

THE EFFECTS OF TAXATION ON PRIVATE INVESTMENT IN KENYA

(A CASE OF KISHI BOTTLERS CO. LTD)

BY

JULIUS GICHANA MBUYA



**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT
FOR THE REQUIREMENT FOR THE AWARD OF DEGREE IN
BACHELOR OF COMMERCE (ACCOUNTING OPTION)**

MOUNT KENYA UNIVERSITY

2014

ABSTRACT

Nations in the world raise revenue from individual income Tax, Corporate Income Tax, and goods and services (VAT, excise duties) to provide social amenities, and other important infrastructure in the country. However such taxation policies have different effects to private investments. The study aimed to answer; the effect of taxation on profitability of Kisii bottlers' co. ltd, the effect of taxation on growth of the company, and the effect of taxation on the welfare of the employees of the company. This research problem was studied through the use of a descriptive research design. The respondents of this study were senior, middle and lower level managers of the company. The researcher collected both primary and secondary data. The study generated both qualitative and quantitative data. Quantitative data was coded and entered into Statistical Packages for Social Scientists (SPSS Version 18.0) and analyzed using descriptive statistics. Qualitative data was analyzed based on the content matter of the responses.

The study established that corporate taxation affects the performance of the company. The data suggested that corporate taxation compel the company to pay the government tax reducing the company's profits. This reduces the company's capacity to expand and purchase modern equipment required in soft drinks production. In conclusion, private investment has been recognized as one of the pillars for achieving sustainable economic growth. Tax chargeability should be evaluated, and the tax system overhauled because if it is left unchanged, it may produce many unintended distortions in allocation of resources. The study recommends that, the government should review taxation policies to enable private investments to accrue more profits that can enhance expansion of the businesses so as to provide employment to more people in the country.