

1 Effect of High Corporate Tax Rate on the Liquidity of Corporate
2 Organizations in Nigeria-A Study of Some Selected Corporate
3 Organizations

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7 **Abstract**

8 The study was carried-out to analyse the effect of high corporate tax rate on the liquidity of
9 corporate organizations in Nigeria. The related literatures were reviewed. The population of
10 study comprises the selected corporate organizations while the sample size of the study is
11 fourty one (41). Taro Yamane sampling technique was adopted because it ensures a
12 satisfactory degree of representativeness and unbiasness. A number of statistical tools
13 including tables and analysis of variance (ANOVA) were used to analysed the data and test
14 the hypothesis formulated. The study revealed that, the burden of high corporate tax falls on
15 the corporate organisations as it affects their liquidity, but the incidence of high corporate tax
16 rate falls on the customers and suppliers through forward and backward shifting of prices- all
17 things being equal. It is therefore, recommended that, the Nigeria corporate tax rate of 30
18

19

20 **Index terms**— effect; high; corporate; tax; rate; liquidity and organizations.
21 (Moore, 2007)
22 . Taxes underwrite the capacity of the States to carry out their goals; form one of the central arenas for the
23 conduct of the State-Society relations and shape the balance between accumulation and re-distribution that give
24 States their social character. Without the ability to raise revenue effectively, States are limited in the extent
25 to which they can provide security, meet basic needs or foster economic development. A general analysis of the
26 tax policy was considered. The emphasis is on the trade-off of encouraging the development of resources versus
27 extracting the maximum tax revenue. This constrained the ability of the State tax policy makers to achieve
28 goals of maximum resource development and the tax yields simultaneously; and hence, affects the liquidity of
29 Corporate Organisations.

30 There is no doubt that revenue is necessary for the State to meet the basic needs of citizenry in fulfilment
31 of social contract. While this objective is been pursued there is need for a focus on the bases or core
32 fundamental for understanding the impediments to industrial development and jobs generation and also serve as
33 a mean for formulating and implementing dynamic industrial and employment policies. This is because special
34 achievement that is unidirectional in terms of generating revenue for the State alone can fuel unemployment
35 and de-industrialization due to its short run optimism in financing State fiscal policy. In addition, it can leads
36 local and foreign investors' disenchantment, a situation where international investors quickly rebalance off their
37 international investments in Nigeria, and flee to those countries where the tax systems provide for industrial
38 growth and its consequent high investment returns.

39 Nigeria tax system, as it is today, is skewed towards raising fund to meet the State expenditures (recurrent and
40 capital). Laudable as this is, it has however, obscured the need for tax system that can be used as a veritable tool
41 for establishing and developing industries in Nigeria, particularly in the rural areas with its subsequent multiplier
42 effects. Taking the forgoing into cognisance, the Nigeria tax architecture will need to be focused on the objective
43 of industrial development, economic growth and employment generation. Therefore, it should look at the role of
44 tax in promoting sound industrial performance and scale down unemployment.

3 D) OBJECTIVES OF THE STUDY

45 One of the Acts regulating the taxation practice relating to Companies Income in Nigeria is the Companies
46 Income Tax Amendment Act 2007. Company Income Tax is charged on the chargeable profits of all companies
47 operating in the country except those specifically exempted under the Act. The administration of the Companies
48 Income Act and the tax is under the care and management of the Federal Board of Inland Revenue (the Board).
49 The operational arm of the Federal Board of Inland Revenue is called the Federal Inland Revenue Service (the
50 Service) and the Act that governed it, is called the Federal Inland Revenue Service Establishment Act (FIRSEA)
51 2007.

52 A tax system is not merely aimed at raising a certain amount of revenue, but the aim is to raise it from those
53 sections of the people who can best bear the tax. The aim in short, is to secure a just distribution of the tax
54 burden. This obviously cannot be done unless; an effort is made to trace the incidence of each tax. We must
55 know who pays it ultimately in order to find out whether it is just to ask him to pay it or whether the burden
56 imposed on him is according to the ability of the taxpayers or not. If the tax system is to conform to Adams
57 Smiths first cannon of taxation via, the cannon of equity, it becomes imperative to make a careful study of the
58 reactions and repercussions of each tax and find out its final resting place.

59 The system has, from time to time, involved a number of different tax allowances and relief aimed at
60 encouraging investment by differing or permanently reducing tax for those businesses which purchase capital
61 equipments.

62 However, complete exemption of profits from taxation is not desirable, yet a high tax rate is highly undesirable
63 as is seen in Nigeria because the corporate tax rate of 30% charged in Nigeria is above the average Organisation of
64 Economic Corporation and Development (OECD) corporate tax rate of 25.32% (Applicable Federal Rate, 2014).
65 It will put a brake on invention and enterprise and it will cut down revenue and thus hinder modernisation of
66 plant.

67 How the tax authority treats different segments of the formal and informal economy shapes the business tax
68 culture, at the same time, the attitudes of entrepreneurs in the different sectors of the economy to the legitimacy
69 of the State, the extent of corruption, voice and accountability are critical to trust in the State on which economic
70 growth depends. Tax effort and tax collection depend not just on income base, but also on the political and
71 institutional bases, especially the extent to which taxpayers trust their governments ??Bird, Martinez-Vazquez
72 & Torgler, 2006).

73 The elaboration of a general typology of tax non-compliance appears to both legal and economic approaches.
74 The more complex the tax law is, the more it leaves open possibilities for tax non-compliance. Privileged taxpayers
75 construct tax schemes which they depend as a category of tax avoidance (legal) while the tax administration may
76 consider such schemes to be cases of tax evasion (fraud). Legal and illegal tax schemes (avoidance and evasion)
77 may have similar economic effects, but different sociological effects. Tax evasion may be generally perceived
78 rather negatively, tax flight neutrally, and tax avoidance positively (Kirchler, et al 2003 cited in Fakile, 2009).

79 1 b) Statement of the Problem

80 The Corporate tax creates two problems, a practical one of administration and a theoretical one of being able
81 to determine how the firm responds to the tax and who bears its final burden and incidence. The complexity
82 arises because economists define profits differently from accountants and the taxing authorities. Consequently,
83 the corporate income tax falls partly on the expected return to equity capital, since this is not a deductible item
84 and partly on economic rent and unanticipated economic profits. This is paid out of the organisational resources
85 and exact additional influence on their finances.

86 The consensus among economists who have analyzed the effect of high corporate income tax rate on the
87 liquidity of enterprises as a whole is that in the shortrun as human-made capital is held constant, the tax has
88 little or no effect on the behaviour of the firm; capital bears the tax burden. However, as capital depreciates,
89 management must decide how to invest. Since the tax falls initially on equity capital, owners will divert their
90 capital to activities or countries with tax preferences because the after-tax return in these will be higher. If
91 the capital is shifted to other countries, the tax will equally shift and ultimately affect the liquidity of these
92 organisations.

93 2 c) Research Question

94 The following constitutes the research question: a. What is the effect of high corporate tax rate on corporate
95 liquidity?

96 3 d) Objectives of the Study

97 The broad objective of the study is to analyse the effect of high corporate tax rate on the liquidity of some
98 selected corporate organisations in Nigeria.

99 The specific objective of the study includes the following: i.

100 To determine the effect of high corporate tax rate on corporate liquidity.

101 4 e) Statement of Hypothesis

102 In the course of this research work, the following hypothesis was formulated for test. The link between taxation
103 and governance is not immediately apparent, but in fact one is vital for the other. It has the potential to shape
104 relationship between state and society in significant and distinctive ways. The history of state revenue production
105 'is the history of the state'. Taxes underwrite the capacity of the states to carry out their goals; they form one of
106 the central arenas for the conduct of state-society relation and they shape the balance between accumulation and
107 distribution that gives states their social character (Moore, 2007). There are several remarkable pointers to the
108 universal importance of taxation to state-building: First, the state's capacity to raise taxes is closely linked to its
109 ability to deliver good policies and it is suggested that tax-raising is a good proxy indicator of overall governance
110 capacity (Arbetman et' al ??2007), secondly, tax levels remain surprising static in countries over long period of
111 time, despite frequent tax policy reform. Thirdly, differences in the treatment of taxpayers by tax authorities may
112 be explained by differences in citizens' right to political participation (Feld & Frey, 2002). Tax levels; in general
113 usually rise with increases in the gross domestic product (GDP). This implies that better governed people are
114 more willing to pay more taxes, but more heavily taxed states are not necessarily more legitimate. As taxation
115 increases as a share of national economic output, conflict becomes less likely (Hendrix, 2007).

116 Political governance, economic growth and taxation create mutually reinforcing processes of State building.
117 The 'fiscal social contract' is a key factor in delivering both political legitimacy and sustainable economic growth.
118 A stable transparent, even-handed tax system is perceived by investors as a sign of established 'rule of law'. In
119 other words, tax is a key indicator of an industrialised framework of political stability and fairness (Bird et' al,
120 2006). As Levi has noted, a society's 'public spiritedness or normative conviction' can be motivating factors in
121 the general willingness to pay taxes. People with a strong believe in a welfare state might thus be more willing
122 to pay high rates of taxes ??Levi, 1988). Religious tradition of 'Zakat' or 'tithing' might form a sense of moral
123 obligation to hand over a percentage of one's income to the community (Hull, 2000). This attitude is intrinsic and
124 not conditioned by actions by the government, although they might well have been conditioned by state-society
125 relations in the past (Cummings et ??al, cited in Fakile (2009)).

126 It is suggested that the level of compliance with taxation requirements is affected by perceptions of the
127 government's legitimacy and the fairness of the tax system, as well as taxpayers' expectation that their tax
128 moneys will be spent on valued public services (Slemrod, 1992).

129 Recognising the economic structure, some research has suggested that countries with sizeable shadow economies
130 or informal sector can more easily observe large numbers of other escaping the tax net (Alm & Torgler, 2004).
131 The business tax culture and morale of the private sector are more complex. The complex relationship between
132 tax authorities and taxpayers reflect a country tax culture (Torgler, 2007). Therefore, how the tax authority
133 treats different segments of the formal and informal economy shapes the business tax culture, at the same time,
134 the attitudes of entrepreneurs in the different sectors of the economy to the legitimacy of the state, the extent
135 of corruption, voice and accountability are critical to trust in the state on which economic growth depends. Tax
136 effort and tax collection depend not just on the income base, but also on the political and institutional bases,
137 especially the extent to which taxpayers trust their governments ??Bird et' al, 2006).

138 The elaboration of a general typology of tax deviance appears to include both legal and economic approaches.
139 The more complex the tax law is, the more it leaves open possibilities for tax non-compliance. Privileged
140 taxpayers construct tax schemes which they depend as a category of tax avoidance (legal) while the tax authority
141 may consider such schemes to be cases of tax evasion (fraud). Legal and illegal tax schemes (avoidance and
142 evasion) may have similar economic effects, but different sociological effects. Tax evasion may be generally
143 perceived rather negatively, tax flight neutrally, and tax avoidance positively (Kirchler et' al, 2003 cited in Fakile,
144 2009).

145 5 b) Corporate Liquidity

146 Various forces prevented a firm from pursuing its investment level when the presumption of a perfect market is
147 violated. Information asymmetries and agency problems are the most important factors influencing investment
148 efficiency (Stein, 2003) whereas cash holding is strongly related to a firm's investment when facing these frictions.
149 Cash holding also helped firms with high external financing costs to take up positive net present value (NPV)
150 projects. Such a phenomenon therefore, makes an investment sensitive to cash holding.

151 Almeida, Campello & Weisbach (2004), indicate that financially constrained firms tend to save cash, whereas
152 unconstrained firms do not. Consistent with the costly external finance view of Faulkender & wang (2006) and
153 ??inkowitz & Willionson (2004) in that cash holding is more valuable for constrained firms than for unconstrained
154 firms. Dennis & Sibilkov (2010) explained that higher cash holding allows financially constrained firms to
155 undertake value-increasing projects that might be bypass.

156 Her-Juim & Shiou-Ying (2012) opined that capital expenditures have statistically significant sensitivity to
157 excess cash, which is stronger for constrained firms, providing support for the underinvestment argument.
158 Managers may be forced to give up positive NPV projects, because they are not willing to raise external capital
159 by issuing underpriced securities. Therefore, cash flow and cash can benefit those firms facing external financing
160 constraints by funding necessary expenditures, which makes their investment sensitive to the availability of
161 internal funds (Stein, 2003;Franzoni, 2009).

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162 Volume XIV Issue III Version I Year ()D c) Theoretical Framework

163 The issue of taxation has generated a lot of controversy and severe political conflicts over time. According
164 to its importance, several economic theories have been proposed to operate an effective tax system. Taxation is
165 classified under two different theories as stated below: Benefit or 'Quid Pro Quo' Theory and 'Ability-to-Pay' or
166 Faculty Theory. Therefore, this study is guided by the 'Ability-to-Pay' or Faculty Theory. d) 'Ability-to-Pay' or
167 Faculty Theory

168 The most popular and the plausible theory of justice in taxation is that every taxpayer should be made to
169 contribute according to his ability or faculty to pay. The tax is to be based on his taxable capacity. Nothing
170 would appear to be more just. But the acceptance of the principle does not mean the end of our difficulties;
171 rather the difficulties begin. The question which we then face is: 'What is the measure of a man's ability to pay?'
172 ??Dewett et'al, 2005) In the search for a proper criterion of a person's ability to contribute to the State Coffer,
173 we can proceed on two lines, subjective and objective:

174 Subjective Approach: If we examine the position of the taxpayer in its subjective aspects, we shall consider
175 the inconvenience, the pinch or the sacrifice involved. On this point, three distinct views have been advanced: (a)
176 The Principle of Equal Sacrifice; (b) The Principle of Proportional Sacrifice; and (c) The Principle of Minimum
177 Sacrifice.

178 In the words of J.S. Mill cited in Dewett et'al (2005) "Equality of taxation, as a maxim of politics, means
179 equality of sacrifice. It means apportioning the contribution of each person towards the expenses of government,
180 so that he shall feel neither more nor less inconvenience from his share of the payment than every other person
181 experiences from his. According to this principle, the money burden of taxation is to be so distributed as to
182 impose equal real burden on the individual taxpayers". This will mean proportional taxation.

183 According to the principle of Proportional Sacrifice, the real burden on the individual taxpayer is not to be
184 equal but proportional either to their income or the economic welfare they derive. This will be more just than
185 if the sacrifices involved were equal. Those who can make a greater sacrifice should be asked to do so. This will
186 mean progressive taxation.

187 The Minimum Sacrifice Principle considers the body of taxpayers in the aggregate and not individually.
188 According to this principle, the total real burden on the community should be as small as possible.

189 Objective Approach: We must, therefore, take our second line of approach to measure a man's faculty to pay
190 that is, proceed objectively. Here we are on surer grounds, but here again; we find that several criteria have
191 been suggested. A man's faculty to pay may be measured according to: (a) consumption; (b) property; and (c)
192 income.

193 Consumption, as a criterion of ability to pay, is not a sound criterion, because consumption or utilisation of
194 the services of the State by the poor is considered to be out of all proportion to their means, and as such, it
195 cannot be taken as a practical principle of taxation.

196 Property also cannot be a fair basis of taxation, for properties of the same size and description may not yield
197 the same amount of income; and some persons having no property to show may have large incomes, whereas
198 men of large property may be getting small incomes. Thus, to tax according to property will not be taxation
199 according to ability.

200 Income, however, remains the single best test of a man's ability to pay. But even in the case of income, the
201 tax will be in proportion to faculty, if there is a minimum exemption to allow for a reasonable subsistence, if
202 there is an allowance made for the number of dependants, and finally, if the principle of progression is applied
203 by taxing the rich at a higher rate.

204 Besides, we have to consider 'the ability to pay' not merely of the individual taxpayer but of the community
205 as a whole. In this light, it is necessary that the tax system as a whole is not oppressive. It should not discourage
206 saving or retard accumulation of capital. Also, it should not, in any manner, impair the productive capacity of
207 the community by hampering the development of trade and industry in the country ??Dewett et'al, 2005).

209 7 III.

210 8 Research Methodology a) Research Design

211 The study entails descriptive research in which the survey method was used in collecting the data. The method
212 concerned with the quantitative data and this study used it to determine the effect of high corporate tax rate on
213 the liquidity of corporate organisations in Nigeria.

214 9 b) The Population of the Study

215 The population of the study is the entire aggregate of individuals or items relevant to a phenomenon under
216 investigation (Ugwu, 2003). The targeted population for this study consists of 45 corporate organisations in
217 Lagos State of Nigeria as at April 2014. The above population shows that, all the corporate organisations in the
218 population have about 45 Chief Accountants.

219 10 c) Sampling technique and sampling size

220 The sample size is usually a compromise between what is desirable and what is feasible. For the purpose of this
221 study, the researcher used mainly downstream oil sector of the economy as the population comprises forty five
222 (45) corporate organisations, that pay their corporate taxes, as obtained from Federal Inland Revenue Service,
223 Lagos office. The use of purposive sampling was based on the fact that, almost all the corporate organisations
224 in Nigeria may have liquidity problem though they differ in sizes and profits and therefore, may serve as a good
225 representative of the whole corporate organisations in Nigeria. Hence, the researcher used random sampling
226 technique on the forty five (45) corporate organisations.

227 Based on the above population, the sample size for the study is determined using Taro Yamane formula. This
228 formula is used where the population parameter for the study is known. Thus it is stated: $n = N/1+N (e)$ 2

229 Where: n = Sample size N = Population size e = Degree of tolerance error With a confidence level of 95%,
230 the degree of tolerance error is 5% (0.05). Therefore: $n = 45/1+45(0.05)$ 2 $n = 45/1+45(0.0025)$ $n = 45/1+0.1$
231 $n = 45/1.1$ $n = 40.9$ $n = 41$ d) Sources of Data Data were gathered from primary sources. The primary data for
232 this study came from questionnaire with specific focus on the effect of high corporate tax rate on the corporate
233 liquidity of the organisations under study. The review of several publications that were relevant to the study was
234 carried-out. These were FIRS bulletin and journals.

235 11 e) Questionnaire Administration

236 The questionnaire was administered based on the policies of the companies used as the case studies. The researcher
237 was allowed to administer the questionnaires to the Chief Accountants of the selected organisations.

238 The researcher faced some problems in retrieving the questionnaire because not all the respondents filled the
239 questionnaires due to their 'tight schedule'. This reduced the numbers of questionnaires retrieved. Out of forty
240 one (41) questionnaires administered, thirty six (36) were returned and found usable, given a response rate of
241 88%.

242 12 f) Method of Data Analysis

243 The hypothesis formulated was tested using Analysis of Variance (ANOVA). The formula for Analysis of Variance
244 is as follows in the table below: Where: N = Total number of active cells Q = The grand total of all data t =
245 Number of groups or rows n = number of columns in a group SS_T = Sum of the square of each of the individual
246 scores in all the groups subtract Q^2/N $SS_T = (X_1^2 + X_2^2 + X_3^2 + \dots + Z_2^2 + Z_3^2 + Z_4^2) - Q^2/N$
247 SS_B = Square of each group sum, divided by the corresponding group (n), then sum all these and subtract
248 $SS_B = (XX_1/n + YY_1/n + ZZ_1/n - Q^2/N)$ SS_W = The outcome of SS_T less the outcome of SS_B
249 $SS_W = SS_T - SS_B$ df_B = degree of freedom for "variance between" = $t - 1$ df = degree of freedom for total
250 of all the data = $N - 1$ df_W = degree of freedom for "variance within" = $df_T - df_B$ ($N - t$) MS = mean square for
251 "variance between" and "variance within"

252 13 g) Decision Rule

253 The null hypothesis is rejected if the calculated value of F -ratio i.e. (MS_B/MS_W) is greater than the critical
254 value of F . i.e. $(F_{t-1, N-t})$ as given in the F distribution table otherwise, it stands accepted.? If MS_B/MS_W
255 $> (F_{t-1, N-t})$, then, reject the Null hypothesis ? If $MS_B/MS_W < (F_{t-1, N-t})$,

256 14 then, accept the Null hypothesis

257 The choice of ANOVA as one of the statistical tools to test hypothesis two of this study is based on the fact
258 that, it determines the extent of variance in dependent variable that are caused by independent variable. Also,
259 ANOVA reduces the type one error rate (rejecting null hypothesis instead of accepting). Data were sourced from
260 forty one (41) companies in Lagos. Forty one (41) questionnaires were distributed to collect data out of which
261 thirty six (36) were returned and found usable, given a response rate of 88%. All the questionnaires collected
262 were analysed based on tables and simple percentages analysis.

263 IV.

264 15 Data Presentation, Analysis and

265 Discussion of Findings

266 16 a) Data Presentation and Analysis

267 This chapter represents the data collected in response to 41 questionnaires distributed to chief Accountants of
268 the 41 sampled corporate organisations in Lagos-Nigeria on their view about the effect of high corporate tax rate
269 on corporate liquidity by which 36 questionnaires were filled and returned correctly. Q1 Table ?? Source: Field
270 survey, (2014) Table ?? 1 above shows that 21 respondents representing 58% of the total respondents strongly
271 agree, 13 respondents representing 36% agree, 0 respondent representing 0% strongly disagree while 2 respondents
272 representing 6% disagree. This means that, the total respondents of 34 constituting 94% do agree that companies
273 bear the burden of the high corporate tax rate. Therefore, the researcher concluded that the burden of the high

20 C) RECOMMENDATIONS

274 corporate tax rate falls heavily on the corporate organisations that pay the taxes in the first instance to the
275 tax authority, and hence affects their liquidity. Q 2 Table ?? Source: Field survey, (2014) Table ??2 above
276 revealed that 27 respondents representing 75% of the total respondents strongly agree that, the high corporate
277 tax rate affects corporate liquidity, 5 respondents representing 14% also agree while 2 respondents representing
278 5.5% strongly disagree and 2 respondents representing 5.5% also disagree. This implies that, high corporate tax
279 rate affects corporate liquidity. The researcher draws a conclusion that, high corporate tax sometimes forces
280 corporate organisations into a liquidity trap even in the time of heavy profits because not all profits declared by
281 companies are in cash. Q 3 Table ?? Source: Field survey, 2014 Table ??4 above revealed that 12 respondents
282 representing 33% of the total respondents strongly agree that, high corporate tax rate affects the prices of goods
283 and services of companies, 19 respondents representing 53% also agree. However, 3 respondents representing 8%
284 of the total respondents strongly disagree and 2 respondents representing 6% disagree. Therefore, the researcher
285 concluded that companies do increase their prices of goods and services because of high corporate tax rate by
286 way of backward and forward shifting through the purchase and selling prices of their products and services as
287 the case may be. We concluded that, high corporate tax rate has significant effect on corporate liquidity.

288 17 c) Discussion of Findings

289 Based on the analysis, the following findings were arrived at:

290 The high corporate tax rate has both arithmetic and economic effects on the economy. It increases the revenue
291 of the government, which is used by the government to finance both the Capital and Recurrent Expenditure in
292 its annual budget. However, there are negative effects; it discourages invention and entrepreneurship, it causes
293 tax flight, it reduces savings, investments, employment opportunities etc.

294 There have been many arguments for the reform of corporation tax. Despite, many tinkering with the system,
295 to take some criticisms into account, it has been argued that the system is in total disarray ??Kay & King, 1990).

296 Various forces prevented a firm or firms from pursuing its optimal investment level including high corporate
297 tax rate as it affects the liquidity (cash) of the organisation because cash holdings are strongly related to firms'
298 investment. Cash holdings also help firms with high internal financing cost (i.e. financially constrained firms)
299 take up positive net present value projects. This is in line with Dennis & Sibilkov (2010) who opined that higher
300 cash holdings allow financially constrained firms to undertake value-increasing projects that might be bypassed.

301 Managers may be forced to give up positive NPV projects, because they are not willing to raise external capital
302 by issuing underpriced securities. Therefore, cash flow and cash can benefit those firms facing external financing
303 constraints by funding necessary expenditures, which makes their investments sensitive to the availability of
304 internal fund (Stein, 2003;Franzoni, 2009).

305 V.

306 18 Summary, Conclusion and Recommendations a) Summary

307 This work examines the analysis of the effect of high corporate tax rate on the liquidity of corporate organisations
308 in Nigeria.

309 The high corporate tax rate impinged on the decisions of the investors as it discourages invention and
310 entrepreneurship, it causes tax flight, it affects capital formation, it reduces savings, investments and causes
311 unemployment in the country.

312 The burden of high corporate tax falls on the corporate organisations as it affects their liquidity, but the
313 incidence of high corporate tax rate falls on the customers and suppliers through forward and backward shifting
314 of prices-all things being equal.

315 19 b) Conclusion

316 Nigeria as one of the countries of the world that charges high corporate tax rate stands a chance of under
317 developing her economy. The multiplier effects of this on the economy are enormous; ranging from: low savings,
318 low investments, high rate of unemployment, capital flight, tax flight and high cost of borrowing.

319 Taxation as an instrument of fiscal policy to regulate, control and manage the economy should be neutral to
320 encourage the corporate organisations to save, invest, and create employment opportunities in the country.

321 20 c) Recommendations

322 For Nigeria to achieve its fiscal policy through optimal corporate tax rate for economic growth and development,
323 based on the findings, the following recommendations have been provided: i. The Nigeria corporate tax rate of
324 30% should be reduced below OECD average corporate tax rate of 25.32% to avert the negative effect of financing
325 the firms. ii. The Nigerian tax system should be changed from classical system to imputation system to avoid
326 economic double taxation. iii. We recommended that government should strengthen the Bank of Industry to
327 close the funding gap in the corporate organisations. iv. The government should ensure revenue generated from
328 taxation especially corporate tax should be utilized in the development of the general economy and not just a
329 segment of it as this will go a long way to improve the standard of living of her citizenry and hence lead to a
330 growth in Gross Domestic Product (GDP).

³³¹ **21 Bibliography**

³³² **22 Global Journal of Management and Business Research**

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Figure 1: Introductiona)

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[Note: D 2014 © 2014 Global Journals Inc. (US)]

Figure 2: Table 3 .

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Options	Respondents	Percentage of Respondents %
Strongly agree	21	58
Agree	13	36
Strongly disagree	0	0
Disagree	2	6
Total	36	100

Figure 3:

Options	Respondents	Percentage of Respondents %
Strongly agree	27	75
Agree	5	14
Strongly disagree	2	5.5
Disagree	2	5.5
Total	36	100

Figure 4:

The high corporate tax rate affects the price of goods and services of a company		Respondents	Percentage of Respondents %
Options			
Strongly agree		12	33
Agree		19	53
Strongly disagree		3	8
Disagree		2	6
Total		36	100
() D			
Options			
Strongly agree		20	55
Agree		15	42
Strongly disagree		1	3
Disagree		0	0
Total		36	100

Source: Field survey, (2014)

Table 4.3 above revealed that 20 respondents representing 55% of the respondents strongly agree that, there is a relationship between high corporate tax rate and corporate liquidity, 15 respondents representing 42% also agree while 1 respondent representing 3% strongly disagree. This implies that, high corporate tax rate has a negative relationship with

corporate liquidity as it reduces cash a organisations.

Figure 5:

b) Test of Hypothesis

Ho 1 : High corporate tax rate does not significant effect on corporate liquidity.

Hi 1 High corporate tax rate has significant effect on corporate liquidity

Variables	Question 1	Question 2	Question 3
Strongly agree	21	27	20
Agree	13	5	15
Strongly disagree	0	2	1
Disagree	2	2	0
Total	36	36	36

Source: Field survey, 2014

ANOVA Summary Table

Source	SS	df	MS	F- Ratio
Between	940	3	313	27.8
Within	90	8	11.25	
Total	1030	11		

Critical value at 5% significance with degree of freedom 3 to 8 is 4.07

Figure 6:

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335 profits tax)

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