



An Investigation of the Effect of Tax Incentives on the FDIs: A Case of EPZs in Athi River Kenya

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Abstract

The study sought to investigate tax incentives, exclusively tax holiday and capital deductions and how they influence the attraction and retention of the Foreign Direct Investments in Export Processing Zones. A sample size of 72 employees of the firms operating under EPZs was selected for the study using stratified method for the firms and purposive method for the respondents. The study utilized descriptive survey design using self administered questionnaires to solicit information from sampled senior of Export Processing Zones firms. The study found that the use of tax holiday greatly influences the attraction and retention of Foreign Direct Investments. Arguably, the manufacturing sector seems greatly favored by the tax incentives compared to other sectors due to extended capital allowances. The research concludes that tax incentives should be enhanced towards boosting the growth and expansion of the foreign director investors and that the government should be willing to extend the tax holiday beyond ten years for the firms depending on capital injected on long term basis.