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# Effect of Tax Liabilities on Financial Performance of Listed Deposit Money Banks in Nigeria

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## Abstract

The instability in the banking sector over the years has been characterized by numerous variations and volatilities where banks are mandated by law to pay taxes that could translate into a substantial cost to their performance. The study empirically ascertains the effect of tax liabilities on financial performance of listed deposit money banks in Nigeria. To accomplish this objective a comprehensive study on the theoretical, conceptual and empirical literature on tax liabilities and financial performance was examined. Tax liabilities was proxy by company income tax, tertiary education tax, value added tax and capital gain tax. This study adopted the ex-post facto research design. The population of the study consists of 14 quoted deposit money banks in Nigeria, judgmental sampling techniques was used to select ten banks as a sample size. Secondary data was obtained from audited annual financial reports of the listed deposit money banks in Nigeria from 2013-2022. the study adopted panel least squares regression through pooled effect, fixed effect, and random effect, from the outcome determined by the Hausman test, fixed effect regression was preferred for results interpretation with the aid STATA 17. Findings show that company income tax had a positive and significant effect on financial performance; tertiary education tax and capital gain tax had negative and significant effect on financial performance of listed deposit money banks in Nigeria. Value added tax had positive and insignificant effect on financial performance. The study concludes that companies income tax, tertiary education tax and capital gain tax reduced financial performance of listed deposit money banks in Nigeria. The study recommends among others that through collaborative efforts with tax authorities DMBs should engage in strategic tax planning such as exploring legal avenues to stabilize or minimize tax liabilities. The government should review the countries' fiscal policy and where necessary introduce new tax incentives, tax exemptions, tax allowances, tax relief, tax rebates, and tax shelters for companies income tax, tertiary education and capital gain tax since it has adverse effect on financial performance of DMBs in Nigeria.

**Keywords:** Tax liabilities, Company Income Tax, Tertiary Education Tax, Capital Gain Tax, financial performance.

# Introduction

Globally, every firm's performance is a major concern because it can withstand pressure from the market and influence the overall growth of the system and the strength of the company in particular Sweetwilliams et al 2023. Taiwo and Oyedekun (2022) posit that shareholders emphasizes most of their attention on a company's performance before embarking into business with that company. As a result, profitability has evolved into the primary factor that is used to evaluate a company's financial performance. However, financial performance is defined as the analysis of a firm polices and operational activities in monetary terms Verma (2021). Conversely, financial performance reflects ability of organization to effectively utilize financial and production factors to generate revenue for shareholders has been the key focus of profit making organization (Kayode & Folajinmi, 2020). Furthermore, the priority of any firm is to effectively, efficiently and ethically manage the company for profitable, long term growth and perpetual existence and the policies and practices of management must also align with the interest of shareholders and other stakeholders (Emmanuel et al., 2022). Consequently, some of these companies have achieved the exact opposite of their goals, making it more difficult for firms to attain the standards they have set for themselves due to some tax liabilities.

Accordingly, tax liability could also impact the financial performance of banks by reducing the amount of cash flow it has available to invest. This research examined the effect of tax liabilities on the financial performance of listed deposit money banks in Nigeria. (Hassert and Hubbard 1976 as cited in Muhammad and Ahmad 2019) defined taxation as the compulsory levy by government via its different agencies on the revenue or consumption of its subjects. Therefore, tax liabilities consist of income tax, other direct taxes and indirect taxes levied by the government. The issue of taxation and its impact on firm performance is one of the most important issues that policymakers and firm executives focus on (Iormbagah., et al 2021). Consequently, there are no companies that do not make profit maximization decision at one time or the other which requires corporate taxation to be properly and effectively planned to achieve the companies' goals and objectives. It is based on these facts that the research is between tax liabilities and financial performance. Every corporate organization is therefore expected to pay taxes as one of its responsibilities to the society. Okonkwo., el al (2022) opined that Governments use tax revenue to carry out their traditional functions such as the provision of public goods and services; maintenance of law and order; defense against external aggression; and regulation of trade and business to ensure social and economic maintenance. One of the policy objectives of the Nigerian government is to improve the ease of doing business, encourage voluntary tax compliance and fiscal responsibility in Nigeria. To achieve these noble objectives, the government, through the Finance Act 2019 and 2020 (The Finance Act, 2019;2020) amended various tax and fiscal legislations to align the Nigerian business environment with global best practice and make the country competitive in the world of business by raising the tertiary education tax from 2% to 2.5% and the VAT rate from 5% to 7.5% Osirim, (2021) these have a significant impact on business. Finance Act of 2020 empowers the Federal Inland Revenue Service Board (FIRSB) to assess and collect taxes from all limited liability companies that operates from or within Nigeria. Deposit Money Banks (DMBs) perform a very germane role in Nigerian economic resource allocation by continually acting as a channel of funds from depositors to investors. Muhammad and Ahmad (2019) opined that, the predominant goal of most banks is to maximize profit, and at the same time, minimize cost, through an efficient combination and utilization of limited resources. Especially, by charging the borrower a slightly higher interest rate, than that which is given to the depositor, a bank is able to achieve its goal of profitability. Nevertheless, the banking industry in Nigeria has also undergone instability (or crisis) at various phases of its growth and development. The path of the instability of the Nigerian banking sector has over the years been characterized by numerous variations and volatilities which can be traced to 1892 when the business of banking as a profession officially began in Nigeria (Akpan, 2017 as cited in Adewole., et al 2021). In Nigeria, companies are mandated by law to pay company income tax on profit earned with 30%, education tax of 2.5%, withholding tax of 10%, value-added tax of 7.5% and capital gain tax of 10% in the year/period preceding assessment. These taxes translate into a substantial cost to organizations and if not properly planned and managed can have adverse effect on the bottom line, cash flow and capacity to invest. Nonetheless, these problems encouraged the researcher to look into how these taxes affected Nigerian deposit money banks to justify the angle of the instability because increasing financial performance and shareholder value is one of any organization's main goals. However, Nwaobia and Jayeoba (2016) asserted that heavy tax burdens exert negative impact on firm’s performance. It is on this perspective that the study is anchored on the ability to pay theory because it appears very reasonable in assessing the effect of tax liabilities of banks. Under the ability to pay principle, one with higher incomes should pay more taxes than one with lower incomes

Conversely in Nigeria, there has been a divergent view of scholars on the impact of corporate tax on financial performance of companies in Nigeria (Eze., et al 2022: Adefunke & Usiomon 2022:) argue that corporate tax has a positive and significant effect on financial performance, while others (Otwani, Namusonge & Nambuswa, 2017; Olaoye & Oluwatoyin, 2019; Taiwo & Oyedokun, 2022). Content that corporate tax has no significant effect on financial performance. Few studies on corporate tax on financial performance conducted on deposit money banks (Obi., et al 2022; Eze., et al 2022; Omodero & Ogbonnaya 2018) reported that company income tax has significant positive effect on performance and profitability. While Muhammad and Ahmad (2019) showed that company income tax rate has no effect on investment decision of listed deposit money banks in Nigeria. Other were on development banks Olurankinse & Mamidu (2021) and agricultural companies Vržina & Dimitrijeviæ (2020) carried out in Serbia, thus offering limited insights on deposit money banks particularly in Nigeria.

However, we extend the literature by investigating on the mixed variables on the effect of tax liabilities on financial performance of listed deposit money banks in Nigeria. It is this gap we seek to close. Also this research is particularly important considering the increase in tax burden following the amended tax reform in Nigeria. It also offers managers a better understanding of the dynamics of taxation in the banking sector as well as potentially guiding future tax policies.

Thus, the main aim of the study is to determine the effect of tax liabilities on financial performance of listed DMBs in Nigeria. Other specific objectives of this study are to:

i. Determine the effect of company income tax on financial performance of listed DMBs in Nigeria.
ii. Ascertain the effect of tertiary education tax on financial performance of listed DMBs in Nigeria.
iii. Examine the effect of value added tax on financial performance of listed DMBs in Nigeria.
iv. Explore the effect of capital gain tax on financial performance of listed DMBs in Nigeria.

In order to achieve the objectives stated above, the following hypotheses were formulated in null forms to guide the study:

i. **$H_{01}$**: Company income tax has no significant effect on financial performance of listed DMBs in Nigeria.
ii. **$H_{02}$:** Tertiary education tax has no significant effect on financial performance of listed DMBs in Nigeria.
iii. **$H_{03}$:** Value added tax has no significant effect on financial performance of listed DMBs in Nigeria.
iv. **$H_{04}$:** Capital gain tax has no significant effect on financial performance of listed DMBs in Nigeria.

The rest of the paper is structured as follows. Section 2 reviews the literature. Section 3 methodology. Section 4 presents the results and discussions. In section 5, we concluded the paper and offer recommendation.

## LITERATURE REVIEW

This section reviews previous conceptual, empirical literature and theoretical literature concerning the effect of tax liabilities on the financial performance of deposit money banks in Nigeria.

### Concept of Tax Liabilities

Tax liabilities consist of income tax, other direct taxes and indirect taxes levied by the government. Tax liability is a legal obligation as per tax law of a particular jurisdiction or country. However, tax laws are applicable to the residents of the country as well as to the non-residents. Tax liability may be an estimate of annual tax dues to be paid in quarterly installments or as advance tax, sweta, (2024). this tax is levied at a definite rate or range of rates on taxable income as defined within the system. Most systems tax both domestic and foreign companies. Often, domestic companies are taxed on worldwide income while foreign companies are taxed only on income from sources within the jurisdiction.

### Concept of Company Income Tax

The term company income tax refers to the tax that corporate organisations must pay globally. The earnings of businesses presumed to have amassed, generated or imported into a nation are subject to mandatory payment of company income tax over several years. Nwaeke., et al (2022) observed that, the Companies and Allied Matters Act (CAMA) 2020, as amended, defines Nigerian companies as those incorporated in the country. Any revenue generated by such firms may be presumed to have amassed, been obtained from, or been transferred into the country. Additionally, for foreign companies, that is, companies founded under laws that are not legally binding in Nigeria, any revenue generated by such companies may be considered to have amassed, been sourced from, or been raised outside of Nigeria to the degree of not ascribable to operations within Nigeria. Therefore, within 18 months of the date of incorporation or, if later, within six months of the conclusion of the accounting period, the newly created firm must file its income tax return or income tax reports. However, Best of Judgment (BOJ) could be applicable: When the tax payable has no financial records or returns filed to the tax authority to support the assessment, the tax is determined in this manner by the applicable tax authority. In line with the Finance Act 2019, companies with a turnover of less than N25 million are exempt from paying company income tax. Therefore, the only businesses subject to 30% taxation are those whose yearly revenue exceeds N100 million.

**Concept of Tertiary Education Tax**

Tertiary Education Tax (formally Education Tax) is a tax imposed on the assessable profits of all companies registered in Nigeria (including companies subject to tax under Petroleum Profits Tax Act) for the enhancement of tertiary education in Nigeria. It is established by the Tertiary Education Trust Fund (Establishment, Etc.) Act No 16, of 2011. According to Section 1 of the Tertiary Education Tax Act, the rate of tertiary education tax has been raised from 2% of assessable earnings to 2.5% of assessable profits. For a company subject to tax under the PPTA, the education tax paid is an allowable deduction under Section 10 of the PPTA in arriving at the adjusted profits of the company for tax purposes. Thus, the recovery, consolidation, and restoration of higher education in Nigeria are funded by the Education Tax revenue. The funds are allocated in the following ratios: 2:1:1 to universities, polytechnics, and colleges of education. Tertiary education tax returns must be filed by the same deadline as company income taxes and petroleum profit taxes. The Primary objective of the Education Tax is to achieve restoration, rehabilitation, consolidation and development of tertiary education in Nigeria

**Concept of Value Added Tax**

Value added tax (VAT) is a consumption tax applied to goods whenever value is added at any point along the supply chain, from the point of production to the point of sale. Adewole., et al (2021). Obviously, some changes made to the VAT Act will be relevant to the tax liability of the investee banks in a private equity transaction. For instance, the effective tax rate for VAT in Nigeria is 7.5%, as well as the expansion of the meaning of products and services (to address the challenges associated with efficiently taxing the digital economy) will undoubtedly have noticeable effects on a number of different types of transactions, including private equity. VAT is applicable to all services provided in Nigeria, with the exception of those that are expressly exempted by law. Services provided by lawyers, engineers, accountants, contractors, consultants, etc. Charges arising from the consumption of services rendered by banks and financial institutions ordinarily are subject to VAT. M, T, Abdulrazaq (2016) and these include: commissions and fees charged on foreign exchanges or remittances, banks charges, commissions on turnover, ledger fees and so on, fees charged for advisory services (for example; mergers and acquisitions, financial strategy counselling and so on), debt conversion fees, commissions on the sale of bank drafts and certified cheques, fees chargeable on public/private issues etc.

**Concept of Capital Gain Tax**

Tax on Capital Gains in Nigeria, the profit or gain from the sale or disposal of assets, such as stocks, real estate, and other investments, is subject to capital gains tax (CGT). The Federal Inland Revenue Service (FIRS) is responsible for its administration and regulation under the Capital Gains Tax Act (CGTA). When a non-inventory asset is bought at a lower cost than it is sold for, the profit earned on its sale is referred to as capital gains and is subject to taxation (Wikipedia, 2016. According to Afuberoh and Okoye (2014). Capital gains tax is a tax levied on the profit realized when selling an asset; this profit is calculated as the difference between the item's original purchase price and its sales price. Section 2(1) of the Act put the rate of capital gains tax in Nigeria at 10% on accrued gains on the disposed capital asset. Corporate entities in Nigeria are required to pay capital gains tax on their profits from movable assets. Capital Gains Tax is imposed in Nigeria by the Capital Gains Tax Act, Cap. C1 Volume 3 LFN 2004 (as amended).

**Financial Performance**

According to (Farah., et al 2016 as cited in Eneisik., et al 2023) financial performance is a degree to which a company financial fitness over a period of time is measured. In other words, it is a financial exploit used in order to create greater sales, profitability and value of a business entity for its shareholders through managing its current and non-current assets, financing, equity, revenues and expenses. One of the major ways for measuring financial performance of an organization is the usage of profitability financial ratios. Firm financial performance is studied and measured by different researchers (Hammami et al., 2020; Cui et al., 2021) using different measures. Cui et al. (2021) used return on equity (ROE) and profit margin (PM) for the measurement of firm performance. Market based measures of companies 'financial performance was done by Hammami et al. (2020) measured by Market value of equity divided by book value of equity and Tobin's Q (market value of equity + book value of debt/total of assets - in book value). However, this study will utilize return on assets as the matrix for measurement of financial performance. According to Singh et al; (2024), ROA is defined as the ratio of net income plus interest expense to the total book value of the firm's assets.

**Theoretical Framework**

There are various theories which explain the relationship between the effect of tax liabilities and financial performance of listed deposit money banks in Nigeria. Such theories include ability to pay, benefit theory and stakeholder theory.

**Ability to Pay Theory**

Taking the major objective of the study into consideration, which is aimed to examining the effect of tax liabilities on the financial performance of listed deposit money banks in Nigeria, the ability to pay theory is the best theory that explained the findings of current study.

Ability to pay theory brings to the fore the concept of tax liabilities on financial performance. This theory was developed by Smith and Pigou (1903). The theory states that "the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state." The ability-to-pay principle requires that the total tax burden will be distributed among individuals according to their capacity to bear it, taking into account all of the relevant personal characteristics. Omodero and Ogbonnaya (2018) Someone who earns more should pay more tax while an individual who earns less should pay less tax.

**Empirical Review**

Eze., et al (2022) examined the impact of corporate taxation on the financial performance of deposit money banks in Nigeria from 2011 to 2020. A sample consisting of 7 deposit money banks and cross sectional data were obtained from their annual reports and financial statements were used for the analysis. The findings indicate that- in the short run, CIT was not only significant, but exerted a positive impact on profit for the year of deposit money banks.

Similarly, Obi et al (2020) empirically investigated the impact of taxes on the performance of deposit money banks in Nigeria. The data employed in the study were extracted from audited financial reports and shareholders reports of banks for the period of 2007-2017. The result of the study revealed that company income tax, withholding tax and stamp duty tax have different and significant impact on banks performance in Nigeria.

In the same vein, Omodero and Ogbonnaya (2018) examines the impact of corporate tax on profitability of Deposit Money Banks in Nigeria. The research adopted a causal research design and a sample of 12 banks were selected out of the currently existing 21 banks based on Authors' judgment and data availability. The panel data used in this study covers a period from 2006 to 2016. The regression result on the data for Access Bank Plc., Diamond Bank Plc. and GTB Plc., revealed a positive significant impact of CIT on PAT and existence of a positive relationship between PAT and CIT. While the rest of the other 9 banks showed both negative and lack of impact of CIT on PAT.

The relationship between corporate tax and financial performance of manufacturing companies was also examined by Eneisik., et al (2023) they ascertained the effect of companies income tax on financial performance of quoted manufacturing companies in Nigeria. Secondary data was obtained from audited annual financial reports of quoted manufacturing companies in Nigeria from 2006-2020. Findings show that company income tax had a negative and insignificant effect on net profit margin of quoted manufacturing companies in Nigeria. Capital gains tax had positive and significant effect on net profit margin of quoted manufacturing companies in Nigeria. Tertiary education taxes had negative and insignificant effect on net profit margin of quoted manufacturing companies in Nigeria.

Conversely, Williams et al., (2023) examined the effect of corporate tax on the financial performance of Nigerian listed consumer goods companies from 2011 to 2021. A sample of sixteen (16) consumer goods firms was used for the study. The random effect panel regression results revealed that company income tax negatively affects financial performance. The study also revealed that education tax has a significant positive effect on financial performance. While Value Added Tax (VAT) has a significant negative effect on financial performance.

Other studies attempt to compare the impact of corportate tax and financial performance of agricultural companies. Vržina and Dimitrijeviæ (2020) analyzed the financial performance of agricultural companies and corporate income tax as key determinants of financial performance in Vojvodina. They carried out a simple descriptive statistics test which showed that effective corporate income tax rates (ETRs) in agricultural companies are significantly lower than the statutory corporate income tax rate. They further used Panel regression which showed that agricultural companies with lower effective tax rates are more profitable than companies with higher effective tax rate.

**METHODOLOGY**

This study adopts ex-post facto research design. This is because the events studied have already taken place. In this context, secondary data which already existed were used to ascertain the link between the explanatory variables and the dependent variable. All the 14 deposit money banks listed on the floor of Nigeria Exchange Group (NGX) as at 2022 constitute the population for this study and 10 were sampled using judgmental sampling techniques. The secondary data were collected from the annual reports of the banks for the period 2013-2022. The study adopted panel Least Squares Regression these include the robust pooled OLS, fixed effect and the random effect regression model, the hausman test was further used to select the model that best fit for analyses and the research hypotheses.

**Table 1: Variables and their Measurement**

| Variable Name | Acronym | Measurement | Source |
|---|---|---|---|
| Return on Assets | ROA | $\frac{EBIT}{Total\ Assets} X\ 100$ | (Obi, 2020; Adegbite & Amashalu, 2017; Singh et al; 2024) |
| Company Income Tax | CIT | $Natural\ Log\ of\ CIT\ paid.$ | (Omodero et al., 2018; Taiwo et al., 2022) |
| Education Tax | EDT | Natural Log of Education Tax Paid | (Nwaorgu et al., 2020; Nwubia & Okolo, 2020) |
| Value Added Tax | VAT | Natural Log of Total VAT paid | Olatunji & Oluwatoyin (2019) |
| Capital Gain Tax | CGT | Natural Log of Total CGT paid | (Taiwo et al., 2022; Omodero et al., 2018; (Nwaorgu et al., 2020) |

***Source:*** *Author's Compilation, 2024*

**Model Specification**

The study adopted similar regression model of Nwaorgu, Oyekezie and Abiahu (2020) which is expressed as follows:

ROA = f (CIT, EDT, VAT, CGT,) ……………………………...……....…………………….... (i)

ROA $=\beta 0+\beta 1 CITit-1+\beta 2 EDTit-1+\beta 3 VATit-1+\ \beta 4 CGTit-1\ +\ \varepsilon$……… (ii)

Where:

ROA = Return on Assets
CIT = Companies Income Tax
EDT = Education Tax
VAT = Value Added Tax
CGT = Capital Gain Tax
$\beta 0 = Constant$
$\beta 1-\beta 3$ = Coefficients of independent variables
$\varepsilon$ = error term
it = Residual

## RESULTS AND DISCUSSIONS

This section reports and discusses the results emanating from the analysis of data generated for the study. The one unit root test method known as Levin, Lin & Chu test for all the variables are less than 0.05 which indicate the variables are stationary in order to avoid spurious regression and interpretation of coefficient estimates. Breusch-Pagan Test for heteroskedasticity shows that the data are heterogeneous at less than 0.05.

**Table 2: Descriptive Statistics**

| Variable | Obs | Mean | Std. Dev. | Min | Max |
|---|---|---|---|---|---|
| **ROA** | 100 | 1.057 | 1.841 | -4.605 | 3.99 |
| **CIT** | 100 | 14.942 | 2.695 | 8.294 | 23.314 |
| **TET** | 88 | 15.436 | 3.752 | 7.554 | 24.357 |
| **VAT** | 100 | 18.109 | 4.41 | 7.948 | 27.499 |
| **CGT** | 100 | 15.65 | 4.055 | 6.236 | 25.316 |

***Source:*** *STATA 17, Author's Computation (2024)*

The descriptive statistics of this study has been illustrated in Table 2. it can be seen that a total of 100 observations were recorded. The table shows the minimum, maximum, mean and standard deviation of the variables of the study. The range of returns on assets, from a minimum of -4.605 to a maximum of 3.99, indicates a significant extent of possible returns in financial performance among the studied entities. The mean return on assets of 1.057suggests that, on average, the entities in the sample generates or earn approximately 1.06% on their assets. The standard deviation of 1.841 which is greater than the mean signifies a slight variability or dispersion in returns. The wide range in company income tax, from 8.294 to 23.314, underscores the heterogeneity in tax burdens among the sampled entities; this could be due to various factors such as differences in profitability. While the mean income tax of 14.942million Naira indicates the average tax obligation. The substantial standard deviation of 2.695million Naira, suggests that the tax payment deviate from the average by approximately 2.695million Naira. The same interpretation is applicable to tertiary education tax; value added tax and capital gain tax based on their respective disparity.

**Table 3: Correlation Matrix**

| Variables | (ROA) | (CIT) | (TET) | (VAT) | (CGT) |
|---|---|---|---|---|---|
| **ROA** | 1.000 | | | | |
| **CIT** | 0.385 | 1.000 | | | |
| **TET** | -0.335 | 0.038 | 1.000 | | |
| **VAT** | 0.008 | -0.179 | 0.141 | 1.000 | |
| **CGT** | -0.265 | -0.097 | 0.086 | 0.043 | 1.000 |

***Source:*** *STATA 17, Author's Computation (2024)*

Table 3 shows the Pairwise correlations between the dependent and the independent variables; company income tax has a moderate positive relationship with return on assets (ROA) with a correlation coefficient value of 0.385. This indicates that as company income tax increases, financial performance in terms of ROA tends to increase, suggesting that higher tax burdens are associated with lower financial performance. Tertiary education tax has a moderate negative relationship with return on assets with a correlation coefficient value of -0.335, suggesting that an increase in education tax is moderately associated with a decrease in financial performance. It can also be seen from the table that value added tax has weak positive relationship and capital gain tax has a weak negative relationship with return on assets (ROA) with a correlation coefficient value of 0.008 and -0.265 respectively.

**Table 4: Panel Least Squares (Fixed Effect) Regression**

| ROA | Coef. | St.Err. | t-value | p-value | [95% Conf | Interval] |
|---|---|---|---|---|---|---|
| **CIT** | 0.27 | 0.0426531 | -1.79 | 0.000 | -.1611857 | .0087907 |
| **TET** | -0.183 | 0.0219354 | -0.94 | 0.000 | -.0643347 | .0230796 |
| **VAT** | 0.06 | 0.0187758 | -0.33 | 0.141 | -.0435732 | .0312501 |
| **CGT** | -0.103 | 0.0251419 | -0.68 | 0.011 | -.0673031 | .0328895 |
| **Constant** | 0.311 | 0.8872739 | 3.15 | 0.812 | 1.029181 | 4.565044 |

| | | | |
|---|---|---|---|
| **Mean dependent var** | 0.580 | SD dependent var | 1.176 |
| **R-squared** | 0.710 | Number of obs | 100 |
| **F-test** | 4.967 | Prob > F | 0.001 |
| **Akaike crit. (AIC)** | 367.049 | Bayesian crit. (BIC) | 273.463 |

***Source:*** *STATA 17, Author's Computation (2024)*

Table 4. We ran three models (pooled OLS, fixed effect (FE), and random effect (RE) in order to determine the model that best fits our modeled relationship between the dependent and the independent variables. The F-statistics for individual regression effects suggests that random effect is preferable to the pooled OLS at 5%. Furthermore, the Hausman test result reveals that fixed effect cross section random probability value is 0.0313 less than 5% which makes it more preferable to the random effect. Thus, our model of choice based on the various tests conducted is the fixed effect model. It can be seen that the relationship between return on assets and company income tax is significant at 5% (0.000) level of significance. This indicates that company income tax affects financial performance of deposit money banks in Nigeria in terms of (ROA). Therefore, the Ho1 hypothesis is rejected. This is in tandem with the findings of Obi., et al (2020) and Olaoye & Alade (2019). Tertiary education tax was found to exert a significant negative effect on the financial performance of DMBs at the 5% (0.000) significance level indicating that higher tax burdens impede the financial performance of these banks thus, the null hypothesis is also rejected. this contradicts the findings of Eze., et al 2022. However, value added tax has a positive and insignificant effect on the financial performance of DMBs at the 5% (0.141) significance level which implies that it has no effect on their financial performance and we thereby accept the null hypothesis. This finding is in close collaboration with that of Ironkwe & Peter (2015) and it is inconsistent with the findings of Olatunji &Oluwatoyin (2019) and Invkovic et al (2004). Capital gain tax was also found to exert a significant negative effect on the financial performance of DMBs. This implies that variations in capital gain tax do have a statistically significant influence on the banks' return on assets within the specified significance conventional level of 5% (0.011), the Ho1 hypothesis is also rejected. This finding agreed with the work of Eneisik., et al (2023).
The coefficient of determination which measure goodness of fit of the regression model as indicated by R-square is 0.710 seems to fit the data reasonably well. This implies that about 70.1%

of the variation observed in the independent variable (company income tax, tertiary education tax, value added tax and capital gains tax) seems to fit the data the dependent variables (return on assets) while only 29.9% of the changes were explained by unknown variable. The f-statistic value of 4.967and the p-value of 0.001 less than 0.05 level of significance indicates strong evidence that the variances between variables are statistically significant.

## CONCLUSION AND RECOMMENDATIONS

### Conclusion

The study reveals a robust and statistically significant positive effect of company income tax on the financial performance of listed DMBs in Nigeria. This implies that higher company income tax is associated with a decline in financial performance, as measured by metrics such as return on assets (ROA) same is applicable to tertiary education tax the study finds a significant negative effect of tertiary education tax on the financial performance of listed DMBs in Nigeria. However, the study finds an insignificant positive effect of value added tax on the financial performance of listed DMBs in Nigeria. This implies that its effect on financial performance does not reach statistical significance within the specified threshold. In the same vein, the study finds a significant negative effect of capital gain tax on the financial performance of listed DMBs in Nigeria. This suggests that changes in capital gain tax are among the decisive factor in explaining variations in financial outcomes among DMBs.

### Recommendations

The study recommends among others that through collaborative efforts with tax authorities DMBs should engage in strategic tax planning such as exploring legal avenues to stabilize or minimize tax liabilities, The government should review the countries' fiscal policy and where necessary introduce new tax incentives, tax exemptions, tax allowances, tax relief, tax rebates, and tax shelters for companies income tax, tertiary education and capital gain tax since it has adverse effect on financial performance of DMBs in Nigeria.

### Suggestions for Further Studies

Here are some areas suggested for future studies, researchers can explore on other variables by including the minimum tax, National fiscal stabilisation levy paid by banks. More so, others could examine whether a moderating or a control variable would cushion the effect of tax liabilities on financial performance. another interesting area to explore is using different matrix like return on equity and profit margin. Lastly, a longer period of study may reveal more results.

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