



**TAX PLANNING AND THE TIMELINESS OF FINANCIAL REPORTING IN LISTED MANUFACTURING FIRMS IN NIGERIA**

<sup>1</sup>Igbinovia, Ikponmwosa Michael (Ph.D, ACTI) and <sup>2</sup>Unamma, Amaka Nkiru (Ph.D, ACA)

<sup>1</sup>Department of Accounting, Edo State University Uzairue, Nigeria

<sup>2</sup>Department of Taxation, Federal Polytechnic, Nekede-Owerri, Nigeria

<sup>1</sup>+2347055043451: [ikponmwosa.igbinovia@edouniversity.edu.ng](mailto:ikponmwosa.igbinovia@edouniversity.edu.ng)

<sup>2</sup>[amakaunamma@gmail.com](mailto:amakaunamma@gmail.com)

**Abstract**

*The timeliness of financial reports is a critical aspect of management and reporting, and its connection with tax planning in Nigeria's manufacturing sector seems complex and multifaceted. This study investigates the impact of tax avoidance and tax planning strategies on the timeliness of financial reporting using a sample of 28 manufacturing firms in the Nigeria exchange group for the period 2015 to 2022. The result of the binary logistic (logit) regression analysis consisting of 224 firm-year observations revealed that at 5 % significance level, tax avoidance as measured by book tax difference and effective tax rate does not significantly influence the timeliness or otherwise of financial reporting in Nigeria manufacturing firms. Similarly, capital intensity, a measure of tax planning strategy exerts an insignificant negative effect on the timeliness or otherwise of financial reporting in Nigeria manufacturing firms. However, the study observed that leverage, a measure of tax planning strategy, is a significant determinant of the timeliness of financial reporting in Nigeria manufacturing firms. The study concludes that the delay on timely financial reporting orchestrated by tax planning is not significant enough to cause delays outside the statutory 90-day period. The study recommends that Managers take full advantage of tax avoidance and tax planning within the context of relevant tax laws, as they do not dampen firms' ability to produce timely financial reports.*

**Keywords: Timeliness; Tax Planning; Financial Reporting; Book tax difference, Leverage**

**JEL Classification: M41; H20**

**INTRODUCTION**

The timeliness of financial reports is a critical aspect of management and reporting, particularly in Nigeria's manufacturing sector. This sector, a key component of Nigeria's economy, faces unique challenges and opportunities in tax planning and financial reporting (Akintoye et al. 2020). The significance of timely financial reporting cannot be overstated, as it ensures that stakeholders, including investors, regulators, and the public, receive essential financial information promptly. This is essential for decision-making, maintaining investor confidence, and ensuring market efficiency (Tanko, 2023). In Nigeria, the manufacturing sector operates within a complex and dynamic economic environment. The sector is influenced by several factors including government policies, global economic trends, and internal corporate governance structures. The Financial

Reporting Council of Nigeria (FRCN) and the Nigerian Stock Exchange (NSE) play important roles in setting the standards and guidelines for financial reporting, emphasizing the need for timeliness and accuracy in financial reporting (Akintoye et al. 2020).

Tax planning, an integral part of financial management, involves strategies to minimize tax liabilities within the legal framework. In Nigeria, the manufacturing sector engages in various tax planning activities, which are crucial for optimizing financial performance and compliance. These activities, while legal, sometimes introduce complexities in financial reporting, affecting the transparency and timeliness of financial statements (Ogbaisi & Ezuem, 2021). The intricate relationship between tax planning and financial reporting becomes even more significant in light of Nigeria's evolving tax laws and regulations, such as the 2020 Finance Act, which aims to enhance tax revenue and streamline the tax system (Ernst & Young, 2021). Moreover, the diversity in tax planning strategies across different firms within the manufacturing sector, influenced by factors such as profitability, company age, and capital structure, presents an interesting area for study. This diversity in strategies could lead to variations in financial reporting practices, notably in the timeliness and transparency of financial disclosures.

The relationship between tax planning and the timeliness of financial reporting in Nigeria's manufacturing sector seems complex and multifaceted. Akintoye et al. (2020) pointed out that the intricacies involved in sophisticated tax planning might necessitate additional time for financial statement preparation and audit, potentially delaying the reporting process. This delay is due to the need for accurate representation of tax-related transactions in compliance with both tax laws and financial reporting standards. This supports the Nigerian study of Lawal et al. (2013) who asserted that companies engaged in extensive tax planning activities often face challenges in maintaining timely financial reporting. Timely financial reporting in the manufacturing sector affects the sector's transparency and efficiency. It ensures that all stakeholders have access to recent and relevant financial information, and helps them to make informed decisions. This is crucial in maintaining investor confidence and the proper functioning of capital markets (Tanko, 2023).

Despite the critical role of tax planning and the timeliness of financial reporting in the Nigerian manufacturing sector, there remains a significant gap in understanding the interplay between these two elements. This gap presents a pressing research problem, as both tax planning and timely financial reporting are vital for management, economic stability, and investor confidence. Firstly, there is a dearth of empirical studies focusing specifically on Nigeria's manufacturing sector regarding how tax planning strategies impact the timeliness of financial reporting. Although Asiriwuwa et al., (2021), provided empirical evidence on financial firms, researchers have not explored the unique challenges and dynamics of the manufacturing sector. This sector is vital to Nigeria's economy, contributing significantly to its GDP and employment. However, the complexities inherent in this sector, such as heavy capital investment, long-term project cycles, and sensitivity to economic policies, create unique tax planning and reporting challenges that are yet to be adequately addressed in the existing literature.

Secondly, the evolving nature of Nigeria's tax laws, particularly with reforms such as the 2020 Finance Act, creates a dynamic environment where the implications for financial reporting are continually changing. This situation warrants ongoing research to understand how these legal changes affect corporate tax planning and reporting practices in the manufacturing sector. There

is a need to investigate whether companies in this sector can adapt their tax planning strategies efficiently and how these strategies affect the timeliness of their financial reports. Furthermore, the relationship between tax planning and the financial reporting in Nigeria's manufacturing sector is not well understood. Tax planning can lead to complex financial structures, potentially impacting the transparency and timeliness of financial reporting. Investigating this relationship is crucial, as it can provide insights into whether such tax planning practices might compromise the timeliness of financial information disclosed by companies.

Lastly, the impact of tax planning on corporate decision-making and its subsequent influence on financial reporting timeliness has not been sufficiently researched in the context of Nigeria's manufacturing sector. Understanding this impact is essential for regulators and policymakers to design effective policies that promote transparency and timely financial reporting without impeding the legitimate tax planning activities of corporations. Overall, this research aims to fill these gaps by providing a detailed analysis of how tax avoidance and tax planning strategies in Nigeria's manufacturing sector influence the timeliness of financial reporting. Specifically, it examines the impact of Effective Tax Rate on the timeliness of financial reporting of manufacturing firms in Nigeria; explores the extent to which Book Tax Difference impacts the timeliness of financial reporting of manufacturing firms in Nigeria; ascertains the impact of Capital Intensity on the timeliness of financial reporting of manufacturing firms in Nigeria.; and investigates the impact of leverage on the timeliness of financial reporting of manufacturing firms in Nigeria.

The study hypothesized that:

H<sub>01</sub>: Effective Tax Rate has no significant effect on the timeliness of financial reporting of manufacturing firms in Nigeria;

H<sub>02</sub>: Book Tax Difference has no significant effect on the timeliness of financial reporting of manufacturing firms in Nigeria;

H<sub>03</sub>: Capital Intensity has no significant effect on the timeliness of financial reporting of manufacturing firms in Nigeria.; and

H<sub>04</sub>: leverage has no significant effect on the timeliness of financial reporting of manufacturing firms in Nigeria.

The study covers the period 2015 to 2022. This period is strategic to capture developments in Nigeria's tax policy and financial reporting standards, including the implications of the 2020 Finance Act and other regulatory changes.

## LITERATURE REVIEW

### Conceptual Clarification

The conceptual framework of this study revolves around key financial and taxation concepts, each of which plays a vital role in understanding the relationship between tax planning and financial reporting in manufacturing firms in Nigeria.

#### ***Timeliness of Financial Reporting***

Timeliness, in financial reporting, refers to the speed with which financial statements are prepared and made available to users after the end of an accounting period (Aktas & Kargin, 2011). This aspect of financial reporting is critical, as it influences the decision-making ability of stakeholders, including investors, regulators, and analysts. In Nigeria's manufacturing firms, a factor such as the complexity of tax planning strategies employed by firms influence timeliness in financial

reporting. On the other hand, tax planning often involves sophisticated transactions and financial structures that can affect the preparation and disclosure of financial information. When firms engage in intricate tax planning, it may lead to delays in the consolidation and presentation of financial data due to the additional time required to account for and report these transactions accurately (Ogbaisi & Ezuem, 2021).

Furthermore, the Nigerian context presents unique challenges. The country's economic environment, characterized by frequent changes in tax laws and regulations, directly impacts the way manufacturing firms plan their taxes and report financials. The 2020 Finance Act in Nigeria, for example, has implications for corporate tax rates and tax administration, which in turn influence financial reporting practices (Ernst & Young, 2021). Another factor impacting the timeliness of financial reporting in Nigeria is the regulatory framework enforced by bodies such as the FRCN and the Nigerian Stock Exchange (NSE). These institutions set standards and guidelines that firms must adhere to in their financial reporting processes (FRCN, 2023; NSE, 2023). Compliance with these regulations can affect the speed of reporting, especially when new or revised standards are introduced.

### ***Tax Planning***

According to Anshu Duhoon and Mohinder Singh (2023), the practice of tax avoidance can significantly impact the financial reporting process (Duhoon & Singh, 2023). Corporations engaging in aggressive tax avoidance strategies often face complex financial transactions and arrangements (Duhoon & Singh, 2023). These complexities can lead to difficulties in accurately and timely reporting financial information. The intricate structures created for tax avoidance purposes may require detailed disclosures in financial statements, which can be a time-consuming process, potentially delaying the release of financial reports. Furthermore, the level of transparency or opacity in tax avoidance strategies can influence the quality of financial reporting. While legal, aggressive tax avoidance practices might raise questions about the company's financial integrity and governance, potentially affecting stakeholder trust and investment decisions (Richardson et al., 2013).

One prevalent strategy in Nigerian manufacturing firms is the utilization of financial leverage. Leverage, particularly through debt financing, provides a tax shield since interest payments on debt are tax-deductible. This approach is advantageous for firms as it reduces taxable income, thereby lowering the overall tax liability. The strategic use of debt in the capital structure of these firms is a critical aspect of tax planning, aiming to maximize the benefits from the tax deductibility of interest (Tanko, 2023). One approach to tax planning is Real Earnings Management (REM). It involves practices like overproducing goods to inflate production costs and closing inventory, thereby deferring income to a later year. This approach helps firms in reducing their current tax liabilities. REM, as a tax planning tool, requires careful management to ensure it remains within the legal boundaries and does not verge into unethical practices (Scholes et al., 2015). In addition, firms often engage in intercompany transactions, selling goods to affiliates in countries with lower tax rates. This strategy helps in minimizing the overall tax burden by shifting profits to areas with favorable tax regimes. Such transactions must be carefully structured and documented to comply with transfer pricing regulations and avoid scrutiny from tax authorities (Tanko, 2023).

It is good to include that the Nigerian government offers various tax incentives and exemptions to promote industrial growth and investment. Firms actively seek to benefit from these provisions, which include tax holidays, investment allowances, and sector-specific incentives. Utilizing these incentives is a key component of tax planning, allowing firms to reduce their effective tax rate. In addition to the primary strategies, Nigerian industrial firms often employ more advanced tax planning techniques. This includes timing the recognition of income and expenses to leverage tax rate differentials across periods. Firms may defer income to future periods when tax rates may be lower or accelerate expenses into the current period to reduce taxable income. Firms also engage the services of tax advisors and consultants to navigate the complexities of tax planning. These professionals provide expertise in interpreting tax laws, identifying applicable incentives, and structuring transactions to optimize tax outcomes. This comes as different sectors in Nigeria have unique tax considerations (Tanko, 2023). Manufacturing firms might leverage incentives for capital investments in machinery and equipment.

Meanwhile, there are challenges in Tax Planning. One of the major challenges faced by Nigerian industrial firms in tax planning is staying compliant with the constantly evolving tax laws and regulations (Olarewaju & Olayiwola, 2019). The complexity and frequent changes in tax legislation require firms to continuously adapt their tax planning strategies. Further, while tax planning is essential for reducing tax liabilities, firms must balance their strategies with ethical considerations. Aggressive tax planning can lead to reputational risks and increased scrutiny from tax authorities. Therefore, firms must ensure their tax planning strategies are not only legally compliant but also ethically sound. For firms operating on a global scale, international taxation presents additional challenges. Navigating the different tax regimes, understanding double taxation treaties, and complying with transfer pricing rules are crucial for effective tax planning.

In the manufacturing sector, which involves heavy machinery, large-scale infrastructure, and significant investment in plants and equipment, capital intensity is generally high. High capital intensity implies that a larger portion of a firm's resources is tied up in long-term assets, which has significant implications for financial reporting and tax planning. For instance, the depreciation of these assets becomes a crucial element in the firm's financial statements and tax calculations. From a tax planning perspective, firms with high capital intensity might leverage depreciation methods and tax allowances to optimize their tax liabilities (Scholes et al., 2015). These tax planning strategies can influence the timing and recognition of expenses and, by extension, impact the speed of financial statement preparation and disclosure. The Book Tax Difference (BTD) is significant for understanding corporate tax strategies and financial reporting (Scholes et al., 2015). In the Nigerian manufacturing sector, understanding BTD is crucial, as it directly impacts both tax planning strategies and financial reporting practices. The sector, characterized by significant capital investments and complex project cycles, often encounters substantial BTDs due to differences in how certain transactions are treated for financial reporting versus tax purposes.

In the Nigerian manufacturing sector, BTDs can have significant implications. The sector's reliance on large-scale, long-term projects can lead to substantial timing and temporary differences in revenue and expense recognition. These differences can complicate tax planning and financial reporting, particularly in ensuring the timeliness and accuracy of financial statements. Meanwhile, effective tax planning in the face of BTDs involves strategies that manage these differences to optimize the tax position of the firm while adhering to regulatory requirements. However, large

BTDs can signal aggressive tax planning, which might raise concerns among investors and regulators regarding the transparency and reliability of financial reports (Frank et al., 2009).

### **Theoretical Framework**

The theoretical framework for this study is underpinned by two relevant theories: Agency Theory and the Concept of Timeliness. Each of these theories provides a distinct perspective that aids in understanding the dynamics of corporate behaviour in tax planning and the timeliness of financial reporting.

#### ***Agency Theory***

Agency Theory, developed by Jensen and Meckling (1976), is important in understanding tax planning and financial reporting. Zogning Félix (2022) notes that it provides a framework to analyze the conflicts that might arise between principals (shareholders) and agents (managers) in a manufacturing company. (Zogning, 2022). The central premise of Agency Theory is the separation of ownership and control in a corporation (Zogning, 2022). Shareholders, as owners, entrust the management of the company to executives and managers, who are supposed to act in the best interests of the shareholders. However, due to differing interests and asymmetric information, managers may pursue actions that maximize their personal welfare rather than the welfare of the shareholders.

In tax planning and financial reporting, Agency Theory illuminates several potential conflicts. Managers might engage in aggressive tax planning strategies to increase the firm's after-tax income and, consequently, their compensation, which is often tied to financial performance. However, such aggressive strategies can introduce significant risks and complexities into the company's financial statements, potentially compromising the timeliness and accuracy of financial reporting. In Nigeria, where corporate governance structures are still evolving, Agency Theory becomes relevant. For instance, the Nigerian Code of Corporate Governance (NCCG) aims to mitigate agency conflicts by setting standards for board structure, accountability, and transparency (Ozili et al., 2023). However, the effectiveness of these governance structures in managing the trade-offs between tax planning and financial reporting timeliness is an area that requires exploration.

Agency costs arise from the need to monitor management actions and align their interests with those of shareholders. In financial reporting, these costs might manifest in the form of audits, compliance checks, and the implementation of internal controls to ensure that financial reporting is both timely and accurate, despite the complexities introduced by tax planning activities. Agency Theory also recognizes the role of managerial discretion in corporate decision-making. The extent to which managers are given discretion in tax matters can significantly impact the company's tax planning strategies and, by extension, its financial reporting timeliness. In Nigeria, the varying levels of managerial discretion, can lead to differing practices in tax planning and reporting across manufacturing companies.

#### ***Principle of Timeliness***

The concept of Timeliness, in financial reporting is traceable to the work of Givoly and Palmon (1982) and plays a crucial role in understanding the dynamics of corporate disclosure practices. This framework posits that the utility of financial information to stakeholders significantly diminishes with delays in its reporting (Ohaka & Akani, 2017). The central premise of the Theory

of Timeliness is that the relevance of financial reports is highly time sensitive. Givoly and Palmon (1982) assert that timely financial reports are essential for the efficient functioning of capital markets as they reduce information asymmetry among stakeholders. In a rapidly changing economic environment, delays in financial reporting can lead to significant gaps in the information available to investors, analysts, and other stakeholders, potentially leading to suboptimal decision-making.

In corporate finance, the timeliness of financial reporting is a key indicator of a company's transparency and governance quality. This is relevant in emerging economies like Nigeria, where financial markets are developing, and investors rely heavily on timely disclosures to assess company performance and make investment decisions (Owolabi & Iyoha, 2012). Tax planning strategies can have a significant impact on the timeliness of financial reporting. Complex tax planning might involve intricate transactions or structures that require detailed disclosure and explanation in financial reports. The preparation and audit of these details can extend the time required to finalize and publish financial statements. This delay, as suggested by this theory, could reduce the relevance of the financial information to stakeholders.

From a regulatory perspective, the Concept of Timeliness underscores the need for standards and guidelines that ensure prompt financial reporting. Regulatory bodies like the FRCN and NSE play a critical role in setting and enforcing such standards. The framework suggests that regulations should not only focus on the accuracy and completeness of financial reports but also on their timeliness, balancing the need for thoroughness with the necessity for prompt reporting.

## METHODOLOGY

### ***Research Design***

This study adopts an *expost-facto* design using a quantitative approach and data to explore the relationship between tax planning and the timeliness of financial reporting in Nigerian manufacturing firms.

### ***Population of Study***

The study population comprises the sixty-six (66) registered manufacturing companies quoted in the Nigerian Stock Exchange (NSE) as of 31<sup>st</sup> December 2022. These firms have been in operation for a period of not less than ten years and must be duly registered with the appropriate tax authorities at both federal and state levels. The companies also have the same characteristics are from the same setting.

### ***Sampling Technique***

Twenty-eight (28) randomly drawn firms represent the sample population. Using secondary data, the study adopts purposive sampling technique because it is convenient to use. The sample companies are purposively chosen to achieve specific objective of determining the impact of tax avoidance and tax planning strategies on the reporting timeliness of manufacturing companies in Nigeria.

### ***Data Collection***

The data collected for this study captures a comprehensive and accurate representation of the relationship between tax avoidance, tax planning strategies and financial reporting timeliness in

Nigerian corporations. It involves secondary data from annual financial reports of publicly-listed Nigerian manufacturing companies.

**Model Specification**

The study modifies Asiriuwa et al. (2021) model, where they investigated tax aggressiveness and timeliness of financial reporting in Nigeria financial sector.

$$TFR = \beta_0it + \beta_1 TAXAVOIDit + \beta_2 BTDit + \beta_3 TAXINCit + \beta_4 BETRit + \mu it$$

..... Eq. (1) Where,

Timeliness of Financial Reporting is a function of Tax Avoidance; Book Tax Difference; Tax Income; and Book Effective Tax Rate.

For this study, the model is modified as follows:

$$TIMFIN = \beta_0it + \beta_1BTDit + \beta_2 CETRit + \beta_3 CAPINTit + \beta_4 LEVit + \beta_5 ROAit + \beta_6 FAGEit + \mu it$$

..... (2)

Where:

TIMFIN = Timeliness of financial reporting; BTD = Book Tax Difference; CETR = Effective Tax Rate; LEV = Leverage; ROA = Return on Assets; CAPINT = Capital intensity; FAGE = Firm Listing Age

**Table 1: Measurement of variables**

Variables	Notation	Nature	Measurement	Justification/ Source
Timeliness of financial reporting	TIMFIN	Dependent	The lag between the fiscal year-end and the date of financial statement publication. 1 for compliance with the statutory requirement of 90 days and 0 if they disclose outside the period	Asiriuwa et al. (2021)
Book Tax Difference	BTD	Independent	Social Disclosure Index	Asiriuwa et al. (2021)
Effective Tax Rate	CETR	Independent	Environmental Disclosure Index	Akintoye et al. (2020)
Leverage	LEV	Independent	Ratio of EBIT to total asset	Alkhatib (2014)
Capital Intensity	CAPINT	Independent		Akintoye et al. (2020)
Firm Listing Age	FAGE	Control	Number of Years from incorporation to investigation period	Elisa (2013)
Profitability	ROA	Control	Profit After Tax/ Total Assets	Alkhatib (2014)

Source: Researchers' compilation, 2024

**Data Analyses Method**

Binary logistic (logit) regression analysis is employed to understand the impact of tax avoidance, tax planning strategy on the timeliness of financial reporting, controlling for other variables.

## RESULTS AND DISCUSSIONS

The results are presented and interpreted below.

### *Presentation and Discussion of Results*

Table 2: Descriptive Statistics

	TIMEFIN	BTD	CETR	CAPINT	LEV	ROA	FAGE
Mean	0.736786	-0.001952	0.203897	1.503116	1.086941	0.064246	40.10714
Median	0.000000	-0.003661	0.099139	1.162160	0.567883	0.040732	41.00000
Maximum	1.000000	6.130326	7.624883	10.01701	19.55710	6.174312	98.00000
Minimum	0.000000	-4.220166	-2.491865	0.000000	0.032253	-2.359907	3.000000
Std. Dev.	0.448412	0.567073	0.687390	1.351968	2.744038	0.528498	21.51039
Jarque-Bera	46.58507	54113.35	41258.80	2000.162	9019.072	68964.11	3.954507
Probability	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.138449
Observations	224	224	224	224	224	224	224

Source: Researchers computation 2024 (Eviews 10 Output)

Table 2 displays the descriptive statistics for the variables, and as seen, the mean TIMFIN was 0.736786, implying that the average timeliness for the sampled firm is approximately 0.73, suggesting a high level of timeliness, with the greatest and lowest observation scores of 1 and 0, respectively. The standard deviation was 0.44, indicating a broad range of values from the mean. The mean for BTD was -0.002, indicating the average difference in profit utilizing standard accounting methods and tax legislation, with the greatest and lowest observation values of 6.130 and -4.220. The standard deviation was 0.567, indicating a dispersion from the mean. The mean for CINT was 1.503, indicating the extent of non-current assets used by the sampled companies, with the greatest and lowest observation scores being 10.017 and 0.000, respectively. The standard deviation was 1.351, indicating that the data clustered around the mean. The mean LEV was 1.087, implying that the total debt-to-asset ratio is approximately 1.087. This indicates that total debt is more than total assets by 0.087, with the top and lowest observation scores of 19.557 and 0.032, respectively. The standard deviation was 2.744, indicating dispersion from the mean.

The mean CETR was 0.203, indicating that the average effective tax rate of the selected enterprises using tax planning tactics was 20.3%, with the greatest and lowest observation scores of 7.62 and 2.49, respectively. The standard deviation was 1.35, indicating a dispersion from the mean. Finally, the mean for FAGE was 40.107, indicating that the average age of the sampled firms is around 40 years, with the highest and lowest observation scores of 98.0 and 3.0 years, respectively. The standard deviation was 21.510, indicating a considerable variation from the mean. Observation of the JB probability value shows significance at 1% ( $p=0.000$ ) with exception to FAGE ( $p=0.138$ ) which indicates that the presence of outliers is likely, with the exception to FA. This suggests that the data for the variables are not normality distributed, however this does not give much cause for concern.

### *Correlation Matrix*

Table 3: Correlation

	TIMEFIN	BTD	CAPINT	CETR	ROA	LEV	FAGE
--	---------	-----	--------	------	-----	-----	------

TIMEFIN	1	-0.004155	-0.126365	-0.003235	0.034855	0.124489	0.067578
BTD	-0.004155	1	-0.038286	0.006836	0.957694	-0.044248	-0.025330
CAPINT	-0.126365	-0.038286	1	-0.097892	-0.098516	-0.205174	-0.086516
CETR	-0.003235	0.006836	-0.097892	1	0.011653	-0.054605	0.067250
ROA	0.034855	0.957694	-0.098516	0.011653	1	0.043283	-0.046353
LEV	0.124489	-0.044248	-0.205174	-0.054605	0.0432834	1	-0.105206
FAGE	0.067578	-0.025330	-0.086516	0.067250	-0.046353	-0.105206	1

**Source: Researchers computation 2024 (Eviews 10 Output)**

Correlation statistics indicate the direction and size of the correlations between variables. Positive correlations show that as one variable increases, so does the other, and vice versa. Using the TIMEFIN, the results reveal that it positively correlates with LEV ( $r=0.124$ ) and ROA ( $r=-0.034$ ) and FAGE ( $r = 0.067$ ), while it inversely correlates with CAPINT ( $r=-0.126$ ), CETR ( $r= -0.003$ ) and BTD ( $r=-0.0041$ ). Correlation statistics is not best suited for causal relationship, hence the need to go further to conduct a regression analysis. However, multicollinearity test is first conducted to ascertain whether or not the explanatory variables correlate among themselves which is capable of undermining the estimation result.

**Table 4: Multicollinearity test**

Variance Inflation Factors			
	Coefficient	Uncentered	Centered
Variable	Variance	VIF	VIF
C	0.006719	7.535463	NA
BTD	0.037831	9.58292	9.58276
CAPINT	0.000540	2.472155	1.102834
CETR	0.001931	1.108694	1.018664
ROA	0.043886	7.88890	7.685705
LEV	0.000136	1.325470	1.145009
FAGE	2.00E-06	4.638315	1.032543

Source: Researchers Compilation (2024)

### **Panel Regressions**

The study examines the relationship between tax planning and the timeliness of financial reporting. The result of the binary logistic (logit) regression method is presented below.

**Table 5: Binary Logit Regression Result**

Dependent Variable: TIMEFIN					
Variable	Coefficient	Std. Error	z-Statistic	Prob.	
BTD	-2.407187	1.707441	-1.409821	0.1586	
CAPINT	-0.091901	0.099100	-0.927364	0.3537	
CETR	-0.061954	0.212428	-0.291648	0.7706	
LEV	2.007406	0.540925	3.711065	0.0002	
ROA	3.245525	1.584498	2.048299	0.0405	
FAGE	-0.005575	0.006492	-0.858697	0.3905	
Mean dependent var	0.726457	S.D. dependent var		0.446780	
S.E. of regression	0.436186	Akaike info criterion		1.158654	

Sum squared resid	41.28612	Schwarz criterion	1.250327
Log likelihood	-123.1899	Hannan-Quinn criter.	1.195662
Deviance	246.3798	Restr. Deviance	261.6908
Avg. log likelihood	-0.552421	Total obs	224

**Source: Researchers Compilation (2024)**

The result in table 5 above reveals that the variable BTD has a negative but insignificant effect on the timeliness of financial reporting with a P value of 0.158. Similarly, the variable CAPINT exerts a negative insignificant effect on the timeliness of financial reporting with a p value of 0.353. CETR also has an insignificant effect on the timeliness of financial reporting. The variable LEV exerted a positive significant effect on the timeliness of financial reporting with a p value of 0.0002. The coefficient value on 2.007406 implies that a one unit increase in the variable leverage will lead to a two-unit improvement in the degree of reporting timeliness. Similarly, the variable ROA exerted a positive significant effect of financial reporting timeliness. FAGE exerted a negative insignificant effect on financial reporting timeliness.

**Table 6: OLS Regression Diagnostic Tests**

TIMEFIN		
<b>Heteroskedasticity Test: ARCH</b>		
F-statistic = 4.2272	Prob. F(1,219)	0.0158
Obs*R-squared = 8.251827	Prob. Chi-Square(2)	0.0161
<b>Breusch-Godfrey Serial Correlation LM Test:</b>		
F-statistic = 6.005162	Prob. F(2,215)	0.0029
Obs*R-squared= 11.85106	Prob. Chi-Square(2)	0.0027
<b>Ramsey Reset Test</b>		
t- statistics= 2.220	Df= 215	0.3295
F-statistics = 1.070	Prob. F(2, 215)	0.3446

**Source: Researchers Compilation (2024) from E-View 10**

As a precaution, the ARCH test for heteroskedasticity was applied to the residuals in the financial reporting timeliness model. The results showed probabilities greater than 0.05, allowing us to deny the presence of heteroskedasticity in the residuals. The Lagrange Multiplier (LM) test for higher order autocorrelation shows that the hypothesis of zero autocorrelation in the residuals was rejected. This is because the probability (Prob. F and Prob. Chi-Square) were less than 0.05. The LM test indicates that serial correlation problems in the model are likely. The Ramsey RESET test produced higher probability values than 0.05, indicating that there is likely no significant misspecification.

### **Summary of Findings**

The study finds that Book tax difference has a negative but insignificant effect on the timeliness of financial reporting in Nigeria manufacturing firms; Capital intensity has a negative but insignificant effect on the timeliness of financial reporting in Nigeria manufacturing firms; Effective tax rate has a negative but insignificant effect on the timeliness of financial reporting in

Nigeria manufacturing firms; and Leverage has a significant positive effect on the timeliness of financial reporting in Nigeria manufacturing firms.

### ***Discussion of Findings***

The variable BTD has a negative but insignificant effect on the timeliness of financial reporting with a P value of 0.158, greater than 0.05. This implies that tax avoidance does not affect the timeliness of financial reporting among Nigeria manufacturing firms. This is in tandem with the submission of Asiriwa et al., (2021) that book tax difference has a negative but insignificant effect on the timeliness of financial reporting using listed financial firms. Similarly, the variable CAPINT exert a negative insignificant effect on the timeliness of financial reporting with a p value of 0.353. This implies that this tax planning strategy does not affect the timeliness of financial reporting among Nigeria manufacturing firms.

CETR was also seen to have an insignificant effect on the timeliness of financial reporting. This is in tandem with Asiriwa et al (2021) and supports the result of the variable BTD, that tax avoidance does not affect the timeliness of financial reporting among Nigeria manufacturing firms. The variable LEV exerted a positive significant effect on the timeliness of financial reporting with a p value of 0.0002. The coefficient value on 2.007406 implies that a one unit increase in the variable leverage will lead to a two-unit improvement in the degree of reporting timeliness. This is in tandem with the agency theory, as the quest to meet up with creditors' expectations necessitate timely financial reports.

Overall, all variables of tax avoidance and tax planning strategies do not significantly impact on the timeliness otherwise of financial reporting, contrary to the assertion of Lawal et al (2013) and Akintoye et al. (2020) in the literature, pointing out that the intricacies involved in sophisticated tax planning might necessitate additional time for financial statement preparation and audit, potentially delaying the reporting process. This delay is due to the need for accurate representation of tax-related transactions in compliance with both tax laws and financial reporting standards.

### **CONCLUSION AND RECOMMENDATIONS**

The quest for tax avoidance and its practices could delay timely financial reporting but in the context of manufacturing firms in Nigeria, it is not significant enough to cause delays outside the statutory 90 days period. Results indicates that tax avoidance as measured by book tax difference and effective tax rate does not significantly influence the timeliness or otherwise of financial reporting in Nigeria manufacturing firms. Similarly, capital intensity, a measure of tax planning strategy exerts an insignificant negative effect on the timeliness or otherwise of financial reporting in Nigeria manufacturing firms. However, the study observed that leverage, a measure of tax planning strategy is a significant determinant of the timeliness of financial reporting in Nigeria manufacturing firms. The use of debt motivates timely reporting as firms need to convince creditors that they are compliant to regulations. Similarly, the control variable ROA revealed that highly profitable firms possess the resources to ensure timely financial reporting. The following recommendations are made:

- i. Managers are to take full advantage of tax avoidance and tax planning within the context of relevant tax laws, as they do not dampen firms' ability to produce timely financial reports.

Igbinovia, I. M. and Unamma, A. N. (2024). Tax planning and the timeliness of financial reporting in listed manufacturing firms in Nigeria. *Malete Journal of Accounting and Finance*, 5 (1), 1-15

- ii. Firms should continue to explore and improve on the use of debt capital (leverage) as firms do not only benefit from the tax shield from debt usage, but the desire to satisfy creditors' expectation of compliance with regulations also facilitate timely financial reporting.

## REFERENCES

- Adegbe, F. & Fakile, A. (2011). Company income tax and Nigeria economic development. *European Journal of Social Sciences*, 22(2), 309-319.  
[https://www.researchgate.net/publication/296069207\\_Topic\\_company\\_income\\_tax\\_and\\_Nigeria\\_economic\\_development](https://www.researchgate.net/publication/296069207_Topic_company_income_tax_and_Nigeria_economic_development).
- Akintoye, I., Adegbe, F., & Iheme, O. (2020). Tax planning strategies and profitability of quoted manufacturing companies in Nigeria. *Journal of Finance and Accounting* 8(3), 148.  
<http://dx.doi.org/10.11648/j.jfa.20200803.16>
- Aktas, R. and Kargin, M. (2011). Timeliness of reporting and the quality of financial information. *International Research Journal of Finance and Economics*, 63(2), 71-77.  
[https://www.researchgate.net/publication/286893580\\_Timeliness\\_of\\_reporting\\_and\\_the\\_quality\\_of\\_financial\\_information](https://www.researchgate.net/publication/286893580_Timeliness_of_reporting_and_the_quality_of_financial_information)
- Alkhatib, K. (2014). The determinants of forward-looking information disclosure. *Procedia-Social and Behavioral Sciences*. 109 (1), 858-864.
- Alm, J. & Torgler, B. (2006). Culture differences and tax morale in the United States and in Europe. *Journal of Economic Psychology*, 27(2), 224-246.  
<https://doi.org/10.1016/j.joep.2005.09.002>.
- Asiriwuwa, O., Adeyemi, S.B., Uwuigbe, O.R., Uwuigbe, U., & Ozordi, E. (2021). Tax aggressiveness and timeliness of financial reporting in Nigeria financial sector. *Academy of Accounting and Financial Studies Journal*, 25(6), 1-11.  
<https://ir.unilag.edu.ng/handle/123456789/10528>"
- Butler, M., Kraft, A., & Weiss, I. (2007). The effect of reporting frequency on the timeliness of earnings: The cases of voluntary and mandatory interim reports. *Journal of Accounting and Economics*, 43(2-3), 181-217. <https://doi.org/10.1016/j.jacceco.2007.02.001>
- Duhoon, A. & Singh, M. (2023). Corporate tax avoidance: a systematic literature review and future research directions. *LBS Journal of Management & Research*, 21(2), 197-217.  
<https://doi.org/10.1108/LBSJMR-12-2022-0082>
- Elisa, M. (2013). Firms' characteristics and forward-looking information in management commentaries of Italian listed companies. *Academic Journals*, 7(17), 1667-1674.
- Ernst & Young. (2021). Nigeria: Highlights of Finance Act 2020. Available at-  
[https://www.ey.com/en\\_gl/tax-alerts/nigeria-highlights-of-finance-act-2020](https://www.ey.com/en_gl/tax-alerts/nigeria-highlights-of-finance-act-2020). (Accessed: 10 Jan. 2024).
- Fintrak. (2023). *Financial Reporting Council of Nigeria- Requirements and Roles*. Available at-  
<https://www.fintraksoftware.com/financial-reporting-council-of-nigeria/>. (Accessed: 10 Jan. 2024).
- FIRS. (2023). *Companies Income Tax (CIT)*. Available at-<https://www.firs.gov.ng/companies-income-tax-it>  
<https://doi.org/10.2308/accr.2009.84.2.467><https://www.jstor.org/stable/246875><https://doi.org/10.2308/accr.2009.84.2.467>

- Igbinovia, I. M. and Unamma, A. N. (2024). Tax planning and the timeliness of financial reporting in listed manufacturing firms in Nigeria. *Malete Journal of Accounting and Finance*, 5 (1), 1-15  
[x.doi.org/10.2139/ssrn.1476561](https://doi.org/10.2139/ssrn.1476561)<https://doi.org/10.5089/9798400234545.00>[https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)
- Ken, D. (2014). Tax compliance theory and the literature. *Factors Influencing Individual Taxpayer Compliance Behaviour*. Springer, Dordrecht. [https://doi.org/10.1007/978-94-007-7476-6\\_2](https://doi.org/10.1007/978-94-007-7476-6_2)
- Kenton, W. (2023). *Net Income (NI) Definition: Uses, and How to Calculate It*. Investopedia. Available at- <https://www.investopedia.com/terms/n/netincome.asp> (Accessed: 10 Jan. 2024).
- KPMG. (2023). *Nigeria Fiscal Guide 2023*. Available at- <https://kpmg.com/ng/en/home/insights/2023/07/nigeria-fiscal-guide-2023.html>. (Accessed: 10 Jan. 2024).
- Lawal, B., Oyetunji, O., & Anuoluwapo, S. (2013). Tax incentives and business growth: Experience from listed manufacturing firms in Nigeria. *Journal of Development and Conflict*, 11(2),17-29. [https://www.researchgate.net/publication/366822353\\_Tax\\_Incentives\\_and\\_Business\\_Growth\\_Experience\\_from\\_Listed\\_Manufacturing\\_Firms\\_in\\_Nigeria](https://www.researchgate.net/publication/366822353_Tax_Incentives_and_Business_Growth_Experience_from_Listed_Manufacturing_Firms_in_Nigeria)
- Murphy, K. (2008). Enforcing tax compliance: To punish or persuade? *Economic Analysis & Policy*, 38(1), 113-135. [http://dx.doi.org/10.1016/S0313-5926\(08\)50009-9](http://dx.doi.org/10.1016/S0313-5926(08)50009-9)
- Nigerian Stock Exchange Website (2022). <http://www.NSE.com>
- Ohaka, J. & Akani, F. (2017). Timeliness and relevance of financial reporting in Nigerian quoted firms. *Management and Organizational Studies*, 4(2), 55. <https://www.google.com/url?sa=t&source=web&rct=j&opi=89978449&url=https://www.sciedupress.com/journal>.
- Ogbaisi, S. & Ezuem, M. (2021). Corporate governance and financial reporting quality of firms in Nigeria. *International Journal of Management and Social Sciences*, 6(3), 113. [https://www.researchgate.net/publication/362428842\\_Corporate\\_Governance\\_and\\_Financial\\_Reporting\\_Quality\\_of\\_Firms\\_in\\_Nigeria](https://www.researchgate.net/publication/362428842_Corporate_Governance_and_Financial_Reporting_Quality_of_Firms_in_Nigeria)
- Olarewaju, O. & Olayiwola, J. (2019). Corporate tax planning and financial performance in Nigerian non-financial quoted companies. *African Development Review*, 31(2), 202-215. [10.1111/1467-8268.12378](https://doi.org/10.1111/1467-8268.12378)
- Ozili, P., Uadiale, O., & Edeigba, J. (2023). The 2018 revised Nigerian code of corporate governance: An academic response and lessons for Africa. *SSRN Electronic Journal*. <http://dx.doi.org/10.2139/ssrn.4581547>
- Pessoa, M. (2021). How to manage value-added tax refunds. *International Monetary Fund*, (4). <https://doi.org/10.5089/9781513577043.061>
- PwC. (2023). *Nigeria Corporate: Tax credits and incentives*. Available at- <https://taxsummaries.pwc.com/nigeria/corporate/tax-credits-and-incentives>. (Accessed: 10 Jan. 2024).
- PwC. (2023). *Nigeria Corporate- Deductions*. Available at- <https://taxsummaries.pwc.com/nigeria/corporate/deductions>. (Accessed: 10 Jan. 2024).
- Richardson, G., Taylor, G., & Lanis, R. (2013). The impact of board of director oversight characteristics on corporate tax aggressiveness: An empirical analysis. *Journal of Accounting and Public Policy*, 32(3), 68-88. <https://doi.org/10.1016/j.jaccpubpol.2013.02.004>
- Scholes, M., Mark A., Merle, E., Edward, L., & Terry, S. (2015). *Taxes and Business Strategy: A Planning Approach*. Pearson.

- Igbinovia, I. M. and Unamma, A. N. (2024). Tax planning and the timeliness of financial reporting in listed manufacturing firms in Nigeria. *Malete Journal of Accounting and Finance*, 5 (1), 1-15
- Slemrod, J. (2007). Cheating ourselves: The economics of tax evasion. *Journal of Economic Perspectives*, 21(1), 25-48. <https://www.jstor.org/stable/30033700>
- Tanko, U. (2023). Financial attributes and corporate tax planning of listed manufacturing firms in Nigeria: moderating role of real earnings management *Journal of Financial Reporting and Accounting*, 1(1). <https://doi.org/10.1108/JFRA-05-2022-0198>
- TheCable (2020). *The tax implications of Finance Act 2020*. Available a-  
<https://www.thecable.ng/the-tax-implications-of-finance-act-2020> (Accessed: 10 Jan. 2024).
- Zogning, F. (2022). Agency theory: A critical review. *European Journal of Business and Management*, 9 (2), 1-7.  
[https://www.researchgate.net/publication/364812853\\_Agency\\_theory\\_A\\_critical\\_review](https://www.researchgate.net/publication/364812853_Agency_theory_A_critical_review).