

Corporate Tax Planning and Financial Performance of CSE-Listed Tea Plantation Companies in Sri Lanka

Kodithuwakku, K.A.L.L.¹ and Rajapakse, R.M.D.A.P. ²

¹lakshankodi@gmail.com; ²amilar@kln.ac.lk

Abstract

This meticulous study unravels the intricate interplay between corporate tax planning strategies and the financial performance of tea plantation companies listed on the Colombo Stock Exchange (CSE) in Sri Lanka. The overarching aim is to comprehensively investigate and analyze the nuanced impact of tax planning on these entities. The research spans a meticulously selected sample of 14 tea plantation companies, encapsulating the dynamic period from 2016 to 2022. An exhaustive exploration of key variables, including Return on Equity (ROE), Effective Tax Rate (ETR), Intensity of Capital (IC), Intensity of Inventory, Leverage, and Firm Size (FMS), offers a multifaceted lens through which to examine the complex relationships at play within these corporate structures. The methodological approach involves the scrupulous retrieval of financial statements from diverse and pertinent sources, establishing a robust foundation for the subsequent analysis. Through the application of panel regression analysis, the study unveils a spectrum of noteworthy findings that significantly contribute to the existing body of knowledge. Surprisingly, the Effective Tax Rate emerges without statistical significance, suggesting that the observed impact of tax planning is not statistically significant within the context of the tea plantation companies studied. Nonetheless, the study uncovers positive and statistically significant relationships between Capital Intensity, Firm Size, Leverage, and Return on Equity (ROE). In light of these compelling findings, the study offers strategic recommendations that underscore the importance of optimizing leverage to enhance overall financial performance. These insights not only enrich the academic discourse surrounding tax planning and financial performance but also provide actionable implications for tea plantation companies navigating the intricate landscape of financial management in the unique context of Sri Lanka.

Keywords: Tax Planning, Return on Equity, Effective Tax Rate, Capital Intensity, Inventory Intensity, Leverage, Firm Size, Panel Regression, Sri Lanka.