

**THE IMPACT OF TAXATION ON INVESTMENT DECISIONS
OF THE CSE LISTED MANUFACTURING COMPANIES IN
SRI LANKA**



By

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ABSTRACT

This study examined the impact of Taxation on Investment Decisions of the CSE Listed Manufacturing Companies in Sri Lanka, which is one of the central questions in both public finance and development as it the leading source of business cycle volatility. Currently, policy makers have made effort to impose more uniformity on corporate tax policies as there is no empirical study exists to quantify the extent to which corporate income tax have altered the structure of investment decisions. Therefore, as per the study topic, the researcher has formulated two study objectives to attain the ultimate objective of this research.

Here, the descriptive Research was used in this study which involved the analysis of quantitative data. The data was the financial statements of 24 manufacturing companies listed at the Colombo Stock Exchange, which was collected from 2015 to 2019. The analysis for these secondary data was done using the STATA – 14 package, where the panel regression analysis, panel correlation, descriptive statistics and some other tests have used for that.

However, it has concluded that corporate taxation impacts investment decisions of the manufacturing companies, where the overall impact of taxation assed with the corporate taxes or income taxes, while the investment decisions measured based on long lived assets of the companies as they are placed a major role on the corporate investments. So, finally the researcher recommends to the practitioners or the users to take the advantage of depreciation tax shield, as the depreciation amount calculated each year is used to reduce the amount of tax liability, which is the best way to save the corporate funds for company investments by controlling income taxes.

Key words: Taxation, Income Taxes and Investment Decisions

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