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# THE RELATIONSHIP BETWEEN CORPORATE TAX AVOIDANCE AND FINANCIAL PERFORMANCE IN NIGERIAN MULTINATIONAL COMPANIES

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**Abstract:** *This study examined the relationship between corporate tax avoidance and the financial performance of multinational companies operating in Nigeria. Survey data collected from 189 respondents revealed that tax avoidance practices are widely adopted, with nearly 60% of companies frequently engaging in such strategies. Most respondents reported that tax avoidance positively impacts profitability, particularly improving key financial indicators such as Return on Equity and Return on Assets. However, there was also a strong awareness of the potential long-term financial risks, with over 70% perceiving moderate to very high risk from continuous use of tax avoidance. Opinions on the effect of tax avoidance on long-term sustainability were mixed, with nearly half viewing it as positive and a significant minority indicating negative implications. These findings suggest that while tax avoidance remains an important financial tool, Nigerian multinational firms must carefully weigh immediate benefits against long-term sustainability challenges. The study recommends enhanced governance, balanced tax planning, and proactive engagement with regulatory authorities to foster responsible tax strategies.*

**Keywords:** *Corporate Tax Avoidance, Financial Performance, Multinational Companies, Nigeria, Tax Planning Strategies*

## 1. Introduction

Corporate tax avoidance has become an increasingly debated issue in Nigeria, particularly among multinational companies (MNCs) that operate across borders and exploit differences in tax regimes to reduce their obligations. Nigeria has historically suffered from significant revenue losses due to aggressive tax planning and base erosion practices by large corporations (Jim-Suleiman & Ibiamke, 2021). Through mechanisms such as thin capitalization, excessive interest deductions, and strategic transfer pricing, MNCs minimize their tax liabilities while maintaining profitability, often at the expense of the host country's fiscal sustainability (Olugbenga, 2023).

The proliferation of tax avoidance among MNCs has also raised concerns about its implications for financial performance. Some studies suggest that firms engaging in tax planning may report improved short-term profitability due to reduced tax expenses (Agboola, Yusuf & Yusuf, 2023). In contrast, other scholars argue that aggressive tax practices can increase regulatory scrutiny and damage corporate reputation, which may ultimately affect long-term financial outcomes (Okoro & Ezeonu, 2024). This duality has generated debate over whether corporate tax avoidance leads to enhanced financial performance or creates hidden liabilities that impair firm value.

Nigeria has implemented reforms such as the Finance Act and adopted OECD guidelines on transfer pricing to curtail these practices. Yet, loopholes still persist, especially regarding inter-company transactions where MNCs shift profits through royalty and service payments (Ogunoye, Ibitoye & Kleynhans, 2023). A detailed empirical study using Nigerian customs and tax data confirmed that a 1% increase in hypothetical tax on outbound payments resulted in a 0.71% increase in reported domestic profits, underscoring how tax policies influence profit reporting behavior (Gabanatlhong et al., 2024).

There is growing interest in assessing whether corporate tax avoidance translates into tangible financial benefits for Nigerian MNCs. Book-tax differences, tax-to-assets ratios, and effective tax rates are commonly used proxies to evaluate the extent of tax avoidance and its link to firm performance metrics such as return on assets or Tobin's Q (Adegbite & Bojuwon, 2019). However, research findings remain inconclusive. For instance, while Agboola et al. (2023) found a positive association, Oghenekaro and Ogheneovo (2024) reported an insignificant impact of tax avoidance on firm value.

Moreso, corporate governance plays a mediating role in this relationship. Effective governance structures, particularly audit committees and independent boards, can constrain excessive tax avoidance and promote ethical financial conduct (Okoro & Ezeonu, 2024). As Nigerian regulatory frameworks continue to evolve, it becomes essential to re-examine the dynamics between tax avoidance strategies and financial performance, especially in multinational corporations that dominate key sectors of the economy.

## Statement of the Problem

Ideally, multinational corporations are expected to fulfill their tax obligations responsibly while simultaneously enhancing their financial performance through efficient business operations. In such a balanced environment, compliance with tax regulations should coexist with strategic financial growth, allowing companies to contribute meaningfully to national development without compromising profitability.

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However, in practice, many multinational companies operating in Nigeria engage in aggressive tax avoidance strategies. These include mechanisms such as transfer pricing manipulation, excessive intra-group service charges, and thin capitalization. Such practices allow firms to shift profits across borders, reducing their tax burdens in Nigeria. While these methods may improve short-term financial outcomes by reducing tax expenses, they raise concerns about the fairness, transparency, and sustainability of corporate financial practices. Furthermore, there is growing uncertainty about whether such avoidance practices genuinely enhance financial performance or merely create short-lived advantages that carry long-term risks.

If these problems are not addressed, Nigeria will continue to experience significant revenue losses, weakening public service funding and widening the tax burden gap between multinationals and local firms. It may also lead to regulatory instability, increased scrutiny from tax authorities, and damage to investor confidence. Moreover, companies relying heavily on tax avoidance may face future financial instability if tax policies change or sanctions are imposed, ultimately affecting their long-term sustainability and reputational standing.

## Objectives of the Study

The primary purpose of this study the relationship between corporate tax avoidance and financial performance in Nigerian multinational companies. The specific objectives of the study are to:

i. To examine the extent to which corporate tax avoidance practices are adopted by multinational companies operating in Nigeria.

ii. To assess the relationship between corporate tax avoidance and the financial performance of Nigerian multinational companies.

iii. To evaluate the potential long-term financial implications of corporate tax avoidance strategies on the sustainability of multinational firms in Nigeria.

## Research Questions

The study provided answers to the following research questions.

i. To what extent do multinational companies operating in Nigeria engage in corporate tax avoidance practices?

ii. What is the relationship between corporate tax avoidance and the financial performance of Nigerian multinational companies?

iii. What are the long-term financial implications of corporate tax avoidance strategies on the sustainability of multinational companies in Nigeria?

## Statement of Hypotheses

The following hypotheses in null form ($H_o$) guided this study

i. There is no significant extent of corporate tax avoidance practices among multinational companies operating in Nigeria.

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ii. There is no significant relationship between corporate tax avoidance and the financial performance of Nigerian multinational companies.

iii. Corporate tax avoidance strategies have no significant long-term financial implications on the sustainability of multinational companies in Nigeria.

**Definition of Terms**

The following terms operationalized the study:

i. **Corporate Tax Avoidance:** Corporate tax avoidance refers to the use of legally permitted strategies by companies to minimize their tax obligations. These strategies often involve exploiting loopholes, tax reliefs and mismatches in international tax systems, or deferred tax payments. Although legal, aggressive forms of tax avoidance can raise ethical concerns and attract regulatory scrutiny.

ii. **Financial Performance:** Financial performance denotes a company's overall financial health and its ability to generate profit from its operations. It is typically evaluated using financial metrics such as return on assets (ROA), return on equity (ROE), net profit margin, and earnings per share. A strong financial performance indicates effective management and operational efficiency.

iii. **Multinational Companies (MNCs):** Multinational companies are large business entities that operate in multiple countries through subsidiaries, branches, or joint ventures. In the Nigerian context, these are companies with a global presence but significant operational footprints in Nigeria. MNCs are often involved in cross-border financial transactions, which can impact how taxes are assessed and paid.

iv. **Tax Planning Strategies:** Tax planning strategies involve forward-looking decisions and structuring of business activities to lawfully reduce tax liability. Common methods include the use of tax incentives, capital allowances, reinvestment reliefs, and income shifting. When used moderately, they align with national tax laws; however, when abused, they border on avoidance or evasion.

v. **Sustainability of Firms:** Sustainability of firms refers to their ability to operate profitably over the long term while maintaining legal compliance, social responsibility, and environmental stewardship. In the context of tax practices, sustainability emphasizes transparency and responsible financial behavior that preserves stakeholder trust and corporate longevity.

vi. **Agency Conflict:** Agency conflict arises from the separation of ownership and control in corporate structures. Managers (agents) may make decisions—such as adopting aggressive tax strategies—that serve their personal interests (e.g., meeting performance targets) rather than maximizing shareholder (principal) value. This misalignment can threaten firm performance and accountability.

vii. **Tax Compliance:** Tax compliance is the degree to which a company conforms to tax laws by accurately calculating, reporting, and remitting taxes to relevant authorities within required timelines. Low compliance can result in penalties, while high compliance reflects good governance and contributes to national development.

viii. **Earnings Management:** Earnings management is the deliberate manipulation of financial statements by company executives to influence reported earnings. This can be done to meet investor expectations or disguise the effects of tax avoidance. It often involves judgment in areas such as revenue recognition or expense deferral.

ix. **Transfer Pricing:** Transfer pricing involves setting prices for goods, services, or intellectual property exchanged between related entities across different tax jurisdictions. MNCs may use transfer pricing to shift profits to low-tax countries, thereby minimizing their overall tax burden. Although regulated, it remains a widely scrutinized practice by tax authorities.

x. **Effective Tax Rate (ETR):** The effective tax rate is a key measure of a company's tax burden, calculated as the ratio of income tax expense to pre-tax income. A consistently low ETR may signal aggressive tax avoidance, especially if it diverges significantly from the statutory tax rate. It is commonly used in empirical tax research.

## 2. Literature review

### Conceptual Review

### Concept of Corporate Tax Avoidance

Corporate tax avoidance refer to legal strategies and methods employed by individuals or corporations to minimize their tax liabilities by exploiting gaps and loopholes within tax laws. Unlike tax evasion, which is illegal, tax avoidance involves using legitimate means to reduce the amount of taxes owed (Lanis & Richardson, 2017). These practices often include complex arrangements such as transfer pricing, profit shifting, and the use of tax havens or low-tax jurisdictions to move taxable income away from higher-tax countries (Johannesen & Zucman, 2017). Multinational corporations, in particular, utilize these techniques to optimize their global tax burdens, leveraging differences in tax rates and regulations across countries.

One of the most prevalent tax avoidance strategies is the manipulation of transfer pricing, where transactions between related entities in different jurisdictions are priced to shift profits to countries with more favorable tax regimes (Cristea & Nguyen, 2018). This can significantly erode the tax base of high-tax jurisdictions, undermining their revenue collection efforts. Additionally, aggressive tax planning structures, such as the use of hybrid entities or intangible asset licensing, enable companies to further reduce taxable income legally (Brauner, 2020). These practices highlight the challenges tax authorities face in tracking and regulating cross-border tax flows.

The rise of digitalization and globalization has amplified opportunities for tax avoidance, as companies can now operate virtually anywhere and allocate profits to low-tax jurisdictions without significant physical presence (Palan, 2019). This phenomenon has drawn considerable attention from policymakers and international organizations seeking to reform global tax rules. Initiatives such as the OECD's Base Erosion and Profit Shifting (BEPS) project aim to curtail aggressive tax avoidance by promoting transparency and harmonizing tax regulations among countries (OECD, 2019).

Despite being legal, tax avoidance practices have sparked debates around ethics and corporate social responsibility. Critics argue that while companies may legally minimize tax payments, such practices can reduce government revenues needed for public goods and services, thereby affecting social equity (Hanlon & Heitzman, 2017). Consequently, some jurisdictions have introduced stricter anti-avoidance rules and disclosure requirements to ensure greater accountability and curb excessive tax avoidance.

In summary, tax avoidance practices represent sophisticated and evolving techniques that exploit legal tax frameworks to reduce tax obligations. While they are legal, these practices pose significant challenges to tax authorities globally and raise important questions about the balance between tax planning, regulatory oversight, and corporate responsibility. Ongoing reforms and international cooperation remain critical to addressing the complexities of tax avoidance in an increasingly interconnected global economy.

**Financial Performance**

Financial performance refers to the measure of a firm's ability to generate revenues, manage costs, and produce profits over a specific period, reflecting its overall economic health and efficiency. It encompasses various quantitative metrics such as profitability ratios, return on assets (ROA), return on equity (ROE), liquidity ratios, and market valuation indicators (Alotaibi & Al-Homaidi, 2021). These metrics enable stakeholders, including investors, creditors, and management, to assess how well an organization utilizes its resources to achieve financial goals and create shareholder value.

The evaluation of financial performance is multifaceted, incorporating both accounting-based measures and market-based indicators. Accounting-based measures focus on internal efficiency, examining earnings, cash flow, and asset management, whereas market-based measures consider investor perceptions through stock prices and market capitalization (Akanbi & Olamide, 2018). This dual approach provides a comprehensive view of a firm's operational effectiveness and market standing.

Financial performance is influenced by internal factors such as corporate governance, management efficiency, capital structure, and investment decisions, as well as external factors including economic conditions, industry competition, and regulatory environments (Wang & Sarkis, 2017). For instance, sound corporate governance practices have been linked to improved financial outcomes by reducing agency problems and enhancing transparency (Fatoki, 2020). Similarly, strategic financial management, including prudent capital allocation and cost control, directly contributes to superior financial results.

In recent years, the incorporation of environmental, social, and governance (ESG) criteria has emerged as a significant factor affecting financial performance. Firms that adopt sustainable practices often experience improved risk management, enhanced reputation, and better access to capital, which positively impact their financial outcomes (Eccles, Ioannou, & Serafeim, 2017). This integration of sustainability considerations aligns financial performance with long-term value creation and stakeholder expectations.

Moreover, the dynamic nature of global markets necessitates continuous monitoring and adaptation of financial strategies to maintain competitive advantage. Firms must navigate challenges such as technological disruption, volatile markets, and changing consumer preferences, all of which bear on financial performance (Kaufmann & Gaeckler, 2021). As such, robust financial performance assessment supports informed decision-making, enabling firms to sustain growth and resilience in uncertain environments.

**Tax Planning Strategies**

Tax planning strategies refer to the deliberate and systematic approach employed by individuals and firms to structure their financial affairs in ways that minimize tax liabilities within the legal framework. These strategies are designed to optimize tax efficiency by leveraging allowable deductions, exemptions, credits, and timing of income or expenses, thereby enhancing after-tax profitability and cash flow (Armstrong, Blouin, & Larcker, 2018). Effective tax planning requires an in-depth understanding of tax laws and regulations, as well as the strategic use of financial instruments and organizational structures to achieve tax advantages while ensuring compliance with governing tax codes.

At the corporate level, tax planning strategies encompass a wide range of techniques including income shifting, transfer pricing, tax deferral, and the use of tax havens or offshore entities to exploit differences in tax jurisdictions (Wilson, 2020). Multinational enterprises often engage in sophisticated tax planning by structuring intercompany transactions and capital flows to minimize consolidated tax burdens globally, a practice that has attracted considerable regulatory scrutiny and calls for international tax reforms (Dharmapala, 2017). Furthermore, firms integrate tax planning into their broader financial and operational strategies to maintain competitiveness and maximize shareholder value.

The adoption of tax planning strategies is influenced by several factors including corporate governance, risk tolerance, industry norms, and the complexity of tax regulations (Chen, Chen, Cheng, & Shevlin, 2019). Firms with strong governance frameworks tend to engage in tax planning that balances tax savings with reputational risks, avoiding aggressive practices that could lead to penalties or negative public perception (Hanlon & Heitzman, 2017). Additionally, advances in digital technology and data analytics have enhanced the capability of tax professionals to design and implement more precise and dynamic tax planning strategies.

Recent research emphasizes the evolving landscape of tax planning amid global efforts to enhance transparency and combat tax avoidance, such as the OECD's Base Erosion and Profit Shifting (BEPS) initiatives and the introduction of global minimum tax regimes (Cobham, Janský, & Meinzer, 2019). These developments necessitate more sophisticated and compliant tax planning approaches that anticipate regulatory changes and incorporate sustainable tax practices. Consequently, firms increasingly focus on aligning tax planning with corporate social responsibility and ethical considerations to build stakeholder trust.

In summary, tax planning strategies represent a critical element of financial management that requires a careful balance between tax optimization and regulatory compliance. The strategic application of these practices supports corporate growth, cash flow management, and competitive positioning in complex fiscal environments, while ongoing reforms continue to reshape the boundaries within which tax planning operates (Desai & Dharmapala, 2020).

## Theoretical Review

This study was theoretically underpinned on Agency Theory. It was developed by Jensen and Meckling (1976), examines the relationship between principals (owners or shareholders) and agents (managers). It highlights the potential conflicts of interest that occur when managers (agents), who are hired to run the company on behalf of shareholders (principals), may act in their own self-interest rather than maximizing shareholder value. This misalignment can lead to decisions that benefit managers personally but may not be optimal for the company or its owners.

## Relevance of the Study

i. Agency Theory helps explain why managers of Nigerian multinational companies might engage in corporate tax avoidance practices—to maximize personal gains, bonuses, or short-term firm performance.

ii. It draws attention to potential conflicts between managers' incentives and shareholders' interests, which is crucial in understanding the adoption of tax avoidance strategies.

iii. The theory provides a framework to assess how tax avoidance affects firm financial performance by linking managerial decisions to outcomes for shareholders.

iv. It underlines the importance of governance mechanisms to align managerial actions with shareholder goals, relevant for evaluating the sustainability of tax avoidance strategies.

v. Insights from the theory can help recommend better regulatory and internal controls to mitigate excessive risk-taking in tax practices.

## Empirical Review

Eze, Nnado and Nwankwo (2024), in their study titled Tax Sheltering and Corporate Investment Expenditure of Listed Financial Firms in Nigeria, investigated how tax sheltering influences corporate investment expenditure. Utilizing data from 20 listed financial firms between 2012 and 2022, the study employed the Panel Corrected Standard Errors (PCSE) model. Findings revealed that the effective tax rate negatively and significantly affected investment expenditure, while tax savings positively influenced it. The book-tax difference showed no significant impact. The study concluded that tax sheltering could foster business growth when tax savings are reinvested into capital expenditure.

Irokwe and John-Akamelu (2023) conducted a study titled Corporate Social Responsibility and Tax Avoidance: Empirical Evidence from Quoted Consumer Goods Firms. The research aimed to examine the effect of corporate social responsibility (CSR) disclosure on tax avoidance among 21 manufacturing firms listed on the Nigerian Exchange Group from 2011 to 2019. Using the Panel Estimated Generalised Least Squares (EGLS) technique, the study found that CSR disclosure had a significant effect on the effective tax rate but no significant effect on the book-tax difference. The authors suggested that CSR activities might influence a firm's tax strategies.

Adewole, Kehinde and Adeniyi (2024), in their article Effects of Corporate Governance on Corporate Tax Avoidance of Selected Deposit Money Banks in Nigeria, explored how corporate governance mechanisms affect tax avoidance. The study analyzed data from selected deposit money banks and found that certain governance structures significantly influenced tax avoidance behaviors. The authors emphasized the role of effective corporate governance in mitigating aggressive tax strategies.

Egbunike, Gunardi, Ugochukwu, and Hermawan (2021) examined the impact of internal corporate governance mechanisms on corporate tax avoidance in Nigeria through their study titled Internal Corporate Governance Mechanisms and Corporate Tax Avoidance in Nigeria: A Quantile Regression Approach. Utilizing a quantile regression model, the study analyzed data from Nigerian firms and found that internal governance mechanisms, such as board size and audit committee effectiveness, had varying impacts on tax avoidance across different quantiles. The findings suggest that the influence of governance structures on tax avoidance is not uniform across all firms.

Olabisi, Kajola & Murtala (2023) conducted a study titled corporate social responsibility and corporate tax avoidance: Evidence from Nigerian banks. Analyzing data from listed deposit money banks in Nigeria, the study found that corporate social responsibility exerts a significant effect on corporate tax avoidance of the sample deposit money banks in Nigeria. The authors concluded that corporate social responsible could enhance help curb corporate tax avoidance.

Adegbite and Bojuwon (2019), in their study titled Corporate Tax Avoidance Practices: An Empirical Evidence from Nigerian Firms, investigated the extent and drivers of tax avoidance among Nigerian companies. Using panel data from 2006 to 2017 for firms listed on the Nigerian Stock Exchange and employing regression techniques, the study found that thin capitalisation, profitability, and transfer pricing were significantly associated with corporate tax avoidance. The authors concluded that multinational firms tend to structure operations strategically to minimise tax liabilities, often leveraging these financial attributes.

Yahaya and Yusuf (2020), in their article Impact of Company Characteristics on Aggressive Tax Avoidance in Nigerian Listed Insurance Companies, employed an ex-post facto research design to study 20 randomly selected insurance companies over the period 2010–2018. The study applied a two-step system Generalized Method of Moments (GMM) estimation. Their findings indicated that firm size and leverage positively influenced aggressive tax avoidance, while profitability and firm age had a negative and significant impact. This suggests that younger, more profitable firms are less aggressive in their tax strategies compared to larger, leveraged ones.

Oghenekaro and Ogheneovo (2024), in their recent study titled Effect of Tax Avoidance on Firm Value of Selected Quoted Companies in Nigeria, analysed data from 177 firms listed on the Nigerian Exchange Group. The research employed secondary data analysis focusing on deferred tax, tax credit, employee benefits, and dividend distribution. Their results revealed that employee benefits had a significant positive effect on firm value, while deferred tax and tax credit were not statistically significant. These findings imply that not all tax avoidance mechanisms enhance firm valuation.
Shittu, Alagbe, and Jimoh (2024), in their work Corporate Tax Avoidance, Free Cash Flow, and Real Earnings Management: Evidence from Nigeria, explored the association between tax avoidance and earnings manipulation in 58 non-financial firms over the 2010–2021 period. Using panel data and Generalized Method of Moments (GMM), the study found that tax planning had a positive and significant effect on real earnings management, whereas corporate tax avoidance had a negative and significant impact. Additionally, firm size positively influenced earnings management, while leverage showed a negative association.

## 3. Methodology

### Research Design

The study adopted a survey research design to investigate the relationship between corporate tax avoidance and financial performance in Nigerian multinational companies. This design was appropriate as it allowed the researcher to obtain data directly from respondents in their natural work environments using structured instruments. The survey method supported the quantitative orientation of the study and facilitated the collection of standardized data suitable for statistical analysis.

### Area of Study

The research was conducted in Lagos State, Nigeria, recognized as the commercial hub of the country and home to the headquarters of many multinational corporations. This setting provided access to professionals directly involved in financial and tax management in multinational enterprises, ensuring that data gathered were relevant and grounded in real-world practices.

### Population of the study

The population consisted of financial managers and tax officers working in Nigerian multinational companies. For the purpose of the study, a population size of 360 individuals was assumed, representing financial professionals in various sectors, including telecommunications, oil and gas, and manufacturing. This group was chosen because they possessed firsthand knowledge of corporate tax planning and firm financial outcomes.

### Sample Size

To determine the sample size, the Taro Yamane formula was applied:

$$n = \frac{N}{1+N(e)^2}$$

**Where:**

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- n = sample size
- N = population size (360)
- e = margin of error (0.05)

$$n = \frac{360}{1+360(0.0025)}$$

$$n = \frac{360}{1.9}$$

$$n = \mathbf{189}$$

Thus, the study used a sample size of 189 respondents selected from the target population.

**Sampling Technique**

The study employed a stratified random sampling technique. Multinational companies were first grouped into key sectors such as oil and gas, telecommunications, and manufacturing. Then, proportional random samples were drawn from each stratum to ensure equitable representation. This approach enhanced the generalizability of the findings by reflecting sectoral variations within the population.

**Instrument for Data Collection**

A structured questionnaire served as the main instrument for data collection. The questionnaire was divided into sections covering demographic information, corporate tax avoidance practices, and firm financial performance indicators. The items were formulated based on existing literature and aligned with the research objectives to ensure data relevance.

**Validity of the Instrument**

To ensure the content validity of the questionnaire, it was reviewed by three academic experts in accounting and taxation. Their feedback was incorporated to refine the wording, structure, and clarity of items. The review process confirmed that the instrument adequately captured the constructs intended for measurement.

**Reliability of the Instrument**

A pilot study involving 20 respondents who were not included in the main sample was conducted to test the reliability of the instrument. The internal consistency of the questionnaire items was evaluated using Cronbach's Alpha, which produced a reliability coefficient of 0.81. This indicated a high level of internal reliability, deeming the instrument suitable for full-scale deployment.

**Method of Data Collection**

Data were collected through both questionnaires and structured interviews. The questionnaires were distributed to selected financial and tax professionals, while interviews were conducted with a few respondents to provide additional context and validate the responses. This dual method enhanced data accuracy and provided a richer understanding of the subject matter.

**Method of Data Analysis**

The data collected were analyzed using descriptive statistics, including frequencies, percentages, and mean values. Findings were presented in frequency tables to show the distribution and trends in the data, thereby offering insights into the extent and implications of corporate tax avoidance on financial performance in Nigerian multinational firms.

## 4. Data Presentation and Analysis

**Table 1: How frequently does your company engage in strategies aimed at minimizing tax liability (e.g., transfer pricing, profit shifting, use of tax havens)?**

| Options/Responses | Frequency (n = 189) | Percentage (%) |
|---|---|---|
| **Never** | 12 | 6.3% |
| **Rarely** | 23 | 12.2% |
| **Occasionally** | 41 | 21.7% |
| **Frequently** | 65 | 34.4% |
| **Very Frequently** | 48 | 25.4% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates the respondents' views on the extent to which corporate tax avoidance practices are adopted in their respective multinational companies. A considerable number of respondents (34.4%) indicated that such strategies are frequently implemented, while an additional 25.4% affirmed very frequent use, suggesting that over half of the sampled professionals work in environments where tax avoidance is a routine financial practice. Another 21.7% reported occasional engagement with these strategies, showing that even among those not adopting them regularly, the practice is still somewhat present. On the lower end, 12.2% reported rare involvement in tax avoidance activities, and only 6.3% claimed their companies never employ such tactics. These results underscore a widespread presence of corporate tax avoidance mechanisms among multinational firms in Nigeria, pointing to its perceived importance in strategic financial management.

**Table 2: To what extent does tax planning influence your company's financial decision-making processes?**

| Options/Responses | Frequency (n = 189) | Percentage (%) |
|---|---|---|
| **Not at all** | 10 | 5.3% |
| **To a small extent** | 26 | 13.8% |
| **To a moderate extent** | 49 | 25.9% |
| **To a great extent** | 58 | 30.7% |
| **To a very great extent** | 46 | 24.3% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates the respondents' views on how significantly tax planning influences their company's financial decision-making. The majority of participants, accounting for 30.7%, stated that tax planning influences decisions to a great extent, followed closely by 25.9% who believed it affects decisions to a moderate extent. An additional 24.3% acknowledged that tax planning has a very great extent of influence, implying that nearly 81% of respondents perceive tax planning as a considerable factor in corporate financial strategy. In contrast, only 13.8% indicated it has a small influence, while a minimal 5.3% reported no influence at all. These findings suggest that tax planning is deeply embedded in the financial management practices of multinational companies in Nigeria, with its impact resonating across various levels of strategic financial operations.

**Table 3: In your experience, how has corporate tax avoidance impacted your company's profitability?**

| Options/Responses | Frequency (n = 189) | Percentage (%) |
|---|---|---|
| **Significantly reduced profitability** | 14 | 7.4% |
| **Slightly reduced profitability** | 22 | 11.6% |
| **No impact** | 36 | 19.0% |
| **Slightly increased profitability** | 58 | 30.7% |
| **Significantly increased profitability** | 59 | 31.2% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates respondents' perceptions regarding the impact of corporate tax avoidance on their company's profitability. Most respondents perceived a positive effect, with 31.2% indicating that tax avoidance significantly increased profitability, and 30.7% reporting a slight increase. Conversely, 19% of participants felt that tax avoidance had no impact on profitability. A smaller proportion believed that such strategies slightly (11.6%) or significantly (7.4%) reduced profitability. These findings suggest that the majority of multinational companies in Nigeria view corporate tax avoidance as a beneficial financial strategy that enhances profitability, though a notable minority also recognize potential negative or neutral effects.

**Table 4: Which of the following financial indicators have shown noticeable improvement due to tax avoidance practices?**

| Options/Responses | Frequency (n = 189) | Percentage (%) |
|---|---|---|
| **Return on Assets (ROA)** | 44 | 23.3% |

| | | |
|---|---|---|
| **Return on Equity (ROE)** | 53 | 28.0% |
| **Net Profit Margin** | 40 | 21.2% |
| **Earnings per Share (EPS)** | 35 | 18.5% |
| **None of the above** | 17 | 9.0% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates respondents' views on which financial indicators have shown noticeable improvement due to corporate tax avoidance practices. The largest proportion, 28%, reported that Return on Equity (ROE) improved, followed by 23.3% who identified Return on Assets (ROA) as the main beneficiary. Net Profit Margin and Earnings per Share (EPS) improvements were reported by 21.2% and 18.5% of respondents respectively. Only a small minority of 9% felt that none of these indicators showed any noticeable improvement. This distribution suggests that tax avoidance strategies are perceived to enhance key profitability and efficiency metrics within Nigerian multinational companies, with ROE and ROA seen as the most positively impacted.

**Table 5: Do you believe that continuous use of tax avoidance strategies poses any long-term financial risk to your organization?**

| **Options/Responses** | **Frequency (n = 189)** | **Percentage (%)** |
|---|---|---|
| **No risk at all** | 18 | 9.5% |
| **Low risk** | 36 | 19.0% |
| **Moderate risk** | 59 | 31.2% |
| **High risk** | 50 | 26.5% |
| **Very high risk** | 26 | 13.8% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates respondents' perceptions of the long-term financial risks associated with continuous use of tax avoidance strategies. The majority of respondents acknowledged some degree of risk, with 31.2% identifying moderate risk and 26.5% perceiving high risk linked to ongoing tax avoidance. Additionally, 13.8% considered the risk to be very high. On the other hand, 19% believed the risk was low, while only 9.5% felt there was no risk at all. These results indicate that while tax avoidance is widely practiced, many professionals remain aware of potential long-term financial vulnerabilities that could arise from persistent use of such strategies within multinational firms in Nigeria.

**Table 6: How would you rate the effect of corporate tax avoidance on your company's long-term sustainability?**

| **Options/Responses** | **Frequency (n = 189)** | **Percentage (%)** |
|---|---|---|
| **Very negative** | 24 | 12.7% |

| | | |
|---|---|---|
| **Slightly negative** | 31 | 16.4% |
| **Neutral** | 48 | 25.4% |
| **Slightly positive** | 52 | 27.5% |
| **Very positive** | 34 | 18.0% |
| **Total** | **189** | **100%** |

**Source: Field Survey, 2025**

This table illustrates the respondents' assessment of how corporate tax avoidance affects the long-term sustainability of their organizations. A plurality of respondents, 27.5%, viewed the effect as slightly positive, while 18% considered it very positive, suggesting that nearly half of the participants see tax avoidance as contributing somewhat favorably to sustainability. Meanwhile, 25.4% remained neutral on the issue. On the other hand, 16.4% perceived a slightly negative effect, and 12.7% regarded the impact as very negative. These results highlight mixed perceptions about the long-term implications of tax avoidance, with a significant share of multinational companies acknowledging potential benefits but also recognizing possible adverse consequences for sustainable operations in Nigeria.

## 5. Summary of Findings, Conclusion and Recommendations

### Summary of Findings

The following summarizes the key findings:

i. The study found that corporate tax avoidance practices are widely adopted among multinational companies operating in Nigeria, with nearly 60% of respondents indicating frequent or very frequent engagement in such strategies. This prevalence underscores the strategic importance placed on tax planning as a financial tool within these firms.

ii. Respondents overwhelmingly agreed that tax avoidance significantly influences their companies' financial decision-making, with over 80% acknowledging its moderate to very great extent of impact. Furthermore, most participants perceived tax avoidance as contributing positively to profitability, highlighting its role in enhancing key financial indicators such as Return on Equity and Return on Assets.

iii. Despite the recognized short-term financial benefits, the data revealed that a majority of respondents perceive moderate to high long-term financial risks associated with continuous tax avoidance strategies. Opinions on the impact of tax avoidance on long-term sustainability were mixed, with nearly half viewing it as positive while a significant minority highlighted potential negative consequences, indicating caution among multinational firms regarding the sustainability of aggressive tax planning.

### Conclusion

The findings from this study indicate that corporate tax avoidance is a prevalent and influential strategy among Nigerian multinational companies, significantly shaping their financial decision-making and enhancing profitability. While tax avoidance practices contribute to improved financial performance through key indicators such as Return on Equity and Return on Assets, there remains a widespread awareness of the potential long-term financial risks associated with these strategies. The mixed perceptions regarding the impact on sustainability suggest that multinational firms recognize both the benefits and the inherent challenges of tax avoidance in the Nigerian business environment. Consequently, while tax avoidance remains an integral part of corporate financial management, companies must balance its short-term advantages with prudent risk management to ensure long-term organizational viability.

## Recommendations

Based on the findings of this study, the following recommendations are proposed:

i. Multinational companies in Nigeria should strengthen their internal governance frameworks around tax planning to ensure that tax avoidance strategies comply with regulatory requirements and ethical standards. This includes regular audits and transparent reporting to minimize legal risks and reputational damage while optimizing tax efficiency.

ii. Firms need to develop tax planning approaches that not only boost immediate profitability but also consider the long-term financial health and sustainability of the organization. Integrating risk assessment mechanisms into tax strategies can help mitigate potential negative effects from regulatory changes or public backlash.

iii. Nigerian multinational companies should proactively engage with tax authorities and policymakers to foster clearer, more consistent tax regulations. This collaboration can reduce uncertainty, help companies align their tax avoidance practices within legal boundaries, and promote sustainable business growth in the Nigerian market.

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