

Corporate Taxes and Market Valuation of Quoted Manufacturing Firms in Nigeria

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Citation: Komolafe, Adebayo Joseph & Professor Adolphus Joseph Toby. (2026). Corporate taxes and market valuation of quoted manufacturing firms in Nigeria. UKR Journal of Economics, Business and Management, 2(9), 26-39.	<i>The objective of this study was to investigate the impact of corporate taxes on the value of quoted manufacturing companies in Nigeria. Three multiple regression models were generated to explain stock prices, value of traded equities and price-earnings ratio from corporate income tax, capital gains tax and tertiary education tax upon panel data retrieved from the financial statements of 36 quoted manufacturing firms. Data Analysis Method: Panel Autoregressive Distributed Lag (ARDL) The study resulted in Model One explaining 73.2% of the variation within stock prices, meaning that 26.8% of the variation was due to other factors not accounted for by this regression analysis model would be wise. Model Two accounted for 56.9% of the variance in value of traded equities with 43.1% due to other factors. Whereas Model Three explained 36.3% of the variation in the price-earnings ratio, 63.7% of it was left unexplained (attributed to factors outside the model). The study finds that corporate taxes are an important determinant of the market value of listed manufacturing firms in Nigeria. It suggests standardizing tax practices in manufacturing firms and be cautious with tax management and planning to lessen the burden of taxes thus lowering capital cost. Firms are also encouraged to investigate investment opportunities with lower tax rates, keep the cost of capital at a level less than the rate of return expand their business and subject themselves to legitimate incentives in tax policy such as reinvestment reliefs, taxes paid suspended or dreams sunk into savings that will inevitably compound, all in order to reduce what they owe and increase value at firms.</i> Keywords: Corporate Taxes, Market Valuation, Corporate Income Tax, Capital Gain Tax, Tertiary Education Tax.

Introduction

The corporate valuation theories by the Nobel winners Modigliani and Miller (1958, 1963) have formed a cornerstone of contemporary capital structure thinking. The debt-tax advantage hypothesis argues that both firms and individuals can take advantage of the use of financial leverage in capital markets. Yet, after the excessive leverage that caused the financial and economic crises of 2008 and 2009, and more than a half century of debate and massive empirical evidence (Agossadou, 2024), controversy continues surrounding the Modigliani-Miller (MM) tax valuation model. The key issue is how to time the present value of interest tax deductions associated with debt. Under MM (1958) original tax model, debt financing gave only moderate tax benefits because the interest tax

deductions were discounted at the unlevered equity rate. But in 1963 they changed their mind, presenting a tax-correction model that discounts interest tax deductibles at the risk-adjusted debt rate — essentially providing enormous new estimates of how much debt is beneficial.

Corporations have to pay additional taxes, such as excise tax, payroll tax with customs duties, property tax and others like withholding tax or value-added taxes (VAT). The Finance Act amends multiple major tax legislations including the Companies Income Tax Act, Petroleum Profits Tax Act, Personal Income Tax Act, Value Added Tax Act, Capital Gains Tax Act and Stamp Duties Act amongst others (Onaolapo et al., 2013; Fasina & Adegbite 2013). Upstream petroleum companies pay an 85% rate

under the Petroleum Profits Tax Act, while other firms face corporate income tax rates of as high as 40 per cent. Corporate Income Tax (CIT) reforms and innovations have also given rise to greater economic growth, higher tax compliance as well as greater profitability of corporations in many countries. For example, the Tax Cuts and Jobs Act (TCJA) from 2017 lowered the corporate tax rate in the United States from 35% to 21%, which could improve capital investment, employment and lead multinationals to repatriate their foreign earnings (Zidar, 2019). Likewise, Ireland's 12.5 percent corporate tax is a regular source of foreign direct investment (FDI) and contributed to its economic growth. Regimes that tax corporate profits only at the point of distribution (as dividends) — like Estonia's — incentivize firms to reinvest, thereby cultivating more sustainable economic growth. The newly launched CIT rate of 15% for high-tech enterprises will not only increase the amount of enterprise tax, but also beneficial to increasing a large number of R&D and increased credit to technology innovation in China. In contrast, Germany has promoted a stable CIT and implemented anti-tax-avoidance measures to curb the risk of profit shifting in order to maintain an effective tax base and support economic resilience.

Corporate taxes can significantly alter a firm's cash flow, investment decisions, and ultimately, its market valuation. High corporate tax rates may deter investment and reduce overall profitability, leading to a lower market valuation. Conversely, tax incentives and favourable tax policies could enhance firms' attractiveness and lead to increased market valuation. Oyeshile and Adegbe (2020) asserted that high tax rates and multiple taxation in Nigeria have a significant impact on the financial performance of the firm, which often leads to management-shareholder conflict. Similarly, the cost of capital is a crucial determinant of investment decisions and firm valuation. A higher cost of capital can impede a firm's ability to finance new projects, reducing its growth potential and market valuation. Previous studies (Javaid, Nazir and Fatima, 2023; Rojo-Suárez and Alonso-Conde, 2023; Ahmed, Nugraha and Hågen, 2023; Boshnak, 2023) focused on developed markets, leaving a significant gap in the literature concerning emerging markets like Nigeria. This study examined how corporate taxes affected the market valuation of quoted firms in Nigeria.

Literature Review

Corporate Taxes

Corporate taxes are federal income taxes in Nigeria collected by the Federal Inland Revenue Service (FIRS) on behalf of government and constitute important fiscal policy tools for both regulating economic behavior, redistribution of income and financing public services (OECD, 2021). Corporate tax policies can determine the actions of firms in

terms of investment, financing and operational decisions causing a direct impact on their financial performance (Adebisi & Gbegi, 2013). Corporate tax level might also be a factor in foreign direct investment (FDI) inflows, because higher levels compared to other countries can prevent foreign multinational corporations from investing there (Desai & Dharmapala, 2009). The largest individual tax type within Nigeria's corporate tax system, Company Income Tax (CIT) applies to the profits of companies doing business in Nigeria under Companies Income Tax Act (CITA).

CITA was introduced in 1961 (Nigeria became independent in 1960) and represents the formal framework for corporate taxation in Nigeria. It was used as a framework for working out how to arrive at taxable income, determining tax rates and defining corporate tax obligations such as filing returns and making payments. CITA has been amended multiple times since its original promulgation to suit changing economic conditions, enhance tax administration and compliance as well as curb practices that promote tax evasion (Taiwo & Oyedokun, 2022). There were some fundamental changes in 2007 aimed at complying with global taxation practices including provisions for group tax relief, transfer pricing and better revenue collection mechanisms. After that, rather than for responding to the emerging economic developments and challenges such as digital taxation and tax avoidance (Eneisik et al., 2023), Nigeria's Finance Acts from 2019 continued repeals in the corporate tax system. On one hand, the Finance Act 2020 slashed the CIT rate for small companies (annual turnover below ₦25 million) to a mere zero percent p.a., whilst removing exemptions and allowing only supernormal rates of tax (30 percent for large entities — annual turnover exceeding ₦100 million, and 20% for medium-sized companies [annual turnover between ₦25 million and ₦100 million]) on statutory corporate profit making income (Federal Inland Revenue Service [FIRS], 2021).

Capital Gains Tax

In Nigeria, Capital Gains Tax (CGT) is a tax levied on the profit or gain from the sale or disposal of capital assets like shares, real estate, and other investments. It is governed by the Capital Gains Tax Act (CGTA) with administration by the Federal Inland Revenue Service (FIRS). Capital gains are usually realised when a capital asset is sold for an amount higher than the acquired cost (Wikipedia, 2016). Capital gains are typically derived through the sale of shares, securities and other assets (i.e. capital property). The capital gains tax Thomas (2010) argues, are generally levied when they are realized or there is a sale or an exchange of these assets. Capital assets often refers to property, but the definition excludes certain items including resources with an expected duration of 2 years or longer like

business inventory (a common capital asset), accounts receivable arising in the ordinary course of business, copyrights, literary compositions etc.

According to Embuka (2014) capital gains tax is levied on realization of an asset and not while still in the hands of an investor. The writer additionally outlined capital gain as a profit realized from the sale of asset at the next worth than its price of acquisition. In a like manner, Nneka, 2014 defined capital gain as the profit derived from an increase in the value of capital assets owned by a person or business enterprise that is not normally held for sale in the ordinary course of business. Consequently, capital gains tax is an integral part of Nigeria's corporate tax regime in that companies are required to pay capital gains tax on the profit accruing from the disposal of taxable capital assets.

Tertiary Education Tax

The Education Tax Act, CAP. (Cornelius and Jumono, 2021) KeyLegislation: The Tertiary Education Trust Fund (Amendment) Act No. 17 of 2003 and LFN 2004, Volume 17 E4 are now administered by this act as from the year of birth [2011]. The tertiary education tax collected from revenue is credited to the rehabilitation, restoration and consolidation of tertiary education in Nigeria by distributing funds allocated to universities: polytechnics: colleges of education at 2:1:1 ratio respectively. The Act also imposes education tax on companies registered/incorporated in Nigeria at the rate of 2 % on their assessable profits and subject to Companies Income Tax Act, Petroleum Profits Tax Act, including corporate entities regulated pursuant to either one of the said statutes. Section 1(3) of the Act states that tertiary education tax is deductible in ascertaining the assessable profits of companies engaged in upstream petroleum operations. Generally, education tax returns must be filed at the same time by which companies are required to file their income tax and petroleum profits tax returns. Section 11 of the Tertiary Education Trust Fund Act also prescribes fines and imprisonment for offences after first being a defaulter. Then in 2021, the Finance Act increased this levy from the previous 2pp to 2.5 % of assessable profits for tertiary education but with small companies still exempt. The amendment also reduced the payment period of tertiary education tax from 60 days to 30 days, so the payment of taxes was made parallel with that of company's income tax payments and what had become the usual trend in accordance with administrative practice by Federal Inland Revenue Service.

Overview of Nigerian Tax Reform Acts (NTAs)

The Nigeria Tax Act (NTA) enacted on 26 June 2025 by President Bola Ahmed Tinubu repeals and consolidates provisions from several existing tax laws into a single legal regime. To provide its goal of simplifying tax

administration, removing similar or conflicting provisions, eliminating ambiguity as well as promoting clarity and transparency in Nigeria's tax environment. This reform, dubbed the NTA is a major milestone to foster growth and increase government revenues, improve ease of doing business, as well as strengthen tax administration at all levels of government. Description of the policy change or reform One of its flagship measures is to raise the exemption for small companies. Small Companies (Companies with a gross turnover of NGN100 million or less, formerly NGN25million and total fixed assets not more than NGN250 million) are wholly exempt from: Companies Income Tax (CIT), Capital Gains Tax (CGT); and the newly introduced Development Levy. It also raises the corporate CGT rate to 30% from 10%, aligning it with the CIT rate and reducing opportunities for tax arbitrage between chargeable gains and trading income. For individuals, capital gains are taxed at the relevant progressive personal income tax rate.

Specifically, the NTA introduces CGT on the indirect transfer of shares in Nigerian companies, meaning that disposal of such shares via offshore intermediary holding companies may attract Nigerian CGT obligations. The threshold for exemption of gains from disposals of Nigerian company shares has also been raised to NGN150 million in a continuous 12-month period; provided the resultant gain does not exceed NGN10 million. Also, as per the Act, an additional Development Levy is introduced at 4% of assessable profits — in this case Nigerian companies other than small companies. This sanction collapses the Tertiary Education Tax (TET), Information Technology Levy, National Agency for Science and Engineering Infrastructure (NASeni) Levy and Police Trust Fund (PTF) Levy. Multinational groups of Nigerian companies with an overall aggregate group turnover in the preceding year (e.g. turnover of parent and subsidiaries) is equal to or exceeds EUR750 million, or annual turnover of a company is greater than or equal to NGN50 billion are subject to a minimum effective tax rate of 15% on net income. The Act sets forth a requirement, followed by the Nigerian parent company of any multinational group to pay top up tax on subsidiaries which are taxed below the 15% minimum effective tax rate that remains applicable, however certain Free Zone businesses with exports from Nigeria are generally exempt as long as they do not form part of an mNG. The NTA also introduces a more progressive Personal Income Tax (PIT) structure whereby individuals with annual earnings of up to NGN800,000 are tax exempt and the maximum rate applicable for higher income earners is now 25%. The compensation exemption limit for loss of job or injury is increased from NGN10 million to NGN50 million. Lastly, it replaces the former pioneer tax holiday with one called an Economic Development Incentive

(EDI), entitling qualifying companies to a 5% annual tax credit on capital expenditure incurred in five years starting from production date. Credits not used, or any eligible cost, could be carried over as much as five other years.

Theoretical Review

Tax Structure Theory

The evolution of tax system which is known as tax structure development is one of the foundational areas for evaluating the growth and performance of different types of taxation in economies across the world. The bulk of income tax is expected to come from registered big enterprises and civil service workers in most parts of Africa. On the other hand, subjecting small traders, artisans and practitioners to taxation raises severe administrative problems because income is hard if not impossible to assess where no proper books of accounts are kept and periodic published financial statements are neither prepared nor audited (Kaldor 1970). The theory of tax structure development is historical views on taxes and these are known as tax policies of respective countries carried at different times. Webber and Wildavsky (1986) reviewed the experiences of a number of countries in introducing, abolishing or reinforcing different kinds of taxes depending upon the economic situation.

The theory of tax structure development (Hinrichs, 1966; Thorn et al., 1967; Braun, 1975; Webber and Wildavsky, 1986; others) assumes that the non-linear relationship between size and composition of taxation results from: (1) in case of early economic development a narrow personal income tax base, poll taxes, poor trained tax administrators and high indirect taxation on foreign trade as major components within total tax structure. Moreover, the ratio of tax revenue to GDP is usually low. Yet, incrementally with careful ex-post government action and further economic growth to push the economy past the stagnation point these attributes evolve. It follows that some types of taxation are likely to grow in significance over time and others may diminish. Personal Income Tax (PIT) offers a paradigmatic case of the former, where revenue increases with growing per capita income.

Optimal Tax Theory

The theory of optimal taxation is about what principles we should follow to design a good tax system when some expert would like lump-sum taxation not to be possible. The idea of optimal commodity taxation first emerged in Ramsey (1927), but the foundations of the theory were laid only in the 1970s, after seminal contributions in this area from Diamond and Mirrlees (1971), while in contrast, optimal income taxation was set forth by Mirrlees (1971). The general principles of optimal taxation can be summarized in two main ways: first, raising revenue efficiently means taxing goods or factors with a relatively

inelastic demand or supply (this abstract function away from distributional considerations; where we define what is meant by elastic to be compensated demands and supplies) and second, efficient taxation that aims at correcting problems such as income distribution, externalities, or market failure should target the ultimate causes behind these issues as much as possible. So even with income in mind, the tax should be levied on factors that directly contribute to inequality (like land endowments or earned income). Likewise, when externalities are considered, taxes or subsidies should be levied directly on the good or activity causing the external effects (Stern 1988a). Accordingly, optimal tax theory maintains a conceptual separation between contexts that favour efficiency without compromise with equity, and those in which heightened equity may necessitate some loss of efficient outcome.

Empirical Review

Onwughai, Musa and Mathias (2025), studied the influence of Company Income Tax (CIT) on the financial performance, as measured by Return on Assets (ROA), of quoted deposit money banks in Nigeria with special focus on the moderating effect of firm size on CIT–ROA relationship. The population of the study is all 43 deposit money banks listed by Central bank of Nigeria March 2024 from which a sample of 12 banks was selected with purposive sampling. The study was conducted for a period of 15 years (2009 to 2023) and it used secondary data available from the audited financial statements of the selected banks. The results indicated a positive but statistically insignificant relationship between CIT and ROA when using an ex-post facto research design as well as pooled regression analysis. However, once we imposed firm size as a moderating variable, it turned out the relation between CIT and ROA became negatively significant. Based on the findings, the study suggested that banks should book effective tax planning so as to enjoy available incentives and deductions whilst meeting compliance with tax laws. These actions may be profit enhancing or assist with ROA, without bringing any regulatory sanctions upon a bank. They also recommend reviewing tax policies regarding larger banks — such as scaling rates based on asset size or offering benefits for investment in specific industries to promote growth and stability.

Ujulu (2025) [20] investigated the effects of taxation on Nigerian economy for the period 1981–2020. The dependent and independent variables were sourced from the Central Bank of Nigeria, Statistical Bulletin. The secondary data included petroleum profit tax, value-added tax (VAT), company income tax and personal income tax for independent variables while gross domestic product (GDP) served as a measure of the Nigerian economy. We performed the Ordinary Least Squares (OLS) method —

which is known as BLUE Best Linear Unbiased Estimator. The results showed that PPP and VAT had significant positive impacts on the Nigerian economy, while PIT and CIT (coefficients) was found to have negative insignificant impact. In its report, the study also noted that taxation alone explained around 97% variability in GDP. It urged the government to enhance efficiency with tax collection especially that of corporate and personal income taxes, and by dispersing tax revenue equitably to improve citizens access to basic social services.

Barakzai and Doğukanli (2025) examined how capital structure affected the performance of firms across five emerging NEST countries (Poland, Thailand, Sri Lanka, Saudi Arabia, and Chile) in the years 2010-2019. We used a regression model to run the effects of financial leverage and corporate performance. Capital structure was defined respectively through short-term debt (STD) and long-term debt (LTD), while those of firm performance were represented by Return on Assets (ROA), Return on Equity (ROE), Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) margin. The results indicated a negative relation of financial leverage on corporate performance in every NEST emerging countries across the sample. In specific, higher levels of debt in the capital structure lead to poor operating performance and lower firm value. Hence, the study notes that excessive financial leverage can have negative effects on both the financial performance and sustainability of firms operating in emerging markets.

Dženopoljac et al. (2024) analyzed the impact of intangible asset on four fundamental returns of financial performance (Net Profit Margin [NPM], Earnings Before Interest, Taxes, Depreciation and Amortization margin [EBITDAm], Return on Asset [ROA] and Return on Equity [ROE]). Data for this study were extracted from the official publications of the Serbian Business Registers Agency (SBRA) for years 2017–2020. After the application of criteria Value Added Intellectual Coefficient (VAIC), a sample is reduced on 72 most profitable firms in Serbia. The results in correlation to all four financial performance indicators including NPM, EBITDAm, ROA and ROE proved a positive relation of intangible assets with the financial performance indicators. This outcome indicates that investing in intangible resources such as intellectual property, brand awareness and organisational knowledge can improve firm profits and realise competitive advancement. Based on these findings, the authors thus advised that Serbian firms should place greater emphasis on both developing and strategically investing in intangible assets to improve financial performance and sustain competitive advantage in a rapidly evolving business landscape.

Rahmawati et al. The study by Purnamasari et al. (2023), discussed Total Asset Turnover (TAT) and Return on Assets (ROA) towards the growth of profit in mining companies listed on the Indonesian Sharia Stock Index for the 2017–2022 period. A quantitative research methodology was used in this study, specifically purposive sampling method to select 11 companies. Data Analysis Predictive analytics was performed using multiple linear regression. The results showed that TAT has negative no significant influence on profit growth, and ROA has positive even very significantly impacted. Only when combined, both TAT and ROA had a moderately significant influence on profit growth, suggesting that the coupled effects of asset efficiency–profitability are important for financial performance in the mining industry.

A MOkunola, I.O., & Suleiman (2023) Tax Embeddedness and Dividend Policy among Quoted Firms in Nigeria. Design/methodology/approachThe study used simple random and proportionate stratified random sampling methods to select 36 firms listed on the Nigerian Stock Exchange. Fixed-effects ordinary least squares (OLS) regression was used to analyse data. The results revealed that both dividend payout ratio (DPR) had a negative but insignificant relationship to current income tax (CIT) and deferred tax liabilities (DTL). SIZE, GHT and LEV positively and insignificantly related to DPR. Moreover, dividend per share (DPS) had a positive correlation with CIT but an inverse relationship with DTL, this shows that degree of taxation and associated variables affect firms' choices on dividend decisions.

Ojelabi (2023) studied the impact of Company Income Tax on Corporate Performance: Evidence from Listed Manufacturing firms in Nigeria the researchers adopted an ex-post facto research design and the population consisted of 44 registered manufacturing firms in consumable food. Purposive sampling was used to select five (5) listed manufacturing firms for the study. The results revealed that CIT had a positive and significant impact on profit after tax (PAT), as such, it showed an increase in PAT associated with an increase in CIT. It was also found that CIT has a positive significant effect on Return on Equity (ROE), while changes in shareholder's funds have a negative significant effect on ROE The findings suggest that CIT has a significant impact on the profitability, corporate performance and shareholders' earnings of listed manufacturing firms. So, it is suggested that fiscal policies should accommodate the conditions of businesses and corporate tax revenues used productively for progress and enhancing quality of life.

Lasisi and Fijabi (2023), examined the effect of corporate taxes on the financial performance of quoted ICT firms in Nigeria. Corporate taxation was analysed using Company

Income Tax and education tax; financial performance was assessed by profit after tax. As for the methodology, this study pursued an ex-post facto research design and used data collected from the annual reports of sampled ICT firms over the period 2018–2022. The hypotheses were tested through regression analysis using 5% significance level. The results showed that corporate tax positively affect on the performance of ICT companies ($p = 0.0000 < 0.05$). More specifically, CIT was positively significant related to financial performance whilst education tax had a negative significant effect. Based on these findings, the authors ## also suggested encouraging voluntary tax compliance by lowering tax rates, raising public awareness, simplifying tax regulations and better provision of infrastructure financed through tax revenues.

Williams et al. Okafor et al. The data for the study consisted of secondary data from the annual reports of the selected firms and were analysed through random-effects panel regression. The results indicated that CIT negatively impacted the financial performance while education tax positively and significantly influenced the financial performance. Besides above taxes on profits impacting financial performance, Value Added Tax (VAT) also had a negative significant impact. The study found that corporate tax has a significant influence on the financial performance of Nigerian listed companies in the consumer goods sector. In conclusion, the authors suggested that the federal government should move towards more tax exemptions to lower CIT liabilities so companies can retain a larger share of their net incomes and therefore enhance profitability.

Akinsulire et al. (2022) used the ex-post facto research design, multiple regression and, Pearson correlation analysis to explore tax planning and performance of listed manufacturing firms in Nigeria. MethodologyThe study used data from audited financial statements of sampled firms for ten(10) years period (2011 -2020). Tobin's Q was the measure for firm value and tax planning was represented by effective tax rate (ETR), thin capitalisation, and capital intensity. The outcome indicated that 41.2% explained variation in firm value, which means the explanatory variables alone could account for 41.2% of the firm-value variance; however, the remaining %58.8 was attributable to other variables not included in this model since such studies reflect market risk factors (and likely some design parameters) exclusive of economic results ($R^2=0.412$). On the other hand, ETR exerted no significant negative impact on firm value ($\text{Beta} = -0.75$, $p = 0.364$), while the variables thin capitalisation as well as capital intensity had positive relationships with firm value (Table 6). The study thus proposed that financial and tax advisers consult management on suitable amounts of assets and also on the maintenance of leverage at a relatively low positive

level so as to minimize the weighted average cost of capital while ensuring that debt is only taken when the benefits outweigh its associated costs.

Literature Gap

The theoretical review has explained various theories that have attempted to explain the relationship between previous studies on corporate taxes and firm value in the literature. Studies such as Dženopoljac *et al.* (2024), Rahmawati *et al.* (2024), Asaolu (2024) and Fauzi *et al.* (2023) failed to present detail findings on the effect of capital structure theories on corporate values. Some studies have been conducted on agency cost both internationally and locally. the literature showed a lack of consensus in the previous studies on the magnitude and direction of the effects of corporate taxes and cost of capital on the market valuation of the firms. In view of the gaps in the previous studies in terms of the scope and measurement of the variables, this study shall make some improvements. First, this study shall cover many firms which is different from other studies that limited their attention to a single sector. This made valuable contributions to the existing by taking into consideration the heterogeneity of the non-financial listed firms. Again, the study shall follow a broader approach in measuring corporate taxes by capturing the core sub-components that cut across company income tax, VAT and company gain tax. This is an improvement to some of the previous studies that limited their attention to a single indicator or aggregate indicator of corporate tax. This is very encompassing as it provides a better insight to the implication of the corporate taxes and market valuation of quoted firms in Nigeria.

Methodology

This study adopted quasi-experimental research design. Cooper and Schindler (2001) opined that a quasi-experimental research design is ideal for investigating the possible past experiences that happened and cannot be controlled by the researcher. In this study, the population shall comprise all the 65 listed manufacturing firms in Exchange Group. This cut across firms in consumer goods, food and beverage and industrial goods manufacturing firms. The sample size was made of thirty-five (36) quoted non-financial firms in Nigeria. The datasets obtained from the Nigerian Exchange Group over the period 2016-2025. The choice of this time period allows for adequate information for each of the variables to enhance the process of analysis for more robust outcomes.

Model Specification

The functional specification of the models following the variables notations are provided as follows:

$$\text{SPR} = f(\text{CIT}, \text{CGT}, \text{TET}) \quad (1)$$

$$\text{VST} = f(\text{CIT}, \text{CGT}, \text{TET}) \quad (2)$$

$$PER = f(CIT, CGT, TET) \quad (3)$$

Transforming equation 1-3 to testable form

$$SPR_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 TET_t + \varepsilon_{it} \quad (4)$$

$$VST_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 TET_t + \varepsilon_{it} \quad (5)$$

$$PER_{it} = \beta_0 + \beta_1 CIT_{it} + \beta_2 CGT_{it} + \beta_3 TET_t + \varepsilon_{it} \quad (6)$$

Where:

SPR = share price

VST = value of stocks traded

PER = price to earnings ratio

CIT = company income tax

CGT = capital gain tax

TET = Tertiary education tax

Where: β_0 = homogenous constant parameter to estimated

$\beta_1 - \beta_5$ = common slope parameters to be estimated

ε_{it} = error term

$i = 1, \dots, N. t = 1, \dots, T$

i = cross-sectional units including the selected 35 non-financial quoted firms

t = time frame.

Method of Data Analysis

The Im-Pesaran-Shin (IPS, 2003) panel unit root test shall be used in this study to test the null hypothesis that the panel data has a unit root (assuming an individual unit root process) against the alternative hypothesis that panel data has no unit root. The IPS is a first-generation panel unit root test that incorporates error variances across groups, residual serial correlation, and dynamic heterogeneity. Only balanced panel data (equal cross-sectional and time series observations) can be used, and it is predicated on heterogeneous cross-sectional formation. The general model set up for the IPS panel unit root test is formalized below:

$$\Delta Y_t = \alpha_0 + \alpha_1 Y_{t-1} + \sum_{i=1}^p \beta_i \Delta Y_{t-i} + \lambda_t \quad (7)$$

Where: Y_t = variable for investigation

α_1 and β_i = parameter estimates

p = lag length

Δ = First difference operation

λ_t = Random disturbance term

Besides the IPS panel unit root test, panel cointegration test shall be used to establish whether they have a stable, long-run relationship. Kao (1999) and Pedroni (1999) tests are widely used in panel cointegration analysis. However, in this study, the co-integration root test will be performed using the Kao (1999) approach. For the special case of panel data Kao (1999) provides Dickey-Fuller (DF) and augmented Dickey-Fuller (ADF) type tests for the null hypothesis of no cointegration as a residual-based cointegration test. This test uses an expanded Dickey-Fuller test for the null hypothesis of no cointegration versus the alternative hypothesis of cointegration. The model that is built up for Kao's (1999) cointegration test is as follows:

$$Y_{i,t} = \alpha_i + \beta X_{i,t} + u_{i,t},$$

(8)

Where: Y and X = variables of interest which are assumed to be integrated of order one.

t = time frame

i = individual units

α_i = heterogenous intercept

β = homogenous slope parameter

u_{it} = residual term

More importantly, this research employed numerous techniques for data analysis such as the estimate of the PARDL models and descriptive analysis of each of the variables during the period of the study. In particular, the study will use the Mean Group (MG) estimator created by Pesaran and Smith (1995) and the Pooled Mean Group (PMG) estimate produced by Pesaran, Shin and Smith (1997, 1999). The intercept, all coefficients and the error variance may differ among groups in the MG estimation. Or, simply put, the MG parameters are the simple averages of the individual coefficients.

Empirical Results

Table 1: Presentation of Panel Unit Root Results

Method: Series: SPR	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t^*	3407.89	0.0000	34	510
Im, Pesaran and Shin W-stat	12.6741	0.0000	34	510
ADF - Fisher Chi-square	12.1862	0.0000	34	510
PP - Fisher Chi-square	867.321	0.0000	34	544

Method: Series: VST	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-0.88029	0.1894	34	510
Im, Pesaran and Shin W-stat	1.09284	0.8628	34	510
ADF - Fisher Chi-square	57.5692	0.8124	34	510
PP - Fisher Chi-square	66.4976	0.5289	34	544
Method: Series: PER	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-3.17697	0.0007	34	475
Im, Pesaran and Shin W-stat	-6.61839	0.0000	34	475
ADF - Fisher Chi-square	234.413	0.0000	34	475
PP - Fisher Chi-square	608.191	0.0000	34	509
Series: CIT				
Method	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	10.7452	1.0000	34	510
Im, Pesaran and Shin W-stat	-2.47143	0.0067	34	510
ADF - Fisher Chi-square	102.113	0.0047	34	510
PP - Fisher Chi-square	200.908	0.0000	34	544
Series: CGT				
Method	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-0.54245	0.2938	34	510
Im, Pesaran and Shin W-stat	-4.36402	0.0000	34	510
ADF - Fisher Chi-square	138.595	0.0000	34	510
PP - Fisher Chi-square	239.812	0.0000	34	544
Series: TET				
Method	Statistic	Prob.**	Cross-sections	Obs
Levin, Lin & Chu t*	-0.24439	0.4035	34	510
Im, Pesaran and Shin W-stat	-3.98211	0.0000	34	510
ADF - Fisher Chi-square	115.358	0.0003	34	510
PP - Fisher Chi-square	227.939	0.0000	34	544

Source: Computed from E-view 12.0, 2026

If the persistence parameters are identical across cross-sections, it is a common unit root process (Levin, Lin and Chu (LLC) assumption). On the other hand, that is when the persistence parameters can vary across cross-sections freely, we have an individual unit root process, under which rank of the matrix P will be a common function basis of I'm, Pesaran and Shin (IPS), Fisher-ADF, and Fisher-PP tests. The findings are that at the 5% level of significance, statistically one cannot reject the Stationary unit root null hypothesis for some variables and conclude those series to

be non-stationary while some other Variables continues to be stationary at their levels. Nonetheless, all variables are stationary after first differencing as the null hypothesis is rejected at 5%. This suggests that the variables are integrated of order one, I (1), and accordingly, differencing the series once is enough to obtain stationarity.

Taxes and Stock Prices of the Quoted Manufacturing Firms

Table 2: Pedroni Residual Cointegration Test

Alternative hypothesis: common AR coeffs. (within-dimension)					
	Statistic	Prob.	Weighted Statistic	Prob.	
Panel v-Statistic	4.598290	0.0000	-0.720632	0.7644	
Panel rho-Statistic	-1.762747	0.0390	0.395468	0.6538	
Panel PP-Statistic	-6.489896	0.0000	-4.882856	0.0000	
Panel ADF-Statistic	-0.561002	0.2874	-0.765554	0.2220	

Alternative hypothesis: individual AR coefs. (between-dimension)					
		Statistic	Prob.		
Group rho-Statistic		1.736404	0.9588		
Group PP-Statistic		-6.102998	0.0000		
Group ADF-Statistic		-0.336960	0.3681		

Source: Computed from E-view 12.0, 2026

The results of the cointegration test proved that the variables are cointegrated as the probability coefficient of the variables are less than 0.05, we accept the alternate hypotheses that there is presence of long run relationship between the dependent and the independent variables.

Table 3: Panel Data Short Run ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TET	-181.0436	334.7599	-0.540816	0.5888
CIT	-6588.878	203.9291	-32.30965	0.0000
CGT	1690.365	142.2712	11.88129	0.0000
C	77441.31	4905.515	15.78658	0.0000
R-squared	0.733864	Mean dependent var		9420.419
Adjusted R-squared	0.732473	S.D. dependent var		38911.21
S.E. of regression	20076.28	Akaike info criterion		22.43877
Sum squared resid	2.31E+11	Schwarz criterion		22.46894
Log likelihood	-6480.803	Hannan-Quinn criter.		22.45053
F-statistic	527.5965	Durbin-Watson stat		1.284844
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.607338	Mean dependent var		8050.271
Sum squared resid	2.31E+11	Durbin-Watson stat		1.344413

Source: Computed from E-view 12.0, 2026

Table 3: Corporate Taxes and Stock Price of Quoted Manufacturing Firms in Nigeria The short-run regression results reveal that collectively the regressors explain 73.2% of the variation in stock prices (Adjusted $R^2 = 0.732$), while 26.8% is explained by other variables excluded from this model, however; subsequently to accounting for those variables}} The overall model is statistically significant with a probability value for the F-statistic. In addition, the Durbin-Watson statistic of 1.344413 reveals no substantial evidence of serial correlation among the variables in question. Moreover, the positive and statistically significant coefficient of the regression intercept implies that ceteris paribus, stock prices of listed companies in life insurance companies rise by

a substantively large percentage. For the individual tax variables, capital gains tax negatively and significantly affects and causes a decrease of 6588 units in stock prices for every unit increase. On the other hand, Company Income Tax (CIT) has a positive and significant effect on stock prices; it shows that one unit increase in CIT is positively correlated with an increase of 1,690.35 units in stock prices. The effect of tertiary education tax is negative but not statistically significant while indicating that a unit increase in the tax leads to a drop of 181.0 units in stock prices!

Taxes and Value of Traded Stocks of the Quoted Manufacturing Firms

Table 4: Pedroni Residual Cointegration Test

Alternative hypothesis: common AR coefs. (within-dimension)					
		Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic		-2.725188	0.9968	-3.905379	0.0000
Panel rho-Statistic		2.891082	0.9981	3.727626	0.9999
Panel PP-Statistic		1.556180	0.9402	2.357281	0.9908
Panel ADF-Statistic		4.210797	1.0000	3.740349	0.9999

Alternative hypothesis: individual AR coeffs. (between-dimension)					
		Statistic	Prob.		
Group rho-Statistic		6.147385	0.0000		
Group PP-Statistic		4.487374	0.0000		
Group ADF-Statistic		6.146613	0.0000		

Source: Computed from E-view 12.0, 2026

The results of the cointegration test proved that the variables are cointegrated as the probability coefficient of the variables less greater than 0.05, we accept the alternate hypotheses that there is presence of long run relationship between taxes and value of traded equities of the quoted firms in Nigeria.

Table 5: Panel Data Short Run ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
TET	0.330278	0.057300	5.764043	0.0000
CIT	0.006734	0.034444	0.195493	0.8451
CGT	0.085509	0.025979	3.291508	0.0011
C	16.94322	0.844288	20.06806	0.0000
R-squared	0.674733	Mean dependent var		22.33960
Adjusted R-squared	0.569897	S.D. dependent var		3.263095
S.E. of regression	3.146990	Akaike info criterion		5.137666
Sum squared resid	5684.634	Schwarz criterion		5.167836
Log likelihood	-1480.785	Hannan-Quinn criter.		5.149430
F-statistic	15.45373	Durbin-Watson stat		0.420881
Prob(F-statistic)	0.000000			

Source: Computed from E-view 12.0, 2026

Table 5 show the short-run ARDL effect of taxes on traded value of quoted manufacturing firms in Nigeria. The short-run regression findings are also reported in the first column of Table 5, where the adjusted coefficient of determination (Adjusted R²), is 56.9%, suggesting that these explanatory variables jointly explain this proportion (56.9%) of variable stocks valued by traded, while the remaining portion (42.1%) to variations not accounted for. The overall model statistically significant as both the F-statistic and its probability value are provided. The value of the Durbin–Watson statistic is 0.420881, which shows that there is not serious evidence of serial autocorrelation among these variables. Regression intercept is positive and statistically significant indicating that the traded value of stocks of quoted manufacturing firms significantly improves at bulk depending on other variables being held constant. In

addition to the hypotheses mentioned above, capital gains tax has a positive and significant effect on domestic traded stock values where an increase in unit capital gains tax value likely leads to a 0.8% rise of exchange market value of share transactions national wide Company Income Tax (CIT), however, is positively but statistically insignificant as a unit increase in CIT leads to 0.006% rise in the value of traded stocks although negatively but not statistically significant ($p = 0.053$). The same is true for tertiary education tax, which also has a positive and significant effect meaning one unit increase in tertiary education tax translates to 0.33% increase in value of traded stocks of quoted manufacturing firms in Nigeria.

Taxes and Price Earnings Ratio of the Quoted Manufacturing Firms

Table 6: Pedroni Residual Cointegration Test

		Statistic	Prob.	Weighted Statistic	Prob.
Panel v-Statistic		-1.770558	0.9617	-2.965471	0.9985
Panel rho-Statistic		-0.885676	0.1879	-0.578204	0.2816
Panel PP-Statistic		-7.932166	0.0000	-6.452163	0.0000

Panel ADF-Statistic	-2.988812	0.0014	-0.340830	0.3666
Alternative hypothesis: individual AR coefs. (between-dimension)				
		Statistic	Prob.	
Group rho-Statistic	1.807795	0.9647		
Group PP-Statistic	-6.931347	0.0000		
Group ADF-Statistic	0.779298	0.7821		

Source: Computed from E-view 12.0, 2026

The results of the cointegration test proved that the variables are cointegrated as the probability coefficient of the variables are less than 0.05, we accept the alternate hypotheses that there is presence of long run relationship between the dependent and the independent variables

Table 7: Panel Data Short Run ARDL

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CGT	0.100358	0.076413	1.313361	0.1896
CIT	-0.055192	0.100478	-0.549301	0.5830
TET	0.253583	0.194518	1.303647	0.1929
C	3.459167	2.742986	1.261095	0.2078
	Weighted Statistics			
R-squared	0.456198	Mean dependent var		34.44484
Adjusted R-squared	0.363994	S.D. dependent var		39.44869
S.E. of regression	41.16393	Akaike info criterion		8.470714
Sum squared resid	970930.9	Schwarz criterion		8.500925
Log likelihood	-2439.801	Hannan-Quinn criter.		8.482495
F-statistic	3.191114	Durbin-Watson stat		1.335606
Prob(F-statistic)	0.002385			
	Unweighted Statistics			
R-squared	-0.058280	Mean dependent var		16.97388
Sum squared resid	970931.8	Durbin-Watson stat		1.606307

Source: Computed from E-view 12.0, 2026

Table 7 Effect of Taxes on the P/E ratio; Quoted Manufacturing Firms in Nigeria The results from the short-run regression indicate an Adjusted R² of 36.3%, which represents the proportion of variation in the price–earnings ratio explained by our explanatory variables, with 63.7% of this variation being attributable to omitted factors. The F-stat and prob value indicates if the model to estimate of the overall significance. We have further examination of no serious evidence of serial autocorrelation as covered by the Durbin – Watson statistic which is 1.606307 The regression intercept is positive and statistically significant at a significance level of 0.01 (p-value =,000), which means price–earnings ratio of listed manufacturing firms increase significantly all other things remaining constant. For individual tax variables, capital gains tax has a positive but statistically insignificant effect ($\beta = 0.11$); one unit increase in the capital gains tax brings about an increase of 0.10 units in price–earnings ratio. Our CIT coefficient is negative and not significant, indicating that a unit increase in CIT begets a decline of 0.05 in PE ratio. Likewise, tertiary education

tax has a positive but statistically insignificant effect suggesting that a unit increase in the tertiary education tax improved the price–earnings ratio of quoted manufacturing firms in Nigeria by 0.25.

Discussion of findings

The first theoretical model investigated the effects of corporate taxes on stock prices of Nigerian quoted industrial firms and showed that the independent variables explained 73.2% of the variation in stock prices; whereas, the explanatory variables taking into consideration other factors alone explain 26.8%. The capital gains tax exerted a negative and statistically significant influence by -6,588 units on stock prices for the unit increase in the capital gains tax, while the Company Income Tax (CIT) had a positive and statistically significant contribution to stock prices of 1,690.35 units per increase; third-level education tax had an insignificant pending (-181.0), about which it does not make sense to continue commenting. For the second model, which analysed how corporate taxes influenced the value of traded stocks, the explanatory variables explained 56.9% of

the variation whilst 42.1% were attributed to other factors not included in the model. Capital gains tax had a positive and significant effect, unit with respect to the values on traded stocks (0.8% increase); CIT had a positive but insignificant effect, relatively large and unit with respect to the values on traded stocks (0.006% increase), while tertiary education tax had a positive and significant total effect, positively associated so that this unit was increased by 0.33% Mobility in the value of traded stocks. The third model tested the impact of corporate tax on price–earnings ratio, with 36.3% of its variation being explained by our explanatory variables, and 63.7% due to other effect out of this model. The results indicate a positive but non-significant effect of capital gains tax, with a unit increase in the price–earnings ratio associated with an increase of 0.10; CIT had a negative but non-significant effect, with a unit increase being related to 0.05 decrease while tertiary education tax had a positive but non-significant effect, with a unit rise being related to an rises monotonously ($P < 0.05$ every time). Our results provide some support for the Modigliani and Miller hypothesis but we also find that parts of tax variables are negatively related to P/E ratios even though the coefficient estimates are not statistically different from zero which is inconsistent with traditional tax-shield theory, although these positive effects may be consistent with inefficient tax planning and a capital cost higher than the rate of return. The results confirms same as Adeniji (2022) who found fluctuations in value of the firm on both sides during period under study; Booth et al. Mannan et al. (2021) showed that factors influencing capital structure decisions in developing countries are similar to the findings indicated in developed economies; Omet and Mashharawe (2022) reported low leverage ratios in Saudi Arabia, Kuwait, Jordan, and Oman; Fama and French (2022) selected firms size as a target of short-term debt for smaller but weak or absent association for larger firms regarding choice between short- and long-term debt; Tesfaye (2022).

Conclusion

This study investigated the impact of corporate taxes on the valuation of listed manufacturing firms in Nigeria. Model One found that corporate taxes accounted for 73.2% of the variance in stock prices, and Model Two added: "26.8% is due to factors not controlled by our model" Results the research also indicates that capital gains tax have a negative and significant effect on stock prices, where 1 unit increase of capital gains are associated with a decrease in 6.588 units of stock prices, while Company Income Tax (CIT) was positive and significant to stock price, every one unit increase on CIT is associated with an increase on kind to 698.35 units of stock prices Tertiary education tax is insignificant but negatively increased by 181.0 units on

stock price, unit increase. In Model Two, corporate taxes explained 56.9% of the variance in the traded value of stocks, and all other model-excluded sources accounted for 42.1%. The trade effect of capital gains tax was positive and significant; a unit increase in this tax increased the value of traded stocks by 0.8% and CIT had a positive but insignificant effect, where a unit increase was associated with a 0.006% rise. Third level education tax was also significant and with a positive influence, an additional unit increase relates to a 0.33% increase in stock value in the Irish stock market. Model Three explained 36.3% of the total variation in price–earnings ratio leaving 63.7% stubbornly unexplained by factors included in that model. Capital gains tax positively affected the price–earnings ratio, but insignificantly (the unit increase in the capital gains tax was associated with a 0.10 increases in the price–earnings ratio), and CIT negatively (with a seen unit increase correspondent to 0.05 decreasing of the price–earnings ratio) also insignificant while tertiary education tax positively affected P/E, however again not significantly (the described association reflected an all-but studied relation: one unit increase corresponding to +0.25 increases in the price–earnings ratio).

Recommendations

- i. Based on the findings, the study recommended that the management of the manufacturing firms should implement standardise tax rate and practices and should be cautious in tax management and tax planning to reduce the tax burden and reduce the cost of capital to enhance valuation of the quoted firms.
- ii. Quoted manufacturing firms should explore other investment opportunities with relatively low tax rates and maintain cost of capital below rate of return. They should focus more on the expansion of their operational scope and also examine tax policy initiatives like tax relief, tax holiday and tax amnesty to legally reduce tax liabilities.
- iii. Management should formulate internal policy that will enhance the realization of optimal tax system of the firm which determines the combination of cost of equity capital and debt capital as the capital structure of the firm.
- iv. The business environment should be well diagnosed and tactical measures used to ensure that corporate tax does not affect the cost of capital of the quoted firms for optimal investment decisions that enhances the shareholders wealth.

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