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IMPACT OF COMPANY TAX REVENUE ON FOREIGN DIRECT INVESTMENT IN NIGERIA (2000 – 2015)

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ABSTRACT

The study investigated impact of company income tax revenue on foreign direct investment of Nigeria using time series data from 2000 to 2015. The study employed ex post facto and extracted variables such as company income tax revenue, real gross domestic product and foreign direct investment from various publications of the relevant tax agencies, Central Bank of Nigeria Statistical bulletin and National Bureau of Statistics bulletin. The Ordinary least squares method of simple regression technique was utilized to analyze the data. It was found that there is no positive significant impact of company income tax revenue on foreign direct investment in Nigeria. The study also found that company income tax revenue has no significant impact on economic growth of Nigeria economy. Consequently, the study recommends that the government should review its tax incentive policies to enhance inflow of foreign direct investment in Nigeria and also government should offer an investment friendly environment through competitive tax rates that will enhance more foreign investment. Finally, government should strengthen the administrative mechanism of government taxation to reduce the several leakages

***Key Words**:* Adoption, Condorsement, Convergence, Disclosure Index, Harmonization,

INTRODUCTION

Background of the Study

Foreign direct investment (FDI) is the long term investment reflecting a lasting and control by a foreign direct investor (or parent enterprise) of an enterprise entity resident in an economy other than that of the investor (IMF, 1999) Bloningen (2004) also defined foreign direct investment as a foreign company's investment into commercial business activities by establishing manufacturing services and production companies in the form of subsidiary in a different country than the headquarters home. Nwankwo (2006), FDI creates employment and act as a vehicle of technology transfer, provides superior skills and management techniques, facilitate local firms access to international markets and increases product diversity. Ayanwale (2007), stated that most countries strive to attract FDI because of its acknowledged advantage as a tool of economic development. Their assertion was supported by Nwankwo (2006) study on Nigeria FDI, he opined that FDI is an engine of economic growth and development (NEPAD) since the establishment of globalization and the growth of foreign direct investment has been tremendous. UNCTD (2012) World Bank (2012) UNCTAD (2008) defines Foreign Direct Investment as a long term relationship between companies in the same country (the investor) and another company in the host country (country of investment).

In view of the NEPAD initiative, the government is working assiduously towards developing stronger public private partnership for roads, agriculture and power through the attraction of foreign direct investment. In the bid to strengthen foreign direct investment in Nigeria, a national council on privatization was established, in addition to the Nigeria Investment Promotion Council (NIPC). Moderate company income tax rate have been successfully used in Nigeria to minimize the rate of tax avoidance and tax evasion also enhance foreign direct investment (Onyetunde, 2008). The reduced company income tax measures have been used to attract foreign direct investment.

Taxation policy in form of some of tax investment is adopted by Nigeria Government to enhance growth and development of foreign direct investment. Such tax incentives includes reduction in effective tax rate, free tax zone, tax holidays, tax free dividend tax exemption from minimum tax levy, flat rate and loss carry forward relief. CITA (2004) describes company income tax as payable on the profit of any company at a rate of 30% in every year of assessment. The Nigeria Government reduced the company income rate from 45% to 40% from (1987-1991) then between 1992 -1995, the rate was 35% and it was finally reduced to 30% from 1996 to date. All this was done to stimulate foreign direct investment. And this was in line with the policy thrust of the Federal Government of Nigeria on Foreign Direct Investment. The policy thrust is to increase the presence of transnational corporation in the country' in order to bridge capital management, skills and technology gaps and to support the competence of local companies and the local work force towards achieving world standards. In pursuance of the policy to stimulate foreign direct investment companies with turnover of less than 1 million are taxed at a low rate of 20% for the first five years of operation if they are into manufacturing of goods. Also loans granted to Nigeria companies may be exempt from tax in the first four years of operation, tax holiday are granted to a firm as a tax free status for a certain period of time. Benassey and Revile (2005) have examined the role of credit exemption schemes applicable for profit taxation in investors' location decisions.

Ruding, (1992) also, supported the assertion that tax systems play a role in the firms investment decisions. Recent studies on multinationals companies conducted by Deloitte and Touch (1996) discovered that although taxes are influential in investment decision making, a large number of investors are unfamiliar with many of the available beneficial tax incentives, including those countries where they have already invested.

Most developing countries grant company income incentives as one of their main incentives to attract new investment. Biggs, (2007) in his survey confirmed that 75% of the countries reviewed their tax policy, offered some form of tax holiday generally between 5-15 years.

Also, Ahmed (2004) introduced a model of corporate income taxes, which shows that agent firms exploit complete information embodied in provisions of tax statutes and the tax policy. The study has been related to the impact of corporate income tax inabilities on different variables of a firm. This study critically examines the impact of company income tax on foreign direct investment in Nigeria. Also evaluates the impact of company income tax policy as macroeconomic tool used by government to enhance the inflow of foreign investment in Nigeria.

Statement of Problem

The inflow of foreign direct investment to the Nigeria economy is relatively low in relation to other countries in Africa even with the presence of tax incentives (UNCTAD, 2014) the report indicates that Nigeria declined by 21.4% to $5.5 billion in to 2013 (UNCTAD, 2014) The foreign direct investment flows have been on a free fall since 2011, when it dropped from $8.9 billion to $7 billion in 2012 and to $5.5 billion in 2013 (World Bank, 2014)

According to the report, out of the $7 billion dollars FDI inflows to Africa, Nigeria inflows stood at 5.6 billion U.S dollars in spite of her long restrictive policies and her recent liberalization policies. Low inflow of FDI to the manufacturing sector may impact negatively on economic growth and development. Aganga (2014) opined that if Nigeria is going to migrate from a poor Nation to a rich country, the key is industrialization. There is an inadequate attraction of FDI into manufacturing sector and this arose due to poor foreign policy on foreign direct investment, lack of proper fiscal policies, unwillingness of foreign investor to invest in the country, economic imbalance, unfavorable tax structure in the country. The realization of the above challenges, the researcher observed that the effect on the economy is far reaching and in most case detrimental to the economy. The improvement of the tax structure and tax rate in the country would invariable turn the economy around with much impact on improvement in foreign direct investment, balance of payment position and technology transfer. This therefore forms the focus of this research which intended to assess the impact of company income tax on foreign direct investment in Nigeria.

Objectives of the Study

The main objective of the study is to assess the impact of company income tax on foreign direct investment. The specific objectives include the following to:

1. assess the extent to which revenue generated through company income tax has enhanced the foreign direct investment in Nigeria;
2. determine the impact of company income tax on economic performance of Nigeria.

Research Questions

This research work will provide answers to the following research questions:

a) To what extent has revenue generated through company income tax has enhanced foreign direct investment in Nigeria?
b) What is the nature of impact of company income tax on economic performance of Nigeria?

Research Hypotheses

Based on the objective, the underlisted hypotheses were formulated and tested.

Ho_1: Revenue generated through company income tax has no significant impact on foreign direct investment in Nigeria.

Ho_2: Company income tax does not have a positive impact on economic performance of Nigeria.

Significance of the Study

1. Government: The findings of this study may assist the government of Nigeria in taxation policy formulation. This is because of the downward trend in oil revenue to the government occasioned by the reduction in production and its prices has left no choice for the government to resort to non oil revenue source. The government can also use the ideas in planning their taxation by considering the effect of corporate taxation on foreign direct investment and provide framework for government to develop a successful long run taxation policies.

2. Policy makers: This study may assist the policy makers to have a logical and empirical methodology in determining the economic allocation of public fund and avoid the use of intuition in making economic policies.

3. Multinational companies: The findings of this study will be a great importance to multinational companies in providing new perspective towards taxation **influence** on foreign direct investment in developing countries. It will also help them in making investment decision and business policy formulation.

4. Academics: This study will add to existing literature which may be used by researchers and students as reference materials for research work.

REVIEW OF RELATED LITERATURE

Conceptual Framework

Corporate taxation and foreign direct investment in Nigeria

Company income tax is a tax payable for each year of assessment on the profit of any company accruing in, derived from or brought into or received from a trade, business or investment in Nigeria at the rate of 30% (Ekpung & Wilfred, 2014) C1TA CAP. C21 L.F.N 2004 as amended in 2007 is the law that regulates the taxation of all limited liability company doing business in Nigeria (private and public limited companies) other than those engaged in petroleum operations.

Company income tax is one of the major taxes and was introduced in Nigeria in 1961. The Federal Inland Revenue Service is the sole authority for the administration of this tax. According to Gopp and Kostial (2011), foreign direct investment assets across the national boundaries of the investor. It can be undertaken by individual firms or government. Before 1996, the corporate income tax rate was 35% and it was applied on the chargeable profit of a company. The government reduced the rate from 45% to 40% from 1987-1991 then between 1992-1995, the rate was 35%, it was finally reduced to 30% from 3996 to date. The income generated from companies income tax has been grossly understated as a result of several factors as high rate of tax evasion and avoidance by companies, poor tax administration, poor tax payers education, inconsistence government policies, lack of adequate statistical data and corruption among tax officials (Ehigiamusue, 2013).

Company income tax plays a vital role in economic growth of the nations. Most countries in the world use tax policy to enhance fiscal and economic performance of their economies. Thomas (2007) found that China was attracting substantial investment with its low labour costs and large number of skilled workers In addition to providing a full five years tax holiday and another five years with 50% tax liability while cities and regions also gave tax incentives to investors. Encouragement of cross border investments especially transnational corporations and firms is one of the most important features of today's globalization drive. Many countries now see foreign direct investment as an amalgamation of capital, technology, marketing, management and strategy for economic development.

Ayanwele, (2007), the relocation of some multinational companies like Dunlop, Michelin and Unilever etc to Ghana and other parts of the world calls for government attention. Kareem *et al.* (2012) pointed out that the immense fall of 60.4% foreign direct investment shows the need for Nigeria government to begin.to rigorously and courageously address the challenges to foreign investment and other business interests in the country. The **UNCTAD** report noted that investment inflow into Nigeria and the rest of Africa increased in 2009.

Inspite of economic reform by the government, no appreciable improvement is made. Insecurity in the country is a likely factor responsible for the sharp decline. This true reflection of Nigeria's economic, social, legal and cultural environment which raises several questions and anxiety from prospective foreign investors.

Foreign Direct investment components of classification by UNCTAD (2007)

1. The social capital: This represent the capital that the foreign direct investors uses to purchase shares of a company in a country that is not their own.
2. The reinvested profits are the parties remunerations of the invested capital (by percentage of participation) in the company that are not assigned to investors in forms of dividends by subsidiaries and that are reinvested in the company.
3. Infra-company loans or loan operations for intra-company, referring to loans of short and long term performed between parent company (direct investor) and the subsidiary undertaking.

Also, Ayanwaie (2007) offered an expanded explanation of operational meaning of foreign direct investment as ownership of at least 10% of the ordinary shares of voting stock in a foreign enterprise. The bench mark is ownership of 10% of the ordinary share which become a criteria for the existence a direct investment relationship while ownership of less than 10% is recorded as portfolio investment.

Foreign direct investment determinants

Many researchers have investigated the main determinants of Foreign Direct Investment (FDI) flow into several countries and made some empirical conclusions. Akimbobola and Saibu (2014), UNCTAD (2014) reflected on the determinants of FDI.

1. Tax: The countries where Foreign Direct Investment represents a significant fraction of Gross Domestic Product and where the survival of the economy depends on this percentage, the growth in tax revenue by taxation of FDI represents a very significant fraction in total revenue. Anwar Shar and Joel B Slemrod (1991) FDI can increase the tax revenue of a country, however, the concern resides in tax policies in attracting foreign investors. The sensitivity of FDI to tax varies depending on the conditions of the country, the tax policies of the companies and the period of time in analysis.
2. Market size: Market size is one of the important determinants of FDI. In the theory of international trade, the term market size is related to the power of the market. Small market imply limits to economic activities, causing some countries to not being able to achieve the minimum efficient production in scale. Greater market size may be correlated to a higher likelihood of developing their economic activity and their internal influence.
3. Natural resources: One of the determinants of foreign direct investment which has great importance for investors is the availability of natural resources in a country or region (Dutty & Ray (2009). It is clear that they will also be aware of other factors such as tax policies, regulations, purchasing power, the size of the market and factors of economic and social nature.
4. Infrastructures: The availability of good quality infrastructures in a country is a decisive factor which attract FDI. It is the priority basis of the overall development of the business. The good quality of ports, roads, airports, telecommunications, energy, water, schools, health care system; a set of factors that

facilitates business and is able to attract foreign direct investment (Moreira, 2009).

The relationship between taxation and foreign direct investment

Taxation can affect foreign direct investment inflows in different ways. According to Easson (1999), studies suggest that taxes are very important factor, considering their direct, impact on production costs and profits. Most research however, has been quite inclusive on the exact relationship between FDI and changes in taxation; this could be due to many other factors that affect FDI inflows into a country. Easson (1999) emphasized on the importance of tax considerations while deciding where to locate, rather than decision of whether to invest abroad or at home.

Furthermore, the type of investment may ha\e an impact on the degree of the effect that taxes have on FDI.

Advantages of Foreign Direct Investment

1. Innovation- Foreign direct investment provides a number of benefits from gains from the more efficient use of the available resources, the effectiveness of the implementation of its tasks, improving the conditions of international competiveness and internal improvement
2. New technologies and new management techniques - It enables the countries to a better use instruments of competitiveness by means of technical and human resources and to develop new techniques of informative processing and management organization where decision making is more efficient.
3. Capital increase: It involves entry of funds in the country welcoming foreign direct investment that will allow the increase of internal assets.
4. Creation of employment opportunities: new investment projects tend to create more employment, which consequently will provide a set of improvements to conditions of the population, since the increase in purchasing power, higher level of satisfaction, the well being of employees and for the state improvements at the level of tax revenue and the level of macroeconomic performance.

Theoretical framework

A number of theories have been developed by many researchers to explain the determinants and FDI theories. The eclectic paradigm attributed to Dunning (1993) provides a theoretical frame work that groups micro and macro level determinants in order to analyse why and where multinational companies (MNCS) invest abroad. It states that firms invest abroad to look for three of advantages ownership, (01, location (<1 and internalization (1) advantages; hence it is called the 0<1 framework. The ownership -specific advantages of property rights/patents expertise and other intangible assets) allow a firm to compete with others in the market regardless of the disadvantages of being foreign resource base products that are available to it. These advantages may arise from the firms ability to co-ordinate complementary activities such as manufacturing and distribution and the ability to exploit differences between countries.

The location advantages are those that make the chosen foreign country a more attractive site (such as labor advantages, natural resources, trade barriers that restrict imports, gains in trade cost and strategic advantages through intangible assets) for FDI is to supply the domestic market of the recipient country through an affiliate (horizontal FDI). The location advantages may arise from differences in country natural endowments, government regulations, transport cost, macroeconomic stability and cultural factors. Internationalization advantages arise from exploiting imperfections in external markets including reduction of uncertainty and transaction cost in order to generate knowledge more efficiently as well as the reduction of state generated impactions such as tariffs (Compos and Kinoshita, 2003) in this case, the relocation of all or a portion of the production process (e g protection of components /parts and /or deferent locations leads to low cost benefits (vertical FDI)

Tax Competition Theory

Rohae (2006), describes tax competition as the process of uncooperative setting of tax rates in order to attract mobile tax bases leading to inefficiently low amounts of public goods.

Many of the classic theoretical statements on tax competition, dating back to Wilson (1986) and Zodrow and Mieszkowski (1986) are based on models of small open economies. While the model strategic interaction between players in a game, the nature of the game is such that countries can not affect the world rate of return of capital. Hence the classical tax competition models rather describe the effects of a source based tax on capital income in a small open economy, where the world rate of return is fixed.

Empirical Review

Many studies have been conducted inorder to establish a relationship between company income tax rates, tax incentives and foreign direct investment. Relevant studies are reviewed below:

Akinwunmi and Adegbie (2017), carried out a study on the relationship between multiple taxes and foreign direct investment inflow in Nigeria, for the period 1996 to 2015. The study adopted the ex-post facto research design. Secondary data were sourced from Central Bank of Nigeria statistical bulletin, National bureau of statistics. The descriptive statistics were used in explaining the characteristics of the variables while inferential statistics was employed with the use of multiple regression for analysis and time series was used for estimation. Based on the findings, the study concluded that there is an inverse relationship between multiple taxes and foreign direct investment in Nigeria, which means that the higher the taxes, the less the foreign direct investment inflows in the country. The given high value of the R^2 (0.858333) implies that a 85.83% systematic variation in foreign direct investment is explained by company income tax, Value Added tax, Education tax and Customs and Excise duties. The F-statistics with the value of 16.96471 and p-value of 000017 shows that the easily passes the F-test at 1% level of significance and means that the hypothesis of a significant linear relationship between the dependent and independent variables. The study therefore, recommends that for Nigeria to secure a place as economically viable nation in Africa, it must strive and enhance an internationally competitive tax system by eliminating all forms of multiple taxes in the country.

Adegbite (2015), conducted a study on the effect of corporate income tax on Revenue profile in Nigeria and also examines the impact of corporate tax revenue on economic growth in Nigeria. Secondary data from Central Bank of Nigeria statistical bulletin between 1993-2013 were gathered.

Multiple regression analysis was employed to analyse the relationship between the dependent variable (Gross Domestic product) and Independent variable (company income tax, value added tax, petroleum profit tax and inflation. Based on the findings, the research concluded that corporate income tax has positive significant impact on revenue profile in Nigeria with the adjusted R^2 of 95.3% which directly enhanced growth in Nigeria. Government derives revenue from corporate tax in discharging their obligation by providing funding for infrastructure, education and public health. This invariably enhance economic growth in Nigeria. The study recommends that government should reduce corporate tax rate rather than eliminate corporate tax in Nigeria.

Ekpung and Wilfred (2014), studied on the impact of taxation on investment and economic growth in Nigeria from 1980 – 2010. Secondary data were sourced from Central Bank of Nigeria and National Bureau of Statistics and were analysed using Ordinary Least Square method of multiple regression analysis.

The result of the analysis showed in comformity to prior expectation of corporate income and personal income tax appears with negative signs, this means that an inverse relationship exist between taxation and investment. The economic implication of the result is that a one percent (1%) increase in company income tax will result in decrease in the level of investment in Nigeria. Consequently, an increase in Petroleum income tax will result in decrease in the level of investment. The result also shows that taxation is negatively related to the level of investment and the output of goods and services and is positively related to government expenditure in Nigeria. The study also observed that taxation statistically significant factor influencing investment. Based on the result of the findings, the study therefore recommends that the government of Nigeria should use taxation to achieve its target that will enhance economic growth and development.

Gropp and Koslial (2000) is the first study that attempts to examine the effect of corporate taxation on the components of FDI, and also integrate foreign income tax rules into the analysis. The data they used are highly aggregated, allowing them to distinguish between debt and equity investment and re- invested earnings together. Furthermore, due to data availability problems they are limited to a study of FDI out flows only. They postulate that foreign affiliates ultimately owned in tax credit countries have a large incentives to reinvest their earnings abroad (rather than repatriate them) relatives to an affiliate from a tax exemption country. The results of their analysis reveal that the composition of FDI, outflows exhibit different patterns for credit and exemption countries. Specifically, they find that affiliates from tax exemption countries invest more abroad, but are less likely to use reinvested earnings to find this investment and much or likely to use a combination of debt and new equity, they find that the composition of inward FDI flows - is insensitive to corporate tax rates and depends only on the foreign income tax rules adopted by the host country.

METHODOLOGY

Research Design

The research design adopted in this study is ex-post facto research design. Asika (2008), opined that ex-post facto (after the fact) research design as research that is under taken after the events have taken place and the data are already in existence. The choice of using the design is informed by the fact that the researcher will employ time series data and secondary data obtained from obtained from annual reports, statistical bulletin of the central Bank of Nigeria, and National Bureau of Statistical Bulletins. The design of this study is geared towards the attainment of the broad objective of the study which hopes to assess the impact of company income tax revenue on foreign direct investment in Nigeria.

Method of Data Collection

The data used in this study was basically secondary data. The data were extracted from Central Bank of Nigeria Publications, National Bureau of Statistical bulletins, Publications on economic and financial indicators and Federal Inland Revenue Services bulletin.

Model specification

The study adopted two models to measure the impact of company income tax revenue on foreign direct investment in Nigeria. The econometric model that was employed in the study are specified below in a functional form.

FDI = f(CIT Rev + e)................(1)

Converting this functional relationship to a linear or stochastic model

FDI $=b_0+b_1$, CIT Rev + e ....(2)

Where b_0 and b_1 are constants,

e = error term or stochastic term

Apriori expectation: $b_1 > 0$

FDI = Foreign Direct Investment

CIT = Company Income Tax

GDP = f (CIT Rev + e)......................(3)

Converting this functional relationship to a linear or stochastic model

GDP = b_0+b_1, CIT Rev + e .... (4)

Where: b_0 and b_1 are constants

GDP = Gross Domestic Product

CIT = Company Income Tax

e = Error term or stochastic term

Apriroi expectation = $b_1 > 0$

Data Analysis Technique

The data collected for this study were analysed using inferential statistics. The methodology used in this study was linear regression using the Ordinary Least Squares (OLS) techniques. Simple regression was used in the estimation. The model is geared towards determining the impact of company income tax revenue on foreign direct investment in Nigeria during the period between 2000-2015.

RESULTS AND DISCUSSIONS

The regression results as specified in the model are presented below in the table 4.1 and 4.2 as follows.

Table 1: Regression analysis of company income tax revenue and foreign direct investment in Nigeria.

Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.461[a]	.212	.156	2626.27720	.764

Source: SPSS 22.

ANOVA [a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	26012961.003	1	26012961.003	3.771	.073[b]
	Residual	96562646.907	14	6897331.922		
	Total	122575607.910	15			

Source: SPSS 22.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	3017.593	1097.121		2.750	.016
	CITREV	3.671	1.890	.461	1.942	.073

Source: SPSS 22.

Ho_1: Revenue generated through company income tax has no significant impact on foreign direct investment.

Given the model FDI = $\beta o + \beta_1$CITREV +e

Where FDI is gross foreign direct investment,

CITREV is company income tax revenue,

βo and β_1 are the parameters, and

e is the error term.

The estimated model is FDI = 3017.593+ 3.671 CITREV

The result shows a unit increase in company income tax revenue will lead to an increase of 3.671 in foreign direct investment. When there is no change in company income tax, its inadequacies or absence, the value of the foreign direct investment will be 3017.593.

The simple correlation coefficient (R) of 0.462 means the relationship between the dependent variable and independent variable is 46.2%. This shows low positive relationship between the foreign direct investment and company income tax.

The coefficient of determination R^2 of 0.212% shows that the proportionate variability in the dependent variable (foreign direct investment) which is accounted for by company income tax is 21.2% while other variables which are not included in the model but are captured in the error term causes 78.8% variability in the foreign direct investment.

The Durbin Watson test of 0.764 shows positive autocorrelation.

The P value 0.073 in the ANOVA table shows that the model is not statistically significant at 5% level of significance, meaning that the model is not adequate to predict variability in foreign direct investment.

The P value of 0.073 for t test is greater than 0.05 which means the parameter is not statistically significant at 5% level of significant. The null hypothesis is therefore accepted while alternative hypothesis is rejected meaning that revenue generated through company income tax has no significant impact on foreign direct investment.

Table 2: Regression analysis of company income tax revenue and real gross domestic product of Nigeria economy.

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.429[a]	.184	.125	56421561.42676	2.274

Source: SPSS 22.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10032033001754860.000	1	10032033001754860.000	3.151	.098[b]
	Residual	44567496313669088.000	14	3183392593833506.000		
	Total	54599529315423952.000	15			

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	12301353.432	23569977.528		.522	.610
	CIT	72098.304	40613.991	.429	1.775	.098

Source: SPSS 22.

Ho_2: Company income tax revenue has no significant impact on economic performance of Nigeria.

Given the model $GDP = \beta o + \beta_1 CIT + e$

Where GDP is gross domestic product of Nigeria,

CIT is company income tax,

βo and β_1 are the parameters,

e is the error term.

The estimated model is GDP =12301353.432 + 72098.304CIT

The result shows a unit increase in company income tax revenue will lead to an increase of 72098.304 in the gross domestic product of Nigeria. When there is no change in company income tax, its inadequacies or absence, the value of the gross domestic product will be 12301353.432.

The simple correlation coefficient (R) of 0.429 means the relationship between the dependent variable and independent variable is 42.9%. This shows low positive relationship between the gross domestic product and company income tax.

The coefficient of determination R^2 of 0.184% shows that the proportionate variability in the dependent variable (gross domestic product) which is accounted for by company income tax is 18.4% while other variables which are not included in the model but are captured in the error term causes 81.6% variability in the gross domestic product.

The Durbin Watson test of 2.274 shows absence of autocorrelation.

The p value 0.098 in the ANOVA table shows that the model is not statistically significant at 5% level of significance, meaning that the model is not adequate to predict variability in the gross domestic product.

The P value of 0.098 for t test is greater than 0.05 which means the parameter is not statistically significant at 5% level of significant. The null hypothesis is therefore accepted while alternative hypothesis is rejected meaning that revenue generated through company income tax has no significant impact on the gross domestic product.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

Based on the analysis and test of hypotheses the following findings were revealed.

(a) The study revealed that company income tax revenue has no significant impact on foreign direct investment in Nigeria. It further reveals that there is low positive relationship between the foreign direct investment and company income tax.

(b) The study also revealed that company income tax revenue has no significant impact on economic growth of Nigeria economy since there exist low positive correlation between gross domestic product and company income tax.

Conclusion

The broad objective of this study was to determine the impact of company income tax on foreign direct investment in Nigeria. The findings revealed that company income tax has no significant impact on foreign direct investment in Nigeria. Therefore, by offering lower tax rates, governments are expected to attract higher volumes of investment. Finally, effective company income tax would off-set other challenges of the nation such as inadequate and dilapidated infrastructure, complicated and antiquated tax laws, bureaucratic complexities and weak administration of the other forms of tax.

Recommendations

Based on the conclusion of this study, the following are recommended:

1. The government should review its tax incentive policies to enhance inflow of foreign direct investment in Nigeria.
2. It is crucial that government should offer an investment friendly environment through competitive tax rates that will encourage more foreign investment.
3. The government should institute and maintain a good legal system that protects investors and entrepreneurs against expropriation.
4. Government should strengthen the administrative mechanism of government taxation to reduce the several leakages since Nigeria tax system is a viable and veritable tool for government in enhancing the economic performance of the economy.

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