



TAX POLICY UNCERTAINTY AND FOREIGN DIRECT INVESTMENT IN NIGERIA

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Abstract: This study investigates the effect of tax policy uncertainty on foreign direct investment (FDI) inflows in Nigeria using a financial time-series econometric framework. Employing annual data from the Central Bank of Nigeria (CBN), Federal Inland Revenue Service (FIRS), and National Bureau of Statistics (NBS), the study captures dynamic interactions between fiscal unpredictability and investment behavior over recent reform periods. The Augmented Dickey–Fuller (ADF) test confirms stationarity of all variables, validating their suitability for autoregressive distributed lag (ARDL) estimation. The ARDL bounds testing approach establishes a long-run cointegrating relationship between FDI and tax policy uncertainty, proxied by corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty. Short-run ARDL results reveal that fluctuations in corporate tax rates, frequent legislative amendments, and discretionary enforcement significantly deter FDI, while lagged dependent variables indicate persistence in investment behavior. The error correction mechanism confirms convergence toward long-run equilibrium following short-term shocks. Empirical findings show that all dimensions of tax policy uncertainty exert negative and statistically significant effects on FDI, both in the short and long run, highlighting the critical role of fiscal predictability and policy credibility in attracting foreign investment. The study concludes that recurrent tax reforms, inconsistent legislative practices, and enforcement ambiguities constrain Nigeria’s ability to attract foreign capital. Policy recommendations include prioritizing stable and predictable tax regimes, enhancing legislative coherence, improving transparency in tax administration, and institutionalizing investor-focused communication mechanisms to reduce compliance uncertainty and strengthen Nigeria’s investment environment.

Keywords: Tax policy uncertainty, Foreign direct investment, Corporate tax volatility, ARDL bounds testing, Nigeria

1. Introduction

Foreign Direct Investment (FDI) is widely acknowledged as a critical catalyst for economic growth, capital accumulation, technology diffusion, and productivity enhancement in developing economies (World Bank, 2023). For Nigeria, Africa’s largest economy by GDP, FDI is particularly important in addressing persistent infrastructure deficits, supporting industrial

diversification, and reducing excessive reliance on oil revenue. Consequently, Nigeria has consistently pursued policy reforms aimed at improving its investment climate and attracting multinational enterprises. However, beyond market size and resource endowments, foreign investors place substantial weight on the predictability of fiscal and tax policy, given its direct implications for post-tax

European Journal of Accounting, Finance and Investment

An official Publication of Center for International Research Development

Double Blind Peer and Editorial Review International Referred Journal; Globally index

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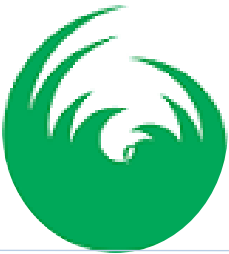


profitability, cash flow planning, and long-term investment risk (Baker, Bloom, & Davis, 2016; IMF, 2023).

In recent years, Nigeria's tax environment has undergone profound and frequent changes, largely driven by fiscal pressures arising from declining oil revenues, rising public debt, and widening budget deficits. Since 2019, successive Finance Acts have amended major tax statutes, including the Companies Income Tax Act, Value Added Tax Act, Capital Gains Tax Act, and petroleum fiscal frameworks. These reforms have altered tax rates, revised exemptions, expanded tax bases, and introduced new compliance obligations for firms operating in Nigeria. Most recently, the 2024–2025 tax reform agenda culminated in the passage of comprehensive tax reform bills by the National Assembly, aimed at increasing non-oil revenue, restructuring tax administration, and revising VAT revenue sharing arrangements (Reuters, 2025). While these reforms are intended to strengthen fiscal sustainability and improve efficiency, they have also heightened concerns about tax policy uncertainty, particularly with respect to implementation clarity, transitional arrangements, and the durability of newly introduced tax provisions (Baker, et al. 2016; IMF, 2023). From an investment perspective, the frequency and scope of Nigeria's tax reforms may generate ambiguity rather than certainty for foreign investors. Multinational enterprises typically engage in long-horizon investment planning, and repeated changes to tax legislation, incentives, and enforcement practices can raise compliance costs, increase earnings volatility, and elevate perceptions of regulatory risk (Jelil, et al., 2017). Theoretical insights

from real options theory suggest that in such environments, firms may postpone or reduce irreversible investment commitments due to heightened uncertainty (Baker et al., 2016). In Nigeria, these challenges are compounded by institutional weaknesses, including overlapping tax jurisdictions between federal and subnational governments and inconsistencies in tax administration, which further amplify uncertainty faced by foreign investors (Ogbonnaya, et al., 2025).

While traditional empirical work has focused on discrete tax instruments and their direct effects on investment, there is limited peer-reviewed research that explicitly conceptualizes and measures tax policy uncertainty as a distinct construct influencing FDI behavior in Nigeria. This gap is notable because uncertainty arising from frequent legislative changes, unclear enforcement, and transitional ambiguities may independently dampen investor confidence even when tax rates themselves are unchanged. Real options theory posits that ambiguity about future policy reduces the attractiveness of irreversible investment commitments, leading to delayed or foregone foreign capital (Baker et al., 2016). Given Nigeria's recent reform trajectory characterized by ambitious but shifting policy frameworks the magnitude and direction of the tax policy uncertainty–FDI nexus deserve systematic investigation. Accordingly, this paper investigates the impact of tax policy uncertainty on FDI in Nigeria, situating the analysis within the broader macroeconomic and institutional context, and bridging a key gap in the literature by incorporating both tax regime dynamics and uncertainty into the empirical framework.



Conceptual Framework: Tax Policy Uncertainty and Foreign Direct Investment in Nigeria



Figure 1. Conceptual Framework of Tax Policy Uncertainty and Foreign Direct Investment in Nigeria

Source: Author's Construct (2025).

The conceptual framework posits that tax policy uncertainty directly influences foreign direct investment (FDI) in Nigeria. Tax policy uncertainty is captured through three dimensions: corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty. Volatility in tax rates increases uncertainty about future after-tax returns, frequent legislative changes weaken policy predictability,

and inconsistent enforcement raises compliance risk and costs. The framework posits that each dimension of tax policy uncertainty exerts a direct and negative influence on FDI inflows, consistent with real options theory and institutional investment theory. Higher levels of tax uncertainty are expected to reduce foreign direct investment by increasing risk premiums and discouraging long-term capital commitments. The directional arrows in

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the framework therefore indicate a unidirectional causal relationship from tax policy uncertainty components to FDI, providing a clear basis for empirical model specification and hypothesis testing.

2. Literature Review

2.1 Conceptual Review

2.1.1 Tax Policy Uncertainty

Tax policy uncertainty arises when firms are unable to accurately predict future tax liabilities due to frequent legislative amendments, ambiguous tax regulations, discretionary enforcement, and unstable incentive regimes. Unlike the tax burden which captures the level of taxation at a given point in time tax policy uncertainty reflects the volatility and unpredictability of tax rules over time, thereby influencing expectations and investment risk (Baker, Bloom, & Davis, 2016; Gulen & Ion, 2016). Recent public finance literature emphasizes that uncertainty in tax policy can be more harmful to investment decisions than high tax rates, as it complicates planning and increases earnings volatility (IMF, 2023). In Nigeria, sources of tax policy uncertainty are particularly pronounced. These include repeated amendments through successive Finance Acts, overlapping federal and subnational tax jurisdictions, discretionary enforcement practices, weak dispute resolution mechanisms, and sudden reversals or modifications of tax incentives. Empirical evidence indicates that such features of the Nigerian tax system elevate compliance costs and regulatory risk, thereby weakening the investment climate for both domestic and foreign firms (Jelil, Olotu, & Adegbe, 2017; Ogbonnaya et al., 2025).

2.1.2 Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) refers to a long-term cross-border investment in which a foreign entity acquires a lasting interest and effective managerial control in a host-country enterprise (OECD, 2023). FDI is a critical conduit for capital inflows, technology transfer, managerial expertise, and access to global markets, particularly in developing economies with limited domestic savings (UNCTAD, 2024). The determinants of FDI are well documented in the literature and include market size,

macroeconomic stability, trade openness, institutional quality, regulatory environment, and fiscal policy conditions (Asiedu, 2022; De Mooij & Ederveen, 2008). FDI can be broadly classified into horizontal FDI, where multinational firms replicate production activities in the host country to serve local markets, and vertical FDI, where firms fragment their production process across borders to exploit cost advantages or factor endowments (Helpman, Melitz, & Yeaple, 2004). These investment forms respond differently to host-country policies, with vertical FDI being particularly sensitive to fiscal and regulatory uncertainty due to its reliance on long-term cost efficiency and stable policy expectations.

2.1.3 Channels Through Which Tax Uncertainty Affects FDI

Tax policy uncertainty affects foreign direct investment through several interrelated channels. From a real options perspective, investment projects are largely irreversible and involve substantial sunk costs; therefore, heightened uncertainty increases the option value of waiting, leading multinational firms to delay or cancel investment decisions until policy clarity improves (Baker et al., 2016; Bloom, Bond, & Van Reenen, 2007). Additionally, uncertainty surrounding future tax rules raises the perceived risk of operating in the host country, which translates into higher required rates of return and an increased cost of capital, ultimately reducing the viability of long-term investment projects (Gulen & Ion, 2016). Tax uncertainty also complicates profit repatriation and international tax planning by exposing firms to unexpected changes in withholding taxes, transfer pricing rules, and incentive eligibility, thereby eroding expected after-tax returns. In combination, these channels suggest that unstable and unpredictable tax environments systematically discourage foreign direct investment, particularly in emerging economies where institutional buffers against policy shocks are weak (UNCTAD, 2024; IMF, 2023).

2.2 Theoretical Framework

This study draws on a selective set of investment and institutional theories that are directly relevant to explaining how tax policy uncertainty influences foreign direct



investment (FDI) in an emerging economy such as Nigeria. The theoretical foundation integrates Real Options Theory, Neoclassical Investment Theory, Institutional Theory, and the Eclectic (OLI) Paradigm to provide a coherent explanation of investor behaviour under uncertain tax regimes. Real Options Theory constitutes the core analytical framework of the study. The theory posits that when investment decisions involve large sunk costs and are difficult to reverse, uncertainty increases the value of waiting before committing capital (Dixit & Pindyck, 1994). In the context of Nigeria, uncertainty arising from volatile corporate income tax rates, frequent legislative amendments through successive Finance Acts, and unpredictable enforcement practices raises ambiguity about future after-tax returns. Consequently, foreign investors may postpone or scale down investment projects until greater tax policy clarity is achieved. This mechanism directly links tax policy uncertainty to reduced FDI inflows.

Neoclassical Investment Theory complements this perspective by emphasizing the role of expected profitability and the user cost of capital in determining investment decisions (Jorgenson, 1963). Under this framework, taxation affects investment by altering expected returns on capital. When tax policy is unstable, uncertainty regarding future tax liabilities effectively raises the perceived cost of capital, thereby weakening investment incentives. In Nigeria, persistent changes in tax laws and administrative rules distort firms' expectations, reducing the attractiveness of long-term foreign investment. Institutional Theory further explains how the quality and credibility of the regulatory environment shape investment outcomes. Stable and predictable institutions reduce transaction costs and policy risk, thereby fostering investment confidence (North, 1990). In Nigeria, weaknesses in tax administration such as discretionary enforcement, overlapping federal and subnational tax jurisdictions, and inconsistent interpretation of tax laws undermine institutional credibility and amplify tax policy uncertainty. From an institutional perspective, it is not only the level of taxation but also the reliability of the tax system that influences FDI decisions.

The Eclectic (OLI) Paradigm provides an additional lens by identifying location advantages as a critical determinant of FDI (Dunning, 1988). A predictable and transparent tax regime constitutes an important location-specific advantage. Persistent tax policy uncertainty erodes this advantage by increasing regulatory risk, thereby making Nigeria less competitive relative to alternative investment destinations. Together, these theories suggest that tax policy uncertainty affects FDI through expectations, cost of capital, institutional credibility, and location attractiveness.

2.3 Empirical Review

Empirical research across developed and emerging economies provides strong evidence that policy uncertainty adversely affects foreign direct investment (FDI). Using multi-country panel data, Jarret, Jude, and Chinn (2023) find that heightened economic policy uncertainty significantly reduces FDI inflows, with stronger effects observed in emerging economies relative to advanced countries. This suggests that weaker institutional buffers amplify the negative investment response to uncertainty. Similarly, Baker, Bloom, and Davis (2016) demonstrate that uncertainty surrounding fiscal and regulatory policy increases investment risk and encourages firms to delay irreversible capital commitments, consistent with real options theory.

Evidence from OECD economies shows that while statutory corporate tax rates influence FDI, uncertainty in tax regimes plays an equally important role in shaping multinational investment decisions (De Mooij & Ederveen, 2008). Comparative studies indicate that unpredictable tax reforms and unstable fiscal rules undermine location attractiveness, even in countries with relatively competitive tax rates. Studies focusing on BRICS economies also confirm that fiscal and policy uncertainty discourages inward FDI, particularly in capital-intensive sectors where long planning horizons make investors more sensitive to tax instability (Zhang, Wang, & Xu, 2022). Overall, international evidence suggests that tax uncertainty reduces FDI by increasing risk premiums and weakening expected post-tax returns.



Empirical studies focusing on Africa emphasize the importance of tax policy, fiscal stability, and institutional quality in shaping FDI inflows. Using panel data for Sub-Saharan African countries, Asiedu (2022) finds that unstable fiscal policies and weak institutions significantly reduce foreign investment, even when market size and natural resource endowments are favorable. Similarly, Klemm and Van Parys (2012) show that competitive and stable corporate tax systems are associated with higher FDI inflows in African economies, while frequent tax reforms reduce investment responsiveness. Recent studies further indicate that fiscal instability manifested through repeated tax reforms, revenue-driven policy changes, and weak enforcement capacity negatively affects investment flows across African countries (IMF, 2023). While tax reforms aimed at broadening the tax base may improve revenue performance, their investment effects depend critically on policy predictability and administrative consistency. However, much of the African literature focuses on tax rates and incentives rather than explicitly modeling tax policy uncertainty, leaving uncertainty effects largely implicit rather than directly measured.

Empirical studies on Nigeria consistently document a significant relationship between taxation, macroeconomic conditions, and FDI inflows. Using time-series techniques, Ogbonnaya, et al (2025) find that corporate income tax policies significantly influence FDI in Nigeria, with adverse effects arising when tax changes coincide with macroeconomic instability. Similarly, Jelil, et al (2017) report that the multiplicity of taxes and complex tax administration structures discourage foreign investment by increasing compliance costs and regulatory risk. Other Nigerian studies show that petroleum profit tax and company income tax exert a negative and statistically significant effect on FDI inflows, particularly in capital-intensive sectors (Efanga, 2024). Research incorporating macroeconomic controls such as exchange rate volatility and inflation further suggests that tax effects on FDI are amplified under unstable economic conditions (Akinwale & Aremo, 2023). Despite these findings, existing Nigerian studies largely focus on tax levels and tax revenue measures, with limited attention paid to tax policy uncertainty as a distinct explanatory variable.

3. Methodology

This study adopts a financial time-series econometric research design to examine the impact of tax policy uncertainty on foreign direct investment (FDI) in Nigeria. The time-series approach is appropriate for capturing dynamic interactions among fiscal variables and for distinguishing between short-run fluctuations and long-run equilibrium relationships in an environment characterized by recurrent tax reforms. Annual data are employed to reflect policy changes and investment responses over time. Data for the study are sourced from official and credible institutions. Information on foreign direct investment and macroeconomic indicators is obtained from the Central Bank of Nigeria (CBN) Statistical Bulletin. Data relating to corporate income tax policy, legislative amendments, and enforcement practices are drawn from publications of the Federal Inland Revenue Service (FIRS), including Finance Acts and tax administration reports. Additional macroeconomic and institutional statistics are sourced from the National Bureau of Statistics (NBS). The study period is determined by data availability and is chosen to capture recent tax reform episodes in Nigeria.

The empirical analysis begins with tests of the time-series properties of the variables using the Augmented Dickey–Fuller (ADF) unit root test to determine their order of integration. Given the likelihood of mixed integration orders among the variables, the Autoregressive Distributed Lag (ARDL) bounds testing approach is employed to examine the existence of a long-run relationship between FDI and tax policy uncertainty. Where cointegration is established, long-run coefficients and a short-run error correction model are estimated to capture both equilibrium effects and adjustment dynamics following short-term shocks. Following the estimation strategy, the model is specified with net foreign direct investment inflows, measured as a percentage of GDP, as the dependent variable. Tax policy uncertainty is proxied by corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty.

The functional relationship is expressed as:

$$NFDIt = f(CTRVt, LRCSt, ECUNt)$$

which can be expressed econometrically as:



$NFDIt = \alpha_0 + \alpha_1CTRVt + \alpha_2LRCS_t + \alpha_3ECUNT + \epsilon_t$
where

NFDIt denotes net foreign direct investment inflows as a percentage of GDP at time *t*,

CTRVt denotes corporate income tax rate volatility, measured as fluctuations in the statutory corporate income tax rate over time, reflecting uncertainty in expected after-tax returns.

LRCS_t denotes legislative and regulatory changes, proxied by the frequency or intensity of amendments to tax

laws and regulations, particularly through successive Finance Acts and related fiscal legislation.

ECUNT denotes enforcement and compliance uncertainty, captured through indicators reflecting discretionary enforcement, administrative ambiguity, and compliance complexity in tax administration.

α_0 is the intercept,

α_1 – α_3 are slope coefficients, and

ϵ_t is the error term.

4. Results and Discussion

Table 1: Augmented Dickey–Fuller (ADF) Stationarity Test Results

Variables	ADF Statistics	1%	5%	Prob.
NFDI	-4.982614	-3.548208	-2.912631	0.0003
CTRV	-5.417829	-3.548208	-2.912631	0.0001
LRCS	-3.964217	-3.548208	-2.912631	0.0048
ECUN	-4.321506	-3.548208	-2.912631	0.0016

Source: E-Views 12

The Augmented Dickey–Fuller unit root test results indicate that all variables are stationary at level, as their respective ADF statistics are more negative than the critical values at the 5 percent significance level. The associated probability values further confirm rejection of the null hypothesis of a unit root. This suggests that foreign direct investment and the tax policy uncertainty proxies

corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty exhibit mean-reverting behavior over the study period. The stationarity properties of the series validate their suitability for ARDL estimation and subsequent long-run and short-run analysis.

Table 2: Lag Order Selection Criteria

Lag	LogL	LR	FPE	AIC	SC	HQ
0	-4316.742	NA	6.18e+98	246.3287	246.6398	246.4361
1	-4098.615	336.1845	8.04e+94	236.0142	238.5028	236.8733
2	-3947.382	172.9063*	5.11e+92*	230.6729*	235.3390*	232.2836*

Source: E-Views 12 output

Table 4.2 reports the results of the lag order selection criteria used to determine the optimal lag length for the empirical model. Multiple information criteria including the Akaike Information Criterion (AIC), Schwarz Criterion (SC), Hannan–Quinn Criterion (HQ), and the Final Prediction Error (FPE) are employed to ensure robustness

in lag selection. The results indicate that Lag 2 is the optimal lag length, as it minimizes the AIC, SC, HQ, and FPE values. Selecting two lags ensures an adequate model fit while avoiding over-parameterization, thereby enhancing the reliability of the subsequent ARDL bounds testing and error correction estimations.

Table 3: ARDL Bounds Technique for Cointegration Test

F-statistic	Freedom	Level of Significance	I(0) Bound	I(1) Bound	Remark
5.271846	3	10%	2.37	3.20	Cointegrated



5%	2.79	3.67
2.5%	3.15	4.08
1%	3.65	4.66

Source: E-Views 12 output

Table 3 presents the results of the ARDL bounds test for cointegration. The computed F-statistic of 5.27 exceeds the upper critical bound values at the 10 percent, 5 percent, and 2.5 percent significance levels. This provides strong evidence against the null hypothesis of no long-run relationship among the variables. Consequently, the results confirm the existence of a stable long-run equilibrium

relationship between foreign direct investment and the tax policy uncertainty proxies corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty in Nigeria. This finding justifies the estimation of long-run coefficients and short-run dynamics within the ARDL error correction framework.

Table 4: ARDL Short-Run Dynamics

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
NFDI(-1)	0.612845	0.061327	9.993218	0.0000
NFDI(-2)	-0.174932	0.049815	-3.511247	0.0036
ΔCTRV	-0.421506	0.183247	-2.300614	0.0279
ΔCTRV(-1)	0.196842	0.092316	2.132984	0.0398
ΔCTRV(-2)	-0.287419	0.104615	-2.748533	0.0104
ΔLRCS	-0.314287	0.138420	-2.271918	0.0294
ΔLRCS(-1)	-0.221648	0.099365	-2.231106	0.0321
ΔLRCS(-2)	-0.084517	0.067814	-1.246687	0.2219
ΔECUN	-0.257403	0.114386	-2.249989	0.0312
ΔECUN(-1)	-0.342981	0.096127	-3.566841	0.0029
ΔECUN(-2)	-0.219674	0.088453	-2.483576	0.0187
C	4.316209	1.208547	3.571884	0.0028
R-squared		0.987214		
Adjusted R-squared		0.981936		
S.E. of regression		0.142619		
Akaike Info Criterion		2.614372		
Schwarz Criterion		3.392841		
Log Likelihood		-27.56318		
F-statistic		187.4261		
Prob(F-statistic)		0.000000		
Durbin-Watson Stat		2.184917		

Source: E-Views 12 output

Note: p-values do not account for possible model selection uncertainty.

The short-run ARDL results reported in Table 4 reveal significant dynamic interactions between foreign direct investment and tax policy uncertainty in Nigeria. The lagged dependent variables are statistically significant, indicating persistence in FDI inflows and confirming that

past investment levels influence current investment behavior. The positive coefficient on NFDI(-1) suggests short-run adjustment continuity, while the negative coefficient on NFDI(-2) reflects partial correction of earlier deviations. Changes in corporate income tax rate



volatility exert a statistically significant negative effect on FDI in the short run. This indicates that sudden or unexpected changes in corporate tax rates immediately discourage foreign investment by increasing uncertainty surrounding expected after-tax returns. Although the first lag of CTRV shows a temporary corrective response, the second lag remains negative and significant, implying that rate volatility generates lingering investment uncertainty. Legislative and regulatory changes also demonstrate a negative short-run impact on FDI. The contemporaneous and first-lag coefficients are statistically significant, suggesting that frequent amendments to tax laws and fiscal regulations rapidly erode investor confidence. However, the insignificance of the second lag indicates that the immediate effects dominate short-term investment responses. Enforcement and compliance uncertainty consistently exhibits negative and significant coefficients across current and lagged periods. This finding highlights the role of administrative discretion, compliance ambiguity, and enforcement unpredictability in shaping foreign investors' short-term decisions. Persistent enforcement uncertainty raises transaction costs and regulatory risk, thereby discouraging capital inflows. Overall, the high explanatory power of the model, coupled with a significant F-statistic and a Durbin–Watson statistic close to two, confirms good model fit, absence of serial correlation, and robustness of the short-run estimates. The results provide strong empirical support for the argument that tax policy uncertainty exerts immediate and adverse effects on foreign direct investment in Nigeria.

5. Conclusion

This study examined the effect of tax policy uncertainty on foreign direct investment (FDI) in Nigeria using a time-series econometric framework. By decomposing tax policy uncertainty into corporate income tax rate volatility, legislative and regulatory changes, and enforcement and compliance uncertainty, the study provides a nuanced assessment of how fiscal unpredictability influences foreign investment decisions. The empirical results from the ARDL bounds testing approach confirm the existence of a stable long-run relationship between tax policy uncertainty and FDI in Nigeria. The findings reveal that all

dimensions of tax policy uncertainty exert a negative and statistically significant effect on foreign direct investment in both the short and long run. Corporate income tax rate volatility reduces expected after-tax returns and raises the risk premium demanded by foreign investors. Frequent legislative and regulatory changes undermine policy credibility and weaken investor confidence, while enforcement and compliance uncertainty increases transaction costs and regulatory risk. The short-run dynamics further demonstrate that tax uncertainty generates immediate investment responses, while the significant error correction mechanism confirms convergence toward long-run equilibrium following short-term shocks. Overall, the study concludes that Nigeria's recurrent tax reforms, administrative discretion, and enforcement inconsistencies have constrained foreign direct investment inflows, despite the country's market size and investment potential. The results align with real options theory and institutional theory, emphasizing that predictability and policy credibility are critical determinants of long-term foreign investment. Based on the empirical findings, several policy recommendations are advanced. First, fiscal authorities should prioritize tax policy stability by minimizing abrupt changes in corporate income tax rates and ensuring that reforms follow clearly communicated medium-term frameworks. Predictable tax policies reduce uncertainty and enhance Nigeria's attractiveness to foreign investors. Second, legislative coherence and consistency should be strengthened. Tax reforms should be guided by comprehensive impact assessments, with sufficient transition periods to allow investors to adjust to new regulations. Avoiding frequent reversals of tax incentives and exemptions will further reinforce policy credibility. Third, efforts should be made to improve tax administration and enforcement transparency. Standardizing enforcement procedures, reducing discretionary practices, and strengthening coordination among tax authorities can lower compliance uncertainty and regulatory risk faced by foreign firms. Finally, Nigeria should institutionalize investor-focused tax communication mechanisms, including advance tax rulings and clear administrative guidelines, to reduce ambiguity in tax interpretation



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