

## **Tax Planning Strategies and Financial Performance among Quoted Consumer Goods Companies in Nigeria**

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### **Abstract**

*High tax rates have been a problem for consumer products companies in emerging economies, especially in Nigeria, where it has had a big effect on their financial performance. This study looks at how leverage tax planning techniques and research and development (R&D) affect the financial performance of Nigerian enterprises that manufacture consumer goods. The study, which uses cross-sectional data from 2011 to 2020 and an ex-post facto research design, covers all consumer goods companies listed on the Nigeria Stock Exchange as of December 31, 2020. The results show that the financial performance of listed consumer goods manufacturing companies in Nigeria is not considerably impacted by research and development. Moreover, conflicting findings emerge from the study of the relationship between company leverage and financial success. To potentially increase profitability, the report suggests that employers hold frequent training sessions on modern tax planning techniques for their staff. Furthermore, as interest paid on debt financing is tax deductible, using leverage as a source of financing is advised to optimize tax deductions as a way to enhance financial performance. In light of the difficult tax environments, this research provides practical suggestions to improve tax planning strategies and strengthen financial performance for Nigerian companies that manufacture consumer goods.*

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**Keywords:** Tax Planning Technique, Research and Development, Firms Leverage, Financial Performance and Return on Asset (ROA)

## Introduction

It is more troubling than ever that organizational profit is continuing to decline in today businesses. This has been connected to high expenses, high production prices, and most importantly high tax rates. However, tax revenue is essential to the expansion of any economy, both developed and developing, as it offsets inflation, ensures resource redistribution, helps fund government activities, and generates employment. On the other hand, the company goal to optimize its profit, the company, both domestic and multinational try to minimize the tax burden by using existing tax-probation's blind spot and urge management to do aggressive tax measures (Muhammed, 2022). Recently, there has been a lot of interest in certain multinational businesses' (MNEs') tax planning. The topic of low reported effective tax rates has been raised. In 2010, large profitable U.S. corporations reported an average ETR of 16.9%, even though their official statutory tax rate of 35% was among the highest in the world (Gardner et.al, 2017).

Furthermore, multinational corporations are primarily responsible for the decline in tax revenues in developing countries, losing over \$300 million annually in the financial sector due to aggressive tax planning strategies, as per a 2015 report by the United Nations Conference on Trade and Development (UNTAD). The World Investment Report (2015), which is also mentioned in Ibeh's paper, states that multinational companies (MNEs) account for 10% of income on average in developing countries, and 14% in countries on the

African continent (Ibeh, 2018). Furthermore, a number of the 500 biggest American companies, including Facebook, Boeing, Google, Apple, and Coca-Cola, were discovered by S&P Global Market Intelligence to employ complex tax planning techniques in order to avoid paying federal income taxes. Despite the official rate being 35%, S&P 500 corporations paid an average of 26.9% in income taxes between 2007 and 2015, according to Wolff (2021).

In Nigeria, corporations are subject to corporate income tax at rates of 30% and 2% education (recently, the Finance Act of 2019 has changed education tax to 3%) tax on the taxable profit and assessable profit, respectively, as per the Company Income Tax Act (CITA) chapter C21 LFN 2020 as modified. These taxes are a significant burden for businesses since they reduce the distributable profit that managers of incorporated organizations are required to report (Avi-Yonah et.al,2008). Businesses continue to evade taxes with the help of tax experts and accountants who help them set up their operations in a way that allows them to take advantage of the tax laws' loopholes, even though almost every nation in the world including Nigeria has anti-avoidance tax laws to discourage tax evasion.

Once more, the manufacturing sector in Nigeria especially that of consumer goods, is essential to the country's overall economic health as well as the financial security of every individual resident. Despite this, steadily increase in companies' research and development cost and high cost of external debt which have become increasingly

alarming for a corporation, resulting in subpar financial performance. Data from Olayiwola and Okoro (2021) showed that companies employ a range of tax planning techniques, like tax planning mechanisms, to maximize their profits.

Since 2010, Nigeria's tax income to GDP ratio has significantly decreased due to taxpayers' efforts to evade paying taxes (Onyeka & Nwankwo 2016). Furthermore, progressives have been successful in combating tax evasion in Nigeria despite a number of tax changes, audits, penalties, and initiatives. Specifically, the recently enacted national tax policy from February 2017 asks for a decrease in small enterprises' corporate income tax rates. Considering the high level of manufacturing company operational activity in Nigeria's economy, the aforementioned information indicates that the cause for the stagnant growth in corporate tax income is the active conduct toward tax planning attempts. This is alarming, because of this, the Nigerian government does not have the funds necessary to construct the essential infrastructure for its citizens (Eneh, 2011).

However, these aforementioned issues have been contended in literature and different mechanisms have been discussed as the causes of these issues. Thus, considering research and development expenditures, businesses are able to produce innovations that boost their earnings (Hall & Lerner 2010). Investments in R&D by businesses will lead to innovations that boost their assets, and there is a correlation between capital intensity and company value.

Therefore, it is important to determine whether the stated Nigerian manufacturing companies are improving their performance through the use of this thin capitalization method as a tax planning tool. A significant amount of research has examined how tax planning affects corporate value and performance across a range of economic sectors and levels.

In addition to the current issue, corporate entities use unnecessarily high levels of leverage at the expense of shareholders in order to engage in aggressive tax planning. This raises the interest that can be deducted from taxes, which in turn raises the risk of bankruptcy for shareholders who have a high debt profile in their capital structure for tax aggressiveness reasons (Ricca et.al, 2021). The overuse of debt will produce operational disruptions for the firm since it will put it in the category of extreme leverage, or extreme debt, which means it will be impossible to reduce the debt load and remain trapped at a very high level. Thus, much cash on hand, high liquidity, a drop in profitability, and minimization could all be contributing factors.

Despite the widespread belief that taxes is a significant source of funding for the growth of the economy and the provision of social services. However, the difficulties businesses in Nigeria encounter are related to the inverse relationship between taxes and the capacity of the business to survive and grow.

Contrary to popular assumption, taxes are a substantial source of finance for both social

service delivery and economic expansion. Nonetheless, the challenges faced by Nigerian enterprises stem from the adverse correlation between taxes and an organization's ability to endure and expand. Taxes must be minimized because they account for a large amount of corporate expenses and have the ability to reduce profits, particularly in the industrial sector of the economy. According to Ahrani (2021) companies that obtain tax advantages pay less tax and thus report higher return on equity (ROE) and return on assets (ROA) values. Additionally, Tax planning techniques attempt to improve the economic and financial performance of businesses in order to optimize return on owner's investment, much like any other business management activity (Akeem et.al, 2014). These companies should have lower effective tax rates (ETR) as a result of lower tax liabilities, which increase the companies' profitability. But has this strategy really been fully utilized by the industrial sector? According to a study by (De Simone et.al 2022) there is a direct link between higher investment levels and heavily indebted businesses having lower ETRs. Numerous research studies have been carried out in different countries to examine the effects of tax methods on the financial performance of listed manufacturing companies (Padachi, 2006; Oyedepo, 2014; Yorke et al., 2016; Wang et al., 2022; Muhammad, 2022). These studies specifically look at whether and how a firm's distinctive features like size, capital intensity, profitability rate, capital structure, and asset mix affect financial performance. However, they haven't been able to fully

identify the variables that affect tax planning strategies among consumer goods manufacturing companies.

Furthermore, a large body of research looked at corporate governance mechanisms as predictors of aggressive firm tax planning strategies, such as ownership structure, form of ownership, and board of director characteristics (Boussaidi & Hamed 2015). However, the necessity of the study grows as it empirically identifies the pertinent components of firm-level leverage tax planning strategies and research and development expenditure tax planning strategies that have the potential to significantly influence tax planning strategies and have an impact on financial performance among Nigeria's listed consumer goods companies. In order to accomplish research goals, the following research hypotheses were put forth:

Ho<sub>1</sub>: research and development expenditure tax planning strategies has no significant effect on financial performance of listed consumer goods in Nigeria.

Ho<sub>2</sub> There is no significant relationship between firm's leverage tax planning strategies and financial performance of listed consumer goods in Nigeria.

## **Literature Review**

### **Conceptual Review**

Although tax planning is widespread in literature and defined by different author for example Graham et.al, (2014) defined tax planning as the process of developing tactics throughout the year to lower one's tax bill. One such strategy is to select the tax filing status that will benefit the taxpayer the best.

One way to achieve this kind of tax planning is to postpone selling an asset until the next tax year in order to avoid incurring capital gains. It is also view as the tax planning as the process of structuring one's affairs in order to defer, reduce or even eliminate the amount of taxes payable to the government (Valderrama et.al, 2018). It has also been found that tax planning is the best method of reducing taxes, as long as it stays within legal limitations. Taking into account all of these definitions, tax planning techniques are viewed as tools and concepts for financial plans that present a chance to reduce tax obligations and raise an organization's revenue. Thus, the utilization of research and development and firms' leverage to accomplish long-term tax planning techniques is how this study conceptualizes tax planning tactics.

Therefore, Ernst et.al, (2014) defined research and development as the cost related to firms' investment decisions which contribute to lower Effective Tax Rates and there are many fiscal incentives through multiple jurisdictions that promote the investment in R&D thus aiding R&D programs to be conditional on tax rates and incentives. Furthermore, the expenses on Input related R&D are allowed thereby creating tax incentives that decrease the price of R&D inputs faced by firms, which makes it more attractive to engage in R&D while output-related R&D tax incentives increase the returns from innovative products (Appelt et.al, 2016). It is pertinent and necessary to highlight in this study that research and development costs are the costs related to studying company products and

services with the goal of producing innovations and efficiency for higher returns. This is supported by these two definitions.

Also, Adenugba et.al (2016) opined that leverage in a business definition refers to the use of the asset and fund resource by a firm where the use of asset of fund is intended to increase the potential benefit for stakeholders of the firm. In addition, leverage means the extent to which companies uses fixed interest- bearing capital to finance its operations. Similarly, Sartono (2000) in (Kurniasih *et al.*, 2017; Irianto *et al.*, (2017), leverage refers to the utilization of debt to finance investments. In the same vein, Uniamikogbo *et al.*, (2018) posited that leverage is the extent to which a firm has been financed by outside or external funds which are purely debt obligations. Leverage could either be an operating or a financial leverage. Operating leverage is the use of assets which forced the company to bear the fixed costs such as depreciation. Similarly, Barakat (2014) states that operating leverage is defined as a firm's ability in utilizing fixed operating costs to enlarge the influence of sale volume changes on earnings before interest and taxes. The two financing options that businesses most frequently pursue are debt financing and equity financing. Debt financing is the borrowing of funds that must be repaid with interest, while equity financing is the raising of funds by selling shareholding interests in the company. Based on these definitions, this study examined the leverage of the firm and highlighted its relevance as the use of funds

that forced the company to bear the burden of a fixed rate of interest.

### **Theoretical Framework**

Hoffman's 1961 publication, *Tax Planning Theory of Taxation*, provided the theoretical framework for the investigation. The Hoffman Tax Planning Theory of Taxation, which was created by Hoffman in 1961, states that a business should only consider tax planning when there is a potential to minimize taxable revenue while maintaining accounting income. This is so that the firm will be evaluated by the relevant tax authority using taxable income rather than accounting income. According to Graham et.al, (2014), companies should therefore concentrate more on tax planning techniques that lower taxable income than on accounting profit.

In light of this, the two objectives can be accomplished using this approach; nevertheless, tax planning objectives can only be accomplished in situations where there is a propensity to minimize taxable income while preventing a detrimental effect on accounting income. This is so because taxable income determines a company's tax responsibilities. Consequently, commercial organizations should concentrate on tax planning strategies that lower taxable income rather than accounting income (Mgammal, 2020). Hiring tax professionals to handle a company's tax issues would assist the organization by generating large tax savings through effective tax planning (McGuire, Omer & Wang 2012). The theory anticipates a positive correlation between

tax planning and the tax practitioner based on the aforementioned information.

### **Empirical Studies**

This section encompasses supportive data derived from previous studies, including empirical research concerning Nigeria and its relation to emerging and industrialized nations. Kariuki (2017) examined tax planning practices and firm performance within the context of developed nations. The study concluded that a more favorable tax structure correlates positively with the enhanced market performance of businesses, drawing evidence from annual reports. Similarly, findings from Chen, Chen, and Chen's (2010) study parallel those of Kariuki (2017). In a related vein, Hidayat and Yuliah (2018) conducted an evaluation that factors in company performance, corporate governance, and tax planning, incorporating 4,492 observations from 862 firms over the study period. Consequently, the study concluded that the relationship between tax planning and firm performance is mediated by corporate governance, with the estimate of the independent variable indicating that corporate governance exerts a larger impact on business performance.

Furthermore, Kariuki (2017) explored whether corporate tax avoidance affects the financial performance of listed firms. The study discovered that business size presented a positive yet inconsequential predictor of financial performance through corporate planning, while corporate tax planning and liquidity displayed a positive and statistically significant association. Conversely, leverage exhibited a negative

and statistically significant value. Wang, Xu, et al. (2022) delved into a study on parent-subsidary common managers and corporate tax planning, ultimately finding a negative association between the indicator for firms with common managers and effective income tax rates in both univariate and multivariate analyses.

Blaufus & Zinowsky (2013) investigated the factors of experience and personality traits influencing tax aggression among experts from developing nations, revealing that personality factors exert both direct and indirect effects on tax aggression. This led to the conclusion that treatment-effects regressions bear relevance. With backing from the South African Institute of Chartered Accountants, Bahar, Bahri, and Zakaria (2022) conducted a study on tax planning among tax professionals. Data collected through a pilot survey aimed to identify varying levels of tax aggression among tax professionals in South Africa, adding to the knowledge base on tax-aggressive behavior and shedding light on the dynamics of tax compliance during transitional periods. Finally, using a sample of 300 S&P 500 US companies, Aliani (2014) explored the association between CEO traits and corporate tax planning evidence from US corporations over a 15-year period from 1996 to 2010, based on filings from the US Securities and Exchange Commission. The study's findings revealed the significant impact of the CEO's specialization and educational background on the company's tax plan, while no meaningful correlation was found between

tax planning and other researched variables such as age, seniority, and experience.

Amidu, Yorke, and Harvey (2016) utilized a sample of 119 non-financial firms listed on the Ghana Stock Exchange (GSE) and non-listed firms from the Ghana Revenue Authority (GRA) database to investigate the effects of adopting International Financial Reporting Standards (IFRS) on accounting information quality and tax avoidance. Their study, employing multiple regression analysis, indicated that the adoption of IFRS, alongside the interaction between firm size, equity capital, and debt financing strategy by Ghanaian firms, contributes to higher-quality earnings and a reduced incidence of tax avoidance among Ghanaian firms. Furthermore, their findings suggested that IFRS adoption reduces tax avoidance as earnings quality increases when firms use internal funding to enhance profitability levels.

In a similar vein, Jeong and Chae (2017) conducted a study using a sample of 18,954 audited enterprises, including those externally audited between 2011 and 2013, to explore the impact and determinants of small- and medium-sized entities engaging in tax avoidance. The study utilized the gap between accounting profit and taxable income as a proxy for tax avoidance and found that a variety of factors, including firm size, profitability, leverage, operating cash flow, capital intensity, R&D intensity, and growth rate, contribute to high levels of corporate tax avoidance among small and medium-sized enterprises.

Likewise, Masri et al. (2017) investigated the effect of tax-aggressive behavior on the cost of equity, using moderating family ownership for a sample of 224 manufacturing firms on the Indonesia Stock Exchange for the period 2010–2013. Their study revealed a negative influence of tax avoidance on the cost of equity, while discretionary behavior on book-tax differences (BTD) was considered positively by shareholders. Concurrently, Olajide (2017) explored the impact of tax planning on firms' performance as listed companies in Nigeria, concluding that tax planning has a negative impact on company performance and no discernible beneficial effect on reported earnings. The study recommended encouraging tax advisers to utilize their expertise, and raising awareness among taxpayers about the importance of voluntary compliance.

Moreover, Saidu (2018) employed regression analysis in assessing the impact of corporation income tax on the financial performance of listed consumer products businesses in Nigeria from 2006 to 2016. The study's findings indicated a negligible negative correlation between company tax and financial performance. Meanwhile, a positive yet insignificant correlation was observed between age, risk, and return on assets (ROA), with size demonstrating a significant positive correlation with performance, supporting earlier hypotheses. The study recommended the engagement of tax experts in legal tax planning, such as transfer pricing or structuring intra-company debt, to reduce net tax payment and boost

the financial sustainability of listed Nigerian consumer goods.

### **Methodology**

This study uses the ex-post facto research methodology to collect data from Nigerian listed consumer items. As of December 31, 2020, empirical data from all listed consumer goods was collected on the floor of the Nigerian Stock Exchange. The fact that this industry makes the largest contribution to Nigeria's Gross Domestic Product (GDP) served as justification for the decision to choose all of the consumer goods listed. The representative sample for this study is twenty (20) companies, chosen using the sample size determination table created by Krejcie and Morgan in 1970. Due to a lack of data, two (2) companies were eliminated from the study's sample size, leaving a final sample size of 18 businesses. The study's sample was selected using a combination of the judgmental sampling methodology. The study's data came from the annual reports and accounts of Nigerian listed industrial companies from 2011 to 2020. This is corroborated by the fact that an extensive user base can readily obtain annual reports. The gathered data were quantitatively analyzed using both descriptive and inferential statistical approaches. The mean, standard deviation maximum, and minimum value are among the descriptive statistics that are used to summarize the sample companies' annual reports and accounts for the years 2011 through 2020. Robust Least Square Regression is the inferential statistical method used in this investigation. The following is the model use to achieve hypotheses above:

$$ROA = \beta_0 + \beta_1 CapINT_{it} + \beta_2 CapST_{it} + u_{it}$$

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Where:

ROA = Return on asset  
(Profit after tax/ total assets)

CapINT = Research and  
Development

CapST = Firms' Leverage.

## Results and Analysis

The descriptive statistics mean, minimum, maximum, and standard deviation were used to compile the study's data. Diagnostic tests such as serial correlation, normality, linearity, heteroskedasticity, and multicollinearity were performed to make sure the fundamentals of regression were met. However, the dependent variable in the study was the ROA mean, which was found to be 0.217 based on the outcomes of a descriptive statistical analysis of the variables. The two measures used in the study to assess the financial performance of Nigerian listed consumer products manufacturing companies had minimum and maximum values of -3.6008 and 11.793 for ROA, respectively, and -2.4918. Standard deviations for the firm's financial performance metrics were both less than the mean, indicating a notable degree of clustering around the mean. The firm's capital intensity had a mean of 0.5923 and a standard deviation of 0.2548; the average capital structure was 0.549 with a standard deviation of 0.4984; and the mean total assets had a range of -1.6 to 4.88.

Prior to evaluating hypotheses, preliminary tests were performed to confirm that the data collected was normal, this is because financial time series data are generally believed to be non-stationary (Bello, Maimako & Bala, 2016). Kurtosis and Skewness were used in the Normality Test, which was one of the first tests run. However, the early test result reveals that most variables are normally based on skewness, even though most of them are not typically dependent on kurtosis. This is because most of the kurtosis values, which are larger than the range of  $\pm 1.96$ , indicate that the data are not normally distributed. Panel Corrected Regression Error (PCRE) was the inferential statistic used in this investigation as a result. Before being subjected to inferential statistics, the data were additionally exposed to diagnostics using the Hausman test, auto and serial correlation test, heteroscedasticity test, normality test, and Shapiro-Wilk test. The Shapiro-Wilk test findings for the normality test indicate that the p-value is significant at 1%. Consequently, the null hypothesis—that is, that the residuals are not regularly distributed throughout the model—is found. However, the Gauss-Markov theorem states that if the sample size is greater than 15 observations, the best linear un-bias estimate (BLUE) can be derived without the residual distribution and data normality. The results of the inferential statistics are as follows after the initial and diagnostic examination:

#### Inferential statistics - Robust Least Square Regression Summary

| Regressors                     | Coefficient | Std. Error | (Z-Statistic)    | (Prob)     |
|--------------------------------|-------------|------------|------------------|------------|
| ROA(-1)                        | -0.348516   | 0.141636   | <b>-2.460638</b> | (0.0139)   |
| RESEARCH<br>AND<br>DEVELOPMENT | -0.008      | 0.0037     | <b>2.291076</b>  | (0.0220)   |
| FIRMS'<br>LEVERAGE             | 0.048980    | 0.013748   | <b>3.562715</b>  | (0.0004)** |

**Source: Authors' Computation, 2023**

Note; *ROA is the return on asset; RTPS is the research and development tax planning strategies; and FLTPS firm leverage tax planning strategies.*

#### Discussions and Implications

**Research and development as a tax planning strategy of financial performance among listed consumer goods companies in Nigeria** - The study's findings also demonstrated that, among Nigeria's listed consumer goods companies, firms' research and development tax planning techniques have a negative and substantial impact on financial performance ( $\beta_1 = -0.008$ ;  $SE = 0.0037$ ,  $Z = 2.291076$ ,  $p > 0.05$ ). In other words, listed consumer goods companies in Nigeria would see an increase in financial performance if they reduce their research and development. This result supports the stakeholder theory, which contends that businesses being studied are subject to intense monitoring from numerous R&D departments and have limited chance to minimize their profits. Furthermore, as per Zakaria (2015) study, the existence of substantial investments in tangible assets signals the tax authorities to conduct more thorough asset verification in order to prevent the companies from

claiming a higher tax depreciation expense value, which could lower their assessable income and consequently result in higher income tax expenses. Also, the theory based on Hoffman's 1961 publication predicted that a business should only think about tax planning when there is a chance to reduce taxable revenue while maintaining accounting income. In light of this, the study's findings, which show that income or profit increases in areas with lower costs associated with research and development, are consistent with this theory. This result deviates from the study's initial hypothesis, which held that R&D would improve the financial performance of Nigerian listed consumer products companies and reduce income tax obligations. The results are consistent with past research by Pattiasina (2019), Innocent et al. (2018), and Ilaboya et al. (2016). The results also conflict with the research conducted by Nwaobia et al. (2016), Irianto et al. (2017), and Sonia et al. (2019).

### **Influence of Firm's Leverage on Financial Performance among Listed Consumer Goods Companies in Nigeria**

- In a similar vein, the research found that among Nigerian listed consumer goods companies, firms' leverage is considerable and positively impacts their financial performance ( $\beta_2 = 0.048980$ ;  $SE = 0.013748$ ,  $Z = 3.562715$ ,  $p < 0.05$ ). This result supports agency theory, which postulates that managers of highly leveraged companies are occasionally subject to the financing agreement discipline enforced by creditors through the insertion of restricting clauses in an effort to reduce agents' costs (Zakaria 2015). Leverage financing's interest component has a tax shield that helps to lower the income tax obligation Zaman et.al, (2018).

On the other hand, because interest expense is tax deductible, it usually results in higher financial performance and lower income tax obligations. This result is consistent with the study's a priori hypothesis, which holds that leverage capital utilization will improve listed consumer goods companies' financial performance and lower their income tax obligations. The results of this findings are in line with those of earlier studies by Kraft (2014), Lanis and Richardson (2012), and Boussaidi and Hamed (2015). The results also agree with Ilaboya et al. (2016), Oyeleke et al. (2017), and Chytis, Tasios, and Gerantonis (2018).

### **Conclusion and Recommendations**

In summary, this study has highlighted crucial insights that merit attentive consideration by listed consumer goods

manufacturing firms in Nigeria. Initial observations indicate a negative and significant relationship between research and development (R&D) and the financial performance of these companies. Furthermore, the study underscores the limited impact of leverage financing as a determinant of financial performance. Specifically, it highlights the restrained utilization of debt financing to claim tax deductible expenses, resulting in lesser tax payments.

To deepen tax planning techniques and foster improved financial performance, it is vital for listed consumer goods manufacturing entities in Nigeria to adopt key measures guided by the empirical findings of this study. These recommendations seek to leverage the study's outcomes to enhance operational strategies and fiscal prudence.

First and foremost, based on the study's empirical evidence, it is imperative for these firms to prioritize tax planning for R&D expenditures. Recognizing the significant influence of such tax planning on the financial performance of publicly traded consumer goods companies in Nigeria, it is suggested that companies proactively institute regular staff training seminars focusing on contemporary tax planning methodologies. By doing so, companies can amplify their proficiency in tax optimization, thereby bolstering their overall profitability.

Additionally, it is recommended that these firms explore tax-favored or tax-exempt investment avenues as part of their broader

tax planning initiatives. This exploration should be accompanied by a proactive engagement with pertinent tax authorities and ongoing alignment with legislative provisions, including pertinent court precedents. By harnessing such avenues, businesses can effectively optimize their tax planning strategies, potentially leading to heightened financial strength and long-term sustainability.

Furthermore, the study suggests that despite the identified adverse impact of leverage on the financial performance of Nigerian listed consumer goods companies, deliberate efforts should be made to increase leveraging as a financing source. Given the tax-deductible nature of interest paid on debt financing, heightened leverage can serve as a potent tax planning tool, amplifying tax deductions and fortifying financial performance.

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