05	0.124279
Leverage squared: LEV_2	8.04	0.124379
CASH EFFECTIVE TAX: CET	1.33	0.751001
INCOME EFFECTIVE TAX: IET	1.33	0.752170
Mean VIF	4.69	

Source: Researcher's computation, 2023.

Hausman's test

The Hausman's test (table omitted) was used to determine which model, between the fixed effects model (FEM) and the random effects model (REM), was the most appropriate. "Warning: chi2 0 ==> model fitted on these data fails to meet the asymptotic assumptions of the Hausman test; see suest for a generalized test.' Running suest in place of hausman, reported that 'suest command is not supported with xtreg.' This prompted the 'test of overidentifying restrictions', it showed Sargan-Hansen statistic 7.261 Chi^2 (4) P-value = 0.1227. The result suggests that random effect is more appropriate since null hypothesis is REM is most appropriate while the alternative is FEM is most appropriate. The Breusch-Pagan Lagrangian multiplier test must be used to distinguish between pooled OLS and REM in order for REM to be accepted. When testing for random effects using the Breusch-Pagan Lagrangian multiplier, it was found that chibar2(01) = 606.82 prob > chibar2 = 0.0000. This result again suggests pool OLS model is more appropriate for the analysis: the p-value rejected null hypothesis of REM is more appropriate. The study proceeded to test for heteroskedasticity and serial correlation nature of the variables data (see following sections).

Heteroskedasticity

Table 4.6 present the Modified Wald test for groupwise heteroskedasticity for the variables data. Null hypothesis is homoskedasticity (constant variance) while alternative hypothesis is there is heteroskedasticity. The test reveal prob > chi2 = 0.0000 suggesting that the data has heteroskedasticity challenge because the p-value < 0.05.

Table 4.6: Modified Wald test for groupwise heteroskedasticity in fixed effect regression model

Ho: Sigma(i)^2 = sigma^2 for all i	Chi^2 (42) = 78081.26	Prob > chi^2 = 0.0000

Source: Researcher's computation, 2023.

Serial correlation (autocorrelation) test

Macro panels with extended time series (more than 20 to 30 years) are applicable for serial correlation studies. In small panels (with very little years), there is no issue. The standard errors of the coefficients are fewer than they are as a result of serial correlation, and R2 is larger. Table 4.7 displays the results of the serial correlation. It displays that prob > F = 0.0000. Ho is there is no serial correlation while Ha is there is serial correlation. The p-value < 0.05 suggests that Ho is rejected, and the variable data has serial correlation challenge. However, this study's time series is 10-years, and is considered a micro panel. Thus, presence of serial correlation is likely not a problem in this study.

Table 4.7: Serial Correlation result

(Wooldridge test for autocorrelation in panel data. Ho: no first-order autocorrelation)

F (1, 41) = 29.944	Prob > F = 0.0000

Source: Researcher's computation, 2023.

Study's model analysis choice

The literature recommends the Newey-West standard error approach (which generates Newey-West standard errors for coefficients estimated by OLS regression) since the variables data face heteroskedasticity and serial correlation problems. It is believed that the error structure is heteroskedastic and may even be autocorrelated up to a given latency), a robust method/estimator that is very accurate when there is presence of heteroskedasticity and autocorrelation.

Regression Result

After rigorous data exploration, the study's regression results are presented in table 4.8. The 3 models presented are similar in signs and magnitude and are well fitted with their p-value < 0.05. The Newey-West standard regression was employed for the analysis. The result revealed IET (-0.00016, 0.268) and CET (-0.00044, 0.144) have insignificant inverse relationship with firm's performance proxy with Tobinsq. Leverage (-0.00798, 0.002) have strong negative impact on firm size performance.

Table 4.8: Regression Results

	Newey-West Standard Errors Regression			**Robust Linear Regression**			**Pool OLS Regression**		
Tobinsq	Coef.	Newey-West Std. err.	Z	Coef.	Robust Std. err.		Coef.	Std. err.	Z
INCOME EFFECTIVE TAX: IET	-0.00016 (0.268)	0.00015	-1.11	-0.00016 (0.268)	0.00015	-1.11	-0.00016 (0.462)	0.00022	-0.74
CASH EFFECTIVE TAX: CET	-0.00044 (0.144)	0.00030	-1.47	-0.00044 (0.144)	0.00030	-1.47	-0.00044 (0.354)	0.00048	-0.93
LEVERAGE: LEV	-0.00798 (0.002)	0.00250	-3.19	-0.00798 (0.002)	0.00251	-3.19	-0.00798 (0.001)	0.00240	-3.33
Lev_2	0.00004 (0.000)	8.03e-06	4.48	0.00004 (0.000)	8.03e-06	4.48	0.00004 (0.000)	7.37e-06	4.88
_cons	1.59526 (0.000)	0.13733	11.62	1.59526 (0.000)	0.13733	11.62	1.59526 (0.000)	0.12510	12.75
	Number of obs = 420			Number of obs = 420			Number of obs = 420		
	F (4, 415) = 7.4			F (4, 415) = 7.40			F (4, 415) = 9.76		
	Prob > F = 0.0000			Prob > F = 0.0000			Prob > F = 0.0000		
	Maximum lag = 0			R2 = 0.0860			R2 = 0.0860		
				Root MSE = 0.77366			Adj R2 = 0.0772		
							Root MSE = 1.841174		

Source: Researcher's computation, 2023.

Discussion

The steps taken to investigate the study's analysis ensure the results are robust and well fitted. The result reported that IET have weak negative impact on firm value, and it support the study's hypothesis

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that says income effective tax has no significant effect on firm value of listed firms in Nigeria. The result, however, did not corroborate earlier studies that revealed strong inverse relationship between firm's corporate tax burden level and its overall valuation (Izevbekhai et al, 2018; Akintoye et al., 2020; Chukwudi et al., 2020). It also did not support studies that showed corporations benefitting from favourable taxation treaties or low international fiscal burdens experience a commensurate favourable increase in overall values (Dharmapala, 2013).

CET also have insignificant negative influence on firm's value. The result supported the study's hypothesis that says CET has no significant effect on firm value for listed firms in Nigeria. It however, failed to support Chukwudi et al. (2008) and Christina (2019) that reported strong inverse bearing of CET on firm value. From both results, the study argued that perhaps, planning through adhering to complex standards can certainly complicate tax process and consequently negate firm's value.

Leverage has a statistically significant negative effect on firm value. The result did not corroborate study's hypothesis that says, leverage does not significantly affect organizations' tax planning, nor Timothy et al (2020) that shows an insignificant negative impact of financial leverage on firm's value. The result suggests that leverage may be inimical to firm value in Nigeria, particularly that mean leverage in this study is 0.6759: 1 (see table 4.3). With the maximum leverage ratio of 3.9545: 1, and leverage volatility proxy with a moderately high deviation from mean of $\pm$ 44.6503 (see table 4.3), the study suggests minimal leverage to enhance firm value. A lower company's leverage ratio is safer during periods of economic instability.

Summary of Findings

The summary of the findings are as follows:

1. IET and CET has weak negative effect on firm value proxy with Tobins q.
2. Leverage the control variable had a strong inverse relationship with firm value/

Conclusion

On the average and based on the examined firms over the period 2011 to 2020, tax planning (IET and CET) has weak inverse relationship with firm value. It suggests that the tax planning is not currently favorable to firm's value in Nigeria. The firms at all-time should ensure to maximization of its value through appropriate capital structure decision. This is because firm value is the indictor of performance of managers who are also the representative of the company's shareholders, the manager is accountable for the optimal maximization of the firm's value, which is one of the fundamental objectives of any organization. Shareholders and prospective investors evaluate a company's health based on its value, which is tied to the stock price. The decision made by any managers will either create more value or destroys the value of the firm, generally the shareholders and the managers always have conflicts of interest, and these conflicts of interest directly affected the value of the firm. Also, it has been observed that the implementation of tax planning techniques could facilitate capital formation. This helps in providing finance for repairs and replacement of obsolete plant and equipment and any other expenses.

Recommendations

Based on the findings of the study, we recommendations the following;

that management should examine their tax planning activities to ensure that it does not affect the performance of the firm negatively.

I. it is advised that tax savings, should be encouraged through tax aggressive mechanisms as it increases the value of a company owing to the fact that excess money is saved after tax costs have been lowered.

II. Businesses should make an effort to wisely employ the money they save on taxes because doing so will increase the firm's value. Firms should make sure that their operational costs and risks related to tax planning are carefully controlled or kept as low as feasible to maintain the firm's worth. Additionally, businesses should pursue moderate tax aggressiveness in order to reduce the negative effect of tax savings on share values.

III. Leverage and firm value have a negative relationship; thus, businesses should reduce their debt loads. To counteract the negative effects of restrictive covenants and high interest costs associated with borrowed capital, they (firms) should place more focus on equity financing.

IV. Companies with a lot of liquid assets, like cash, are more prone to having a lot of idle money. Because these idle monies will cut into company profits, investors' returns in the form of cash dividends will also be cut. This may cause the firm value to decrease.

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