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THE INFLUENCE OF TERTIARY EDUCATION AND DEFERRED TAX ON DIVIDEND POLICY OF LISTED MANUFACTURING COMPANIES

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Abstract

The study evaluate the effect of corporate tax on dividend policy of manufacturing companies in Nigeria. The study used secondry data obtained from the financial reports of the manufacturing companies for the period of five years 2019 to 2023. The study used income tax, tertiary education tax and deferred tax as proxies for corporate taxation. These variables were analyzed against dividend payout, using fixed-effects robust standard error regression model to test hypotheses. The study finds no significant relationship between tertiary education tax and deferred tax with dividend policy respectively. These findings provide valuable insights for policymakers, tax authorities, and investors, highlighting the complexity of taxation impacts on corporate financial decisions. Furthermore, the research contributes to theoretical discussions by expanding understanding in a developing economy context, specifically Nigeria. Recommendations are proffered to improve corporate financial management, tax compliance, and dividend structuring for listed manufacturing companies.

Keywords: Corporate Tax, Dividend Payout and Manufacturing Companies

1. Introduction

Companies strive to maximize shareholder value amid rising operational costs and tax liabilities, understanding the nexus between corporate tax and dividend policy becomes essential for policymakers, investors, and financial managers. Taxation may significantly influence the dividend policy of listed manufacturing companies in Nigeria. When a company is faced with higher tax liabilities, it must either reduce their dividend payouts or adopt tax management strategies to mitigate the tax burden. These strategies, such as tax planning, utilization of tax incentives, and deferral of tax obligations, aim to minimize the impact of taxation on corporate earnings. However, there is limited research that explores the extent to which these tax management strategies affect dividend policy in the manufacturing sector, particularly in Nigeria and Mustapha et al. (2023). Corporate taxation plays a crucial role in shaping the financial strategies of firms, particularly in how profits are distributed to shareholders. In Nigeria, listed manufacturing companies are subject to multiple layers of taxation, including corporate taxes, royalties, and levies, which significantly reduce the pool of distributable profits. This creates a tension between

maximizing shareholder value through dividends and fulfilling statutory tax obligations. Higher corporate taxes can directly reduce the profits available for dividend payouts, which in turn could diminish shareholder returns and potentially affect the firm's market valuation. Shareholders seek consistent gains in corporate value since better business value translate to bigger dividend or other benefits for shareholders (Sani & Umar, 2023)

Studies have shown mixed results regarding the impact of corporate taxation on dividend policy across different countries and sectors. For instance, Egiyi (2022) observed that corporate tax policies significantly influence dividend decisions in Sub-Saharan Africa, including Nigeria. Similarly, Ugwu (2024) found that company income tax and value-added tax negatively and significantly affect dividend policies of Nigerian firms, while education tax has a negative but insignificant effect. These findings underscore the complex relationship between taxation and dividend distribution in the Nigerian corporate landscape. In Nigeria, studies such as Ezeh (2022) have explored the determinants of dividend policy, yet the specific effect of corporate tax within the manufacturing sector remains under-

researched. This is a critical gap, given that the manufacturing sector is a cornerstone of Nigeria's economic diversification agenda and is often subjected to varying degrees of tax incentives and burdens. Furthermore, the volatility of the Nigerian tax regime, coupled with irregular enforcement and frequent policy shifts, raises questions about how tax burdens influence financial policy decisions among listed manufacturing firms. Furthermore, the volatility of the Nigerian tax regime, coupled with irregular enforcement and frequent policy shifts, raises questions about how tax burdens influence financial policy decisions. It is imperative for regulatory bodies to enhance corporate governance frameworks (Salim et al. 2025).

Previous studies were conducted on the subject matter but mostly in develop economy and only few were conducted in Nigeria, few of the previous studies conducted in Nigeria adopted tertiary education tax and deferred tax as a measurement of corporate tax. Also, most of the previous studies are not current because they were conducted using old tax regulations and dividend policies. Furthermore, most of the studies conducted within the scope of manufacturing sector concentrated mainly on consumer and industrial goods company ignoring other companies in the sector. Therefore, this study examined the effect of corporate tax on dividend policy of listed manufacturing companies in Nigeria, utilizing income tax, tertiary education tax and deferred tax as variables of corporate taxation, involving all companies in the manufacturing sector, considering the current tax regulations and dividend policies in Nigeria in order to fill the gap of the previous studies. The study examined the effect of tertiary education tax and deferred tax on dividend payout of listed manufacturing companies in Nigeria.

2. Literature Review

2.1 Conceptual Definitions

Concept of Corporate Taxation

Corporate taxation refers to the taxes imposed by the government on the profits earned by companies. These taxes play a critical role in shaping a company's financial decisions, particularly in determining how much profit will be distributed as dividends. The main types of corporate taxation relevant to this study are income tax, tertiary education tax, and deferred tax. Income tax is levied on a company's net income after allowable deductions and expenses, directly reducing the amount of profit available for distribution as dividends. Tertiary education tax, specific to Nigeria, is imposed on

companies to fund the Tertiary Education Trust Fund (TETFund) and is calculated as a percentage of the company's assessable profit. Deferred tax represents tax obligations that a company owes but has not yet paid, arising from temporary differences between accounting income and taxable income. These taxes can either be assets or liabilities, depending on whether the company expects to pay more or less tax in the future.

The functions of corporate taxation include revenue generation, redistribution of wealth, and regulation of economic activities. Taxes provide essential revenue for the government, which is used to fund public goods and services, such as infrastructure, education and healthcare. Additionally, through progressive taxation, wealth is redistributed from higher-income entities like large corporations to support social welfare programs. Taxes can also regulate certain behaviors by either encouraging or discouraging specific economic activities. The rationale behind corporate taxation includes ensuring equity by having companies contribute their fair share to the economy, maintaining economic stability by managing economic cycles and complying with international norms to remain competitive and attract foreign investment.

Tertiary education tax is a levy imposed on companies specifically to fund tertiary education institutions in Nigeria and is also calculated as a percentage of the assessable profit of a company. This tax is particularly significant in developing economies like Nigeria, where education systems often face underfunding and infrastructural challenges. Its primary function is to support the development of higher education infrastructure and services, contributing to the overall economic development of the country by improving the quality of the workforce. The most common form of this tax is the Tertiary Education Trust Fund (TETFund) contribution which is a mandatory levy on companies. TETFund plays a pivotal role in addressing the funding gaps in Nigerian tertiary institutions by providing resources for infrastructure, academic research and capacity building.

Deferred tax is to provide a more accurate representation of a future tax obligations or benefits of a company aiding in financial reporting and tax planning. Deferred tax plays a critical role in aligning the financial statements of a company with its tax obligations, ensuring transparency and consistency in financial reporting. The rationale behind deferred tax is the divergence between accounting rules and tax laws which can create temporary differences that need to be accounted for in future periods. For example, companies may recognize revenue for accounting purposes in one

period but defer the corresponding tax liability to a later period depending on tax regulations.

Dividend policy is the strategy a company uses to determine how much of its earnings will be paid out to shareholders as dividends and how much will be retained for reinvestment. The functions of dividend policy include income distribution to shareholders, signaling financial health to investors and maximizing shareholder wealth while balancing reinvestment needs. Companies establish their dividend policies based on various rationales such as meeting shareholder expectations for regular income, optimizing tax efficiency and managing market perception to influence their stock price positively.

Dividend policies vary across companies and industries which are often influenced by factors such as profitability, growth opportunities, shareholder expectations and broader economic conditions. The primary function of dividend payouts is to provide a return on investment to shareholders and to signal the company's financial health and confidence in its future prospects. Regular dividends can help stabilize a company's stock price and attract income-focused investors while special dividends might be used to distribute excess profits or one-time gains. The rationale for paying dividends includes rewarding long-term investors, attracting and retaining shareholders and enhancing market perception as consistent dividend payments are often seen as a sign of financial stability and management's confidence in the company's future performance.

2.2 Empirical Review

Baba and Muhammad (2023) conducted an empirical investigation into the effect of corporate tax avoidance on the cost of debt among listed manufacturing companies in Nigeria. Using a correlational quantitative design and panel data from 42 firms between 2011 and 2020, the study assessed how aggressive tax avoidance strategies measured by total accruals and effective tax rates influence borrowing costs. The findings revealed that companies engaged in higher levels of tax avoidance faced increased cost of debt due to elevated risk perceptions by lenders. While the study highlights the financial implications of tax planning behavior, it did not consider how tax avoidance might impact dividend distribution or shareholder value. The authors recommend enhancing corporate transparency and limiting tax evasion practices to improve firm credibility in capital markets.

Osamor (2022) investigated the effect of company income tax (CIT) and firms' financial

performance: A study of selected downstream manufacturing firms in Nigeria using empirical analysis. The study concluded that CIT positively affects firms' financial performance, supporting some previous research while contradicting others. The study suggests providing tax benefits and incentives to encourage firms to pay CIT, thereby enhancing their financial performance.

Kantudu et al. (2020) explored the moderating role of dividend payout on corporate taxation and financial performance in Nigeria. The study demonstrated that the dividend payout ratio significantly moderates the relationship between corporate tax and financial performance. The study suggests that management should ensure stable earnings and a consistent dividend payout policy to improve financial performance.

Evbayiroet et al. (2020) investigated the determinants of dividend payout behavior of listed financial firms in Nigeria. The analysis of the study revealed that past dividend payout and profitability significantly impact dividend payout, while taxation, leverage, firm size, inflation, and interest rate do not. The study recommends that firms should only set payout dividend policies when sustainable.

Singh and Tandon (2019) examined the impact of dividend policy on stock prices in India using multiple panel data regression models. The findings of the study indicate that dividend policy significantly affects stock prices, with the random effect regression model being the most relevant model. The study recommends that firms carefully consider their dividend policies to effectively manage stock prices.

Nguyen et al. (2019) analyzed the effect of dividend payment on firm financial performance in Vietnam. The finding of the study indicates that dividend payment decisions negatively impact accounting-based performance but improve market expectations. The study recommends implementing a more suitable model of dividend policies with a lower dividend rate and clear decision-making on dividend payments.

Jibril and Dauda (2017) studied the effects of ownership structure and board composition on dividend policy in Nigerian food and beverage companies. The study found an insignificant negative relationship between board composition and dividend policy, with higher earnings per share and larger board sizes with more insider directors leading to higher dividend distributions. The study recommends considering ownership structure and board composition in dividend policy decisions.

Jabbouri (2016) conducted a panel data analysis of the determinants of corporate dividend policy in MENA stock markets. The study found that dividend policy is positively related to size, current profit and liquidity, and negatively associated with leverage, growth, free cash flow, and the state of the economy. The study suggests strengthening governance mechanisms and investor protection to address potential agency problems.

Likewise, Landry and Fortin (2015) examined the effects of a tax dividend cut on payout policies in Canada using regression models. The study found that firms increased dividend payouts following the tax cut, with no negative effect on share repurchases. The study suggest that firms should consider shareholders tax preferences when designing payout policies and that tax regulators should understand firms reactions to tax reforms.

John and Emeka (2014) examine the impact of deferred taxation and the dividend policy of listed companies in Nigeria. The study focuses on the relationship between deferred tax and dividend policy in Nigerian listed companies. It finds that deferred tax significantly impacts dividend decisions, suggesting that firms with higher deferred tax liabilities are more conservative in their dividend payouts.

Jennifer and Leslie (2014) investigates the role of deferred tax expenses in measuring corporate tax aggressiveness, the research assesses how deferred tax expenses can be used as an indicator of corporate tax aggressiveness. The study shows that companies with higher deferred tax expenses tend to engage in more aggressive tax planning strategies.

Nnadi (2014) conducted an empirical analysis on the effect of taxes on the dividend policy of Nigerian banks. The study found a significant correlation between taxes and dividend structure, with profit being a major determinant. The study advises considering capital gains instead of dividends for high taxpayers and tailoring dividend policies to each banks specific circumstance.

Kasipillai and Mahenthiran (2013) examined the relationship between deferred taxes, earnings management, and corporate governance in Malaysian PLCs. The research revealed that deferred taxes are used to avoid earnings decline, with ownership and board structures influencing the extent of earnings management. The study recommends enhancing corporate governance to mitigate earnings management through deferred taxes.

2.3 Theoretical Review

Tax Preference Theory

Tax Preference Theory, advanced by Elton and Gruber (1970), suggests that investors usually favor capital gains over dividends because capital gains are typically taxed at a lower rate and taxation is deferred until realization. As a result, companies might choose to retain earnings rather than pay out dividends, thereby reducing the overall tax burden on shareholders. This framework becomes particularly relevant when considering income tax, as higher corporate tax rates could lead firms to lower their dividend payouts to preserve cash and optimize after-tax shareholder wealth.

Pecking Order Theory

Pecking Order Theory, developed by Myers and Majluf (1984), posits that firms prioritize their sources of financing in a specific hierarchy: first internal funds (retained earnings), then debt, and finally equity. Elevated tax burdens can diminish the availability of internal funds, prompting companies to cut dividends to conserve cash for operational needs and to avoid costly external financing. Deferred tax obligations, which represent anticipated future cash outflows due to timing differences between accounting and taxable income, are particularly salient under this theory, as firms may restrain dividend distributions to prepare for these expected liabilities.

Hypothesis Statements

H1: Tertiary Education Tax and Dividend Pay-out.

Tertiary education tax is a unique levy in Nigeria designed to fund higher education, with its impact on dividend policy being relatively unexplored. The Agency Theory provides a rationale for this hypothesis, as managers may prioritize retained earnings over dividend distributions to accommodate such statutory obligations. However, unlike income tax, tertiary education tax may have a more indirect impact on corporate profitability, as suggested by studies like Nnadi (2014), which emphasize its long-term developmental goals. This hypothesis seeks to determine whether or not the financial burden of tertiary education tax significantly affects dividend payouts, addressing a

critical gap in the literature given its sector-specific relevance in the Nigerian economy.

H2: Deferred Tax and Dividend Pay-out.

Deferred tax represents a future financial obligation or asset that arises from timing differences between taxable and accounting income, potentially constraining current financial flexibility. The Pecking Order Theory suggests that firms may reduce dividend payouts to conserve funds for future tax liabilities. Additionally, the Agency Theory highlights that deferred tax obligations may lead to earnings retention, creating potential conflicts between managers and shareholders. Empirical evidence from Kasipillai and Mahenthiran (2013) and John and Emeka (2014) shows that deferred tax significantly influences earnings management and dividend decisions. In the Nigerian manufacturing sector, where tax planning is critical, this hypothesis examines whether deferred tax significantly impacts dividend payouts of manufacturing companies or not, reflecting the strategic adjustments firms make to align with financial realities.

3. Methodology

The research design adopted for this study is ex-post facto which implies the use of annual reports and accounts, ex-post facto research design involves determining the effect of previous factor(s) on the

current happening or event. This study also adopted a deductive research approach which involves deriving hypotheses from theories and literatures and subjecting the derived hypotheses to statistical testing using panel dataset to examine the effect of corporate tax on dividend policy of listed manufacturing companies in Nigeria.

The population of the study consists of all listed manufacturing companies by the Nigerian Stock Exchange as at 31 December, 2023. For the purpose of this study, convenience sampling was used to draw sample from the population using criteria. The criteria are the availability of published annual reports and accounts of the firm for the period under research and that the firm is listed before 2019 (the period of the study). Based on the criteria above, a sample size of thirty-four (34) manufacturing companies was drawn. This study utilized data from secondary source. The study obtained and utilized specific data from the published annual financial reports and accounts of the sampled companies. The data obtained for the purpose of this study covers the period of five (5) years from 2019 to 2023. The variables for this study are; the dependent variable which is dividend policy proxy of dividend payout (DPO), the independent variable is corporate tax proxies of tertiary education tax and deferred tax. The study also employed control variables which include; firm size, leverage and profitability.

Table 1: Variables measurement and definition

Variables	Definition of Variables	Measurement	Measurement of Variables
Dependent variable	Dividend Policy	Dividend payout (DPO)	Dividend payout ratio (DPR) = Dividend per share (DPS) divided by Earnings per share (EPS).
Independent Variable		Tertiary education (TET)	The logarithm (base 10) of tertiary education tax paid.
		Deferred tax (DFT)	The logarithm (base 10) of deferred tax asset or liability.
Control variable	Firm size	(FS)	The logarithm (base 10) of total assets of the firm.
	Leverage	(LEV)	The total liabilities divided by total assets of the firm.

Source: Formed by the researcher.

The study adopted techniques for analyses which include descriptive statistic which was used in other to organize and summarize the data with a view to reducing cumbersomeness of the data to make it more meaningful, Correlation analysis was used to determine the strength of the relationship that exists between dependent and independent variables of the study. The study also

employed regression analysis as its tool for analysis to determine the effect of the independent variables on the dependent variable. The study utilized a traditional panel dataset which consists of thirty-four (34) manufacturing companies over the period of five years. The study further analyzed the collected panel data using the fixed effect panel regression model using STATA.

The model for this study is given below:

$$DPO = f(TET, DFT, FS, LEV) \quad (1)$$

$$DPO_{it} = \beta_0 + \beta_1 TET_{it} + \beta_2 DFT_{it} + \beta_3 FS_{it} + \beta_4 LEV_{it} + e \quad (2)$$

Where:

DPO_{it} = dividend payout of company i in time t

TET_{it} = tertiary education tax of company i in time t

DFT_{it} = deferred tax of company i in time t

FS_{it} = firm size of company i in time t

LEV_{it} = leverage of company i in time t

β_0 = constant

$\beta_1 - \beta_6$ = coefficient of independent variables

e = error term

4. Results and Discussion

4.1 Descriptive Statistics Analysis

Table 2: Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
DPO	170	0.2988	0.8416	-6.7100	6.9600
TET	170	6.7900	3.1017	0.0000	10.1200
DFT	170	7.6639	2.7635	0.0000	10.7900
FZ	170	10.5869	1.0059	8.0400	12.4900
LEV	170	0.9911	2.3159	0.0200	19.5600

DPO = dividend payout; TET = tertiary education tax; DFT = deferred tax; FS = firm size; LEV = leverage

The table revealed the result of the descriptive statistics, the mean of the mean of tertiary education tax as indicated in the table 2 was 6.7900 with standard deviation of 3.1017 along with lowest of 0.0000 and highest of 10.1200 which pointed out the contribution of tertiary education tax in the dividend payout. Also,

deferred tax as indicated in the table 21 has a mean of 7.6639 with a standard deviation of 2.7635 along with the lowest and highest of 0.0000 and 10.7900 respectively which revealed out that deferred tax has effect on the dividend payout.

Table 3: Pearson Correlation Matrix of the Research Variables

	DPO	TET	DFT	FZ	LEV
DPO	1.0000				
TET	0.2126*	1.0000			
DFT	0.1060	0.3546*	1.0000		
FZ	0.1608*	0.5144*	0.5722*	1.0000	
LEV	-0.0650	-0.2850*	-0.2027*	-0.4407*	1.0000

DPO = dividend payout; TET = tertiary education tax; DFT = deferred tax; FS = firm size; LEV = leverage

The Pearson Correlation Matrix in Table 3 revealed that DPO has a Positive relationship with TET, DFT, FZ and ROA of firms, with coefficients of 0.2126, 0.1060, and 0.1608 respectively. This implies that this variables move in the same direction with DPO, as increase in TET, DFT, and FZ of firms under consideration will lead

to a corresponding increase in the dividend policy of the firms under study. However, DPO has a negative relationship with LEV, as this variable move in the opposite direction with DPO. This further implies that with coefficient of -0.0650, increase in LEV will lead to decrease in dividend policy of firms under study.

Table 4: Variance Inflation Factor

Variable	VIF	1/VIF
TET	2.03	0.491417
FZ	1.84	0.542977
LEV	1.45	0.687288
DFT	1.18	0.84605
Mean VIF	1.58	

DPO = dividend payout; TET = tertiary education tax; DFT = deferred tax; FS = firm size; LEV = leverage.

4.2 Regression Results

In order to determine the effects corporate tax on the dividend payout of the manufacturing companies in Nigeria, the regression equation was analyzed, which is $DPO_{it} = \beta_0 + \beta_1 TET_{it} + \beta_2 DFT_{it} + \beta_3 FS_{it} + \beta_4 LEV_{it} + e$ (3)

The model was run using the Fixed effect regression and the result was subjected to tests which the results of the tests indicates the presence of Heteroskedasticity with statistical evidence. Hence, the model was run with fixed effect robust standard error regression to correct the revealed heteroskedasticity problem.

Table 5: Results of corporate taxation on dividend policy Regression using the Fixed-effects robust standard error regression model

DPO	Coef.	Robust Std. Err.	T	P>t
TET	-0.0563	0.0517	-1.09	0.2840
DFT	0.0241	0.0210	1.15	0.2580
FZ	0.0005	0.4955	0.00	0.9990
LEV	0.0180	0.0211	0.85	0.4000
_CONS	-0.1352	5.0944	-0.03	0.9790
R-squared		0.0543		
Prob > chi2		0.4409		

DPO = dividend payout; TET = tertiary education tax; DFT = deferred tax; FS = firm size; LEV = leverage; ROA = return on assets.

The table presented the results which revealed that the coefficient of determinants of the R^2 value was 0.0543 indicating that the variables considered in the model accounted for about 5.43% of the change in the dependent variable, which was dividend payout. Whilst about 94.57% of the change may have been a result of the other variables that are not captured by this model. As shown tertiary education tax has insignificant negative relationship with dividend payout and deferred tax also has insignificant positive relationship with dividend payout.

4.3 Hypothesis Testing

To achieve the aim of this study, the following hypotheses were tested based on the results obtained from the statistical analysis:

- i. H_0 : There is no significant effect of tertiary education tax on dividend payout (DPO) of listed manufacturing companies in Nigeria.

Based on the above result of table 4.5, the P-value of tertiary education tax is 0.2840 which is greater than the alpha level of 0.05 with a coefficient of -0.0563. Therefore, the null hypothesis is accepted because the null hypothesis is statistically justified. This implies that there is sufficient evidence that tertiary education tax has no significant effect on dividend payout (DPO) of listed manufacturing companies in Nigeria.

- ii. H_0 : There is no significant effect of deferred tax on dividend payout (DPO) of listed manufacturing companies in Nigeria.

Based on the above result of table 4.5, the P-value of deferred tax is 0.2580 which is greater than the alpha level of 0.05 with a coefficient of 0.0241. Therefore, the null hypothesis is accepted because the null hypothesis is statistically justified. This indicates that there is sufficient statistical evidence that deferred tax has no significant effect on dividend payout (DPO) of listed manufacturing companies in Nigeria.

4.4 Discussion of Findings

Based on the statistical evidence, it is revealed that Tax Preference Theory, which posits that firms may adjust their financial strategies, including dividend pay-outs, in response to tax structures. Interestingly the study found no significant effect of tertiary education tax on dividend pay-out ($p = 0.2840$), despite its perceived financial burden on firms. This result contrasts with the Agency Theory, which suggests that taxes reduce the profits available for distribution, potentially exacerbating conflicts between managers and shareholders. However, the unique purpose of tertiary education tax to fund higher education through the Tertiary Education Trust Fund (Tetfund) might explain its limited impact on corporate financial decisions. Furthermore, deferred tax exhibited an insignificant relationship with dividend

pay-out ($p = 0.2580$), with a coefficient of 0.0241. This finding opposed the **Pecking Order Theory**, which suggests that firms prioritize retaining earnings to manage future financial obligations. Even though, deferred tax liabilities, which arise from timing differences between accounting and taxable income, represent future cash outflows that may constrain a firm's ability to distribute dividends, the study indicates with statistical evidence that deferred tax has no significant impact on dividend policy.

5. Conclusion and Recommendations

Corporate taxation is a critical determinant of corporate strategy. For this reason, the research concludes that taxes like tertiary education tax and deferred tax do not significantly influence dividend payouts in Nigerian listed manufacturing firms. This may be attributed to companies adopting tax optimization measures and retaining profits for reinvestment. The findings contradict some existing tax-related and dividend theories by showing that Nigerian manufacturing firm's decisions on tax obligations do not affect the undermining shareholder returns.

This divergence highlights unique regional and industry specific factors that shape taxation effects on corporate financial decisions, setting Nigeria apart from countries with more standardized tax regimes. This study underscores the importance of contextual frameworks when analyzing corporate taxation's impact in developing economies. This study is limited to Nigeria and manufacturing companies and has measures corporate tax using tertiary education tax and deferred

tax only, the key findings of the study indicated that all forms of corporate tax used for this study have insignificant effect on dividend payout of Nigerian manufacturing companies.

The government should consider maintaining the structure of tertiary education tax, deferred tax and other corporate levies to maintain their impact on manufacturing firms' financial flexibility, this align with the finding of the study which revealed that tertiary education tax and deferred tax do not significantly affect dividend payout. Rationalized taxation may encourage firms to maintain steady dividend distributions while ensuring compliance. Firms should strengthen their tax planning and compliance frameworks to optimize post-tax profits. Employing tax experts and leveraging technology in financial reporting can reduce risks associated with tax audits or deferred tax liabilities. Also, manufacturing firms should adopt transparent dividend policies regardless of tax pressures in order to build investor confidence and enhance communication of dividend policy rationale, especially during periods of heavy tax compliance which is essential for stakeholder trust. Tax authorities and industry stakeholders must collaborate to identify incentives that promote industrial growth without compromising tax revenue. Examples include tax rebates or credits for capital investment. Further Academic research can expand the scope by incorporating other sectors, cross-industry comparisons or evaluating the influence of global tax regimes. Similarly, future studies may explore how manufacturing firms integrate ESG (Environmental, Social, and Governance) factors within tax and dividend strategies.

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