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CORPORATE TAX PLANNING AND FINANCIAL PERFORMANCE OF LISTED FOOD AND BEVERAGES COMPANIES IN NIGERIA

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Abstract

Despite the utilisation of tax planning to optimise financial performance by companies in developed and second world countries, Nigeria companies especially the food and beverages sector have over the years experienced higher corporate tax liabilities which have negatively impact the ability of Nigerian firms to generate profits, stifling growth and limiting the reinvestment of retained earnings into the business. This study therefore sought to examine the effect of corporate tax planning on financial performance of listed food and beverages companies in Nigeria. The study adopted an ex-post facto research design. The population of the study consists of 15 listed food and beverages companies in Nigeria. Secondary data were extracted from the Annual Report and Accounts of 10 sampled companies from 2014 – 2023. Data were analysed using descriptive, inferential statistics, and regression. Findings from the study revealed that corporate tax planning significantly affect TBQ (P = 0.000000). Also, firm and leverage significantly control the relationship between corporate tax planning and TBQ (p = 0.000000). The study recommendeds that managers of food and beverages companies in Nigeria should carefully manage their Capital Intensity to avoid over-leveraging while still utilising the benefits of debt financing. Companies can implement debt restructuring strategies, reducing interest costs and spreading out repayment schedules to manage financial risk effectively.

Keywords: Capital Intensity, Effective Tax Rate, Thin Capitalisation, and Tobin's Q.

1. Introduction

The literature on financial performance has significantly expanded in recent years, emphasising the role of tax avoidance and corporate tax management in enhancing financial performance globally.

In developed economies, such as North America and Western Europe, firms focus on meticulous financial reporting to ensure the accurate calculation and reporting of taxable income (Oyeleke et al., 2016). Tax avoidance strategies are often employed to improve financial efficiency and maximise profitability (Abdul-Wahab & Holland, 2012).

In second-world countries, such as those in Eastern Europe and Southeast Asia, financial metrics such as Tobin's Q (TBQ) and capital intensity have been shown to influence corporate tax planning strategies. For instance, research in Malaysia revealed that firms with effective governance mechanisms are less prone to excessive tax avoidance, thereby striking a balance between tax planning and financial compliance (Yusof et al., 2022).

In developing economies, particularly in sub-Saharan Africa, corporate tax planning is a critical strategy for enhancing financial performance. In Nigeria, the Companies Income Tax Act (CITA) 2007 (as amended to date with the Finance Act, 2024) forms the basis for corporate taxation. Recent amendments, such as those introduced by the *Finance Act 2023/2024*, have refined the tax framework to improve compliance and address emerging challenges.

Tax planning enables Nigerian firms to lower

tax burdens and enhance profitability (Okoye & Akenbor, 2020). Omodero and Amah (2021) highlighted taxation as one of the most significant expenses for Nigerian businesses, emphasising that effective tax strategies can reduce operational costs and improve financial outcomes. Although some industries under-utilise such approaches, companies that adopt them gain improved profitability and maintain competitiveness in a challenging economic environment (Chukwudi et al., 2021). Furthermore, recent studies reveal that tax planning and tax avoidance are closely linked, as firms often exploit legal loopholes to optimise financial efficiency (Ogbeide & Obaretin, 2022).

However, while corporate tax planning can bring significant benefits to firms in terms of enhancing profitability, the relationship between corporate tax planning and financial performance, particularly in developing economies like Nigeria, remains complex.

Companies in first and second world countries, such as the United States of America (USA), United Kingdom (UK), Eastern Europe and Southeast Asia utilise tax planning to optimise financial performance indicators such as Tobin's Q.

Studies in these economies, such as those by Desai and Dharmapala (2021), have found that effective tax planning leads to improved financial outcomes and reduced overall tax burdens.

In Nigeria, the situation is more challenging. Companies, particularly those in the food and beverages sector, face significant regulatory and operational burdens, including high corporate tax rates, multiple taxation, complex tax laws, and a lack of comprehensive financial management strategies (Hart, 2018). Studies like Okoye and Akenbor (2020) have shown that higher corporate tax liabilities negatively impact the ability of Nigerian firms to generate profits, stifling growth and limiting the reinvestment of retained earnings into the business.

Omodero and Amah (2021) highlighted that food and beverages companies in Nigeria, which are often capital-intensive, struggle to balance capital investments with the heavy tax burdens they face. The need for effective tax planning that aligns with the firm's strategic goals has become more urgent as firms aim to improve financial outcomes despite external pressures from regulatory authorities. This study sought to fill that gap by examining how corporate tax planning influences key financial performance metric like Tobin's Q of listed food and beverages companies in Nigeria.

The main objective of this study was to examine the effect of corporate tax planning on financial performance of listed food and beverages companies in Nigeria. Financial performance was measured with Tobin's Q while corporate tax planning was measured with thin capitalisation, capital intensity, and effective tax rate. Firm size and leverage were used as control variables.

2. Literature Review

2.1 Conceptual Definitions

Tobin's Q

Tobin's Q is a market-based performance metric that evaluates the ratio of a firm's market value to the replacement cost of its assets. Conceptually, a Tobin's Q ratio greater than one suggests that a company's market valuation exceeds the cost of replacing its assets, indicating high growth prospects and efficient asset utilisation (Chijoke-Mgbame et al., 2020; Omodero, 2019; Egbunike & Okerekeoti, 2018; Uwuigbe et al., 2016; Okafor et al., 2016). In the context of Nigerian food and beverage firms, Tobin's Q is particularly relevant because it captures investor perception, market expectations, and the impact of corporate decisions such as tax planning on long-term value creation (Oboh & Ajibolade, 2017; Akinyomi & Tasie, 2011).

Capital Intensity

Capital intensity refers to the extent to which a firm relies on capital assets rather than labour in its production process. It is usually measured by the ratio of fixed assets to total assets or output (Müller et al., 2022). In the context of Nigerian food and beverage firms, capital intensity signifies how much investment is committed to equipment, plants, and infrastructure in relation to output, affecting both cost structure and financial strategy (Okolie & Raymond, 2020; Afolabi et

al., 2020; Omodero & Ogbonnaya, 2018; Salawu & Adedeji, 2017; Ogundajo & Onakoya, 2016). A highly capital-intensive firm tends to have substantial depreciation charges and may benefit from tax allowances related to capital investment. These benefits, when properly planned and reported, contribute to corporate tax planning efficiency and enhance after-tax profitability (Okafor et al., 2021; Adegbie & Adeniji, 2021; Uwuigbe et al., 2020; Oboh & Ajibolade, 2017; Ogbeide & Akanji, 2017).

Thin Capitalisation

Thin capitalisation refers to a situation where a company is financed through a relatively high proportion of debt compared to equity, resulting in a capital structure that emphasises borrowings over ownership contributions. This structure is often adopted to take advantage of tax deductibility of interest payments on debt, which reduces taxable income and, consequently, the tax burden (Egbunike & Okerekeoti, 2018; Omodero & Ogbonnaya, 2018; Oboh & Ajibolade, 2017; Salawu & Adedeji, 2017; Ogundajo & Onakoya, 2016). In the Nigerian context, thin capitalisation is increasingly relevant due to the rising cost of capital and limited access to equity financing, especially among listed food and beverage firms facing high operational expenses (Okafor et al., 2021; Arowoshegbe & Uniamikogbo, 2016; Oboh & Okafor, 2016; Uwuigbe & Olusanmi, 2012; Adegbie & Fakile, 2012).

Effective Tax Rate (ETR)

The effective tax rate (ETR) is a critical indicator in evaluating the actual tax burden a firm bears relative to its earnings and is calculated as income tax expense divided by pre-tax income. Unlike statutory tax rates, which are fixed by law, ETR reflects the real-world implications of tax planning, including the use of incentives, deductions, and loopholes (Okolie & Raymond, 2020; Oboh & Okafor, 2016; Ogundajo & Onakoya, 2016; Adegbie & Fakile, 2012; Uwuigbe & Olusanmi, 2012). In the context of Nigerian food and beverage companies, the ETR offers an empirical lens through which the effectiveness of corporate tax planning strategies can be assessed. Firms that strategically apply tax planning tools, such as capital allowances, investment reliefs, and transfer pricing compliance, tend to report lower ETRs, thus preserving more of their earnings (Chijoke-Mgbame et al., 2020; Omodero & Ogbonnaya, 2018; Egbunike & Okerekeoti, 2018; Oboh & Ajibolade, 2017; Salawu & Adedeji, 2017).

Firm Size

Firm Size refers to the volume of a firm's total assets which make it easier to benefit from economies of scale, negotiation power, and tax incentives to reduce operational costs, tax liabilities and enhanced profitability (Akbas & Karalduman, 2012; Ftouhi et al., 2014). Larger firms typically possess superior resources, such as expert personnel, financial capital, and advanced technology, which facilitate more sophisticated and structured approaches to tax planning (Okafor et al., 2021; Oboh & Ajibolade, 2017; Salawu & Adedeji, 2017; Ogundajo & Onakoya, 2016; Uwuigbe & Olusanmi, 2012).

Leverage is the degree to which a company's assets are financed by debt rather than its own capital (Afriani et al., 2015). This ratio is used to evaluate a business's capability to meet its long-term obligations. In the context of the food and beverage industry in Nigeria, leverage can be utilised to create tax shields, particularly through interest deductions on debt, which reduce taxable income and consequently lower tax liabilities. Large, well-established food and beverage companies in Nigeria often employ debt financing to enhance returns while strategically minimising tax exposure (Oboh & Ajibolade, 2017; Nwaobia et al., 2016; Ogundajo & Onakoya, 2016; Olayemi, 2013; Salawu & Agboola, 2008).

2.2 Theoretical Framework

This study adopts the Trade-off Theory as its primary theoretical underpinning to examine the relationship between corporate tax planning and firm performance. Originally advanced by Kraus and Litzenberger (1973) and later refined by Myers (1984), the Trade-off Theory of capital structure asserts that firms deliberately

balance the benefits and costs associated with financing choices, particularly debt. A key benefit of debt financing is the tax shield provided through interest deductibility, which can significantly reduce a firm's taxable income and enhance profitability. However, excessive reliance on debt introduces financial distress costs, such as bankruptcy risk, loss of operational flexibility, and increased monitoring by creditors. Thus, the Trade-off Theory aptly captures the complex dynamics observed in the Nigerian food and beverage sector, where firms must carefully balance tax savings against performance sustainability (Ado et al., 2024; Frank & Goyal, 2009).

2.3 Empirical Review

Igbinovia and Usman (2024) assessed tax avoidance, tax planning strategies and firm value of manufacturing firms in Nigeria. The study adopted thin capitalisation, tax savings, book tax difference and capital intensity as measures of as tax avoidance and tax planning strategies. Secondary data was extracted from the audited annual reports of twenty-eight (28) manufacturing firms during the period 2014 to 2021. The result from the panel estimation technique show that thin capitalisation exhibits a positive and statistically significant impact at 5% on Tobin's Q of listed manufacturing firms in Nigeria. Book tax difference exhibit positive and inverse impact on Tobin's Q as a measure of financial performance of listed manufacturing firms in Nigeria respectively, and they are significant at 5%. Capital intensity exhibits inverse and statistically significant impact at 5% on Tobin's Q of manufacturing firms in Nigeria.

Izevbekhai and Momodu (2023) ascertained how corporate tax saving strategy affect share price performance. It examined how debt tax shield, non-debt tax shield, and effective tax rate affect share price performance. Ordinary Least Square regression analysis was used in this study and the findings revealed that non-debt tax shield has significant effect on share price performance of listed industrial goods firms in Nigeria and that effective tax rate has significant effect on share price performance of listed industrial goods firms in Nigeria.

Jackson and Ine-Tonbarapa (2023) research on tax planning strategies and financial performance of listed pharmaceutical companies in Nigeria. Findings of the study were that there is no significant relationship between capital intensity and Tobin Q of listed pharmaceutical companies in Nigeria. There is a significant relationship between effective tax rate and Tobin Q of listed pharmaceutical companies in Nigeria. Firm Size does not significantly influence the relationship between Tax Planning Strategies and the Tobin Q of listed Pharmaceutical Companies in Nigeria.

Adejumo and Sanyaolu (2020) focused on tax planning and profitability of Nigerian deposit money banks: Evidence from dynamic panel model. The study adopted an *ex-post facto* research design by obtaining relevant data of sampled 9 banks from 2012 to 2018 from their annual financial statements. Findings from the study show that tax effective tax rate has a significant negative effect on Tobin Q.

3. Methodology

3.1 Research Design

This study adopted an *ex-post facto* research design using a correlational approach to examine the relationship between corporate tax planning and Tobin's Q among listed food and beverage companies in Nigeria. This design was chosen to provide empirical evidence on the relationships and potentially causal associations within the natural business context of these companies.

3.2 Population and Sample Size

The population for this study is made up of all 15 listed food and beverage companies on the Nigerian Exchange Group (NGX) as of February 25, 2025. The sample size of the population was limited to 10 listed food and beverage companies NGX. This study left out five (5) listed food and beverages companies because of the unavailability of relevant data needed on the NGX for the period of 2014 – 2023. The available relevant data for the expunged listed food and beverages companies did not meet the study's threshold of 10 years for the purpose of comparison. A purposive

sampling method was used for this study. This technique is appropriate because it allows for the selection of companies that meet specific criteria relevant to the study, such as consistent listing on the NGX during the study period (2014 - 2023), and accessibility to financial records and corporate tax information.

3.3 Data and Sources

This study primarily relies on secondary data for collecting information on corporate tax planning and Tobin's Q. Secondary data was chosen due to its availability and reliability in published sources, particularly from companies listed on the NGX which are required to disclose financial statements annually, and the data were collected from companies audited financial statements. Information on capital intensity, thin capitalisation, effective tax rate, and Tobin's Q were obtained from these reports.

3.4 Model Specification

This study examined the relationship between corporate tax planning and financial performance for listed food and beverage companies in Nigeria by adapting the model of Akinsulire, Adegbie, & Akintoye (2022). The model specification is stated as follows:

$$TBQ_{it} = f(CAPINT_{it} + THINCAP_{it} + ETR_{it} +) \quad (1)$$

$$FP_{it} = f(CAPINT_{it} + THINCAP_{it} + ETR_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} +) \quad (2)$$

TBQ = Tobin Q, CAPINT = Capital Intensity, THINCAP = Thin Capitalisation, ETR = Effective Tax Rate, SIZE = Firm Size, LEV = Leverage, FP = Firm Performance

4. Results and Discussion

4.1 Descriptive Statistics

Table 1: Result of the Descriptive Statistics

	TBQ	CAPINT	THINCAP	ETR	LEVERAGE	SIZE
Mean	1.952670	0.524823	0.950711	-0.257878	0.187293	7.814780
Median	1.335630	0.504122	0.255147	0.302248	0.124531	8.064996
Maximum	9.095730	0.885005	35.32231	1.431462	0.721998	8.901636
Minimum	0.611071	0.171415	-6.634471	-55.68390	0.000000	5.577805
Std. Dev.	1.673058	0.197512	3.771398	5.604397	0.196885	0.814042
Skewness	2.422650	-0.075217	7.617610	-9.818252	1.015985	-1.318682
Kurtosis	8.895011	1.882086	70.70585	97.60453	3.232603	4.301837
Jarque-Bera	242.6170	5.301512	20067.47	38898.37	17.42919	36.04364
Probability	0.000000	0.070598	0.000000	0.000000	0.000164	0.000000
Sum	195.2670	52.48225	95.07108	-25.78781	18.72933	781.4780
Sum Sq. Dev.	277.1130	3.862096	1408.121	3109.518	3.837608	65.60375
Observations	100	100	100	100	100	100

Source: Author's computation (2025) Using E-Views 13

Where: TBQ= Tobin's Q, CAPINT= Capital Intensity, THINCAP= Thin Capitalisation, ETR= Effective Tax Rate, LEVERAGE= Leverage, and, Size= Firm Size

From Table 1, the average Tobin's Q of 1.95 implies that, on average, the market values of these firms at nearly twice their book value, suggesting positive investor sentiment or the presence of intangible assets such as brand equity. However, the extremely high maximum (9.1), right skew (2.42), and kurtosis (8.90) point to a few firms enjoying exceptionally high market valuation, likely due to sustained profitability, efficient capital allocation, or effective tax management strategies.

4.2 Correlation Matrix

Table 2: Result of the Correlation Matrix

Probability	TBQ	CAPINT	THINCAP	ETR	LEVERAGE	SIZE
TBQ	1.000000					

CAPINT	0.056235	1.000000				
	0.5784	-----				
THINCAP	-0.036958	0.204657	1.000000			
	0.7151	0.0411	-----			
ETR	0.063254	-0.064589	-0.010142	1.000000		
	0.5318	0.5232	0.9202	-----		
LEVERAGE	-0.088295	0.373261	0.370202	-0.114202	1.000000	
	0.3824	0.0001	0.0001	0.2579	-----	
SIZE	0.196744	0.131908	0.151830	-0.033388	0.209207	1.000000
	0.0498	0.1908	0.1316	0.7416	0.0367	-----

Source: Author's computation (2025) Using E-Views 13

The correlation results presented in Table 2 provide critical insights into the relationships between various corporate tax planning variables and Tobin's Q of food and beverage companies in Nigeria.

Tobin's Q insignificant negative relationship with THINCAP ($r = -0.04$, $p > 0.05$) and Leverage ($r = -0.09$, $p > 0.05$) underscores that excessive debt, while potentially tax-efficient, does not enhance market perception. TBQ slight significant positive correlation with firm size ($r = 0.20$, $p < 0.05$) suggests larger firms attract higher valuations, likely due to perceived stability or scalability. Capital intensity (CAPINT) exhibits an insignificant weak positive correlation ($r = 0.06$, $p > 0.05$) with TBQ suggesting that capital investment may not necessarily enhance market value. ETR shows an insignificant weak positive correlation ($r = 0.06$, $p > 0.05$) with TBQ reflecting its inadequacy as a standalone indicator of tax planning intensity, perhaps due to regulatory disparities or unrecorded tax exemptions. This result shows that financial performance is more sensitive to operational efficiency and capital structure than to direct tax planning.

4.3 Test for Multi-collinearity Problem

Regression models require the explanatory variable to be free of multi-collinearity. One method of detecting a multi-collinearity variable is through the Variance Infation Factor (VIF). The outcome of the VIF is as follow:

Table 3: Result of Variance Inflation Factor

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
CAPINT	0.001681	9.538311	1.172958
THINCAP	4.62E-06	1.249870	1.174482
ETR	1.81E-06	1.017464	1.015292
SIZE	8.91E-05	99.35654	1.055969
LEVERAGE	0.001929	2.560651	1.337798
C	0.005541	100.1237	NA

Source: Author's computation (2025) Using E-Views 13

The result from Table 3 showed that all explanatory variables were between 1 and 10. This showed that there was no problem of multicollinearity among the explanatory variables.

4.4 Regression Analysis

The regression analysis was carried using Panel Least Square method considering the pooling, fixed, and random effect of the models. However, the Hausman specification test was used to choose the best model to test the hypothesis.

Model One

$TBQ_{it} = f(CAPINT_{it} + THINCAP_{it} + ETR_{it} +)$ (3)

Table 4: Summary of Regression Result for Model One Using the Fixed Effect after Hausman Test

Variable	**TBQ Model Fixed Effect Model**		
	Coefficient	**Prob**	**Remarks**
CAPINT	4.071760	0.0000	Positive (Significant)
THINCAP	-0.017824	0.4712	Negative (Insignificant)
ETR	-0.006375	0.6885	Negative (Insignificant)
C	-0.168980	0.6865	Negative (Insignificant)
R^2	0.776946		
Adj R^2	0.746180		
F Stat (Prob) (3, 97)	25.25337	0.000000	Significant
Auto Correlation (Durbin Watson Stat)	1.870043		No Auto-correlation
Hausman Test Chi2 (Prob>Chi2)	12.63740 (0.0451)		Fixed Effect was choosen for analysis

Source: Author's computation (2025) Using E-Views 13

Table 4 revealed that the combination of the three constructs used (CAPINT, THINCAP and ETR) shows that corporate tax planning has a significant effect on TBQ of listed food and beverage companies in Nigeria. This is revealed from the F-Stat p = 0.000000 < 0.05.

The result shows an R^2 value of 0.776946 confirming that about 77.7% of TBQ is accounted for by variations in CAPINT, THINCAP and ETR while 22.3% is covered by other variables that are not in this model.

Model Two

$FP_{it} = f(CAPINT_{it} + THINCAP_{it} + ETR_{it} + \beta_4 SIZE_{it} + \beta_5 LEV_{it} +)$ (4)

Table 5: Summary of Regression Result for Model Two Using the Fixed Effect after Hausman Test

Variable	TBQ Model		
	Coefficient	**Prob**	**Remarks**
CAPINT	3.149243	0.0002	Positive (Significant)
THINCAP	0.000968	0.9686	Positive (Insignificant)
ETR	-0.006772	0.6581	Negative (Insignificant)
SIZE	-0.994981	0.0204	Negative (Significant)
LEVERAGE	-0.810855	0.2562	Negative (Insignificant)
C	8.224633	0.0182	Positive (Significant)
R^2	0.799858		Positive
Adj R^2	0.766893		Positive
F Stat (Prob) (3, 97)	24.26417	0.000000	Significant
Durbin Watson Statistics	1.910859	1.910859	No Auto Correlation
Hausman Test Chi2 (Prob>Chi2)	10.757389 (0.0364)		Fixed Effect was choosen

Source: Author's computation (2025) Using E-Views 13

The result in Table 5 showed the control effect of company size and leverage on the relationship between corporate tax planning and Tobin's Q of listed food and beverage companies in Nigeria. The result showed that corporate tax planning has a significant effect on TBQ ($p=0.000000 < 0.05$) of listed food and beverage companies in Nigeria. Also, Table 22 showed an R^2 value of 0.799858 for TBQ. This shows that when size and leverage were controlled, the result revealed that about 80.0% of changes in TBQ were caused by variations in THINCAP, CAPINT, ETR, LEVERAGE and SIZE. The D-W stat of 1.910859 for TBQ is closer to 2. Hence, there is no evidence of autocorrelation in the model.

4.5 Test of Hypothesis

Table 6: *Summary of Findings*

		Remarks	**Model**
Hypothesis One	**Ho_1:** Corporate tax planning has no significant effect on Tobin Q of listed Food and beverage companies in Nigeria	Rejected	Fixed Effect
Hypothesis Two	**Ho2:** Firm size and Leverage does not significantly control the relationship between corporate tax planning and Tobin's Q of listed food and beverages companies in Nigeria.	Rejected	Fixed Effect

4.6 Discussion of Major Findings

The findings in hypothesis one reveal that capital intensity plays a significant and positive role in influencing the market value of listed food and beverage companies, as measured by Tobin's Q (TBQ). This implies that firms investing more in physical assets are likely to enjoy stronger investor confidence and higher market valuation. On the other hand, thin capitalisation shows a negative but statistically insignificant effect, suggesting that although excessive reliance on debt may weaken firm value, this relationship is not strong enough to draw firm conclusions. Likewise, effective tax rate reflects a small and insignificant negative effect, indicating that tax burden alone does not drive investor perception in this sector. Crucially, when all three tax planning constructs are considered together, the result shows a significant joint influence on market value, highlighting that corporate tax planning strategies must be assessed holistically, not in isolation.

In hypothesis two when firm size and leverage were introduced as control variables, the relationship between corporate tax planning and Tobin's Q in Nigeria's food and beverage sector becomes clearer and more insightful. Capital intensity was positively associated with asset-based and market-based performance (TBQ) and statistically significant as well, suggesting that investors respond more to capital investment than internal profitability. Effective tax rate shows a negative yet statistically insignificant influence, meaning it does little to explain variations in TBQ. Crucially, firm size negatively and significantly affects TBQ. This indicates that larger firms may be less efficient or burdened by operational complexities. Leverage shows a negative but statistically insignificant effect, suggesting that although excessive reliance on debt may weaken firm value, this relationship is not strong enough to draw firm conclusions. These findings suggest that while tax planning matters, its effectiveness is shaped by how firms manage their size and financial structure. Hence, the study confirms that corporate tax planning has a significant effect on TBQ, but its true impact is mediated by firm-specific attributes.

The findings of this study both align with and contrast previous research, highlighting the nuanced and context-dependent nature of corporate tax planning's effect on Tobin's Q. Consistent with Mosota (2014), Oyeyemi and Babatunde (2016), this study confirms that corporate tax planning has a significant joint influence on financial performance when tax constructs are considered holistically. However, unlike Mosota (2014) who found firm size to positively influence profitability, this study observes a significant negative relationship on TBQ, suggesting that larger firms in the Nigerian's food and beverage sector may suffer from operational inefficiencies.

Moreover, while Ado et al. (2024), Igbinovia and Usman (2024) found capital intensity to have a significant negative effect on TBQ, this study observed its positive significance for TBQ. Interestingly, Rini et al. (2024) also observed no significant effect of thin capitalisation on tax avoidance, aligning with our findings on TBQ. Lastly, Olaide et al. (2023), who found ETR to significantly affect share price, contrasts our finding of its insignificant role. This underscores the importance of sectoral focus and control variables in evaluating tax planning outcomes.

The Trade-off Theory aligns closely with the findings of this study by explaining the mixed effects of corporate tax planning strategies on financial performance. Overall, the Trade-off Theory captures the complex balancing act seen in these findings.

5. Conclusion and Recommendations

In conclusion, this study provides a comprehensive examination of the effects of corporate tax planning on the financial performance of listed food and beverage companies in Nigeria, with a particular focus on the role of capital intensity, thin capitalisation, and effective tax rate. Capital intensity was statistically significant on Tobin's Q, a market-based performance indicator. Thin capitalisation exhibited a more complex effect. The findings showed a positive but insignificant relationship with TBQ indicating that debt-financed tax planning can improve long-term profitability cannot be empirically concluded. The role of effective tax rate (ETR) was less prominent on TBQ because its negative relationship is insignificant suggesting that ETR may not be a reliable standalone indicator of financial performance. Finally, the inclusion of firm size and leverage as control variables added greater clarity to the results. The overall

findings confirmed that corporate tax planning has a statistically significant joint effect on all Tobin's Q reinforcing the importance of evaluating tax planning holistically.

Based on the findings of the study, managers of Food and beverage companies in Nigeria should:

i. carefully manage their capital ntensity to avoid over-leveraging while still utilising the benefits of debt financing. Companies can implement debt restructuring strategies, reducing interest costs and spreading out repayment schedules to manage financial risk effectively. A strategic mix of short-term and long-term debt could provide financial flexibility while maintaining profitability.

ii. ii. consider increasing their equity base, particularly through private equity or public offerings given the positive and significant effect of effective tax rate (ETR) on financial performance. By doing so, companies can reduce reliance on debt, minimising financial distress and enhancing their capital base for expansion, managers of food and beverage companies in Nigeria should.

iii. focus on improving operational efficiency to maximise returns since corporate tax planning alone does not guarantee optimal financial performance.

iv. adopt a flexible corporate tax planning strategy that allows them to adapt to changing economic conditions and market demands. Companies should periodically reassess their debt-equity mix to respond to shifts in the interest rate environment, inflation, and market conditions.

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