ABSTRACT

The study was carried out in order to establish whether taxation had an impact on FDI. Foreign direct investment in Kenya has seen somewhat strategize growth over the past years while taxation levels seemed to decline. It is with this in mind that this study sought to investigate the probable effect that taxation as a disincentive has on FDI. Data was collected from various government agencies that deal with either taxation or FDI. The taxes that were employee in the study include marginal effect tax rate. These stem from the formulation develops by Stapper 2010 and others.

The tool used to analyze the data was regression were in appropriate model was formed to find out the magnitude and direction of the impact of taxation on FDI. Sum of the marginal effective tax rates was considered the explanatory variable while FDI stocks were viewed as the independent variable in the model. In the study analysis carried out test were used including the Pearson correlation coefficient. The findings of the study observed taxation on foreign direct investment had a linear relationship within I the period 2005 – 2010. The marginal effective the rates showed a negative correlation on FDI. The study suggested that FDI in Kenya showed a great deal of sensitivity to the tax regime.