Tax Incentives and Development of Manufacturing Industries in Nigeria

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Introduction

In the Nigerian economy, incentives to industries boost industrial expansion, enhance the balance of payments, and intensify the overall impacts of industrialisation on income and employment. Governments will try to use tax incentives to correct private sector investment decisions and attract investment that would not have happened without them. In a similar vein, tax incentives that lower tax obligations would enhance business performance. The goal of giving manufacturing businesses tax breaks and incentives is to allow them to expand and prosper, which will advance the nation's overall economic growth. However, if the potential beneficiaries are not aware that such incentives even exist, this goal may not be accomplished. Additionally, a lack of taxpayer education or an ineffective tax administration system may make the few who are aware of these incentives less likely to apply for them. Therefore, by lowering the import content of local manufacturing, incentives for industries function as a stimulant for industrial expansion, improve the balance of payments, and increase the overall impacts of industrialisation on employment and income in the Nigerian economy. This study examined the idea of tax incentives using loss relief, tax-exempt income, and investment allowances and how they relate to the growth of Nigeria's manufacturing sectors.

Methodology

Purposive sampling was employed to ascertain the number of manufacturing firms required to offer a representative sample of the population being studied. These companies were selected based on their revenue growth in 2022. Secondary data was used to source the information required from 2013-2022. The collected data was analysed using Panel Statistics and multiple regression analysis.

Results and discussion

From the hypotheses testing, the three null hypotheses using the variables of tax-exempt income, loss relief and investment allowance, which have no significant effect on the expansion of Nigeria's manufacturing sectors, were rejected. The findings indicate that tax-exempt income positively and statistically significantly influences the growth of the manufacturing sector, loss relief has a negative but statistically significant effect on the sector's development, while investment allowance significantly and negatively affects the expansion of the manufacturing sector.

Conclusion

The study concluded that while investment allowance and loss relief have a negative influence on the growth of Nigeria's manufacturing businesses, tax incentive indicators, when tax-exempt income, have a substantial impact. The federal government has put in place several tax rules that offer incentives to manufacturing firms to boost economic growth. Because of their limited infrastructure, high manufacturing costs, and power shortages, these incentives are essential to achieving their fundamental objectives.

Keywords

Investment allowance, Loss relief, Tax-exempt income, Tax incentives, Manufacturing