

THE IMPACT OF CORPORATE INCOME TAX ON INVESTMENT DECISIONS: EVIDENCE FROM FOOD, BEVERAGE AND TOBACCO SECTOR IN SRI LANKA.

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Abstract

The corporate income tax regime in Sri Lanka offers many forms of assets-based investment incentives. Do corporations' investment decisions take these variations into account, and if so, how much. The research work examines the impact of corporate income tax on investment decisions in Food, Beverage and Tobacco sector in Sri Lanka. The secondary data was obtained from firms' annual reports, CSE website and stand-alone sustainability reports and analysed using E-Views. Effective tax rates are a useful tool for policymakers and company managers who need concise but detailed information on investment tax loads. The relationship between economic agents' investment decisions and corporate income (profit) taxation has been widely demonstrated in theoretical works to date. For investment decisions, the characters in the study employ the average tax rate and the effective tax rate. Our findings proved a negative relationship between corporate income tax and investment decisions. These findings will help decision-makers and other interested parties to develop the corporate tax policy in a way that does not discourage company investment in Sri Lanka.

Keywords: *corporate income taxation, Investment decision, Effective average tax rate.*