

TAX INCENTIVES AND FINANCIAL PERFORMANCE OF QUOTED CONSUMER GOODS MANUFACTURING COMPANIES IN NIGERIA

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Abstract.

The study examined the relationship between tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria. The study used data collected from published annual reports and accounts of the sampled companies, and tax related submission from the investment promotion commission and Federal Inland Revenue Services. The study covered only seven companies out of twenty-one (21) listed consumer goods companies in Nigeria which were published with available data for the period of ten (10) years (2014 – 2023). The study used Pearson correlation and multiple regression to establish the influence of tax incentive on financial performance of the sampled firms. The study found that capital allowance and loss relief had a positive and significant influence on the financial performance of firms while investment allowance had a positive but insignificant influence on the financial performance of the sampled companies. The study recommends that companies should take more advantage of tax incentives available to them, especially the incentives related to investments that will help in strengthening the productivity of the firms; while tax authorities should consider means of introducing more incentives for investors to critical sectors like consumer goods that have a direct relationship with agricultural output and country export. Tax authorities should also provide an easy enlightenment mechanism on the importance and advantages of tax incentives, especially the rural investment allowance that is geared towards increase in the provision of social amenities to rural areas among others.

Key words: Tax Incentives, Financial Performance, Consumer Goods Companies, Investment Allowance, Capital Allowance, Loss Relief Incentive.

Introduction

Return on assets (ROA) is a metric for assessing the health of a business organization. It gives the percentage of how profitable a company's assets are in generating revenues. It is a veritable tool for both investors and management of the company in assessing the efficiency of the organization in the utilization of the assets at its disposal to make profit. ROA is a ratio which is mathematically represented as the Net Income over the Average Total Assets. Financial Performance is the ability of an individual or a corporate entity to effectively ensure profitability in its business within the limited resources at its disposal. The resources at the disposal could be human capacity, capital or material resources. Corporate financial performance is the measure of the actual performance over the planned target in terms of financial gains over a period of time. It is a vital tool for strategic decision making and policy formulation, thus its proper evaluation cannot be overemphasized. The firm's performance is the growth in the total assets of the firm and its ability to settle most of the required liability of the business. Lumpkin and Dess (1999) opine that several methods and means of measuring corporate performance exist which include return on equity, liquidity ratios, profitability ratios, asset management ratios, leverage ratios and market value ratios. Tax can be quantified by using these major ratios of productivity and growth: - return on assets (ROA), return on investment (ROI), return on equity (ROE), return on sale (ROS), revenue growth, market shares, stock price, sales growth, liquidity and operational efficiency (Mainelli & Giffords, 2010). This study utilized return on assets as a measure of the financial performance as it captured most of what is required in the performance measurement of the firm.

Tax is a compulsory levy imposed by governments of different levels on individuals and corporate bodies' earnings and property, either as a property tax, capital gain tax, income tax, or capital tax, etc. This is one of the sources governments make their monies in order to be able to render social services to its citizenry. These taxes are demanded by the federal, states or local governments. It is through such earnings that the government provides roads, hospitals, electricity, the management of specialized personnel (law enforcement officers, the military, foreign affairs), and other public services and security. The tax policy is adopted in Nigeria as an instrument for economic growth stimulation. Eneisik et al. (2023) observe that the government revenue is generated through corporate tax. It is illegal and criminal offence for corporate organizations to evade tax payment. However aggressive taxation and double taxation in some cases can stifle the economic growth of some of these corporate bodies as little or no profit is generated to reinvest into the business. This can have a negative impact not only on the organization, but on the nation and its citizenry. Higher taxes for the manufacturing companies would lead to reduction in profits of manufacturing companies in Nigeria. Eneisik et al. (2023), noted further that it affects the company's ability to invest in new technologies, research and development due to the reduced amount of money left for the organization after tax deductions.

Tax incentives are given in the form of tax holidays or a reduction of the tax burden because of investment or engagement in certain businesses, which are mostly manufacturing, mining, oil, gas, export, agriculture and other sectors that will trigger development or reduce the burden of companies. Tax incentives include but are not limited to personal allowance, Capital allowance, Investment allowance, Loss relief, Roll over relief, Annual allowance, Pioneer relief, Tax-free dividend, Export Processing Zones Relief, Research and development and Tax-free holiday (FIRS, 2018).

The tax law in Nigeria concerning the granting of capital allowances is contained in the Fifth Schedule of the Personal Income Tax Act (PITA) 2004. The reasons for granting capital allowances are to amortize the qualified capital expenditure incurred over the asset life span for tax purposes. Capital allowances are statutory depreciation deductible from a taxpayer's total assessable income/profit, and in order to arrive at his or her chargeable profit, such reduction is given on expenditure that are capital in nature which are recognized as qualifying expenditure. According to the Fifth Schedule, the following capital expenditures are: i) Qualified Plants Expenditure, ii) Qualified Building Expenditure, iii) Qualified Ranching Expenditure and Plantation (Agriculture) and iv) Qualified Mining Exploration Expenditure etc. Abdullahi, (2014), stated that in order to ensure uniformity in tax practice, capital allowances are granted in place of depreciation to all companies at specified rates in spreading the capital expenditure over the useful life of the asset. Granting capital allowances is, however, attached with conditions, such as i) the taxpayer must make a claim in writing to revenue authority to claim the capital allowances. ii) the qualified capital expenditure must be incurred and put into use during the year of assessment.

The tax laws in Nigeria also provide for investment allowance which capture any money or revenue which are redundant, as deposits in banks or transacted in the stock market especially existing assets and securities which will trigger improved future earnings as well as future value generation. These allowances should cover; i) Reconstruction Investment Allowance ii) Rural Investment Allowance and iii) Pioneer Incentive. This will go a long way in achieving the tax initial values, which are geared toward redistribution of resources among the country men and women.

Under section 36 of PITA, 2004, any loss suffered in routine business transactions should be taken from other sources of income of the tax year in which the loss occurred and if not completely deducted, such loss should be carried forward to be deducted from subsequent year's profits. Etim (2009) opines that, where the business had not made any profit but only suffered a loss, no tax is attributable to such income while it implies that no assessment will be made for the company. This is also supported by the tax laws requirement in Nigeria under section 36 of Personal Income Tax Act (PITA), 2004 loss relief granted to the taxpayer for losses incurred. Before the relief is to be granted, a claim should be written by the taxpayer, which must be made to the relevant tax authority within 12 months after the end of the year of assessment in which the loss was incurred. Whereas, in a year of assessment a taxpayer makes a loss, he would not be assessed for tax, and his tax liability will be nil.

Firms have been benefiting from the tax incentives granted to them by the government of the country. With the tax incentives their liabilities go down and their liquidity position increases. The increase in liquidity will translate to an increase in performance where the firm in question reinvests such tax incentives claimed into the business. Therefore, taxation has a reasonable influence on the performance, growth and productivity of firms in a given economy even though other factors exist, but tax policy is key, especially in the area of innovation and diversification.

Statement of the Problem:

Citing Hart (2018), Juwa-Ogboi (2018), Adeyemo et al (2025) noted that the Nigerian Tax system is fraught with problems ranging from multiple taxation, complexity of the tax laws, unskilled manpower, and improper tax collection method. High rate of tax on entities has caused some investors to fold up their businesses and transform into portfolio investor and businessmen. Some of the manufacturing companies that are struggling because they cannot

breakeven due to the high rate of government tax now engage in sourcing the products from countries where the cost of production is low, as a result of low tax rate and or availability of tax heaven. These imported products are then sold in the country. This act due to the harsh business environment, necessitated by the high rate of tax, insensitive and inefficient fiscal and tax policies results in an increase in the unemployment level, capital flight due to importation of the items, which is unhealthy for a country that is yearning for economic growth and development.

To get the country's economic journey right on track and attend to the rate of unemployment in the country, the government must take a firm decision on how to go about its tax policy. Having a suitable tax policy will address the multiple taxation many of the manufacturing companies are facing which has resulted in dwindling financial performance.

Studies have shown that when tax rates are high the motive of the government is most often not realized. But when the tax rate is low, the revenues go up, and productivity improves. Not only that high tax rates affect the entities taxed, but employees also get demoralized, and the impact is low productivity. This assertion was confirmed by Laffer's curve theory, which shows that there is always an optimal tax charge beyond that the performance or productivity of the business will be affected (Kamiri & Wanjohi, 2024). It is imperative that the government reviews its tax policies by relaxing some of the policies. Relaxing tax policies will make the consumer goods manufacturing companies thrive and investors will be able to breakeven.

There is insufficiency in literature on tax incentives and financial performance of listed consumer goods manufacturing companies in Nigeria, and one's available are of mixed results. Study findings from previous scholars have been at variance with each other. As a result of the non-alignment of the study findings, it becomes increasingly difficult to draw a firm conclusion leaving room for continuous investigation into the effect of tax incentives on financial performance of quoted consumer goods manufacturing companies in Nigeria.

The essence of this study therefore is to investigate if there is a relationship between tax incentives and the financial performance of the quoted consumer goods manufacturing companies in Nigeria.

Objective of the study:

The broad objective of the study is to examine the effect of tax incentive on the financial performance of quoted consumer goods manufacturing companies in Nigeria. The specific objectives are to:

- i. Examine the effect of investment allowance on return on assets of quoted consumer goods manufacturing companies in Nigeria.
- ii. Ascertain the effect of capital allowance on return on assets of quoted consumer goods manufacturing companies in Nigeria.
- iii. Investigate the effect of loss relief allowance on return on assets of quoted consumer goods manufacturing companies in Nigeria.

Research Hypothesis:

The research hypotheses for this work are stated in the null form and they are as follows:

H_{01} : Investment allowance does not have any significant effect on return on assets of quoted consumer goods manufacturing companies in Nigeria.

H₀₂: Capital allowance has no significant effect on return on assets of quoted consumer goods manufacturing companies in Nigeria.

H₀₃: Loss relief allowance has no significant effect on return on assets of quoted consumer goods manufacturing companies in Nigeria.

Literature Review:

Conceptual framework:

This study is hinged on two concepts, tax incentives and financial performance. Tax incentives are proxied by investment allowance, capital allowance and loss relief allowance; while the dependent variable which is the financial performance is measured by return on assets. The concept is as represented diagrammatically below.

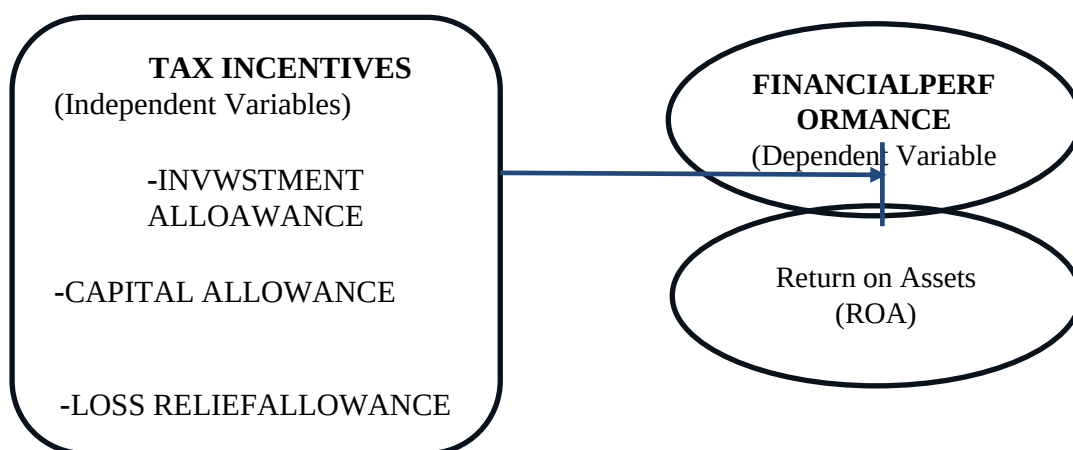


Fig. 1. **The Conceptual Framework of Tax Incentives and Financial Performance of Consumer Goods Manufacturing Companies in Nigeria.** Source: Desktop

Tax Incentives:

Tax incentives are fiscal policies designed by the government to attract new investments into the country, and as much as possible expand existing ones in priori industries which is based on the country's development plan capable of stimulating economic growth. Adeotun (2012), sees tax incentives as a calculated reduction or total elimination of tax liability granted by government in order to encourage a particular economic sector or corporate bodies to act in ways that are considered appropriate. Such ways considered appropriate are the reinvestment of the incentives received in order to produce more, consume less, import less, expand business, etc.

Investment Allowance:

Tax payers pay keen interest in the changes made in tax rate and policies, since they influence their routine business decisions in terms of the level, type and investment opportunities, the nature of risk to take, the financial instrument (debt, equity, hybrid), financial structure (direct, indirect/triangular) payment, earnings of foreign affiliate methods (dividends, gains, interest, royalties). Investment allowance is that which allows organizations or individuals to deduct a specific percentage of certain investment costs from their tax liability in addition to the normal capital allowance. This is usually directed to new building purchases, manufacturing plants and equipment being deployed for the first time in manufacturing processing (Olawole & James, 2024).

Capital Allowance:

They are the legal devaluation deductible from taxpayers' total assessable income/profit and in order to arrive at his or her chargeable profit. This type of reduction is given on expenditure that is capital in nature which is recognized as qualifying expenditure. Capital allowance granted in place of depreciation to all companies at specified rate, in spreading the capital expenditure over the useful life of the assets is done in order to achieve uniformity in tax practice. Such capital allowances are, however, granted on conditions that i) the taxpayer must make a claim in writing to the revenue authority to claim the capital allowance. ii) The qualified capital expenditure must be incurred and put into use during the year of assessment.

Loss Relief Allowance:

Loss relief allowance is granted to investors to recover a loss made on their companies against either capital gains tax bill or their income tax bill. This can be claimed in the tax year or as soon as it is discovered in the subsequent tax year. It allows companies to carry forward trading losses indefinitely to offset future profits from the same business save the insurance companies. This type of allowance can only be claimed against profits from the same trade or business that generated the loss.

Financial Performance:

Financial performance can be measured using the following major financial ratios, return on equity (ROE), return on assets (ROA), and net investment margin (NIM). ROE is the ratio of how much profit a company earns compared to the amount of shareholders equity invested. It is what the shareholders get in return for their investment. The financial performance of a company is an indication of how efficiently the management of the company was able to optimize the use of the available resources to achieve its strategic goals and still meet the stakeholders' expectations. The organization's main objective is profitability, which is the result of the excess income generated from its activities after all the expenses incurred and other statutory (taxes) deductions have been made.

Return on Assets:

Return on Assets (ROA) is one of the financial metrics for determining the financial health of an organization. It is a percentage of how profitable a company's assets are in revenue generation. It is an important financial metric used by scholars in determining the efficiency of companies in utilizing their assets. ROA is very valuable to the investors and management in the evaluation of company's operational performance across different industries. Return on Assets is mathematically represented as Net Income over Average Total Assets.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

Theoretical Framework:

The relationship between tax incentives and financial performance has been studied through different perspectives by various researchers. For this study, discriminatory tax theory and neoclassical tax theory underpin this study on tax incentives and financial performance.

Tax Discrimination Theory:

A discriminatory tax theory is a theory that explains the disparity in taxation by government. It tries to explain why a particular group of producers or activities are heavily taxed in order to give other sectors an edge to compete. It is an inequitable taxation regime where some

sectors are favored while some bear the weight of the tax. This theory was developed by Glaeser in 2001. It states that the type of investment and location drives government's tax charges and reinforcement. There are thus different tax systems even in the same jurisdiction, because government wants to encourage citing of establishments in areas that have potential for economic growth rather than in the cities. This study opted for discriminatory tax theory because it is often employed not just for revenue but to protect national industries or influence economic behavior.

Neoclassical Tax Theory:

Neoclassical tax theory views corporate tax as a distortion which hinders investments, reduces the incentives to work leading to low productivity. It posits that short-term tax cuts may not be effective, however long-term structural reforms that lower marginal tax rates can stimulate economic growth. The theory states that individuals and corporate organisations put keen interest in government tax policies and laws and thus respond rationally to any tax induced changes so as to maximize utility or profit. It is of the view that minimization of tax distortions on capital and labor will promote long term economic growth, and advocates thus for low tax rates, broad tax bases and limiting government expenditure. The Neoclassical Tax Theory was introduced by Hall Jorgenson in 1963.

Empirical Review

Olaoye (2024), investigated the effect of tax incentives on financial performance of manufacturing companies in southwest Nigeria, using a cross-sectional research survey design. A modified questionnaire was administered to one hundred and seventy-two (172) respondents selected from eighty-six (86) companies. The data gathered was analyzed using descriptive statistics and inferential statistics. The author found that tax incentives have a positive and significant effect on profitability, return on investment, return on assets; and thus, concludes that tax incentives not only have significant effect on financial performance, but that firm size positively strengthen the effect of interaction between tax incentives and financial performance in southwest Nigerian manufacturing companies. Thus, the study recommends among others a regular review of tax policies and increase in tax incentives to boost economic growth.

Omes, and Ine-Tobarapa (2022) researched on tax incentives and financial performance of listed manufacturing companies in Nigeria, adopting ex-post factor design. The data used for the study were obtained through secondary data collection. These data were analyzed with descriptive statistics. The hypotheses were tested to a significance level of 0.05 using the multiple regression analysis with the aid of E-View (10). The result of the study showed a significant positive relationship between investment allowance and return on assets and between annual allowance and return on assets. The researchers advocated for an increase in investment laws with an increase in rate of incentive from 15% to 25% on capital machines in order to maintain a high rate of ROA and foster economic development.

Oluwole et al. (2020) investigated the effects of tax incentives on the growth and development of manufacturing firms in Nigeria. The study employed ex post factor design. All the data collected for the proxies (independent and dependent variables) were secondary obtained from the annual financial statements of the companies. The data was subjected to analysis using ordinary least squares (OLS) and multiple regression techniques through E-View (9.0). Results of the study indicated that corporate income tax incentives, capital allowance and custom duty all have positive and significant influence on return on assets. (P

= 0.00, <0.05). The researchers recommended that the government should conduct benefit analysis in order to ensure that the goals of granting such incentives are achieved.

Nwaiwu (2015) investigated tax incentives and corporate financial performance in Nigeria: evidence from firms' level panel data. He studied the causal effect of tax incentives and corporate financial performance of 50 listed companies on the Nigeria Stock Exchange Market (NGX), covering the period of 2006 to 2010. Multiple Linear regression (MLR) analysis was applied to the formulated hypotheses. To measure the corporate financial performance he used ROE, ROS and PAT. The study results showed that 99.2% of change in return on equity is attributable to variations in capital allowance. Thus, there is a significant positive relationship between tax incentives and return on equity of quoted manufacturing companies in Nigeria. The results collaborate with earlier studies from Andic (2006), Anerbach & Hines (2011), and Klemn (2011). His results also showed that 96.8% of return on assets are attributable to changes in capital allowance, reinvestment allowance and investment tax credit, an indication that there is a positive relationship and significant impact between tax incentives and return on assets. On PAT, the result showed that 99.1% of the changes in PAT are attributable to variations in capital allowance and re-investment allowance and investment tax credit. Evidently the result indicated that capital allowance and re-investment allowance have strong impact on PAT.

Research Methodology:

The study adopted non-survey research design, the data were gathered from published yearly reports and statement of account of the companies under study, and tax related submission from the investment promotion commission and Federal Inland Revenue Services. The study covered all the seven (7) listed consumer goods companies traded in security market of the Nigeria Exchange Group from 2014 to 2023. The companies were selected based on purposive sampling techniques.

The dependent variable of the study is financial performance measured by Return on Assets (ROA), while the independent variable is tax incentives measured by Investment Allowance (INVAL) Capital Allowance (CAL), and Loss Relief Allowance (LRA) granted the companies. The study employed ordinary least square (OLS) in analyzing the collected data. The study model is thus:

$$\begin{aligned} \text{PERF} &= f(\text{TINCV}) \\ Y &= f(\text{ROA}) \\ X &= f(\text{INVAL}, \text{CAL}, \text{and LRA}) \\ Y &= \beta_{0it} + \beta_1 X_{it} + \mu_{it} \dots\dots\dots (i) \\ \text{VFID} &= \beta_{0it} + \beta_2 \text{INVAL} + \mu_{it} \dots\dots\dots (ii) \\ \text{VFID} &= \beta_{0it} + \beta_2 \text{CAL} + \mu_{it} \dots\dots\dots (iii) \\ \text{VFID} &= \beta_{0it} + \beta_2 \text{LRA} + \mu_{it} \dots\dots\dots (iv) \end{aligned}$$

Where

Y = PERF, Performance (ROA)
X = TINCV, Tax incentives (Investment Allowance [INVAL] Capital Allowance [CAL], and Loss Relief Allowance [LRA])
 β_0 = Constant
 β_1 = Beta coefficients
t = Time period
Independent variables μ = Error term.

Results and Discussion:

This section analyzed the study data so as to establish the influence of tax incentives on the performance of sampled firms. Data collected were analyzed using correlation matrix, which establishes the level of associations between the variables and the multiple regression used to establish the level of influence of the tax independent variables of capital, investment and loss relief allowances on the financial performance (ROA) of the sampled firms. Table 1 presents the level of relationship among the variables and Table 2 shows the extent of the influence of each of the independent variables on the dependent variable.

Table 1: Correlation matrix of the variables

Variables	ROA	CAL	INVA	LRI
ROA	1			
CAL	.183*	1		
INVA	-.072	-.217**	1	
LRI	.090	-.033	.160*	1

Note: **Correlation is significant at the 0.01 and 0.05 level. Source: SPSS Computation (2025).

The result from table 1 shows that a positive and significant relationship exists between the company financial performance and the capital allowance which was indicated by the coefficient 0.183. This showed that ROA and capital allowance are moving in one direction. The results also showed that allowances granted on investment have a negative but insignificant relationship with return on assets. This indicates that return on assets and investment allowances are not moving in the same direction. On the other hand, table 1 also shows that positive but insignificant relationships exist among loss relief allowance and return on assets of the sampled companies covered during the study period.

Consequently, the independent variables relationship with each other showed that capital allowance had negative and significant relationship with investment allowance, while it had negative but insignificant relationship with loss relief allowance. This showed that whenever the capital allowances increased the investment allowance and loss relief allowance decreased. This is in line with the reality that most businesses cannot claim all the allowances at the same time, as they are interconnected. Contrarily, investment allowance has a positive and significant relationship with loss relief allowance, which means that a change in one will result in similar change in the other. This aligns with normal practice where businesses that invest so much will have less profit to report and as such the tax liability is affected which grants the business a relief as a result of not reporting a profit for that period.

Considering the relationship among the variables, especially the independent variables, the overall result indicates a moderate relationship that cannot affect the output from the analysis in the case of multicollinearity because the variables are not highly correlated with each other. This assertion is supported by VIF results in table 2 which indicates all the VIF values are greater than 1 and less than 5. It is a sign of the absence of multicollinearity.

The study also conducted a series of diagnosis tests that include normality tests, heteroscedasticity and Hausman specification test. The result of the normality, which was confirmed and extracted from normal Probability Plot, indicates a good fit as the dots on the plot appear to be centered on the best fit line where most of the points are concentrated close to the line signifying that the data are normality distributed as per the assumption of the normality test. Likewise, the result of the heteroscedasticity test in this study showed that

there was no presence of heteroscedasticity as the p-value is 0.7233 which was insignificant. On the other hand, the Hausman specification test showed the chi-square probability value of 0.8643, which was insignificant and conclusively the Random Effect (RE) model result should be presented and discussed for the study.

Table 2: Regression result of the effect of tax incentives on financial performance

Variables	Standardized coefficients	Std. Error	P-Value	VIF
(Constant)	43.710	2.821	.000**	
CAL	.208	.041	.025**	1.050
INVA	.033	.050	.152	1.076
LRA	.203	.056	.044*	1.027
R Square 0.564 Adjusted R2 0.338 Sig. F-Value 0.001				

Note: *, ** significant at the 0.05 level and 0.01 level. Source: SPSS Computation output, 2025.

Table 2: presents the multiple regression result random effect for the effect of tax incentives (capital, investment and loss relief allowances) on financial performance of the consumer goods manufacturing companies. The table shows an Adjusted R square value of 0.338. This implies that 34% of the disparity in the company's performance is accounted by the combination of capital allowance, investment allowance and loss relief allowance. This shows that the independent variable has an ability to explain the better proportion of the dependent variable, and this suggests the model is fit and the result thereafter would be relied upon. The table shows that capital allowance has positively and significantly impacted on the financial performance of the sampled companies as shown by the coefficient of 0.208 and a p-value of 0.025. This implies that for every one percent increase in capital allowance granted to the firms under study the financial performance of such firms increases by 21%. This result goes with the aim of introducing capital allowance and with the idle situation where reduction in tax liability will have a positive impact on corporate profitability. This result agrees with that of Ohaka and Agunda (2012), who found that capital allowance increases performance of firms.

The result with respect to investment allowance shows that firms' performance is positively but insignificantly influenced by granting the allowances on investment in firms under consideration. This can be seen clearly from the coefficient of 0.033 and a p-value of 0.152. This shows that whenever an allowance on investment is given to the sampled firms, the performance of such firms increases at a small pace. This is attributed to the fact that the investment allowance is granted to businesses at the early stage of their operation, and such allowances are only granted to the settled business when there is so much invested in the new area of the business, and this affects its liquidity and as a result the performance will increase a lot. These findings are in contrast to the findings of Trimba et al. (2018) who found that an increase in investment allowance will lead to increase in the performance and in consonance with the findings of Githaiga (2013) who found that incentive is not necessarily impacting performance of businesses. The study also found that there is a positive and strong influence of loss relief on the financial performance of the sampled firms. This was evidenced by the 0.203 coefficient with a p-value of 0.044 which implied for every one percent increase in the

loss relief to the firms under study the performance of those firms increased by 20%. This result aligns with the fact that loss relief incentives are granted to the firm that is facing some performance issues, and it is expected that when relief is granted the performance of such firms will improve. This result aligned with the study of Amendola et al. (2018) who indicated tax relief granted to business helps in improving performance.

Conclusion:

The study concludes based on the result and interpretation that tax incentives have a positive and significant influence on financial performance of the sampled companies listed in the country under study. However, the study found that firms did not bother much about the incentives, especially the investment allowance that are granted to firms investing in some areas such as rural areas where they will gain rural investment allowance.

Recommendations:

The study recommends that: -

- i. Companies should take more advantages of tax incentives available to them, especially the incentives related to investment, which will help in strengthening the productivity of the firms.
- ii. Tax authorities should consider means of introducing more incentives for investors to critical sectors like consumer goods which have direct relationship with agricultural output and country export.
- iii. However, the authorities should provide an easy enlightenment mechanism on the importance and advantages of tax incentives, especially the rural investment allowance which is geared toward increase in the provision of social amenities to rural areas among others.

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