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TAX PLANNING AND FIRM VALUE OF QUOTED FOOD AND BEVERAGES FIRM IN NIGERIA

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Abstract
The study examined tax planning on firm value of quoted food and beverages firm in Nigeria. The study employed descriptive ex-post facto. The study uses secondary data, collected from annual financial reports and account of 11 selected firms out of 14 listed beverages sectors from period of 2011 to 2020. Regression analysis was used in testing the formulated hypothesis using E-View 9 statistical software. The regression results show that there is no significant effect of Effective tax rate on Tobin's Q of quoted food and beverages firms in Nigeria at 5% level of significance (t-statistic = 0.603, p-value > 0.05). Therefore, firms that plan to reduce their tax liabilities often optimize their leverage levels. Food and beverages firms should consider the possible penalties imposed by tax authorities, and reputational risks that may result from engaging in aggressive tax planning behaviours.

Keywords: Tax Planning, Effective tax rate and Firm value

Introduction
Taxes are one of the most important fiscal policy tools for regulating a country's economy. Successive Nigerian governments have used the instrument of fiscal policy to stimulate private sector growth at various times. There are around forty distinct taxes charged on food and beverage enterprises in Nigeria since the introduction of the information technology tax, which impedes their return on asset, liquidity, and capital utilized (Nwaobia & Jayeoba, 2016).
Different authors have defined tax planning (TP) in various ways; while these definitions may appear to differ, the underlying concept is the same. Tax planning, according to Adetola and Oke (2016), is a tool at a taxpayer's disposal to lessen the burden of tax paid or owed. Tax planning is a method of maximizing personal financial planning while staying within the confines of the law, allowing for tax exemptions, deductions, incentives, refunds, allowances, and other tax benefits allowed by the law. Vasanthi Vasanthi Vasanthi Vasanthi Vas (2015) Tax planning refers to the additional costs that may be incurred as a result of strategies to reduce taxation, such as implementation and transaction costs, potential penalties imposed by tax authorities, and reputational risks that must be considered, in order for the company to bear additional costs. Jayeoban and Nwaobia (2016). Tax planning, according to Zemzem and Ftouhi (2016), Oyeyemi and Babatunde (2016), and Fajrin et al. (2018), has a detrimental impact on firm value. This means that the larger the firm worth, the lower the amount of corporation tax paid. If the company can lower its tax payments, it will create more profit, and investors will be more

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Vol. 9 Issue 01
January 2022

interested in purchasing its stock. Meanwhile, studies have shown that strengthening the tax system is linked to a company's increased marketability. Taxation, as a fiscal policy tool, has a considerable impact on the performance of Nigerian manufacturing enterprises, according to Ezejiofor, Adigwe, and Echekoba (2015). The study implies that the amount of tax to be paid is determined by the companies' performance.

Firm value is commonly thought of as an economic measure that reflects the whole market value of a business. It is a summary of all taxpayers' claims on corporate assets, including secured and unsecured creditors, as well as the shareholders fund. In financial literature, the firm value is the sum of the stock market value and the debt market value (Nwaobia, Kwarbai & Ajibade, 2015). When shareholder wealth increases, company value increases through improve earnings and cash flow; thus, tax planning is an important tool to help improve the financial performance of any entity. .

Tax preparation, on the other hand, can have a favorable impact on a company's worth. Tang (2017) investigates the impact of tax evasion in 42,107 firm-year observation data from 46 countries between 2001 and 2010. Tobin's Q is used to determine the firm's worth. Tax evasion is defined as the act of avoiding paying taxes. It is measured by the effective tax rate (ETR). In summary, the findings suggest that tax avoidance generates shareholder value, as well as the value of tax evasion, which is driven by diverse agency costs between agencies. There is no evidence, however, that there is a link between the quality of total income and tax avoidance. Lestari and Wardhani (2015) discovered that tax preparation had a beneficial impact on corporate value. Most studies show that tax planning has a practical relationship with firm value. However, some are inconclusive (Akbari 2019; Salawu 2017). This study evaluate the effect of tax planning aspects (effective tax rate) on financial performance of listed food and beverage firms in Nigeria, based on these identified issues of poor tax planning among Nigerian food and beverage firms. The main objective of this study was to examine the effect of Tax Planning on firm value of Quoted food and beverages firms in Nigeria. Specifically, determine the effect of Effective Tax Rate on Tobin's Q of quoted food and beverages firms in Nigeria.

Review of Related Literature

Tax Planning

To a layperson, a tax is a method through which a government or an authority might raise funds from communities, society, or even users of previously existent facilities or amenities. Taxes might deplete your annual income. To combat this, tax planning is a legal technique to lower your tax payments in any given fiscal year. It enables you to make the most of the tax exemptions, deductions, and perks provided by the government in order to reduce your tax liability. Tax planning is a deliberate effort on the part of the taxpayer to eliminate, decrease, or spread his or her tax due without breaking the law, by taking use of all available allowances, exemptions, policies, guidelines, incentives, and relief (Tax Avoidance). For efficient tax planning, it is necessary to have a thorough understanding of the policies and regulations outlined in the government's fiscal policies. Commencement rule, investment allowance, pioneer

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Vol. 9 Issue 01
January 2022

status, cessation rule, investment allowance, exemption on interest on loan to foreign company wanting to do business in Nigeria, and the timing of asset acquisition, claims of capital allowance are among the incentives specified in CITA, PITA, and other laws. TP has been characterized in a variety of ways by various authors. Tax planning, according to Adetola and Oke (2016), is a tool at a tax payer's disposal to lessen the burden of tax paid or owed. Tax planning is a method of maximizing personal financial planning while staying within the confines of the law, allowing for tax exemptions, deductions, incentives, refunds, allowances, and other tax benefits allowed by the law (Vasanthi, 2015). According to Nweze, Ogbodo, and Ezejiofor (2021), all tax offices in Nigeria should implement information technology, which is seen as the hallmark of the twenty-first century, allowing tax payers and tax authorities to declare uniform and consistent claims, thereby preventing tax evasion in the country.

An individual or a corporation's effective tax rate is the percentage of their income that they pay in taxes. The effective tax rate is a method for calculating a company's tax burden. It gives a basic statistical overview of tax behavior by describing the amount of tax paid or payable by a company in relation to its gross profit. The average rate at which a corporation's pre-tax profits are taxed is known as the effective tax rate. The effective tax rate of an individual is computed by dividing total tax expense by taxable income. The effective tax rate for corporations is calculated by dividing total tax expenses by earnings before taxes. The effective tax rate is the net rate a taxpayer pays after all deductions and credits are deducted (Igbinosun, 2019)

Interestingly, ETR is frequently used as a parameter for functional tax planning among firms, if effective tax rate is reduced, we will record higher return on assets (ROA) as well as (ROE). It should be emphasized that if firm value is not improved by effective tax rate, the ability of that business to remain in business and paying taxes to the government would not only be mocked, but compromised.

Firm value

The whole value of a company is measured by its firm value. It considers the full market worth, not just the equity value, therefore it takes into account all ownership interests and asset claims from both debt and equity. The effective cost of buying a company or the notional price of a target company (before a takeover premium) are both examples of firm value. Firm value is commonly thought of as an economic measure that reflects the whole market value of a business. It is a summary of all taxpayers' claims on corporate assets, including secured and unsecured creditors, as well as the shareholders fund. The total of the stock market value and the debt market value is referred to as the firm value in financial literature (Nwaobia, Kwarbai & Ajibade, 2015). When shareholder wealth increases, company value increases through improve earnings and cash flow; thus, tax planning is an important tool to help improve the financial performance of any entity.

Tobin's Q

The ratio of a physical asset's market value to its replacement value is known as Tobin's Q. In his paper Marginal Productivity and the Macro-Economic Theories of Distribution: Comment on

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Vol. 9 Issue 01
January 2022

Samuelson and Modigliani, Nicholas Kaldor introduced it for the first time in 1966. James Tobin popularized it a decade later, in 1970, when he stated its two quantities as: The market valuation, or numerator, is the going price in the market for exchanging existing assets. The denominator, on the other hand, is the replacement or reproduction cost: the market price for newly manufactured goods. As the nexus between financial markets and markets for goods and services, we believe this ratio has significant macroeconomic relevance and utility.

It is used to measure firm value. Firm value is proxied by Tobin Q because it can be seen as amount of value existence, usually in monetary units. Meaning per monetary unit invested in a firm (Desai & Dharmapala, 2009b). The challenges bedeviling the use of Tobin Q as a measure of firm value is its inability to obtain the precise replacement cost of the assets of a company.

Empirical Studies

Umeh, Okegbe, and Ezejiofor (2020) looked at the impact of tax planning on the value of publicly traded consumer products manufacturing companies in Nigeria. The study used an ex-post facto research design. The study's participants were publicly traded consumer products manufacturing companies on the Nigerian Stock Exchange (NSE) as of the conclusion of the 2018 fiscal year. Firms were among the population. With the help of E-View 9.0, the three hypotheses were tested using ordinary lease square regression. The effect of the effective tax rate (ETR) on business value was shown to be negative in this study, however the effect was statistically significant. Kurawa & Saidu (2018) used regression analysis to examine the impact of corporation income tax on the financial performance of listed consumer products companies in Nigeria between 2006 and 2016. Using ROA as a metric, the study discovers an insignificant negative association between company tax and financial performance. Age and risk, on the other hand, have a positive but not statistically significant association with ROA. The association between size and performance, on the other hand, is positive and significant, supporting previous expectations. Ogundajo and Onakoya (2016) investigated the impact of corporate tax planning on the financial performance of industrial enterprises listed on the Nigerian Stock Exchange (NSE). They used the Generalized Least Square (GLS) regression method, which was based on the results of the Hausman model estimation test. They came to the conclusion that aggressive tax planning techniques such as thin capitalization, tax law incentives, and other advantages of loopholes in Nigerian tax laws were not completely employed by Nigerian businesses. The effect of CEO duality on the effective tax rate of listed food and beverage firms was studied by Ezejiofor and Ezenwafor (2020). The study used an ex-post facto research design. During the data gathering procedure, a purposive sample strategy was used to pick nine (9) organizations. Data was gathered from the sampled companies' annual reports and accounts from 2013 to 2019. The study's data was examined using descriptive statistics, and regression was employed with the use of the e-view, which had a 95 percent confidence level at five degrees of freedom (df). The findings suggest that CEO duality was significant and had a positive coefficient on food and beverage company tax planning in Nigeria.

Methodology

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Vol. 9 Issue 01
January 2022

The research adopted descriptive ex post facto research design since it relied on secondary data using panel data to establish the meaningful relationship between tax planning and firm value. This is appropriate because ex-post facto research aims at measuring and establishing the relationship between one variable and another or the impact of one variable on another. The required panel data were sourced from financial statements of selected and quoted foods and beverages firms on the Nigerian Stock Exchange for the period of 2011-2020.

Population of the Study

The population of this study was the quoted food and beverages firms listed on the Nigeria Stock Exchange Market. Currently, there were 14 firms listed on the Nigeria Stock Exchange Market. Since the number of quoted food and beverages firms in Nigeria was not so large and the present study sought to come up with a predictive model for how tax planning affects firm value, I am using 11 firms to form the sample. Thus, this was a census study of all the quoted food and beverages firms in Nigeria.

Table 1: Names of quoted food and beverages in Nigerian Stock Exchange

1.	Cadbury Nigeria Plc
2.	Champion Brewery Plc
3.	Dangote Sugar Refinery Plc
4.	Guinness Nigeria Plc
5.	Honeywell Plc
6.	Northern Nigerian Flour Mills Plc
7.	Nascon Allied Industries
8.	Nestle Foods Nigeria Plc
9.	Nigerian Brewery Plc
10	Unilever Nigerian Plc
11.	Union Dicon Salt Plc

Source: Nigeria Stock Exchange Market, 2021.

Secondary data is used for date collection from audited annual financial reports and accounts for a period of ten-year periods from 2011 to 2020 obtained from the official websites; and eleven (11) firms were selected and used for the study out of fourteen (14) food and beverages firms listed in the Nigeria Stock Exchange.

Method of Data Analysis

Being a panel data study, the study made use of descriptive statistics. However, multiple regression analysis was used in testing the formulated hypotheses using E-View 9 statistical software.

Model Specification

To test the effect of effective tax rate on firm value, represented by Tobin Q, this study adopted the following model:

p-ISSN: 2348-6848
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Vol. 9 Issue 01
January 2022

Y = f(X)
Y = Dependent variable (Firm Value) (FV)
X = Independent variable (Tax Planning) (TP)
X and Y are broken down as follows:
Y = (y1)
X = (x1, x2, x3)
Where y1 = Tobin's Q (TQ)
and x1 = Effective Tax Rate (ETR)
These will result to an expanded functional model of:
TQ = f(ETR) ----------Function 1
Which is expressed as:
TQ = β0 + β1 ETRit + uit.

Data Analysis

Descriptive Statistical Analysis of Variables

The statistical techniques employed in analyzing the descriptive statistics of the data obtained were mean, standard deviation, minimum and maximum values. The descriptive statistical analysis of data is presented in Table 2 below.

Table 2 Descriptive Statistical

	TOBINQ	ETR
Mean	2.637000	-56.61100
Median	1.660000	27.73500
Maximum	7.110000	128.3500
Minimum	1.100000	-890.1900
Std. Dev.	2.041029	294.7783
Skewness	1.246624	-2.599575
Kurtosis	3.206418	7.919448
Jarque-Bera	2.607872	21.34672
Probability	0.271461	0.000023
Sum	26.37000	-566.1100
Sum Sq. Dev.	37.49221	782048.5
Observations	10	10

Source: Analysis of Output Using E-view Version 9

Table 2 above shows that descriptive statistics of effective tax rate (ETR), and Tobin's Q (TobinQ). ETR has a mean score of -.56.6 with a standard deviation of 294.78, showing that the deviation from the mean is quite high hence the data is highly dispersed from the mean. The minimum value of ETR for the firms is -890.2 and a maximum value of 123.4. Finally, TobinQ has a mean of 2.64 with a standard deviation of 2.04. TobinQ ranged from the minimum and maximum values of 1.100 to 7.110, respectively.

Test of Hypothesis

Table 3: Test of Hypotheses

Dependent Variable: TOBINQ
Method: Least Squares
Date: 01/22/22 Time: 22:43
Sample: 2011 2020
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.710597	0.686046	3.951045	0.0042
ETR	0.001300	0.002404	0.540687	0.6034

R-squared	0.035255	Mean dependent var	2.637000
Adjusted R-squared	-0.085339	S.D. dependent var	2.041029
S.E. of regression	2.126336	Akaike info criterion	4.523534
Sum squared resid	36.17044	Schwarz criterion	4.584051
Log likelihood	-20.61767	Hannan-Quinn criter.	4.457147
F-statistic	0.292343	Durbin-Watson stat	0.828311
Prob(F-statistic)	0.603447		

Source: Analysis of Output Using E-view Version 9.

The table above shows that the coefficient of determination is $R^2 = 0.035$ and the Adjusted R^2 is -0.085. Adjusted $R^2 = -0.085$ implies that about 9% of change in Tobin's Q of the sampled food and beverages firms is influenced by joint interaction of effective tax rate. The goodness of fit shows that the regression equation or model that was used to predict Tobin's Q is not significant at 5% level of significance (F = 0.292343, p-value = 0.603).

The test of hypothesis of whether Effective Tax Rate significantly affects Tobin's Q of quoted food and beverages firms in Nigeria shows a positive correlation between effective tax rate and Tobin's Q ($\beta_1 = 0.001300$). This also suggests that there exist a linear relationship between effective tax rate and Tobin's Q of food and beverages companies in Nigeria. In addition, the probability value of the t-statistic for ETR is 0.540687 which is greater than 0.05. Thus, the null hypothesis is accepted which says that there is no significant effect of Effective tax rate on Tobin's Q of quoted food and beverages firms in Nigeria at 5% level of significance (t-statistic = 0.603, *p*-value > 0.05).

Conclusion and Recommendation

Tax planning is a method that allows a taxpayer to lower the amount of tax owed or due. Tax planning allows for tax exemptions, deductions, incentives, refunds, allowances, and other tax benefits allowed by the tax law to be used to the fullest extent possible without infringing rules and regulations. Tax planning, in fact, entails potential costs associated with strategies to reduce taxation, such as implementation and transaction costs, potential penalties imposed by tax authorities, and reputational risks that must be considered, resulting in the company bearing additional costs solely for tax planning.

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Vol. 9 Issue 01
January 2022

The current study looked at the impact of tax planning on the value of publicly traded food and beverage companies in Nigeria. The negative impacts of the effective tax rate on business value were demonstrated to be statistically insignificant. As a result, companies that want to decrease their tax bills frequently increase their borrowing. Food and beverage companies should consider the potential penalties imposed by tax authorities, as well as the reputational hazards associated with aggressive tax planning.

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