

COMPANY INCOME TAX AND FINANCIAL PERFORMANCE OF HOTEL INDUSTRY IN RIVERS STATE

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ABSTRACT

The study investigated company income tax and financial performance of hotel industry in Rivers state. The research adopted correlational survey research design. The population is one hundred (100) staff in the five (5) hotels (Hotel Presidential, La-Meridian Hotel, Golden Tulip, Randolph Hotel and Voyage Ranch Hotel) in the hotel industry Rivers State. The staffs comprise: top management staffs, accountants, and auditors. The sample size of this study is eighty (80) staff in the five (5) hotels in Rivers State. The study used questionnaire instrument, and data were analyzed in the Statistical Package for Social Sciences (SPSS) Version 22. The research hypotheses were tested using Ordinary Least Square Regression (OLSR) analysis at a significance level of .05. The results of the findings were that there is no positive linear relationship between company income tax remittance and profitability in hotel industry in Rivers state. While there is a positive linear relationship between company income tax remittance and return on assets in hotel industry in Rivers state. The study also concludes that there is a very strong positive linear relationship between big audit firm and reliability of audit opinion in Rivers state. Also there is a significant relationship between small audit firm and reliability of audit opinion in Rivers state. This study recommends among others that Tax authorities or government should reduce the (30%) company income tax rate, or should give tax incentive to reduce the tax burden and increase profitability of hospitality industry to thrive. And also, hotel managers should adhere to their tax practices as to on enjoy capital allowances and increase return on assets.

Keywords: Company Income Tax, Financial Performance, Profitability, Return on Assets, Company Income Tax Remittance.

INTRODUCTION

Tax is a compulsory payments levied on all income, goods, services and properties of individuals, partnerships trustees, executorships and companies by the government. Thus, is an essential consideration in company's financial statements as it is a significant measure of every

company's performance? The imposition of tax is statutory to enable government meet its duties and obligations, whereas it is the duty of every citizen and entity (company) to declare his/its income honestly to appropriate and lawful agencies and pay its tax promptly. Hence, the administration of the companies' income tax in Nigeria.

The tax is payable by all companies at the rate defined by the Companies Income Tax Act (CITA) Sec. (1) and collected and administered by the Federal Inland Revenue Services.

However, despite regulations and laws on Companies Income Tax in Nigeria, tax returns filing and payment by companies has become a matter of concern in Nigeria as a result of frequent changes in company income tax policies and mostly by wide range of taxes and levies charged on business enterprises in Nigeria such as; corporation tax, value added tax, presumption tax and exercise duty, has directly affect company's financial performance (Ine-Tonbarapa, 2013).

The term 'company' for the purpose of CITA 1990 is defined under S. 84 to mean any company or corporation (other than corporation sole or partnership) established by or other under any law in force in Nigeria or elsewhere. The taxation of the profit of companies is under the company income tax 1990. According Uchenna (2009), company income tax is a tax paid by corporations based on the amount of profit generated. The tax is assessed on total profits in pursuance to audited accounts which are subjected to adjustments.

Company income tax is a type of direct tax in Nigeria dates back to the colonial era. It was during the era of Lord Lugard that some laws on taxes such as native revenue proclamation 1906, native revenue ordinances 1917 were passed. This was in operation in Northern and Western Nigeria.

Subsequently upon these, both the native direct taxation and non-natives income tax ordinance were passed in 1937 and these ordinances initiate discrimination in direct taxation of non-Africans and companies.

This ordinance is the foundation of modern company income tax in Nigeria (Uchenna, 2009). Company tax is charged upon the companies since 1965, after every accounting period tax is charged on profits. Company or corporate tax is charged on the profits generated by companies, public corporations and unincorporated associations such as provident societies, clubs and trade associations. It is a direct tax levied on the profits of companies in Nigeria and it's been administrated and collected by Federal Inland Revenue Service (FIRS).

Companies income tax

Is payable for each year of assessment of the profits of any company at a rate of 30% (Tax Data Card, 2015). These include profits accruing in, derived from, brought into or received from a trade, business or investment. Also companies paying dividends to its shareholders are first obliged to pay tax on its profits at company's tax rate. Generally, in Nigeria company dividends or other company distributions, whether or not of a capital nature made by a Nigerian company is liable to tax at source of 10%, however dividends paid in the form of bonus share or scrip shares to individual shareholders are not subject to tax, where also a company is a shareholder in another company then such dividends are excluded from the profits of the company for the purposes of computation of the tax (PWC, 2015).

A company's financial performance is critical to its health, growth and survival. A company's high performance reflects its effectiveness and efficiency in the management of its resources for operational, investment and financing activities measured in monetary terms

(Naser & Mokhtar, 2004). Corporate financial performance is at the heart of the managerial function of an organization. Curristine (2005) in Ilesanmi (2011), defines financial performance as the yield or results of activities carried out in relation to the purposes being pursued. Its objective is to strengthen the degree to which organizations achieve their purposes.

Financial performance according to Ine-Tonbarapa (2013), is the totality of the internal processes and systems that are required and were undertaking in parts or sections of the organization in order to consistently achieve profitability or income goals and objectives of the business entity in terms of measuring, monitoring and evaluating the key performance indicators such as profitability, return on investment, return on capital employed, return on assets, operational costs effectiveness, receivable, turnover rate, quick ratio, etc. In other words, the focus of corporate financial performance is monetary result he added.

According to Lawrence & Mautz (2012), corporate financial performance is an umbrella word used to describe the methodologies, processes and systems that help managed an enterprise in order to attain success, break-even or failures in an organization sales or services rendered.

Obviously, changes in tax policy and multiple taxes and levies charged on business enterprises in Nigeria as its influence on hotel company's performance. Tax policies are not easy to predict, and the amendments thereto may have impressive consequences over the companies. And company's voluntary compliance and returns fillings are low while tax avoidance and evasion is common; the resultant effect is low tax revenue which government over the years has complained. Hence income tax seems to be impeding the achievements of corporate set objectives in hotel companies, as tax parameters always determining the profit, earning per share, return on asset, dividend yield, return on investment, etc, of company's (Adetifa, 2012).

Statement of Problem

The hotel sector of any economy is considered to be very important as it contribution to the growth of the economy in visibly job creation and improved tax contribution. The challenges of the hotel sector come in a midst of high corporate tax rates in excess of 30% (Tax Data Card, 2015). The puzzle on hand is whether the high income tax rates affect the performance of the hotel sector.

Whichever way, taxation observably, plays a role in the misfortunes of the sector because tax policies in Nigeria are frequently reviewed and amended to favour the administration in power, resulting to multiple taxes without considering companies' growth and performance, have led to some blooming hotel company's in Rivers state shot down in recent years and many have been sealed. The Vanguard (2017), "In Port Harcourt, the FIRS team, led by Mr. Umar Gana, sealed three hotels: Randolph Hotels and Resorts at 101, Old Aba Road, which has a tax debt of N41.032 million, and Titie Hotels, N17.8 million; Sasun Hotels Limited, N149.6million and Arena Event Centre".

The vanguard further report that these hotels cannot operate effectively and efficiently due to multiple corporate tax rates which affects their profit, earning per share, return on asset, dividend yield, return on investment, etc.

Is on this note, the study research on company income tax on the performance of hotel industry in Nigeria. Though, numbers of research have been carried out in the area, still there

exist scanty studies available that has addressed this topic in more comprehensive measures like return on assets and profitability which this study utilized. This study examining these has filled the existing research gap in the country.

The purpose of this study is to investigate the effect of company income tax and financial performance of hotel industry in Rivers state. Specifically, the study attains the following objectives:

1. To investigate the extent to which company income tax remittances affect profitability in hotel industry in Rivers state.
2. To investigate if company income tax remittance has impact on return on assets in hotel industry in Rivers state.

Research Hypotheses

Ho₁: There is no significant relationship between company income tax remittance and profitability in hotel industry in Rivers state.

Ho₂: There is no significant relationship between company income tax remittance and return on assets in hotel industry in Rivers state.

Conceptual Framework

Concept of Company Income Tax

A corporate tax, also called corporation tax or company tax, is a [direct tax](#) imposed by a jurisdiction on the income or capital of corporations or analogous legal entities. In Nigeria, companies are subjected to tax under the provisions of the Companies Income Tax Act of 1990 as amended to date. An assessment levied by a government on the profits of a company. The rate of corporate income tax paid by a business varies between countries, although since corporations are legal entities distinct from their owners and operators, they are typically taxed as if they were people (Ine-Tonbarapa, 2013).

Company income tax is a significant source of revenue the government on Nigeria. It is a direct tax levied on the profits of companies in Nigeria and it's been administrated and collected by Federal Inland Revenue Service (FIRS). Government had always use company taxation not only to raise money to run the affairs of government but also is an important tool for economic development (Duru, 2013).

Companies Income

Tax is payable for each year of assessment of the profits of any company at a rate of 30% (Tax Data Card, 2015). These include profits accruing in, derived from, brought into or received from a trade, business or investment. Also companies paying dividends to its shareholders are first obliged to pay tax on its profits at company's tax rate.

Generally, in Nigeria company dividends or other company distributions, whether or not of a capital nature made by a Nigerian company is liable to tax at source of 10%, however dividends paid in the form of bonus share or scrip shares to individual shareholders are not subject to tax, where also a company is a shareholder in another company then such dividends are excluded from the profits of the company for the purposes of computation of the tax (PWC, 2015).

Meaning of Company for Tax Purpose

All companies in Nigeria are liable to pay companies Income Tax on their global profits accruing in, brought into, derived from or received in Nigeria. The question is what is a company for the purpose of tax?

A company duly registered in accordance with the provision of the Companies and Allied Matters Act (hereinafter referred to as CAMA) or any enactment replaced by it is what the Act recognizes as a company in Nigeria. Although CAMA defines a foreign company to mean company incorporated elsewhere than in Nigeria, it does not recognize its existence in Nigeria for business activities. It only defines it for the purpose of identifying it to comply with the mandatory incorporation processes before carrying on business in Nigeria 11 and to benefit from exemption from registration (Duru, 2013).

Section 54(1) CAMA provides that: Subject to Sections 56 - 59 of this Act, every foreign company which, before or after the commencement of this Act, was incorporated outside Nigeria, and having the intention of carrying on business in Nigeria shall take all steps necessary to obtain incorporation as a separate entity in Nigeria for that purpose, but until so incorporated the foreign company shall not carry on business in Nigeria or exercise any of the powers of a registered company and shall not have a place of business or an address for service of documents or processes in Nigeria for any purpose other than the receipt of notices and other documents as matters preliminary to incorporation under this Act.

However, the Companies Income Tax Act (CITA) 1defines 'company' in a broader sense. It defines a company as: "any company or corporation (other than corporation sole) established by or under any law in force in Nigeria or elsewhere "Looking at this definition, the CITA recognizes both Nigerian companies and foreign companies for the purpose of tax though on different basis. It should however be noted that the mandatory statutory provision of CAMA is clearly unambiguous in prohibiting the existence of a foreign company in Nigeria for any purpose (including carrying on business to make profit. In fact, any violation of the provision is banded with a penalty.

The CITA on the other hand permits the existence of foreign companies and charge their profits derived from Nigeria to tax. These enactments as rightly argued by John are both Acts of the National Assembly made to serve economic and fiscal purposes. While CAMA regulates incorporation, control and management of companies, CITA charges to tax the profits of these companies.

Before CITA can be effective, there must be in existence companies brought into being by CAMA. When CAMA prohibits the existence of a class of company can CITA permit or legalize it? This question according to John D.C. brings about two conflicting public interest. He said: "One is the prevention of proliferation of foreign companies, unless registered as Nigerian company.

The second is the revenue generation from the profits of companies including foreign companies." The two according to John constitute key components of Nigerian economic policy and needs to be reconciled and harmonized. It is important to state that the definition of company above analyzed is the same under the Petroleum Profit Tax Act (kiabel, 2012).

It is submitted that Nigerian system of taxation does not operate in isolation from the rest of the world. Some foreign companies operate globally and render returns on global basis. The profits made by these foreign companies cannot be ignored. In this regard, the definition of 'company' by CAMA cannot be accurate for tax purposes.

CITA also exempts the profits from taxation of any company formed for the purpose of promoting sporting activities where such profits are wholly expendable for such purpose.

Company limited by guarantee may be exempted upon an application to the president for an order for exemption.

Challenges and Prospectus of Company Tax Administration in Nigeria

According to Soyode & Kajola (2016), the problems of tax administration in Nigeria are as follows:

a) **Tax Evasion:** Tax evasion is a deliberate and willful practice of not disclosing full taxable income so as to pay less tax. In other words, it is a contravention of tax laws whereby a taxable person neglects to pay the tax due or reduces tax liability by making fraudulent or untrue claims on the income tax form. Tax is evaded through different methods some of which include the following:

- Refusing to register with the relevant tax authority.
- Failure to furnish a return, statement or information or keep records required.
- Making an incorrect return by omitting or understating an income liable to tax refusing or neglecting to pay tax.
- Overstating of expenses so as to reduce taxable profit or income, which will also lead to payment of less tax than otherwise have been paid.
- A taxpayer hides away totally without making any tax return at all.
- Entering into artificial transactions.

b) **Tax Avoidance:** Tax avoidance has been defined as the arrangement of tax payers' affairs using the tax shelters in the tax law, and avoiding tax traps in the tax laws, so as to pay less tax than he or she would otherwise pay. That is, a person pays less tax than he ought to pay by taking advantage of loop holes in a tax levy. Tax can be avoided in various ways:

- Incorporating the tax payer's sole proprietor or partnership into a limited liability company.
- The ability to claim allowances and reliefs that are available in tax laws in order to reduce the amount of income or profit to be charged to tax.
- Minimizing the incidence of high taxation by the acquisition of a business concern which has sustained heavy loss so as to set off the loss against future profits.
- Minimizing tax liability by investing in capital asset (for instance through the new form of corporate financing by equipment leasing), and thus sheltering some of the tax payer's income from taxation through capital allowance claims.
- Sheltering part of the company's taxable income from income tax by capitalizing profit through the issue of bonus shares to the existing members at the (deductible) expenses to the company.
- Creation of a trust settlement for the benefit of children or other relation in order to manipulate the martinet tax rate such that a high income bracket taxpayer reduces his tax liability.
- Converting what would ordinarily accrue to the tax payer (employee) as income into capital gain (i.e Compensation for loss of office) the advantage of the employer and employee. Manipulation of charitable organizations whose affairs are controlled and dominated by its founders thus taking advantage of income tax exemption.

Financial Performance

According to Richard (2009), organizational performance comprises the actual output or results of an [organization](#) finances as measured against its intended outputs (or [goals](#) and objectives). Financial performance encompasses three specific areas of firm outcomes: financial performance (profits, return on assets, return on investment and shareholder return, total shareholder return, economic value added, etc.

financial effectiveness captures [organizational performance](#) plus the myriad internal performance outcomes normally associated with more efficient or effective operations and other external measures that relate to considerations that are broader than those simply associated with economic valuation (either by shareholders, managers, or customers), such as [corporate social responsibility](#).

According to Ondieki (2011), suggested five major areas in which a firm's financial performance can be assessed. These areas include liquidity, Productivity, profitability, financial efficiency and repayment capacity. The term is used as a general measure of a firms overall financial health over a given period of time and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

There are many ways to measure financial performance but all measures should be taken in aggregation. Line items such as revenues from operations, operation income or cash flows from operations can be used as well as total unit sales furthermore the analyst or investor may wish to look deeper into financial statements and seek out margin growth rate or any declining debt.

Profitability

Profitability depends on the ability of a firm to generate revenue which is capable of absorbing all expenses, including tax and then leave a balance that could be pooled back into the business for expansion. Peavier (2012), defined profitability as the organizational performance indicator which reveals the return on sales and return on investment. Profit after tax is the net amount earned by a business after all tax expenses have been deducted (Ezegwu & Akubo, 2014).

Profitability is an economic indicator that calculates the financial benefit that is realized when the amount of revenue gained from a business activity exceeds the expenses, costs and taxes needed to sustain the activity (Salaheldin, 2015).

Profitability measurements serve as scorecards of the effective use of resources by determining if the organization is progressing well and providing information on how effectively and efficiently the organization manages its financial activities (Orukwu, 2016). Profitability is a measure of financial performance that indicates earnings after expenses and other deductions are made.

There are several levels or indices of profitability including: gross profit margin (deducting cost of sales from the revenue figures and dividing by it revenue figure), net profit margin (net operating profit after interest and taxes), operating margin or operating efficiency (earnings before interest and tax) and inventory turnover (dividing cost of goods sold with average inventory for that period).

Return on Assets

According to Besely (2006), the return on assets ratio, often called the return on total assets, is a profitability ratio that measures the net income produced by total assets during a

period by comparing net income to the average total assets. In other words, the return on assets ratio or ROA measures how efficiently a company can manage its assets to produce profits during a period. Since company assets' sole purpose is to generate revenues and produce profits, this ratio helps both management and investors see how well the company can convert its investments in assets into profits.

You can look at ROA as a return on investment for the company since capital assets are often the biggest investment for most companies. In this case, the company invests money into capital assets and the return is measured in profits.

The return on assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue. This number tells you what the company can do with what it has, i.e. how many naira of earnings they derive from each naira of assets they control. It's a useful number for comparing competing companies in the same industry.

The number will vary widely across different industries. Return on assets gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets. ROAs over 5% are generally considered good.

Effect of Company Income Tax on Performance of Hotel Industry

According to Ross (2014), company income tax is imposed on the net profit of the corporations or joint stock companies. By reducing the fund available for re-investment, the company income tax militates against expansion and development of the company. Also, the amount available to be distributed as earnings and return on asset is reduced. This also serves as disincentive to the investing public. Capital formation is checked thereby.

Thus, flow of equity capital is checked. The prices of services rendered by hotel company's may rise which may give a place to cheaper substitutes resulting in a shift of resources in their favor.

Company Income Tax Remittance and Profitability

Taxation of corporate profits, is a vital element of fiscal policy, it influences both macroeconomic and microeconomic. Therefore, tax law reforms targeted towards keeping tax rate low could increase the value of companies (Neghina, 2012). The importance of corporate profitability and of keeping corporate tax rate low cannot be overemphasized.

It is such that every government that considers economic and employment growth a priority must reflect in their fiscal policy (Canadian Manufacturers & Exporters, 2015). The incidence of corporate tax is that it reduces the fund available for re-investment and growth of a business. It also affects dividend distribution thereby discouraging the investing public (Ezegwu & Akubo, 2014).

In conclusion, when businesses make profit and pay little taxes, they will have enough fund to re-invest and expand. By so doing more employment opportunities spring up and the economy of the country improves. The reverse becomes the case when tax rates are high and there are not adequate tax incentives to reduce the tax burden on firms.

Profitability is considered as the most complicated feature for a company to be understood and evaluated. These ratios included in profitability are applied for evaluating business capabilities and making the wages in comparison with all cost during a specific period of time.

In a more accurate way, the ratios indicate the profitability of a company, having calculated the total costs and tax on revenue. Generally speaking, profitability ratios are considered as the main financial ratio of a company so that can evaluate the desirable performance of a company in profitable situations.

For the most sections, if a profitability ratio is relatively higher than the required ratio for other competitors, is indicated as the better performance of the company (Saghafi & Aghaei, 1994).

Company Income Tax Remittance and Return on Assets

This implies that higher ROA indicates increased company performance and shareholders will benefit from the accepted dividends. With increasing dividends accepted by shareholders, it will be the main attraction to keep investing its shares and for potential investors to invest their shares into the company. Therefore, higher positive investor perception to invest in the company will encourage the company growth chances.

Empirical Studies

The core function of tax revenue as a revenue generating tool in developing countries has been studied by eminent scholars. Junaidu, & Hauwa, (2018), the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria from 2006-2016. Data for the study was collected from the annual reports and accounts of the companies and regression analysis was used as a technique for data analysis.

The study finds that there is an insignificant negative relationship between corporate tax and financial performance using return on assets as a measure. Age and risk however exhibits a positive but not significant relationship with ROA.

Size on the other hand shows a positive and significant relationship with performance confirming prior expectations. The study recommends that to improve the financial performance of listed Nigerian consumer goods, services of tax experts are needed to engage in legal tax planning like transfer pricing or structuring intra-company debt in order to reduce the net tax payment. By doing so, the net income after tax will increase which in turn increases financial performance.

Syed, Syed & Zia (2011), effect of corporate income tax and firms' size on capital investment made in tangible assets by the manufacturing firms belongs to nine non-financial sectors listed in Karachi Stock Exchange.

To examine the study Panel Financial Data on annual basis has been gathered for the period of six years from 65 sample manufacturing companies.

To determine the effect of two predictors as corporate income tax and firms' size on fixed investment the results are generated by using multiple regression analysis as a statistical technique with the help of multiple Statistical tools for high accuracy of outcomes. The results conclude that there is a negative relationship exists between corporate income tax and investment while firm size and investment reveals a positive relationship with each other.

Therefore, it has been cleared in the light of above results that excess tax obligations in a firm specific sector will discourage corporate investor for investment in it. On the other hand, enhancement in firm size as total sales revenue will increase the level of investment in a KSE listed firm and vice versa for developed hypothesis.

John, Samuel & Holy Kwabla (2013), effect of corporate income tax on financial performance of listed manufacturing firms in Ghana. The study used panel data methodology

covering ten listed manufacturing firms over seven years to empirically determine the effect of corporate income tax on financial performance.

The study revealed that there is a significant negative relation between corporate income tax and financial performance. On the other hand, firms' size, age of the firm and growth of the firm show a significant positive relationship with financial performance.

Neghină (2015), tax impact on the financial performance of companies in Bucharest.

National and international literature addressing various aspects of the impact problem profits tax on corporations and the results of management decisions, specifically targeting the financing decision. Financial structure determines the effects on profitability and the company's profitability, influencing in this way, the value of the company.

This paper uses data for 25 companies listed on the Bucharest Stock Exchange between 2006-2011. This paper finds a negative correlation between the effective tax rate, interest rate and performance, and a positive correlation between leverage, firm size, relative growth of the company and financial performances. This paper aims to validate some theories of increased leverage increases company performance.

Jens & Schwellus (2008), examined the effects of corporate income taxes on two of the main drivers of growth, profitability and investment of firms in European OECD member countries over the time period of 1996- 2004, through stratified sampling this is found to be true across firms of different size and age classes, except for young and small firms.

The results suggest that corporate income taxes reduce investment through an increase in the user cost of capital. This may be partly explained by the negative profitability effects of corporate income taxes if there is an increase in the corporate tax rate.

There is a large body of empirical investigating the effect of taxes on company performance and though most of the results agree that taxes do influence performance of company, the size and performance of these effects are still in dispute. And that is what is study geared to reveal.

Theoretical Framework

Taxation is classified under two different theories as stated below; Benefit or Quid pro Quo" theory and "Ability to Pay" or faculty theory. Therefore, this study is guided by approach theory according to AKakpo (2009), is of the assertion that, taxes are based on tax payers' ability to pay thus there is no quid pro quo. But the acceptance of the principle does not mean the end of our difficulties; rather the difficulty begins. The underlying principle of this theory is that, taxes paid are seen as a sear sacrifice by taxpayers, which the raise the issues of what the sacrifice of each taxpayer should be and how it should be measured. Based on this, the theory has the following principle.

- i. Equal sacrifice: This implies that the total loss of utility as a result of taxation should be equal for all taxpayers so that those who can afford to pay higher taxes are made to pay higher than those who cannot afford.
- ii. Equal Proportional Sacrifices: The proportional loss of utility as a result of taxation should be equal for all taxpayers such that the payment of taxation should not deprive anybody of what he/she would have previously sacrificed.
- iii. Equal marginal Sacrifice: The instantaneous loss of utility is measured by the derivative of the utility function as a result of taxation should be equivalent for all taxpayers. This will require the least collective sacrifice.

However, benefit or Quid pro quo” is contrary to faculty theory and that is the rationale why it does not suit the study, because taxes paid are seen as a sacrifice by the taxpayers and not necessary they get return after payment and all things being equal.

METHODOLOGY

The study adopted correlational survey research design. The population is one hundred (100) staff in the five (5) hotels (Hotel Presidential, La-Meridian Hotel, Golden Tulip, Randolph Hotel and Voyage Ranch Hotel) in the hotel industry Rivers State. The staffs comprise: top management staffs, accountants, and auditors.

The sample size of this study is eighty (80) staff in the five (5) hotels in Rivers State. This number is derived by the application or use of Taro Yamane formula for sample size determination. The instrument for this study will be questionnaires designed after an extensive literature review. The formulated hypotheses were tested using the Ordinary Least Square Regression (OLSR) analysis with model summary explaining the relationship and determinant percentage of the relationship with the R and R-square respectively and the significance of the variability will be tested using the hypotheses acceptance and rejection at 0.05 levels of significant using Coefficients table with the aid of the SPSS platform.

Model Specification

Thus the formula for ordinary least square regression: $\psi = a_0 + b_1x_1 + e \dots\dots\dots 1$
 To test the hypotheses of the study, this study has two main variables, dependent and independent and a moderating variable. Company Income Tax (CIT) is the independent variable of the study as well as the operational dimension in term of the following: Company Income Tax Remittance (CITR).

Whereas Financial Performance (FINPER) its measures are Profitability (PROFIT) and Return on Assets (ROA). The following models were used to analyses the OLSR relationship between the variables.

The First Model:

The first hypothesis test model; the relationship between company income tax remittance and profitability:

$$PROFIT_{it} = \beta_0 + b_1(CITR)_{it} + e (.05)$$

The Second Model:

The second hypothesis test model; shows the relationship between company income tax remittance and return on assets:

$$ROA_{it} = \beta_0 + b_2(CITR)_{it} + e (.05)$$

Data presentation and analysis

Hypothesis One: There is no significant relationship between company income tax remittance and profitability hotel industry in Rivers state.

The First Model:

The first hypothesis test model; the relationship between company income tax remittance and profitability: $PROFIT_{it} = \beta_0 + b_1(CITR)_{it} + e (.05)$

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	.873 ^a	.761	.759	.25065	1.955
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a. Predictors: (Constant), CITR

b. Dependent Variable: PROFIT

Source: SPSS Output Data 2019).

The model summary table produced a correlation coefficient, 'R' of 0.873^a show there is a very strong positive linear relationship between company income tax remittance and profitability. And our R² stood 0.761 which implies that about 76% variations in the dependent variable (profitability) is attributed to changes in the independent variable (company income tax remittance).

		Coefficients				
		Unstandardized Coefficients		Standardized Coefficients		
	Model	B	Std. Error	Beta	T	Sig.
1	(Constant)	1.823	.113		16.119	.000
	CITR	.511	.028	.873	18.301	.162

Dependent Variable: PROFIT

Source: SPSS Output Data 2019).

The above coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.873, produced a t-value of 18.301 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is accepted (P-Value > 0.05). Hence, there is no positive linear relationship between company income tax remittance and profitability in hotel industry in Rivers state.

Hypothesis Two: There is no significant relationship between company income tax remittance and return on assets in hotel industry in Rivers state.

The Second Model: the second hypothesis test model; shows the relationship between company income tax remittance and return on assets: $RO_{it} = \beta_0 + \beta_2(CITR)_{it} + e$ (.05)

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.770 ^a	.592	.589	.29157	1.798

a. Predictors: (Constant), CITR

b. Dependent Variable: ROA

Source: SPSS Output Data 2019).

The model summary table produced a correlation coefficient, 'R' of 0.770^a show there is a very strong positive linear relationship between company income tax remittance and return on assets. And our R² stood 0.592 which implies that about 59% variations in the dependent variable (return on assets) is attributed to changes in the independent variable (company income tax remittance).

Coefficients

	Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.231	.132		16.954	.000
	BIAF	.401	.032	.770	12.354	.000

Dependent Variable: PROFIT

Source: SPSS Output Data 2019.

The above coefficient table shows a Beta (β) value (same as correlation coefficient, R) of 0.770, produced a t-value of 12.354 which is significant at P (0.000) less than the chosen alpha of (0.05). The result is significant thus; the null hypothesis is rejected (P-Value < 0.05). Hence, there is a positive linear relationship between company income tax remittance and return on assets in hotel industry in Rivers state.

CONCLUSION

The research showed that there is no positive linear relationship between company income tax remittance and profitability in hotel industry in Rivers state. The finding was in direction with John, Samuel & Holy Kwabla (2013), effect of corporate income tax on financial performance of listed manufacturing firms in Ghana and also of Junaidu, & Hauwa (2018), the effect of company income tax on the financial performance of listed consumer goods companies in Nigeria.

The two studied concluded that corporate income taxes reduce investment and expansion opportunities. This may be partly explained by the negative correlation of profitability, growth, and return on investment on corporate income taxes because of high or increase corporate tax rate.

Hypothesis two concludes that there is a positive linear relationship between company income tax remittance and return on assets in hotel industry in Rivers state.

This finding agrees with the view of Syed, Syed & Zia (2011), effect of corporate income tax and firms' size on capital investment made in tangible assets by the manufacturing firms belongs to nine non-financial sectors listed in Karachi Stock Exchange. The study finds that there is a significant positive relationship between corporate tax and financial performance using return on assets as a measure.

RECOMMENDATIONS

Tax authorities or government should reduce the (30%) company income tax rate, or should give tax incentive to reduce the tax burden and increase profitability of hospitality industry to thrive. And also, hotel managers should adhere to their tax practices as to on enjoy capital allowances and increase return on assets.

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APPENDIX

S/N	QUESTIONNAIRE ITEMS	Very Great Extent	Great Extent	Mode rate Extent	Low Extent	Very Low Extent
1	Your hotel or resort has been remitting income tax regularly.					

2	Your hotel had been evading tax because of the high tax rate?					
3	The extent of your hotel compliance to company income tax.					
4	The tax liability of your hotel is high?					
5	Your company has been filling tax returns to tax authority monthly?					
6	Your hotel is not registered with the relevant tax authority.					
7	Your Hotels have been corruptly remitting its income taxes.					

Independent Variable Questionnaire
Dependent Variable Questionnaire
Profitability

S/N	QUESTIONNAIRE ITEMS	Very Great Extent	Great Extent	Mode rate Extent	Low Extent	Very Low Extent
1	Regular remitting of income tax has contributed to better corporate performance.					
2	High tax liability has not negatively affected hotel dividend per share					
3	To what extent tax compliance improves the tax after profit of your hotel?					
4	To what extent tax compliance improves the dividend per share of your hotel?					
5	Corrupt remitting of income taxes increase to earnings per share.					
6	Regular remitting of income tax has contributed to increase earnings per share of your hotel.					
7	High tax liability has not negatively affected hotel net profit margin?					

Return on Asset

1	Regular remitting of income tax has contributed to increase return on assets of your hotel.					
2	Corrupt remitting of income taxes increase to return on asset.					
3	To what extent tax compliance improves the return on assets of your hotel?					

4	High tax liability has not negatively affected hotel return on assets.					
5	Regular remitting of income tax increase return on investment of your hotel.					
6	What extent tax compliance reduces working capital?					
7	Tax remittance has increase debt ratio					