EFFECT OF TAX PLANNING STRATEGIES ON THE PERFOMANCE OF MANUFACTURING FIRMS IN NAIROBI CITY KENYA

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ACCOUNTING AND FINANCE IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD IN TAX AND CUSTOMS ADMNISTRATION IN THE SCHOOL OF BUSINESS AND ECONOMICS MOI UNIVERSITY.

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DECLARATION

Declaration by Candidate

I declare that this research project is my original work and has not been presented either in full or part for examination or award of a degree in this University or any other. I have also given all the necessary and appropriate credit to the sources used.

Signature………………….   Date ……………………….

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MU/KESRA105/0022/2021

Declaration by University Supervisors

This research project has been submitted for examination with our approval as university Supervisors.

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DEDICATION

This research project is dedicated to Almighty God who is the source of knowledge and wisdom. He has protected and provided me with all the required resources which has enabled me to complete this project. It would have been impossible for me to succeed without the sufficient grace from God.

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ABSTRACT

Better performance has been the objective of all commercial manufacturing firms across the globe. However, these are not regularly realized due to high costs on taxes including multiple and double taxation which result to poor performance of manufacturing firms, mostly in developing economies. In order to manage the effects of taxes on the profitability of firms and to improve their performance, various tax planning strategies are engaged by the firms so as to reduce the impact of high tax burden. It is in this regard that this study aimed at determining the effect of tax planning strategies on the performance of manufacturing firms in Nairobi City Kenya. The study was guided by the following specific objectives; to determine the effect of Income shifting, expense deduction, Capital Intensity and firm restructuring on the performance of manufacturing firms in Nairobi city, Kenya. The study was anchored on the following theories; The Hoffman's tax planning theory, trade off theory, stakeholder theory and benefit theory of taxation. The study adopted explanatory research design. The target population of the study was 469, registered manufacturing firms in Nairobi city Kenya. A sample of 216 manufacturing firms using stratified random sampling was employed. Quantitative; primary data was collected using structured questionnaires. Reliability of the data collection instrument was tested using Cronbach Alpha test. Data was analyzed using descriptive statistics and inferential statistics methods and the hypothesis were tested at 0.05 significant level. Multivariate correlation, and multiple regression analysis tests were also applied in data analysis. The regression results showed that income shifting(β_1=0.134,p≡<0.05),Capital intensity((β_3=0.377, p<0.05),Firm restructuring (β_3=0.842, p<0.05) had statistically positive significant effect on on the performance of the Manufacturing firms while expense deduction(β_2=-0.014, p>0.05) had no statistical significant effect on the performance of the manufacturing firms in Nairobi city ,Kenya.The study findings, concluded that income shifting, capital intensity and firm restructuring tax planning strategies positively and significantly effects the performance of manufacturing firms, further the findings revealed that expense deductions had a negative effect on the performance of manufacturing firms. The study findings recommend that manufacturing firms prioritise on firm restructuring as a tax planning approach to improve their performance, tax practicing experts should advise their clients to embrace income shifting, capital intensity and firm restructuring as strategies to improve their firm performance, and also research to be done using other variables so as to establish which other factors affects the performance of the manufacturing firms in respect to tax planning.

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ACRONYMS & ABBREVIATION

ANOVA-   Analysis of Variance

BTD   -   Book Tax Difference

CBD-   Central Business district

CIT-   Corporate Income Tax

FDI–   Foreign Direct Investment

GDP –   Gross Domestic Product

GOK-   Government of Kenya

KIPPRA-   Kenya Institute for Public Policy Research and Analysis

KRA –   Kenya Revenue Authority

KNBS –   Kenya National Bureau of Statistics

NACOSTI-   National Commission for Science, Technology and Innovation.

PPE –   Property Plant and Equipment

R&D-   Research & Development

TOT -   Trade off theory

VIF-   Variance Inflation Factor

DEFINITION OF TERMS

Capital Intensity- is referred to as the amount of investment made by business on their fixed assets and a positive relationship that exists between capital intensity and firm value (Akintoye et al, 2020). In the study, it is operationalized in terms of the leverage debt financing use of depreciation cost, significance of capital allowance deduction to the company, type of property plant and equipment employed by the company and benefit the company gained from training management about the use of PPE as one of the tax planning strategy.

Expense deduction – This is the conversion of the cost or expenses that have been wholly and exclusively used in production of income to expenses that can be deducted from taxable income during that year of income (Estiasih, 2021). In the study it is operationalized by type of expense deduction, employee expenses, benefit the company derive from use of interest expense, classification of expenses and use of charitable contribution expenses.

Firm Restructuring –It involves restructure and sale of business units, as well as the strategic exit from certain industries, allowing a company to redirect its focus towards its fundamental business operations and reinforce its unique capabilities (Strelnik, 2016). This strategic approach encompasses specific, crucial actions aimed at boosting a company's competitiveness, ultimately improving its value and performance.in the study it is operationalized in terms of internal restructuring, vertical acquisitions, tax efficiency approach, legal and compliance regulation and benefits of tax expert advice through consultations.

Performance in business signifies achieving specific business objectives while adhering to established standards, considering completeness and cost. In the context of a firm,

performance translates to advancements such as increased market shares and overall growth in the company's size (Adetola, 2016). In this study, performance is operationalized in terms of enhancements of market share, growth in company size, the company's ability to meet customer expectations, quality product, and successful adaptation to technological advancements.

Income shifting – Is referred to as the transfer of income out of high-tax jurisdictions into low-tax jurisdictions, thus reporting lower profit in high-tax affiliates and higher profit in low-tax affiliates (Simone and Klassen, 2017). In the study it is operationalized as capability of the company to change characteristic of the income by modifying from income revenue in nature to capital gain in nature, classification of the income, use of price transfer approach, use of timing difference or deferment approach, and the degree to which managers understand the application of various income shifting strategy.

Tax planning –It is a series of strategies to regulate corporate accounting and finances to minimize tax obligation in a way that do not violate regulation in a legal way (Pohan, 2018).

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter discusses the background of the study, statement of the problem, general and specific objective of the study, significance and the scope of the study.

1.1 Background of the study

The manufacturing industrial sector plays a pivotal key role in economic development of any nation. According to Rodrick (2017), manufacturing emerged as a potent pathway for economic progress in developing countries due to relatively easy assimilation of foreign technology resulting in the creation of high productivity jobs that required minimal or no specializes skills.

For instance, farmers could be transition into production roles in factories with modest investment. Additionally, manufacturing demand was not limited by low domestic incomes thus allowing production to expand virtually limitlessly, primarily through exports. However, according Bilek and Tlusty (2021), the issue of legislative and legal basis of related administration particularly taxation has become the focal point of concern. Taxation is viewed as a significant challenge with the tax burden being perceived as excessively high in many countries thus impacting the performance of manufacturing firms.

According to World bank report (2019), imposition of high tax burden on firms may not substantially increase government tax revenue, but it might cause businesses to move to the informal sector or even shut down their operations. Considering the immense significance of manufacturing firms both from social and economic perspective, it is imperative for most countries to adopt suitable strategies to enhance performance in this

sector which is vital priority for every country. Laurencia & Amalia (2021) contended that taxes, are seen as expenses or cost for companies that directly influence the income earned by the firms during operational activities, thereby affecting the overall performance of manufacturing firms.

Tax represent a mandated levy imposed by government or their authorized bodies on taxable income of individuals and businesses. It is primary purpose is to generate adequate funds required for government operations, to achieve other macro-economic objectives and fiscal policies of the government KC (2021), If the tax framework is not appropriately tailored to specific environmental conditions, it can pose a significant burden on manufacturing firms.Taxation stands as a pivotal source of revenue for any nation's economy growth because it enables the government to obtain the necessary resources to fulfil its objectives including redistribution of resources, creation of new jobs, and economic expansion (Bhalla and Sharma, 2022). Tax system are primarily aimed at financing public spending and are used instrumentally in promoting equity and to address social and economic concerns. Heavy tax burden can hinder firms to make investments and maintain its productive capacity; by offering incentives favoring specific industries, the government can steer national economic interests towards priority sectors (Cheong 2020). The significance of tax planning for the performance of an economic entity has been extensively argued from an empirical standpoint Chen (2016), suggesting that firms benefiting most from tax planning generally outperform those does not engage in such strategies. In order to maximize profits after taxes and enhance liquidity, managers utilize the permissible options provided by the relevant tax laws (Fagbemi et al, 2019).

Tax reduction can be achieved through passive method which involves compliance with tax regulations or aggressive which entails transaction structuring with the principal objectives to minimize tax liability (Gautam,2020). Tax planning effort by manufacturing firms hold a lot of benefits because they ultimately enhance their earning after profit thus helping them to improve their performance in the market.

According to Ftouhi (2015), nearly all firms prefer to pay lower taxes or securing tax savings on tax payable; given that the main purpose of the company is more and more focused on minimize the overall effective tax rate of the whole company or group in order to maximize its after-tax profits and sustain its growth. In order to maintain rapid growth and improve overall performance of manufacturing firms, tax planning plays an important role in attracting and motivating firms to expand supply by stimulating their investing power. According to Novita (2022) tax planning is an integral part of the management function which aims to legally reduce tax burden and save tax in compliance with tax regulations; tax planning focuses on a process of arranging taxpayers' business transactions which causes the tax payment obligation to be reduce but still within the taxation rules. According to Appolos et al (2016) tax planning has positive impact on a firm's cash flow and increase the rate of return. Pohan (2018) defines tax planning as a series of strategies to regulate corporate accounting and finances to legally minimize tax obligation in a way that do not violate regulation in a legal way. So it is a strategy in taxation that aims to minimize tax burden owned by the tax payer (Estiasih,2021).

According to Khader (2017) tax planning is involves pre-planning of tax burden by an individual or company by leveraging available benefits of all deductions, and allowances so that tax liability reduces to minimum and to the fullest extent. The primary objective of

tax planning is to reduce the tax burden to the minimum. Tax planning strategies provided by Kenya government with which it can encourage manufacturing firms include: allowable expenses deductions, and investment allowance (Income Tax Act cap 470; Kenya law).

Tax planning strategies can be both international as well as domestic tax planning approaches. Income tax shifting is one of aggressive method of tax planning; it is the transfer of profit from high tax jurisdiction to low tax jurisdiction. Corporation's income shifting activities have recently attracted the attention of both the popular press and politicians Dabla-Norris (2017).

Income shifting or profit shifting as noted by Wahab (2015) is an aggressive method of tax planning which involves the transfer of profit from high tax jurisdiction to a low tax jurisdiction. This strategy attracts attention due to varying tax rates and tax provision across time, location and type of income; tax payers employing this approach, modify the nature of the incomes so that the profits or income could be either shared with to the related parties that are subject to tax in lower tax jurisdiction.The incentives for corporations to shift income are significantly potential in reducing cash tax burden, it also lowers tax expense, and ultimately resulting in higher net income (McGuire, 2018). According to KC (2021) deductible expenses are those expenses that reduce the tax liabilities while non-deductible expenses are those which do not minimize the tax amount to be paid thus remains taxable. In realm of income tax, certain expenses are always deductible, which directly concerns the earning of the company in that year of income, however, the expenses of personal or domestic nature, capital nature and expenses of the previous or consecutive years are non-deductible expenses. In other words, the costs or expenses to be subtracted from the earned income, either should fulfil the certain norms of the deduction of matching principle or

should be statutory as expressly provided in the law (KC,2021). The law specifies various expenses which qualifies as allowable expenses which firms can utilize and reduce their tax liability.

According to Garcia deductible expenses are the only expenses those which are directly linked to the taxable business income, and they have some relation with the activities which has been performed with the aim of generating income. According to Kaushik (2021) deductions are taken from adjusted gross income and are allowed only to the extent that their combined amount exceeds a certain threshold amount; Ordinary and necessary expenses are those incurred in connection with a trade or business and are treated as allowable expense deduction, such as allowable business expenses include insurance, rent, travel, transportation, salary payments to employees, certain losses, and most state and local taxes (Kaushik, 2015).

In Kenya, under the Income Tax Act cap 470, Section 15, define allowable deductible expenses as all the expenditures incurred in a specific tax year of income which are entirely and exclusively incurred in generation of the said income. In addition to tax expenses eligible for deductible, a company can employ strategies to lessen their tax burden such as utilizing capital intensity measure. Capital intensity is another additional way of aggressive tax planning strategies employed by the firms. Capital intensity constitutes the amount of investment activities in fixed asset undertaken by firms. It has a positive correlation with tax aggressiveness due to the accelerated depreciation charges associated with a fixed asset (Richardson,2016). According to Akintoye(2020),capital intensity refers to the degree of a company's investment in fixed asset.

Specifically, it denotes the extent of capital employed to produce a single unit of a product or service. Consequently, a higher level of capital employed per unit of production indicates a higher capital intensity for the firm. This approach is beneficial and a good tax planning strategy because it enables the company to reduce taxes through annual depreciation of its fixed assets because depreciation expense represent deductible cost related to fixed asset thus resulting in increased cash saving for the company which leads to reduced annual tax liability. Similarly, strategic firm restructuring approach can also be utilized for tax planning by both domestic firms as well as multinationals firms. Domestic firm's restructuring approach entails internal corporate restructuring such as consolidation in form mergers, amalgamations or acquisitions, share reorganizations, reconstructions, management buyouts and share purchases, conversely, international corporations may be engaged in mergers, acquisitions, divisions, multinational reorganizations, transformation from subsidiary status to branch (Wahab 2017).

1.1.2 Manufacturing firms in Kenya

The manufacturing industry indeed plays a crucial role as a tool for governments to alleviate poverty and reduce income disparities by creating job opportunities, particularly for low-skilled and unskilled workers. This sector significantly contributes to a nation's economic development. In many developing countries, there is a strong focus on the manufacturing sector as a means to attain middle-income status, often through the provision of various incentives (Oeta, 2019).By promoting and investing in the manufacturing industry, governments can spur economic growth, enhance productivity, and improve standards of living for a large portion of the population. Additionally, the manufacturing sector can stimulate innovation, attract foreign investment, and contribute

to a more diversified and robust economy. Therefore, supporting and incentivizing the growth of the manufacturing industry is a strategic approach for achieving broader socio-economic development goals in Kenya, manufacturing firms are those engaged in production, processing treating installing testing operation and utilization of raw material to create finished goods, as outlined in (Standard Act Cap 496 law of Kenya).

Based on the data provided by the Kenya National Bureau of Statistics (KNBS) in 2013 and 2018, the manufacturing industry in Kenya shows potential for growth and contribution to the economy. In 2013, the industry exported 6.1% of its products to the East African Community and 12% to the global market. Additionally, the sector witnessed growth in employment, with 300,900 individuals employed in 2017, reflecting a 1.8% increase from the previous year's reported employment of 295,500 in 2016 (KNBS, 2018).

This data suggests that with a favorable macro and micro environment, including conducive policies and economic conditions, manufacturing firms have the potential to excel and make significant contributions to the overall growth and development of the Kenyan economy. Encouraging further investment and support in the manufacturing sector could amplify these contributions, fostering economic progress and creating more employment opportunities.

1.2 Statement of the problem

Despite significant contribution of manufacturing sector to the economies of the countries it's performance has faced a consistent decline over years. A recent report by IMF (2022) highlighted various factors hindering manufacturing sectors performance in developing countries includes inflation, unfavorable fiscal regulations international trade dynamics among others. According to KAM (2023) report, uncertain and unpredictable tax policies affecting the cost of industrial input and lack of long term financing for manufacturer

impact negatively the growth and financial performance of manufacturing firms. Uwalomwa (2016) pointed out that excessive taxation, such as high tax rates and multiple taxation, poses a significant challenge to business hindering their development. To mitigate this challenge, the firms often employ passive and aggressive tax planning strategies to reduce their tax burden.

Further, Were (2016), highlighted the obstacles facing manufacturing firms in developing countries which negatively affect their performance, includes lack of financial access, unfavorable financing conditions such as high interest rates, lack of proper tax policy implementation, poor business environment, excessive bureaucracy and corruption. Mao, Wang & Qian (2019), argued that safety management, especially concerning hazardous chemicals represent the major obstacles affecting performance of green manufacturing. In Kenya, according to KNBS report (2023), Kenyan manufacturing sector has shown stagnant contribution to the GDP ranging from 8.4% in 2018, to 7.4% in 2021 (KNBS, 2023), falling below the anticipated growth rate of 10%, outlined in vision 2030(KNBS, 2017). Over the years, Kenya has transitioned from being a low tax burden country to a high tax burden country, despite the need for increased tax revenues to sustain public services (KIPPRA, 2014). According to Graham, Hanlon & Shevlin (2014), corporate tax planning has existed since inception of taxes and will continue as long as corporations including firms perceive benefits of tax planning to outweigh cost. In Kenya, tribunals have supported the taxpayers' rights to exploit tax provisions so at to minimize their tax expense (Bata Shoe Company Vs KRA (2014)). Manufacturing firms that effectively utilize tax planning approaches, exploiting loopholes in tax law, generally experience lower effective

tax rate, resulting in cash savings that improve its performance through productive investment projects and enhanced market share value.

According to a report by Price Water Coopers (2019), some firms maintain high profitability over years due to efficient tax planning schemes. It is therefore essential for firms not only to apprehend the tax planning strategies but also to align them with the value of the company. Despite the heavy tax burden born on the manufacturing industry, the government has implemented legislation allowing firms to mitigate this tax burden through various tax saving strategies outlined in the (Income Tax Act cap 470 Kenyan law.) Aggressive tax planning practices employed by firms such as income shifting through transfer pricing, exploitation of tax legislations loopholes, and firm restructuring enabled significant cash saving(Ftouhi,2020). The application of the principle that internal prices between related parties should resemble those between independent parties is commonly used approach by the firms to reduce the tax liability (Beer et al, 2019);this involves charging higher prices for products from low-tax countries and vice versa, resulting in almost zero tax payment in the host country (Beer et al., 2019).

Deductible expenses according to Bahadur (2021), plays a crucial role in reducing the tax liabilities. By subtracting these expenses from the earned income, firms can significantly lower their tax payable thus contribute to cash saving to the firms. Richardson et al. (2016) added that capital intensity has positive association with tax aggressiveness primarily due to the accelerated depreciation charges based on a fixed asset. This approach makes it an effective and good tax planning approach that can boost performance of the firm. Christina and Alexander (2018) conducted research on corporate governance, tax planning and firm value; in manufacturing firms listed on Indonesia Stock Exchange. Mulatsih et al (2019)

researched on the effect of tax planning, deferred tax asset, and deferred tax expense on earnings management of manufacturing firms listed in Indonesia Stock Exchange.

Kehinde (2019), researched on tax optimization strategies and financial performance in selected manufacturing firms in Nigeria. Oeta, (2019) carried out a study on Influence of tax planning on financial performance of manufacturing firms listed on Nairobi Securities Exchange. The above studies collectively emphasized that tax planning strategies in manufacturing firms has not received adequate attention from scholars both locally and internationally. Additionally, there has been no research study on effect of tax planning strategies on the performance of manufacturing firms in Nairobi, Kenya. Given the vital role tax planning plays in the performance of manufacturing firms in Kenya and considering the absence of such study in the region, this study aims to bridge this gap by exploring how tax planning strategies affected the performance of manufacturing firms in Nairobi, Kenya

1.3 Objectives of the study

The study was guided by general objective and specific objectives.

1.3.1 General Objective

The main objective of the study was to determine the effect of tax planning strategies on performance of manufacturing firms in Nairobi city Kenya.

1.3.2 Specific Objectives

The study was guided by the following specific objectives of the study;

1. To determine the effect of Income shifting on performance of manufacturing firms in Nairobi city, Kenya.

2. To determine the effect of expense deduction on performance manufacturing firms in Nairobi city, Kenya.

3. To determine the effect of capital intensity on performance manufacturing firms in Nairobi city, Kenya.

4. To determine the effect of firm restructuring on performance manufacturing firms in Nairobi city, Kenya.

1.4 Hypothesis

H_{01}: Income shifting has no significant effect on performance of manufacturing firms in Nairobi city, Kenya.

H_{02}: Expense deductible has no significant effect on performance of manufacturing firms in Nairobi city, Kenya.

H_{03}; Capital intensity has no significance effect on performance of manufacturing firms in Nairobi city, Kenya.

H_{04} Firm restructuring has no significant effect on performance of manufacturing firms in Nairobi city, Kenya.

1.5 Significance of the study

The primary goal of this research was to assess how tax planning impacts performance of manufacturing firms in Nairobi city, Kenya. the outcome of the study holds a significance value to multiple of stakeholder including policymaker's investors, managers 'and future scholars. The study findings offer critical insights to the government agencies serving as a fundamental basis of evaluating the efficacy of various tax planning strategies outlined by the law. This evaluation is vital for the government in advancing the performance of manufacturing firms. The study establishes a framework for reviewing the diverse tax policies which empowers the government to prioritize or revise the strategies. Further, the

study findings inform manufacturing firms and investors about the advantages attainable through existing tax planning approaches. It presents the roadmap for making well informed decisions regarding the most suitable tax planning strategy, tailored to their respective firms, for optimal benefit and compliance. Additionally, the study findings hold substantial importance for managers, enriching their understanding of tax related aspects. This in turn equip them with additional sound knowledge on tax education to their firms and regarding tax planning strategies.

The study findings also contribute to the body of scholars adding to the existing knowledge on tax planning. It sheds lights on the correlation between tax planning and firm performance, enhancing comprehension in this field. The study serves as a valuable reference for other researcher, stimulating further exploration in area of tax potentially opening up new avenues of further research.

1.6 Scope of the study

The study focused on effect of tax planning strategies on performance of manufacturing firms in Nairobi city Kenya. The decision to select Nairobi city was based on the abundance of registered manufacturing firms and significant economic activities related to employment within the city. This allowed the researcher to collect a substantial amount of research data. The study focused on the manufacturing sector due to its classification as a real sector, playing a crucial role in economic sustainability. The sector's complex production processes are instrumental in meeting the overall demand in an economy. Additionally, inclusion of the manufacturing sector was driven by their substantial investments in machinery, property, plant, and equipment (PPE), leading to considerable tax deductibles. These deductions are vital for reducing taxes through capital investment deductions. The target population of the study was registered Manufacturing firms under

Kenya Association of Manufacturers, which are operating in Nairobi city Kenya. The target population of the study comprised of 469 manufacturing firms (KAM 2023) records. The study sampled 216 firms using stratified random sampling. Primary data collection method was used by using structured questionnaires for study. The study adopted explanatory research design. The study was conducted within a financial period February 2023 to October 2023.The study was confined to only four independent variables; Income shifting, expense deductible, Capital intensity and firm restructuring and Manufacturing firm's performance as a dependent variable in Nairobi city Kenya.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Chapter two presents available literature on tax planning strategies as examined and studied by various scholars around the world. The chapter presents review of the concepts, the empirical literature review, conceptual framework, summary of literature and research gap. Literature review is a documentary research that presents the relevant literature pertaining to the topic of study.

2.1 Concept of performance

Performance of firm is a paramount concern for every business manager or owner. Manufacturing firms in developing nations grapple with a multitude of policy and institutional constraints stemming up from imperfect markets resulting in inadequate benefit from reforms effort. According to Naz, Ijaz & Naqvi (2016), performance primarily represents the outcomes and results within a business sector, that shows overall financial well-being of the sector over a specific time frame. It serves as an indicator how effectively an entity utilizes its resources to optimize the shareholder's wealth and profitability.

Performance is the attainment of specific business objectives measured against established standards, comprehensiveness and cost effectiveness as highlighted by (Sriwan 2014). Sriwan argues that accessing performance of an organization involves comparing the company performance levels against specific objective to determine if the objectives are met. The effectiveness obtaining objectives while optimizing resource utilization is the key indicators of performance.

According to Fucheng,(2021), performance of a firm exhibits several significant characteristics, potentials of the business, competitive standing, economic intentions of the company's leadership and reliability of current or prospective partners. Evaluating good performance of a company can be gained as a result of outcomes from work that has been accomplished and the argument is that good performance within the public sector can be measured through relevance, economy, efficiency and effectiveness (Abbasnejad et al 2017). Firm's performance is shaped by its ability to effectively and efficiently achieved its objectives, taking into account resource limitations.To achieve optimal performance, organization implements a range of strategies aimed at enhancing their competitiveness and ensuring they surpass their market competitiveness and ensuring they surpass their market competitors, ultimately establishing themselves as influential and effective players in their respective industries (Waweru 2014).Performance of the firms is significantly influenced by various factors both internal and external, with taxation being a prominent one (Niketh & Samuel 2018). In additional to internal metrics and benchmark, some manufacturing firms conduct performance evaluation by comparing their own performance with that of other firms through comparative analysis.

2.2 Concept of Tax Planning Strategies

According to Khader (2017), tax planning involves a proactive approach by a tax payer to strategically minimize their tax liability by fully utilizing available benefits, such as deductions allowances with primary objective of minimizing tax burden as much as possible. Kalgutkar (2018) describe tax planning as forward thinking strategy, emphasizing that it's substantial benefits manifest in the long term; it entails leveraging of tax savings instruments within the bound of income tax laws with the goal of reducing tax payable effectively.

Wilde & Wilson(2018), defined tax planning as the intentional use of methods to create tax benefits in order to maximize earning after tax which brings benefits or create costs for firms, though it is effective when benefits are greater than costs since its result increases the value of the firm .In this regard a firm can employ various tax strategies as a cost saving to improve its overall performance and growth, these includes income shifting, expense deduction, capital intensity and firm restructuring.

Income shifting or profit sharing is transfer of the profit from high tax jurisdiction to a lower tax jurisdiction. According to Wahab (2017), profit sharing exists in the case of different rate and tax provision across time, location and type of income. Tax payers using this approach, modify the nature of the income so that the profit or income could be either be shared with or shifted to related parties that are subject to lower jurisdiction (Wahab 2017). According to Scholes Wolfson framework, firms often engage in tax planning using various strategies. These strategies may include profit sharing, income shifting by transferring the income from one pocket to another pocket or shifting the income in terms of geographical business location. This could involve transferring profits to jurisdiction with lower tax rate or adjusting income over different time period to optimize implications. One pocket to another pocket tax planning strategy is whereby tax payer's income is changed from one form into another, that would reduce the tax on a particular income under tax payer's control. An entity can engage geographical income shifting strategy where the taxable income from domestic entity located in high tax jurisdiction is shifted to another entity located in a low tax jurisdiction. Shifting income in terms of time mainly engages the activities of delaying the recognition of income and deferring tax payment, the strategy

of deferring the tax payment can be beneficial if there is no interest charge on tax liability (Wahab 2017).

According Mgammal & Ismail (2015), the taxpayers may participate in tax planning by modifying the nature of an income. This involves an entity reclassifying income to benefit from more favorable tax treatment. Example, converting a non-business income into a business income can help to minimize the tax liability burden, whereas the business income would be desirable for a capital allowance reduction and business losses reductions. This is mainly connected to the income-shifting strategy, as it supplies a chance for firms to change the nature of the income as received domestically to foreign income. Additionally, Mgammal and Ismail (2015), pointed out that firms may follow tax planning by shifting the nature of an income during adjustment of income from income-revenue in nature to capital gain in nature. Ftouhi, & Ghardallou, (2020) asserts that, in the case of reduced capital gain tax rates in relation to income tax rates, the approach is efficient. Similarly, manufacturing firm may also be participating in tax planning by shifting the nature of an income from a business to non-business income and non-business income to business income.

Expense deduction as elucidated by Estiasih &Saraswati (2021), represent a tax saving approach that focused on converting expenses that are exclusively and wholly used in production of income into deductible expenses within the year of income. The objective of this strategy is to maximize deductions from taxable income, consequently reducing the overall tax liability for that year. By identifying and reclassifying eligible expenses in a way that aligns with tax regulations, individuals and businesses can optimize their deduction and potentially lower the tax burden legally and effectively. Furthermore, a tax

planning approach through cost deduction can be executed in several ways. One method involves switching the provision of the company fees that are in kind or enjoyment to employee who were not previously taxed. Similarly, the tax can be optimized by providing various kinds of allowances to employees so that employee can be taxed and for the company, the said cost shall be used as a deduction from income. Supporting documents for expenses are required as supporting evidence so that they can be deducted from taxable income of the firm, such as official travel expense (Saraswati 2020).

According to the study by Fischer and Huang (2013), the mortgage interest deduction serves the dual purpose of encouraging homeownership while also being classified as a tax expenditure due to its preferential treatment towards specific group of tax payers. This deduction stands out to be the most expensive and one of the largest tax expenditures constituting the most substantial tax subsidy within the tax law; Advocates of homeownership incentive argues that increasing the number of homeowners can yield broader societal benefits, including heightened households' responsibility for property maintenance and increased community involvement compared to what would be expected if individual were tenants. In the context of Kenya's tax legislation, specifically the Income tax Act Cap 470,section 15 outlines the deductibility of allowable expenses .It defines these expenses as all expenditure incurred within the year of income, provided they are wholly and exclusively incurred by a taxpayer in the production of that income, additionally, under section 27, if any income pertain to an accounting period ending on a day other than the last day of the fiscal year, related expenditure from that period shall be considered to have been incurred during the respective year of income. Consequently, these expenses are deductible from taxable income for that particular year.

Capital intensity as defined by Nugraha and Mulyani (2019), refer to the level of fixed asset investment activities undertaken by firms. This strategic approach is considered another avenue for the firms to engage in aggressive tax planning. The association between capital intensity and tax aggressiveness is characterized by a positive correlation, primarily attributed to accelerated depreciation charges based on a fixed asset as highlighted by (Richardson et al. 2016). Accelerated depreciation allows firms to claim higher depreciation expenses, ultimately lowering their lowering their taxable income and, consequently their tax liabilities.Capital Intensity as explained by Akintoye Adegbie, & Onyeka (2020) refer to the level of investment a company makes in a fixed asset. The more capital a company allocate to produce a single unit of output; the more capital intensive it is considered to be. This Capital intensity approach can be an effective tax planning approach because it allows the company to reduce its tax liability through annual depreciation of its fixed assets. Depreciation expenses is considered a deductible cost of fixed asset which means they can be used to lower firm's taxable payable annually hence the firm can save on cash.

Another option for tax planning approach is firm restructuring. McNamera (2018), defines firm restructuring as a system that involves structuring and coordinating tasks within a group organized to achieve a common goal. This approach can be employed by both domestic and international firms. For domestic firms' firm restructuring include share reorganization, amalgamation and mergers, reconstructions, demergers, management buyouts and purchasing their own shares, on other hand, international firm restructuring encompass actions such as converting branches to subsidiaries, subsidiaries to branches, multinational mergers and other form of reorganizations (Wahab 2017) These strategies

can help firms to optimize their tax positions and effectively manage their tax obligations during various phases of organizations changeTax planning through firm restructuring can be achieved by disintegration, migration of firms, and careful consideration of the firms' structure and operations as highlighted by Wahab (2017).

2.3 Theoretical Review

The theoretical framework of the study serves as a structural foundation that support the theory pertaining to the subject of the research work. This framework provides a systematic arrangement of concepts, ideas and assumptions that help to explain why the problem under the study exists. Theories within the theoretical framework are constructed to predict and comprehend phenomena. Moreover, they often aim to challenge and expand upon existing knowledge while adhering to specific critical assumptions that provide boundaries for the study (Onyiero 2022). These study discuss four theories related to research. The Hoffman tax planning theory, the tradeoff theory The stakeholder theory and the benefit theory.

2.3.1 Hoffman's tax planning theory

Hoffman tax planning theory, devised by Hoffman in 1961, proposes the redirection of funds that would typically go to tax authorities to corporate entities. Hoffman argues that paying taxes beyond what is mandated by the law is economically imprudent adversely affecting company's performance. Consequently, firms strive to minimize their tax exposure to ensure optimal performance. Tax planning activities are seen as advantageous as long as they minimize tax payable without compromising accounting earnings. The theory operates on the premise that firms tax liability is determined by its taxable income, and not its accounting income. The goal is to strengthen practices that reduce taxable income without indirectly impacting accounting profit. As a result, the theory recognizes a positive association between firm tax planning effort and firm overall performance.

Akintoye, Adegbie, and Onyeka-Iheme (2020) noted that the theory suggests that taxation is largely based on business or accounting principles. allowing firm to adjust these activities to achieve deduction in tax in tax liability. Essentially Hoffman theory aims to redirect funds that would typically be remitted to tax authorities to corporate bodies.

The theory asserts that tax planning activities are favorable when they reduce taxable income without negatively effecting accounting income. Ogundajo and Onakoya (2016) noted that Hoffmann recognized some ambiguity and loopholes in tax laws stemming from unclear legislative intentions. He concluded that successful tax strategies align with legal concepts and precise statutory wording, allowing firms to benefit from tax saving through meticulous compliance.

Hoffman (1961) contended that the acceptability of tax avoidance can be a matter of dispute, given variations in avoidance method across the firms. This has been a topic of discussion among practitioners, tax authorities, and taxpayers since what one party deem unacceptable might be acceptable to another party. For instance, a reduction of stamp duty rates incentivizes taxpayers to minimize charges, and varying rates for a different transaction can lead taxpayers to opt for specific transaction to reduce tax costs. These behaviors shape the perception of unacceptable tax avoidance by authority and regulatory bodies.

2.2.2 The tradeoff theory

The tradeoff theory (TOT) was proposed by Kraus &Litzenberg (1973). Trade-off theory (TOT) operate on the assumption that businesses deliberate on how to allocate their resources by comparing the tax advantage of utilizing debt against the potential cost of bankruptcy, aiming to achieve an optimal debt ratio (Adair &Adaskou,2015). The theory

revolves that the idea that firm strategically determine the proportions of debt and equity financing by evaluating associated costs and benefits. In essence tradeoff theory suggests that manager's asses the benefits of debt financing in relation to cost of borrowing (Simatupang, Purwanti & Mardiati 2019).

The cost of borrowing entails both bankruptcy costs and interest payments with the latter being tax deductible expenses as stipulated in the tax laws. On other hand, the benefit of the debt financing includes the discipline imposed on the management and the tax allowances associated with interest payments. The theory purport that firms should carefully manage its debt levels. If the cost of using debt; Including interest payment and potential bankruptcy costs outweighs the tax benefit derived from it, it becomes counterproductive for the company to continue increasing its debt. A Company should not use debt beyond a point where the cost of debt is higher than the tax advantage Consequently company manager can as well exploit this loophole to optimize the tax liability.

Tradeoff theory posits that optimal capital structure for a company is achieved when the marginal tax benefit from using debt financing is equivalent to marginal costs associated with financial distress and potential bankruptcy. According to, tradeoff theory, firms prefer to use debt over equity financing up to the point where likelihood of finance distress and bankruptcy costs overweigh the tax benefit associated with debt (Gill et al, 2012). The theory serves as a framework for understanding why companies typically utilizes a combination of debt and equity to fund their operation. By using interest expense from debt financing, firms can plan their taxes in a way that reduces the overall tax liability in the

long term, optimizing their financial structure to achieve a balance between the benefits and drawbacks of debt financing.

2.3.3 Stakeholder Theory

Stakeholder theory, developed by Freeman in 1984, centers on the idea that a firm's stakeholders and in individuals or group can influence or are influenced by firms' actions and decisions. Stakeholder theory are essentially any group or individual with a vested interest, or a "stake," in an organization's operations, performance, or outcomes. Freeman emphasizes that stakeholder theory promotes a pragmatic, efficient, effective, and ethical approach to managing organizations, particularly in complex and rapidly changing environments. By accounting for the interests and impacts of all relevant stakeholders, this theory advocates for a more holistic and responsible approach to organizational management. Stakeholders encompasses a broad range of entities including employees, customers, shareholders and governmental bodies. Mallin summarized stakeholder theory as a framework that considers a diverse set of stakeholders beyond just shareholders and recognizing their influence and interests.

The core principle of stakeholder according to Kehinde (2022) is that the firm's primary objective is to fulfil the demands of all stakeholders associated with it. For established firms, this theory provides guidance and elucidates the firms' structures and operations by viewing the firms as an entity serving various parties and their diverse objectives. According to this theory, managers, are expected to cater not only to the shareholders but also consider other parties that might be affected by the company's activities. It is the responsibility of managers to address and reconcile conflicting interests among the

stakeholders, ensuring that decisions made account for these varied interests and have the best possible implications (Wahab, 2017).

Firms have a responsibility beyond generating profits for shareholders. They are supposed to consider the welfare and interests of various stakeholders, including the government in the operational environment. Tax managers, in this context, holds a responsibility of enhancing revenue and shareholder wealth while ensuring compliance with tax obligations to the government (Nwaobia & Jayeoba, 2016). The decisions employed in tax planning have significant implications for both internal and external stakeholders. Therefore, exercising prudence and careful judgment in tax planning is essential for the long-term financial sustainability of the organization.

Tax managers should strike a balance in their tax planning efforts. They should aim to increase shareholders' wealth through effective tax planning while also fulfilling their tax responsibilities to the government. By addressing tax planning issues in a balanced manner, they can satisfy the interests of all stakeholders (Kayode & Folajinmi, 2020). Tax planning should be conducted judiciously to ensure the financial sustainability of the firm, considering the interests of all stakeholders. It's crucial that tax managers strike a balance, aiming to increase shareholders' wealth through effective tax planning while fulfilling the organization's tax obligations to the government (Kayode & Folajinmi, 2020). This approach is highly relevant to the study, as it underscores the comprehensive consideration of all stakeholders affected by tax planning activities. Recognizing and addressing the concerns and interests of various stakeholders is vital in achieving a balanced and sustainable tax strategy.

2.3.4 The benefit Theory

The Benefit Theory of taxation, developed by Knut Wicksell and Erik Lindahl in the eighteenth century, was a prevailing approach to tax justice until the late nineteenth century. However, it encountered challenges and criticism, which led to the evolution of the theory in the twentieth century. Lindsay (2019) contends that the Benefit Theory assesses tax burdens based on the benefits received by taxpayers from the state, rooted in the concept of reciprocity. A fair taxation system is seen as one where the taxes owed by a taxpayer correspond appropriately to the benefits they receive from the state.

The theory advocates for a tax system where the taxes a taxpayer owes are directly related to the benefits they receive from the state. Additionally, it suggests that taxpayers should receive benefits that compensate them adequately for the taxes they contribute. The Benefit theory links tax payments to public goods expenditure, focusing on the politically revealed willingness of individuals to compensate for the benefits provided (Meier & Wrede, 2016). This implies that tax contributions should align with the perceived benefits derived from public goods, and individuals should be willing to support these payments based on the benefits they receive from the state.

The Benefit Principle assesses tax efficiency and evaluates government fiscal policy. It employs an adjusted market approach to determine the optimal revenue that should be allocated to public goods. According to this principle, individuals should be taxed in proportion to the benefits they receive from government-provided goods and services. A tax is considered fair if the benefits received from the state adequately compensate for the tax burden an individual bear.

The Benefit Theory emphasizes equity for taxpayers, including manufacturing firms, as they pay for what they receive from the government. It promotes a view where each taxpayer finds the increment in taxation worthwhile due to the increased services received. Consequently, every taxpayer is deemed better off, net, by the fiscal system.Ojuma (2020) highlights that the benefit theory advocates for specific charges to taxpayers, giving precedence to business preferences. It underscores the dominance of consumers in the provision of public goods. Quality infrastructure, such as efficient transportation systems, is considered a benefit from the state. When taxpayers are satisfied with such benefits, it positively reflects on the performance of manufacturing firms, as it facilitates swift movement of goods and services.

2.4 Empirical Review

Desai and DharmaPala (2013) conducted an extensive study that integrated the tax strategy, corporate oversight, and company performance. This research used 4,492 data points derived from 862 distinct enterprises over the time frame spanning from 1993 to 2001. The assessment of companies' performance was accomplished through the utilization of Tobin's q, while the gauge of governance effectiveness was substituted by the level of institutional ownership. The evaluation of tax planning was based on the quantification of the disparity between reported income for capital markets and the figures reported to tax authorities, known as the 'book-tax-gap.

OLS model and the IV estimation model analysis models were adopted. The OLS outcome indicated that the mean impact of tax strategy on corporate performance is not statistically significant. This implies that there's no discernible correlation between tax planning and firm performance nevertheless, the research reveals a favorable connection between tax planning savings and performance within well-governed firms. This suggests that

corporate governance plays a mediating role in the relationship between tax planning and firm performance. The IV estimation demonstrates a more pronounced impact of corporate governance on firm performance in 2017, Wahab conducted a research project focusing on the effects of tax planning and corporate governance on shareholder value. The primary aim was to ascertain a relationship between tax planning savings of and their overall value. Additionally, the study delved into examining how corporate governance could potentially moderate this relationship. Tax planning was measured by assessing the variation between the effective tax rate of the entities and the applicable statutory tax rates.

A proprietary governance index was developed utilizing various corporate governance mechanisms. Firms 'value was based on Tobin's The analysis involved a panel regression analysis model and an Ordinary Least Squares (OLS) model was used for validation. The findings reveal an inverse relationship between firm value and tax planning activities.Wahab (2017) interprets this correlation by considering tax planning costs and associated risks. The study posits that the costs and risks tied to tax planning can potentially outweigh the advantages intended for shareholders, as tax planning activities escalate. Ogundajo and Onakoya (2016) conducted a study on the relationship between tax planning and the financial performance of manufacturing companies in Nigeria. The research employed the Generalized Least Square (GLS) regression method, based on the results of Housman's model estimation test. The research deduced that aggressive tax planning strategies, such as thin capitalization, tax law incentives, and other advantageous gaps within the Nigerian tax laws are not fully exploited.

The research proposed that manufacturing companies in Nigeria should integrate tax planning into their strategic financial planning. It further advised engaging tax experts to

efficiently utilize comprehensive tax planning strategies available, aiming to enhance positive performance (Kehinde, et, al, 2022). Muchai, et, al (2014) conducted research focusing on tax planning and its impact on the performance of small-scale enterprises in Kenya. The objective was to examine how spending on capital assets, advertising, and legal forms of enterprises, as tax planning strategies, affect the performance of small and medium-sized businesses in Embu CBD, Kenya. The study target population of 949 respondents, and a sample of 30 percent was selected from each group. Data analysis involved using multiple linear regression. The study outcomes revealed that the influence of tax planning via capital structure, capital asset, and advertisement expenditure by small enterprises in Embu CBD did not exhibit a significant relationship among them. Consequently, the research recommended that small-scale enterprises should seek tax planning advice and be educated on the importance of leveraging various tax planning strategies to enhance their performance."

2.4.1 Income shifting and the performance of manufacturing firms

Income shifting, also known as profit sharing, involves relocating income from a jurisdiction with high taxes to one with lower tax rates. According to Dyreng and Markle (2016), the primary objective of income shifting is to subject income to lower tax rates rather than higher ones. They further argue that income comprises revenue minus expenses, making shifting similar to moving revenue from high-tax to low-tax jurisdictions and moving expenses from low-tax to high-tax jurisdictions. This can be achieved using various mechanisms, including intracompany loans, intracompany services, intracompany property leases, intracompany property sales, intracompany intangible property leases, and cost-sharing agreements (Dyreng and Markle, 2016).

Income shifting, also known as profit shifting as per Wahab (2017), occurs due to variations in tax rates and tax regulations over time, geographical location, and the type of income. Taxpayers utilizing this method modify the nature of their income so that profits or income can be shared with related parties subject to taxation in jurisdictions with lower tax rates. The motivation for corporations to engage in income shifting is substantial, given its potential to minimize cash tax payment, reduce tax-related costs, consequently resulting in higher net income (McGuire, Rane, & Weaver, 2018). As per the Scholes-Wolfson framework, companies may employ tax planning strategies like profit sharing or income shifting, either within the organization or in terms of geographical business location. This involves moving profits from jurisdictions with higher tax rates to those with lower rates and managing the timing of these transfers.

The 'one pocket to another pocket' approach is a tax planning tactic aimed at transforming a taxpayer's income type to minimize the tax liability on that specific income within the taxpayer's control (Wanab, 2010). For instance, a taxpayer in a high tax bracket might opt to receive income from a tax-exempt pension fund rather than a personal account, or channel income through a low-tax bracket business. Geographical income transfers, another aspect of this strategy, considers differences in tax rates between countries (Mgammal & Ismail, 2015).

Profit sharing can be facilitated through various methods, including price transfers or employing a tax-motivated income shifting approach, often termed as the tax incentive approach. According to Simone (2016), companies engaged in income shifting strategically adjust the valuation of intercompany sales involving goods, services, debt, and intangibles to respond to tax incentives. Many countries have established formal

regulations governing intercompany pricing to mitigate tax-motivated income shifting by corporations. Manufacturing companies can effectively utilize income shifting and tax planning approaches to alleviate the burden of high taxes, resulting in cash savings and ultimately enhancing their performance in various aspects.

2.4.2 Expense deduction and performance of manufacturing firms

According to Bahadur (2021), deductible expenses refer to those costs that reduce tax obligations, while non-deductible expenses are unable to reduce the tax amount payable. In the realm of income taxation, specific expenditures are always considered deductible, directly related to the income earned within a given year by individuals and companies. Conversely, expenses related to personal or domestic matters, capital investments, or those from prior or subsequent years are classified as non-deductible expenses (KC, 2021). In other word, expenses to be subtracted from the earned income must adhere to defined deduction norms or be explicitly provided for by statute in the law.

Deductible expense tax planning is a commonly utilized approach by firms to optimize their tax liabilities. However, it's crucial to ensure correct application of this strategy, as incorrect implementation may lead to an unintended higher tax burden. Deductible expenses play a vital role in tax planning as they are directly linked to taxable business income and are associated with income-generating activities. Firms leverage these allowable expenses to legitimately reduce their taxable income and, lower their tax liability. This approach involves careful documentation and compliance with tax regulations to ensure that the claimed deductions align with the provisions set forth by tax authorities Bahaduh (2021).

According to Kaushik (2012), expense deductions are subtracted from the adjusted gross income, allowed only if their combined total surpasses a specific threshold. 'Ordinary and necessary' expenses, incurred in the course of trade or business, are recognized as allowable expense deductions. Examples of allowable business expenses encompass insurance, rent, travel, transportation, employee salary payments, specific losses, and a majority of state and local taxes (Kaushik, 2012). The effective implementation of expense or cost deduction tax planning can substantially reduce the tax burden for firms, including those in the manufacturing sector, ultimately enhancing overall company performance.

According to Kaushik (2012), deductions are taken from adjusted gross income and are allowed only to the extent that their combined amount exceeds a certain threshold amount; ordinary and necessary expenses are those incurred in connection with a trade or business and are treated as allowable expense deduction, such as allowable business expenses include insurance, rent, travel, transportation, salary payments to employees, certain losses, and most state and local taxes (Kaushik 2012).The effective implementation of expense or cost deduction tax planning can substantially reduce the tax burden for firms, including those in the manufacturing sector, thus enhancing overall company performance.

Herwati & Kumala (2021) analyzed saving strategies related to the expense deductible approach. These strategies are transaction management concerning employee welfare provision which includes overseeing employees' medical expenses and employee insurance, they are considered as costs to the company and can be deducted from the company's gross profit before taxation. Similarly, 'benefit in kind' expenses represent costs borne by the company for employees, classified as benefits to employees but deducted from the company's gross income (Herwati & Kumala, 2021). Moreover, they emphasize the

significance of mortgage expenses as deductible costs within the tax planning framework known as itemized deductions, which also include charitable giving deductions, state and local taxes are considered as effective strategy for tax planning (Herwati & Kumala 2021). Government of Kenya (GOK) through Income Tax Act cap 470, Section 15 define allowable deductible expenses as all the expenditures incurred in that year of income which are wholly and exclusively incurred in production of the said income. Manufacturing firms can explore various deduction optimization strategies as provided in the law and by doing so they can minimize the tax liability, and utilize the cash out save in expanding their operations.

2.4.3 Capital intensity and performance of manufacturing firms

Capital intensity is another additional way of aggressive tax planning strategy employed by the firms. According to Sardju &Letari (2022), capital intensity serves as a metric indicating the degree to which a company depends on fixed capital, like production machinery and equipment, in its day-to-day operations. Companies exhibiting high capital intensity likely possess a significant portion of their cost structure tied up in fixed capital. Firms with high capital intensity may have a large proportion of fixed capital in their cost structure.

Capital intensity is the amount of money invested in order to get one-dollar worth of output. (Shaheen &Malic 2012). Nugraha and Mulyani (2019), defined capital intensity as the amount of fixed asset investment activities carried out by firm's capital intensity is positively associated with tax aggressiveness due to the accelerated depreciation charges based on a fixed asset (Richardson et al. 2016). According to Akintoye Adegbie, & Onyeka (2020) capital Intensity is the level of a company's investment in fixed assets: the more the

capital applied to produce that same unit, the more capital intense the firm is said to be. Capital intensity is a good tax planning approach because it allows the company to withhold taxes due to the depreciation of its fixed assets annually; depreciation expense is a deductible cost of fixed asset thus enhance cash saves to the company on tax payable annually.

2.4.4 Firm restructuring and performance of manufacturing firms

The firm restructuring approach is a tax planning strategy applicable to both domestic entities and multinational corporations. Domestic entities can utilize various restructuring methods like internal consolidation, share repurchase, demergers, reconstructions and management buyouts. Strategic capital investment during firm's restructuring allows for strategic allocation of resources by directing investment towards areas that qualifies for higher deduction such as research and development. The concept of research and development (R&D) as defined by Akintoye et, al (2020), it involves the costs associated with a firm's investments that lead to a reduction in Effective Tax Rates. Expenses related to R&D inputs are eligible for tax incentives, effectively reducing the overall cost of R&D inputs for firms. This reduction in costs makes engaging in R&D more appealing. Additionally, tax incentives related to output-driven R&D enhance the potential returns from innovative products.

On the other hand, multinational corporations engage in mergers, acquisitions, divisions, multinational reorganizations, and transformations from subsidiary to branch (Wahab, 2015). A case study involving conglomerates illustrated the efficacy of tax planning through a demerger strategy. In 1996, corporations employed this strategy to achieve U.S. tax authorities' agreement on a tax-free sharing of stock dividends with their nationals. This

enabled corporation to benefit from tax exemption, tax shields, and reduced tax bills. Another tax strategy involves reorganization, which may include changes in a business's residency status, often termed as enterprise migration. This entails relocating a company's portfolio from one country to another to capitalize on tax planning benefits. For instance, it allows firms to offer tax advantages to holding companies on qualified capital gains, withholding tax, and tax rates on derivatives (Ftouhi K. A., 2015). Domestic firms can effectively utilize the firm restructuring approach as part of their tax planning strategy.

2.5 Summary of literature and research gaps

The chapter discusses different theories that show the effect of tax planning strategies on performance of manufacturing firms. A thorough examination was conducted, encompassing an extensive review of variables relevant to the study and an empirical analysis of previous studies related to tax planning strategies in the context of manufacturing industries. The primary objective was to pinpoint any existing research gaps, aiding researchers in addressing the research questions effectively. Researchers from various parts of the world have undertaken numerous studies concerning tax planning strategies and their impact on the performance and growth of manufacturing industries.

For instance, Tandean and Winnie (2016) conducted a study analyzing the influence of good corporate governance on tax avoidance using 120 manufacturing firms listed on the Indonesian stock exchange. Their findings revealed a positive relationship between the presence of an audit committee and reduced tax avoidance. However, it was observed that limited research has focused on tax planning strategies and their effect on the performance of manufacturing firms. The majority of researchers have directed their attention toward other tax-related matters, such as the effects of tax planning strategies on specific economic sectors, like tax incentives for Foreign Direct Investment (FDI). Additionally, some

researchers have explored the effectiveness of tax modernization programs, as exemplified by Shah's (2019) study, which delved into optimizing tax planning systems through the lens of artificial intelligence and big data.

Dharmapala and Riedel (2013) explored the relationship between earnings shocks and tax-motivated income-shifting. Kehinde, Osamor, and Adeyemi (2022) conducted research on tax planning strategies and their impact on the performance of selected manufacturing firms in Nigeria. Their findings indicated a positive correlation between tax planning strategies and performance, particularly in consumer and industrial firms. However, the effectiveness of tax planning strategies specifically concerning the performance of manufacturing firms has been relatively overlooked in previous taxation research Only a small number of scholars researched on the effects of tax planning strategies on manufacturing firms.

Kahinde (2017) conducted a study examining tax planning strategies and financial performance, focusing specifically on the impact of thin capitalization, and capital intensity, on selected manufacturing firms in Nigeria. In a related study. These findings underscore the limited attention that the concept of tax planning has received from both local and international scholars. Additionally, there is a scarcity of research focusing on the influence of tax planning strategies on the performance of manufacturing firms. Given the significance of tax planning for the performance of manufacturing firms in Kenya and in alignment with results from international studies, there exists a notable gap that this current study aims to address by exploring how tax planning strategies impact the performance of manufacturing firms. This study serves as a foundational framework for potential future research, allowing for comparative analysis of results and insights into

evolving trends. Moreover, it sheds light on why manufacturing firms in the country express dissatisfaction with tax burdens, despite the availability of mitigating strategies to reduce tax liabilities.

2.6 Conceptual Framework

A conceptual framework is a crucial aspect of the scientific research process, in which a particular a specific concept is explained as a measurable indicator that distinctly represent its meaning. Hong and Pluye (2019) describe a conceptual framework as an interconnected network of concepts that collectively offer a comprehensive comprehension of a particular phenomenon. As per Adom et al. (2016), a conceptual framework constitutes a structured collection of ideas that are effectively arranged to offer guidance, a means, and a justification for understanding and merging information. Typically, this structure is visually represented through diagrams or illustrations, aiding in comprehension and integration of information.

In this research, the dependent variable, the performance of manufacturing firms, was illustrated against to three independent variables: income shifting, expense deduction, capital intensity, and Firm restructuring. Illustrated in Fig 2.1

Independent Variables   **Dependent**

Variables

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┌─────────────────────────────────────┐
│ Income shifting                      │
│   • Modifying nature of income       │
│   • Classification of business       │
│     income                           │
│   • Debt equity swap                 │
│   • Differed payment                 │
│   • Knowledge of income shifting     │
└─────────────────────────────────────┘                    H01
                                                                   ┌─────────────────────────────────────┐
┌─────────────────────────────────────┐                           │ Manufacturing firms' performance    │
│ Expense deduction                    │         H02               │   • Market share                     │
│   • Type of expenses                 │                           │   • customer expectation             │
│   • Employee expenses                │                           │   • Firm expansion                   │
│   • Benefit of interest expense      │                           │   • Quality product                  │
│   • Classification of expenses       │         H03               │   • Adaption of new technology       │
│   • Charitable contribution          │                           └─────────────────────────────────────┘
└─────────────────────────────────────┘

┌─────────────────────────────────────┐
│ Capital Intensity                    │
│   • Leverage debt financing          │
│   • Depreciation cost                │
│   • capital allowance deduction      │
│   • Types of property plant          │
│     equipment                        │         H04
│   •  Benefits of use PPE             │
└─────────────────────────────────────┘

┌─────────────────────────────────────┐
│ Firm Restructuring                   │
│   • Internal firm restructuring      │
│   • Vertical acquisition             │
│   • Tax efficiency approach          │
│   • Legal     and     regulatory     │
│     compliance                       │
└─────────────────────────────────────┘
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Figure 2.1 Conceptual Framework

Source: Researcher 2023

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Research methodology is a structured approach to methodically address a research problem (Kothari, 2009). In this chapter, we delve into the methods and approaches utilized to achieve the specified objectives of the study. This section encompasses the research design, target population, sampling framework, sampling method, sample size determination, data collection tools and procedure, pilot testing, questionnaire validity and reliability, as well as the analysis and presentation of the collected data.

3.1 Research Design

The research design refers to a detailed plan that outlines the methods, structure, and approach of a study, with the goal of identifying alternative solutions for problems while minimizing variations (Kothari, 2004). It encompasses the overall strategy for collecting and analyzing data in a research study (Hair et al., 2008). In this particular study, an explanatory research design was selected due to its appropriateness for comprehending the phenomena under investigation. This type of research is valuable for measuring specific outcomes and evaluating variations in variables based on existing assumptions and norms. Causal effects become apparent when a change in one independent variable phenomenon corresponds to an average change in the dependent variable. Given the research objective of establishing empirical associations between variables to comprehend causal connections, the study opted for an explanatory research design, because the nature of the research is causal effect and as it was well-suited to achieve this objective

3.2 Area of the study

The study covered licensed manufacturing firms registered by Kenya association of Manufacturers and are located in Nairobi, city Kenya. The firms in Nairobi city were divided into segment covering Food and beverages, textile, plastic & rubber, building & construction and Agro processing firms. According to KAM record there are 469 registered manufacturing firms in Nairobi Kenya.

3.3 Target population

According to Kothari's (2011) definition, the target population refers to the complete set of elements. An element signifies the subject on which measurements are conducted. A sample, on the other hand, represents a subset of individuals from a population, utilized to estimate the characteristics of the entire population. For this study, the target population from which the sample was drawn from firms. From this group of the population, firm finance managers were subjected to the study instrument to answer to the questions, the appointed responsible for the tax planning of the firms was considered that is finance managers thus answered questions on behalf of its companies.

The population of interest in this study comprises formally registered manufacturing firms located in Nairobi City, Kenya, which deals with different sectors of production. The data regarding the existing sectors of firms were sourced from the Kenya Association of Manufacturers (2023) records. The target population for the study comprised 469 registered manufacturing sectors in Nairobi city, Kenya as indicated in KAM 2023 records. Researcher was restricted to five sectors due to limitation of the time. Concentration on few number helped researcher to get relevant information necessary for achievement of the study objective.

Table 3.1: Target population

Sectors (STRATA)	Target Population	Percentage
Food and beverages	102	21.7
Textiles	94	20.0
Plastic & Rubber	87	18.6
Building & construction	96	20.5
Agro processing	90	19.2
TOTAL	469	100

Source: Kenya Association of Manufacturer(KAM) 2023

3.4. Sample and Sampling Techniques

This section focuses on determination of appropriate sample size for the study, presenting the most suitable model for this purpose. The section discussed the sampling frame and sampling design that were employed to justify the selection of the study's sample. Sampling technique was employed to select respondents from the entire population, taking into account aspects like sample size and the sampling procedure. For this study, stratified random sampling, which is one of probability sampling was employed. Stratified random sampling involves dividing the population into relevant subgroups (strata), aiming for a more representative sample.

Random sampling is then applied within each stratum using proportional allocation, ensuring equitable representation across all strata. Stratified sampling is done when members of a target population are initially grouped into homogeneous categories, and subsequently, a random sample is chosen from each category using simple random sampling. This approach is recommended because it provides an equal chance for every element of the population to be chosen.

In this study, a representative sample of manufacturing firms in Nairobi city, Kenya, was selected using stratified simple random sampling, ensuring that each member within every stratum had an equal opportunity of being selected for the research. To reach each respondent, a fixed-point technique was employed until the desired sample size was achieved. Starting from a predetermined point, every second finance manager was selected to participate in the study by completing the research instrument. The selection of every second interval was based on the adequacy of the population, allowing for a sample of 216 respondents. The interval was determined by dividing the total population by the sample size, ensuring a representative sample for the study.

3.4.1 Sample frame

Sampling frame, comprises of a list of the actual cases from which the sample was drawn, and it must be accurate representative of the population. Sample size, refers to the smaller unit taken from a larger population. According to Singh (2014), a larger sample size leads to a lower potential error when trying to make inferences about the entire population. A larger sample size often results in a smaller margin of error and increases the precision of the estimates.At the confidence level is 95% and the margin of error is 5%, it means that you are 95% confident that the results from your sample are accurate within a margin of error of 5%.

According to the record from Kenya Association of Manufacturer (KAM) currently there are 469 registered manufacturing firms based in Nairobi city Kenya. To determine a sample size, Yamane's formula was applied to derive a sample size of 216 manufacturing company.

The researcher used Yamane formula to calculate sample size n=

$$n = \frac{N}{1 + N(e)^2}$$

n=sample size

N=Population

e=Confidence level/error margin (0.05)

1=Constant

$$n = \frac{469}{1 + 469(0.05)^2}$$

$$= 215.88 \approx 216.$$

3.4.2 Sample Size

According to Thompson (2013), a sample comprise of elements drawn from the research population for study, aiming to represent the entire population under investigation. In many instances, conducting a census of all items is impractical, necessitating the selection of a subset of the population for data collection. This selected unit from the study population is referred to as a sample. In this particular research, 216 sectors from Nairobi city, Kenya, were chosen as the sample to accurately reflect the characteristics of the entire study population. The sample was further distributed along the sectors Each sample size was determined by apportioning each (strata)in target population by total target population of 496 firms and the result was multiplied by total sample size of 216.as shown in Table 3.2.

Table 3.1 Sample size distribution

Sector(STRATA)	Target Population	Sample Size
Food & Beverages	102	47
Textile	94	43
Plastics & Rubber	87	40
Building & construction	96	44
Agro processing	90	42
TOTAL	469	216

Source: Kenya Association of Manufacturer (2023)

3.5 Data types and data sources

The collection of primary data in this study involved the use of structured questionnaires designed to capture quantitative data based on the variables outlined in the conceptual framework. The use of structured questions facilitated easier analysis as the data was presented in an immediately usable form. The collected data comprised objective-based statements aimed at addressing the research hypotheses. Each variable was allocated independent sections containing statements designed to elicit a comprehensive understanding from the respondents.

The statements formulated for the questionnaire were guided by the measures of the variables as outlined in the conceptual framework. This approach ensured that the respondents' answers aligned with the specific aspects of the study being investigated. Employing a quantitative tool like a questionnaire allowed for the coding of crucial variables that contribute to the understanding of the research problem. The coding process, undertaken later in the research project, enabled the identification of correlations between variables, providing insights into how one variable may impact another. The coding method used in this study was straightforward, facilitating the efficient gathering of results.

Cross-tabulation allowed the researcher to explore the influence of one variable on another, enhancing the comprehension of correlations between variables. Ordinal scales were used to measure the level or the degree to which the respondent agreed with the statements posed in the question. The questionnaire is referenced to in appendix I.

3.6 Data collection instrument and procedure

Data refers to raw facts that are typically structured but lack meaning on their own (Mahajan, 2016). Data collection instruments are the tools or methods used to gather raw information in a systematic and organized manner. Primary data was obtained through a structured five-point Likert scale questionnaire

Primary data method of data collection involves firsthand information directly from the source.216 finance manager were selected from various firms as the respondents because of their level of expertise, knowledge, and experience in the finance. The approach of data collection from these respondents ensures a comprehensive understanding of the subject matter and helps in gathering insights from multiple perspectives, contributing to a well-rounded and reliable dataset. The questionnaire used in the study contained questions that were relevant to understanding the respondent's approach to variables regarding the impact of tax planning on the performance of manufacturing firms. The primary data was collected through structured questionnaires.

The questionnaire designed for the study, was crafted to align with the research objectives and provide comprehensive information necessary for drawing conclusions. It was organized into four sections, the effect of income shifting on manufacturing firms' performance, the effects of expense deduction, the effects of capital intensity, and the effects of firm restructuring in the context of manufacturing firms in Nairobi, Kenya.To enhance the response rate and address research ethical considerations, the researcher

explained the significance of the study to the respondents, they were assured that their identities and information would be kept confidential. Additionally, the researcher provided guidance to respondents on how to handle challenging questions, and encouraged voluntary participation.

Researcher delivered the questionnaire to the respondent by dropping them to their firms contact details for the respondents were collected, and the researcher followed up with a phone call. After five days, the questionnaires were picked from the respondents by the researcher. Incomplete questionnaires were removed, and those validly filled were carried forwardfor data cleaning, preparation, and analysis.

3.7 Pilot Testing

Pilot testing, it is a small preliminary study before the main research to assess the feasibility of the research process. Its purpose is to refine the questionnaire, ensuring respondents can answer questions without difficulty and minimizing data recording shortcomings. Additionally, it helps in assessing the question's validity and the likely reliability of collected data. The pilot study was carried out in Kiambu County, Kenya, involving 45 manufacturing firms. Kiambu County was chosen because there are many manufacturing firms similar to Nairobi, providing relevant information for the main study. The questionnaires administered during the pilot study included aspects such as the management's perception on tax planning, the extent of the company's use of tax planning strategies, and various tax planning approaches that result in cost savings for the company, among others.

45 finance managers were selected from each firm, as respondents selected, and were evaluated for the suitability of the questionnaire. The supervisors reviewed all the areas that presented a challenge to respondents during the pilot study. The respondents who took part

in the pretest were not included in the final study sample size. The pilot study findings were used to test the reliability and validity of the study instruments. Pilot testing helps identify questions that participants may not understand or interpret differently, areas where participants are uncertain about the next steps, and questions that fail to yield appropriate information. It is a crucial step to detect weaknesses in design and implementation, providing a basis for data collection of a probability sample

Pilot testing is essential for testing the reliability of instruments and the validity of a study. The feedback obtained from the pilot study enabled the researcher to revise the questionnaire to ensure it effectively covered the study's objectives. This approach demonstrates a thorough validation process to ensure that the final questionnaire used for data collection is clear, relevant, and aligns accurately with the research objectives. After piloting, testing, and amending the questionnaires, the sample was selected for data collection. The purpose of the tests was to ascertain the relevance of the terms used to manufacturing firm finance managers. The feedback collected from the piloted individuals provided valuable insights that allowed the researcher to make necessary revisions to the questionnaire, ensuring that it effectively covered the study's objectives.

3.7.1 Reliability of research instrument

Reliability in research refers to the extent to which a questionnaire, test, or measurement procedure consistently produces the same results when applied repeatedly. It essentially measures the consistency of a measurement. One common method to assess reliability is the test-retest reliability, which involves comparing scores obtained from different administrations of the same measurement tool.

The study employed Cronbach's alpha to assess the internal reliability of the questionnaire. Cronbach's alpha is a widely used measure of internal consistency reliability. The closer the Cronbach's alpha coefficient is to 1, the higher the internal consistency reliability of the questionnaire. A coefficient of 0.7 is often recommended as a threshold for the acceptability of a newly developed questionnaire. Values for Cronbach's alpha range between 0 and 1.0, with 1.0 indicating perfect reliability, and 0.7 being considered a lower acceptable threshold, as noted by (Singh 2014). In this study, a coefficient of 0.7 was established as the standard for dependability. During the pilot research, the dependability of various variables was measured. Income shifting exhibited a high level of dependability with an alpha statistic of 0.94. Similarly, expense deduction demonstrated good dependability with a coefficient of 0.78, capital intensity had an alpha statistic of 0.85, firm restructuring scored 0.92, and the performance of manufacturing firms achieved a reliability coefficient of 0.90. Consequently, the questionnaire was utilized for the main research, as the results from the pilot phase indicated strong reliability for all variables.

3.7.2 Validity of research instument

Validity in research refers to the accuracy and truthfulness of the results produced, reflecting the true situation and conditions of the environment being studied. It is an assessment of the credibility of the interpretation and the use of test scores,ensuring that the interprtations align with the proposed context and population.Validity evidence can be supported

credibility of the interpretations and use of test scores, ensuring that the interpretations align with the proposed context and population. Validity evidence can be supported by content, response process, internal structure, relation to other variables, and consequence of an assessment tool. Structure, relation to other variables, and consequence of an assessment tool. Validity was used to determine whether the research measures how truthful the research results are. This study employed content validity. Content validity ensures that the content of the assessment tool is comprehensive and representative of the construct being measured. It's about ensuring that the questions or items in the questionnaire effectively encompass all the relevant aspects or dimensions of the construct being measured. In addition to the item domain conceptual relationship, the study of content validity comprises all the elements of items that directly affect the way data are obtained (Polit and Beck 2006).

This type of validity can be evaluated through an expert panel familiar with the concept. The experts can review the items and ascertain what each item is intended to measure. In this study, an exploratory factor analysis matrix was employed to assess the loadings associated with each variable and component. To ensure content validity, the questionnaire was subjected to thorough examination where selected finance managers, were chosen randomly and requested to evaluate the statements in the questionnaire for relevance. On the basis of the evaluation, the instrument was adjusted appropriately before subjecting it to the final data collection exercise. Their review comments were used to ensure that content validity was enhanced.

3.8 Assumptions of linear regression

When using the regression model to represent the relationship between independent and dependent variables, certain assumptions need to be met before drawing conclusions or

constructing predictive models. Key assumptions include normality, linearity, Multicollinearity, and homoscedasticity, all of which were tested in this research. It was assumed that there existed a true linear relationship between the independent and dependent variables. Additionally, the research expected that errors would follow a normal distribution, and during variable analysis, there was uniform variance around the regression line. To diagnostically evaluate the relationship between the variables, independence of correlations was also considered

3.8.1. Test of Normality

According to Ramakrishna (2013), enhancing regression analysis can be achieved by ensuring that the data follows a normal distribution. The normality assumption implies that the residuals of the independent variable are distributed normally and are closer to the mean The Shapiro-Wilk tests were employed to assess normality. In cases where the data did not meet the normality assumption, Cox transformation methodology was utilized to transform the data. A probability value exceeding 0.05 suggests that the data follows a normal distribution, while a probability value less than 0.05 indicates non-normality in the variable data.

3.8.2 Test of Linearity

The linearity test concept is predicated on the assumption that a linear correlation exists between the parameters of independent and dependent variables. The t-test was employed to validate the linearity in regression. Additionally, a quantile-quantile plot (q-q plot) was utilized to assess how well the data aligns with a normal distribution. If the actual relationship isn't linear, using the model would significantly reduce accuracy. The linearity test helps determine whether all linear regression models between a dependent and an

independent variable form a straight line to the right or bottom right. A linear relationship is confirmed if the linear significance value is <0.05

3.8.3. Test of Multicollinearity

Multicollinearity occurs when there is high correlation between independent variables, which affects the significance of the individual variables. Alin (2010), emphasizes that in cases where two or more independent variables exhibit linear dependence, it is advisable to utilize only one of them for data analysis. Analyzing multiple such variables can increase standard errors, introducing bias into the results. To identify Multicollinearity issues in the independent variables (IVs), the Variance Inflation Factor (VIF) is employed. A VIF value of ≥10 indicates the presence of Multicollinearity and a VIF value of ≤10, coupled with a tolerance factor of ≥0.2, is deemed an appropriate and acceptable measure, indicating the absence of Multicollinearity

Multicollinearity in this study was checked using variance Inflation Factor (VIF) for each independent variable. VIF values more than 10 implies presence of Multicollinearity problem and VIF values less than 10 indicate absence or lack of Multicollinearity problem Ramakrishna (2013).

3.8.4. Homoscedasticity

Homoscedasticity describes a situation in which the error term (that is, random disturbance in the relationship between the independent variables and the dependent variable) is the same across all values of the independent variables.

3.9. Data Analysis

The data interpretation involved drawing insights from computed correlation, coefficient of determination, ANOVA, and regression coefficient tables. Both descriptive statistics

and inferential statistics methods were employed for data analysis. Descriptive statistics were primarily used to provide a summary of the data, which entails percentages and frequencies. Measures of central tendency like mean, median, mode, and percentages were applied for quantitative variables. Regression analysis was employed to investigate the impact of tax planning on the performance of manufacturing companies in Nairobi, Kenya. The independent variables considered were income shifting, expense deduction optimization, and Firm restructuring. In parallel, dependent variables were assessed using correlation, coefficient of determination, ANOVA, and regression coefficient tables for firms based in Nairobi city, Kenya.

3.9.1 Analytical Model Specification

The research utilized multiple regression analysis to model the relationship between the dependent variable and independent variables. The fundamental goal was to construct a mathematical model that establishes the connection between the dependent variable and the independent variables. The approach chosen for data analysis involved employing multiple regression analysis to predict the levels of the dependent variable based on the levels of the independent variables

The regression model as below

$Y = \beta_0 + \beta_1 X_2 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \ell$

Where

Y = Manufacturing firms Performance

X_1 = Income shifting

X_2 = Expense deduction

X_3 = Capital intensity

X_4 =Firm restructuring

β_0= Constant term

β_1, β_2, β_3 β_4 =Beta Coefficient

ℓ= error term

3.9.2. Hypothesis Testing

The research employed statistical hypotheses to assess the statistical significance of the dataset. Through hypothesis testing, a p-value was calculated, indicating the probability that the observed results could be attributed to random chance. A significance level of 5% ($p < 0.05$) was chosen for the study. The research was guided by four specific hypotheses: Income shifting does not have a significant impact on the performance of manufacturing firms in Nairobi, Kenya; Expense deduction optimization does not significantly affect the performance of manufacturing firms in Nairobi; Capital intensity does not have a significant impact on the performance of manufacturing firms in Nairobi; and Firm restructuring does not significantly affect the performance of manufacturing firms in Nairobi, Kenya. These hypotheses were tested with a confidence level of 95% and a significance level (α) of 0.05.

3.10 Measurement of variable

The study's dependent variable was performance of manufacturing firms in Nairobi city Kenya. Income shifting, expense deduction capital intensity and firm restructuring were the independent variables for the study. The variables were measured and operationalized using various measurement indicators. This was summarized as per the Table 3.3.

Performance of manufacturing firms was measured in terms of growth of market share, the level.

Table 3.3 Measurement of Variables

Independent Variables	Source /Author	Data collection instrument	Measurement scale	Type of analysis
Income shifting	Ogundupe (2020)	questionnaire	5point Likert scale	Regression analysis correlation analysis
Expense deduction	Saraswati (2021)	questionnaire	5point Likert scale	Regression analysis correlation analysis
Capital intensity	Akintoye et. al (2020)	questionnaire	5point Likert scale	Regression analysis correlation analysis
Firm restructuring	Nene& Pillay (2019).	questionnaire	5point Likert scale	Regression analysis correlation analysis
Dependent Variable Performance of manufacturing firms	Adetola & Oke (2016)	questionnaire	5point Likert scale	Regression analysis correlation analysis

Source: Researcher 2023.

3.11. Ethical Consideration

The study adhered to ethical standards following the approach outlined by Hans and SNG (2016). The researcher familiarized herself with various ethical standards, including Moi University's research ethics code. Formal approval was obtained from the university to conduct the research, and the researcher secured a research permit from NACOSTI. Additionally, consent was obtained from all participants. The respondents were assured that their participation was voluntary and that they could withdraw at any time without any

repercussions. Confidentiality and anonymity of the information provided were emphasized, and the participants were assured that their personal details would not be disclosed in the study reports.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0.Introduction

This chapter presents and discuss the findings of the study based on the response from the respondents in respect to the objectives of the study. The chapter encompasses the descriptive and inferential statistics on the view of the respondents on the income shifting, expense deduction, capital intensity and firm restructuring and their effects on the performance of the manufacturing firms.

4.1.Response Rate

The research targeted 216 respondents in collecting data regarding effects of tax planning strategies on the performance of manufacturing firms. 216 questionnaires were distributed by the researcher from which 196 questionnaires were filled correctly hence accepted. This represent a response rate of 90.74%. A 50% response rate is adequate, 60% good and above 70% is rated very good (Kothari, 2004) and therefore, based on these views, 90.74% response rate for this research was good.

Table 4.1: Response rate

Questionnaire	Frequency	Percentage
Complete	196	90.74%
Not Complete	20	9.26%
Total	**216**	**100%**

Source: Researcher 2023

196 complete questionnaires equivalents to 90.7%, present the data that the researcher received from participants who fully answered the questionnaire. These responses were used for data analysis and forming the basis of the research findings.

20 incomplete questionnaires equivalent to 9.26% indicate the number of participants who did not finish or fully answer the questionnaire, which could be caused by time constraints,

unclear questions, or unwillingness to complete the survey. Incomplete questionnaires were dropped.

4.2 Reliability Test

The Cronbach alpha test assess the reliability of the instruments to be used for the study. This includes the repeatability, stability and internal consistency of the questionnaire to be used for a study. According to Bryman (2008), the Cronbach alpha coefficients should be greater than 0.70 for the instruments to be fit and reliable. The finding in tables 4.2 indicates a Cronbach Alpha of 0.94 for income shifting, alpha statistic of 0.78 for expense deduction,0.85 for capital intensity, 0.92 for firm restructuring and 0.90 for the performance of the manufactuirng companies.

Table 4.2: Reliability Test

Variable	Number of Items	Cronbach's Alpha Score	Comments
Income Shifting	5	0.94	Reliable
Expense deduction	5	0.78	Reliable
Capital Intensity	5	0.85	Reliable
Firm restructuring	5	0.92	Reliable
Performance of manufacturing firms	5	0.90	Reliable

Source: Research data (2023)

From table 4.2 results, the alpha score for each variable is greater than 0.70 meaning that the tools used for the study are reliable and can be used to achieve the desired objectives of study. Income shifting had the highest reliability coefficient of 0.94, followed by firm restructuring with a coefficient of 0.92, capital intensity had 0.828, and expense deduction had the lowest coefficient of 0.78.

4.3 Respondents' Demographic Information

This section outlines the general demographic information of the respondent. This included the level of education the directors on behalf , the years of operation of the companies and the size of the company.

4.3.1 Level of Education of the Respondents

The finding as per figure 4.3 indicates that majority of the respondents in the manufacturing firms in Nairobi City are secondary and tertiary educated as indicated below. This could be due to the fact that most manufacturing firms require skills from tertiary education. This information was relevant to the study since it enabled the researcher to understand the ability of the respondents in understanding the tax planning initiatives which was the core objective of the study.

Table 4.3 level of education of respondent

Education level	Frequency of Education Level	Percentage
degree	41	20.9
post graduate	40	20.4
secondary	57	29.1
tertiary	58	29.6
Grand Total	**196**	**100**

Source: research data (2023)

4.3.2. Years of Company Operations.

The finding of this study revealed that at least 50% of the manufacturing firms have been in operation for over 7 years. This could be as a result due to the profits of the firms which may be as a result of effect tax planning. However, the startup companies are more than the companies which have been in the field between 4 to 6 years, this could imply that

some of the companies are struggling and therefore may be closing with time. Meaning that the companies could not have not taken the advantage of the tax planning initiatives.

Table 4.4 Year of Company operation

Row Labels	Frequency of Age of company	percentages
0 to 3	39	19.90%
4 to 6	28	14.29%
7 to 10	70	35.71%
above 10	59	30.10%
Grand Total	**196**	**100%**

Source: research data (2023)

4.4 Descriptive statistics

The findings are from data derived from Likert scale in the questionnaires where the respondents were supposed to indicate their level of agreement or otherwise with a given statement. For the purpose of the analysis, the total score for each variable was used instead of individual question per variable. That is, the individuals' response was summed up per variable question to come up with a score for the analysis. For the descriptive statistics, Individual variable was analysed to establish the mean and the variance of each of the questions in the questionnaire and the following results obtained.

4.4.1 Income Shifting Strategies

Descriptive statistics from the responses based on 196 respondents were given in tabular form. The descriptive statistics were given inform of means and standard deviations about statements on level of income shifting and the results were as per Table 4.5. The statement "We get all relevant information" had a highest mean of 4.337 but relatively low standard deviation of 0.6632. This implies that the respondents agreed unanimously that they are aware of the where to get all necessary information and assistance on the income shifting strategies. However, the statement on, we employ debt equity swap, classify business

income and we pursue tax planning only managed to score 2.362, 2.903, and 3.214 respectively and a relatively high standard deviation. This implies that even though the respondents were aware of how and where to get the information on income shifting, most of their firms have not taken advantage of this tax reduction scheme to enable them maximize their profit and therefore better their performance.

From these results, it's clear that the relevant agencies have done a lot to ensure most manufacturing firms have access to the information on income shifting and when to take the advantage in terms of the timing, however, little has been done by the firms to utilize this initiative, this could be due to lack of sufficient information or inadequate planning by the firms in regards to profit sharing. This therefore necessitates the need for the relevant agencies to incorporate implementation process of income shifting in the organized tax education trainings and seminars. This can also be done by publishing the same on both print and social media where the tax payers can easily access and have the full information while also including practical sessions.

Table 4.5 Income Shifting Strategy

Descriptive Statistics							
	N	**Mean**	**Std. Deviation**	**Skewness**		**Kurtosis**	
Statement	**Statistic**	**Statistic**	**Statistic**	**Statistic**	**Std. Error**	**Statistic**	**Std. Error**
We pursue tax planning by changing characteristic of income	196	3.214	1.3531	-.221	.174	-1.271	.346
We classify business income so as to take advantage of income shifting	196	2.903	.8977	-.323	.174	-.794	.346

We employ debt equity swap as a strategy of tax planning	196	2.362	.9427	.182	.174	-.524	.346
Deferred payment accounts have helped our firm in tax planning	196	4.000	1.0178	-.767	.174	-.395	.346
We get relevant information from management about income shifting	196	4.337	.6632	-1.139	.174	2.570	.346
Valid N (listwise)	196						

Source: researcher 2023.

4.4.2 Expense Deduction

The second objective was to determine the effect of expense deduction on the performance of manufacturing firms in Nairobi City. The descriptive statistics from the responses based on 196 respondents. The results show the means and standard deviations about questions on expense deduction. It is evident that majority of respondents unanimously agreed that they understand different type of expenses deductions, utilizing employee expenses effectively. They further agreed that interest expense deduction has led to significant tax reduction and also agreed that classification of expenses was an effective way of tax saving. This means that a majority of firms takes advantage of Expense deduction as a way of improving their performance.

Table 4.6 Expense Deduction

Descriptive Statistics

Statement	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
We understand different types of expense deductions.	196	4.408	.6616	-.784	.174	.013	.346
We use employee expenses effectively as an approach to reduce firm tax liability.	196	4.184	.9430	-.783	.174	-.573	.346
Interest expense deduction has led to significant tax saving to this company.	196	3.796	1.0274	-.412	.174	-.959	.346
Classification of expenses is an effective way to tax saving to our firm.	195	4.174	.8497	-1.208	.174	1.272	.346
We often uses charitable contributions expenses as a strategy of minimizing tax liability	196	4.462	.5395	-.443	.174	.319	.346
Valid N (listwise)	196						

Source: research data (2023)

4.4.3 Capital Intensity

The third objective was to determine the effect of capital intensity on the performance of the manufacturing firms in Nairobi City. The descriptive statistics from the responses based on 196 respondents. The results show the means and standard deviations about questions on capital intensity. The results show that the statement "leverage debt financing has helped our firm in tax planning" had a high mean of 4.413 while the statement on "We invested in different types of property plant and equipment had a relatively small mean of

3.546. This indicates that however much the respondents had access to information and therefore knowledge on property plant and equipment, majority of them did not practice the strategy as a method of tax reduction. On the other hand, it may be notable that quite good number agreed that they had benefited from training on to effectively use various measures of Capital intensity to reduce tax liability, this is evident where the respondents agree to have practiced other capital intensity measures such as depreciation cost and investment allowances to reduce tax payable.

Table 4.7 Capital Intensity

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Leverage debt financing has help our firm reduce tax liability `	196	4.413	.6925	-.855	.174	-.104	.346
We practice depreciation as a way of reducing tax liability of the company	196	4.281	.6468	-.345	.174	-.706	.346
Investment allowances has significantly helped us reduce tax payables	196	4.107	.6971	-.148	.174	-.928	.346
We have invested in different types of property plant and equipment	196	3.546	.7993	.335	.174	-.526	.346
We benefit from trainings on how to effectively use various measure of capital intensity to reduce tax liability	196	4.219	.7427	-.454	.174	-.805	.346
Valid N (listwise)	196						

Source: research data (2023)

The findings as per table 4.7. Indicates that if the manufacturing industries are well informed and uses all the capital intensity strategies of tax planning, then it would better their performance.

4.4.4 Firm restructuring

The fourth objective was to determine the effect of firm restructuring on the performance of manufacturing firms in Nairobi city Kenya. The descriptive statistics from the responses based on 196 respondents. The results show the means and standard deviations about questions on the variable.

Table 4.8 Firm Restructuring

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Internal restructuring has helped our firm to reduce tax liability in large extent	196	3.954	.6508	-.068	.174	-.296	.346
we encourage vertical acquisition because it eases the tax burden of our company.	196	4.036	.7399	-.134	.174	-.935	.346
We practice tax efficiency analysis as tax planning approach to reduce the tax payable.	196	4.077	.6788	-.095	.174	-.815	.346
Legal and regulatory compliance as a tax planning strategy has benefited the firm in great extent	196	4.265	.8777	-1.327	.174	1.298	.346

We often consult tax expert to help our firm manage tax liability.	196	4.281	.7631	-.524	.174	-1.104	.346
Valid N (listwise)	196						

Source: Research Data (2023)

From the findings, most respondents in the manufacturing firms agreed to have benefited from tax agent consultation forums and the advice received has helped them in large extent in planning their taxes, this is evident with the mean of 4.265, the respondents further agreed that they have adherence to legal and compliance regulatory as a strategy of tax planning has helped the firm to reduce tax payables. Asked whether internal restructuring has helped their firms reduce tax liability in large extend, the result was almost neutral as most of the respondents failed to agree with the statement. This could be since most of the firms are relenting to practice internal restructuring such as mergers and prefer working on their own establishment.

This implies that there is need to encourage the manufacturing industries to consider different ways of firm restructuring with the aim of increasing their profitability by reducing tax payable. When this is done, then we could expect the performance of the Manufacturing industries to improve in Nairobi, Kenya

4.4.5 Manufacturing firm performance

The dependent variable was the performance of the manufacturing firms. The descriptive statistics from the responses based on 196 respondents. The results show the means and standard deviations about questions on manufacturing firm performance.

The result shows that most respondents agreed to have been producing quality products with a mean of 3.10. While most agree that that the performance of the manufacturing

industry is still poor and they have not really maintained high standards of production. This is indicated by the low means of 2.418 to 2.79 that were yielded from various statements on the performance of manufacturing firms. This finding really necessitates for the current study so as to ensure that the measures under the study are well taken care of with a bid to improve the performance of the industry.

Table 2 Manufacturing Firm performance

Descriptive Statistics

	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
We have grown in terms of market shares	196	2.73	1.390	.194	.174	-1.248	.346
We have maintained high standard in terms of customer expectation	196	2.69	1.331	.367	.174	-1.006	.346
We have expanded in terms of company size	196	3.10	1.471	-.119	.174	-1.398	.346
We produce quality product as compared to our competitors	196	2.79	1.372	.164	.174	-1.188	.346
We adopt new technology and innovations as soon as they hit the market so as satisfy the needs our customers	196	2.418	1.3010	-.081	.174	-.392	.346
Valid N (listwise)	196						

Source: Research data (2023)

4.5 Diagnostic Tests

This research was built on using the Multiple Linear regression to explore the relationship between variables. It was therefore important to test that all the assumptions of the

regression are met in order to carry out study successfully. This section discusses on the normality test, Multicollinearity test and homoscedasticity test.

4.5.1 Test of normality

Shapiro-Wilk tests was employed to test for normality. These tests establish the extent of normality of the data by detecting existence of skewness or kurtosis or both. The tests statistics range from zero to one with figures higher than 0.05 indicating that the data is normal (De Vos, 2011)

From the findings, it is evident that the data followed a normal distribution since Income Shifting had p value of 0.077, expense deduction had p value of 0.685, capital intensity had p value of 0.767, firm restructuring had p value of 0.918 and performance of manufacturing firms had p value of 0.859 which are all above the minimum p-value of 0.05. That is to say (p=0.077, p=0.685, p=0.767, p=0.918 and p=0.859>0.05). Therefore, the data was normally distributed.

Table 4.10 Test of Normality

Tests of Normality

	Shapiro-Wilk		
	Statistic	df	Sig.
Income Shifting	0.987	196	0.077
Expense deduction	0.994	196	0.685
Capital Intensity	0.995	196	0.767
Firm restructuring	0.996	196	0.918
Performance of Manufacturing Co	0.996	196	0.859

*. This is a lower bound of the true significance.
a. Lilliefors Significance Correction
Source ;Researcher (2023)

4.5.2 Multicollinearity test

Multicollinearity is the undesirable situation where the correlation among the independent are strong. It increases the standard errors of the coefficients using collinearity statistics to get tolerance and variance inflation factor (VIF). A Variance Inflation Factor (VIF) is used to assess whether independent variables (IVs) are affected by Multicollinearity. If the VIF value for a particular variable is greater than or equal to 10, it indicates the presence of Multicollinearity. Conversely, a VIF value less than or equal to 10, accompanied by a tolerance factor of at least 0.2, is considered optimal and signifies an acceptable level of Multicollinearity.

In order to test for Multicollinearity, VIF was computed using statistical packages for social science (SPSS). Multicollinearity increases the standard errors of the coefficients and thus makes some variables statistically not significant while they should otherwise be significant. Tolerance is the amount of variance in independent variable that that is not explained by the other independent variable. Bower man and Connell (2006) stated that lower levels of VIF are better while higher levels of VIF are known to affect adversely the result associated with a multiple regression analysis.

In the current study the tolerance value for income shifting was 0.981>0.2, expense deduction had a tolerance of 0.995>0.2, capital intensity had a tolerance of 0.97>0.2 while firm restructuring had a tolerance of 0.989>0.2 which is above the threshold value of 0.2. The reciprocal for the VIF was 1.02 for Income shifting, 1.005 for expense deduction, 1.031 for capital intensity and 1.011 for firm restructuring which indicates that there was no collinearity. This indicated that the data set displayed no Multicollinearity.

Table 4.11 Multicollinearity test

Coefficients

Model		Collinearity Statistics	
		Tolerance	VIF
1	Income Shifting	0.981	1.02
	Expense deduction	0.995	1.005
	Capital Intensity	0.97	1.031
	firm restructuring	0.989	1.011

a. Dependent Variable: Performance of Manufacturing Company
Source: research data (2023)

4.5.6 Homoscedasticity

The Breusch-Pagan test was used to test homoscedasticity in a linear regression model. The result indicated the Breusch-Pagan statistic of p-value=0.3792, which is above the minimum requirement of p-value 0.05. This indicates that there is no violation of the homoscedasticity in the variables used for the study.

4.6 Inferential statistics

4.6.1 Correlation Analysis

Table 4.12 displays the results of the Pearson's correlation analysis, providing insights into the association and strength of the variables under study. Pearson's correlation is a valuable quantitative tool for understanding the relationships between variables, allowing for a deeper analysis of the research findings. A correlation analysis was performed and the inference made in terms of the Pearson Correlation coefficients and the result.

Table 4.13 Correlation Analysis

Correlations

		Performance of Manufacturing Co	Income Shifting	Expense deduction	Capital Intensity	firm restructuring
Performance of Manufacturing Co	Pearson Correlation	1				
Income Shifting	Pearson Correlation	0.104	1			
Expense deduction	Pearson Correlation	-0.042	-0.043	1		
Capital Intensity	Pearson Correlation	.273**	-0.13	-0.05	1	
firm restructuring	Pearson Correlation	.806**	0.022	-0.003	-0.103	1

 Correlation is significant at the 0.01 level (2-tailed).
Source: research data (2023)

The result showed that income shifting had and the performance of manufacturing firms had positive and significant correlation with (r=0.104, p=0.000). implying that increase in income shifting result to increase in manufacturing firm performance. This study finding also supports with the findings of Mgammal and Ismail (2015) who indicated that tax planning by income shifting during the adjustment of income from income revenue are subjected to better performance.

This study finding also supports the findings of Mgammal and Ismail (2015) who indicated that tax planning by income shifting during the adjustment of income from income revenue are subjected to better performance.Moreover, the findings demonstrated a favorable and significant relationship between capital intensity and the performance of manufacturing firms with (r=-0.273, P=0.000), indicating that increase in capital intensity result to performance of manufacturing firms.

Lastly the findings indicated that firm restructuring and manufacturing firms had a strong positive and significant correlation with (r=0.806, p=0.000). This implied that an increase in firm restructuring strategies result to better performance of manufacturing firms.

4.6.2 Regression analysis

This section presents the statistical analysis of the relationship between the variables of study. This study used multiple regression analysis. Regression analysis aimed at generating correlational analysis, model summary, analysis of variance (ANOVA) and regression coefficients was done.

4.6.3 Model Summary

From model summary, the coefficient of correlation R was 0.892 showing a strong relationship between the independent variables and the dependent variable. The coefficient of determination R^2 (R square) was 0.796 implying that 79.6 % variation in dependent variable was as a result of the study's predictor variables. This means that in Nairobi, Kenya, the performance of the manufacturing firms can be said to be 79.6% dependent on firm restructuring, expense deduction, income shifting and capital intensity as far as tax planning is considered. However, 20.4% are other factors that are currently note being studied

Table 4.13: The Model Summary for income shifting, expense deduction, capital intensity and firm restructuring

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	df1	df2	Durbin-Watson
1	.892	0.796	0.791	17.3578	0.796	4	191	1.809

a. Predictors: (Constant), income shifting, Expense deduction, Capital Intensity and firm restructuring

b. Dependent Variable: Performance of Manufacturing firm

Source: research data (2023)

4.6.4 Analysis of Variance

Table 4.13 the ANOVA results demonstrate a notable correlation between the independent variables (Income shifting, expense deduction, capital intensity and firm restructuring) and the dependent variable, manufacturing firm performance. The analysis of variance was done to generate the f- statistic which is used to test significance of the generated adjusted R square value and the regression model used. The F-statistics value in Table 4.13 is 185.96, and the associated significance level P-value is 0.000, which is less than the conventional significance probability P=0.000 pegged at 0.05. This outcome indicates that the model is statistically significant. This implies that the regression model was significant hence fit for the study.

These results show that if a similar study is done in the same area using same variables, there is 0.95 chances that similar results will be obtained. The regression model is therefore fit and thus there is a significant relationship between each of the predictor variables and investment in real dependent variable. The model was therefore fit in explaining the variations of income shifting, expense deduction, capital intensity and firm restructuring on the performance of the manufacturing firms.

Table 4.14: Analysis of Variance

ANOVA TABLE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	224115.91	4	56028.98	185.961	0.000b
	Residual	57547.24	191	301.294		
	Total	**281663.15**	**195**			

a. Dependent Variable: Performance of Manufacturing firm
b. Predictors: (Constant), Income Shifting Expense deduction, Capital Intensity, firm restructuring
Source: Researcher (2023)

4.6.5 Presentation of the findings

A regression analysis was done to test combined effect of the independent variables to the dependent variable. The regression coefficients for the constant term, income shifting, expense deduction, capital intensity and firm restructuring were generated with their respective T statistics

Table 4.15: Regression Coefficient

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig
1 (Constant)	0.349	13.01		4.634	.000
Income Shifting	0.555	0.137	0.134	4.05	.000
Expense deduction	-0.012	0.028	-0.014	-0.438	.662
Capital Intensity	0.384	0.034	0.377	11.339	.000
Business Reorganization	0.537	0.021	0.842	25.598	.000

a. Dependent Variable: Performance of Manufacturing firm

Source: researcher (2023)

The findings show a constant term (β_0) of 0.349 and a significant p-value of 0.000 $p<0.05$.

Based on the findings from the Table 4.14 hypothesis on income shifting was that there is

no significance effect on performance of manufacturing firm. The p value was 0.000 <0.05 thus the null hypothesis is rejected and agree that income shifting has no significant effect on performance of manufacturing firms. Income shifting had a beta coefficient of 0.134 implying that a unit increase in income shifting is associated with an increase of manufacturing firm performance by 0.134.Consequenty, a firm can use income modification, a measure of income shifting strategy whereby the nature of income is changed from business to capital income. Capital gains often receive more favorable tax treatment compared to business income, such as lower tax rates or tax exemptions. This tax planning approach reduces tax burden and help the firm saves on cash which when employed in other investments result to better performance.

The findings shown in table 4.15 indicated that capital intensity has p value of 0.000 indicating that there is significance effect on capital intensity and performance of manufacturing firm hence null hypothesis is reject because it is less than 0.05. Capital intensity had a beta coefficient of 0.377 implying that a unit increase in capital intensity result to an increase of manufacturing firm performance by 0. 377.Utilizing depreciation cost as measure of capital intensity tax planning strategy help the firm to reduce the tax burden. Depreciation is a non-cash expense that reduces taxable income, hence lowering tax liability. In the long term, higher capital intensity leads to larger depreciation deductions, contributing to tax savings over several years. The cash savings help the firms to meet their financial obligations thus resulting to good performance in the market.

Firm restructuring had a very high positive beta coefficient of 0.842. A unit increase in firm restructuring is associated with a 0.842 increase in the dependent variable. This indicates that firm restructuring has a very strong influence on the dependent variable with

(p=0.000) had significant influence on the performance of the manufacturing firms in Nairobi city, Kenya as the dependent variable or outcome of the study.

4.6.6 Hypothesis Testing

The study hypotheses were examined using regression analysis, focusing on the relationship between the independent and dependent variables. In assessing the significance of variables, the criteria for rejecting the null hypothesis was set at a p-value less than the 0.05 level of significance for the t-statistic associated with each independent variable.

H0₁: Income shifting has no significant effect of on the performance of manufacturing firms in Nairobi city Kenya**.** Income shifting was found to have a significant effect on the performance of manufacturing firms in Nairobi, Kenya. From the findings indicated in Table 4.16, the p-value of the t statistic for this independent variable was 0.000 and the beta value was β_1=0134. And because the p-value of 0.000 was less than 0.05, the null hypothesis was rejected.The findings shown that income shifting had a statistically significant effect on on the performance of the Manufacturing firms in Nairobi, Kenya as evidenced by β_1=0134, p=0.000<0.05**,** thus the null hypothesis is rejected and we conclude that there is a significant effect of Income shifting on the performance of the manufacturing firms in Nairobi, Kenya.

H0₂: Expense deductible has no significance effect on the performance of manufacturing firms in Nairobi, city Kenya. expense deductible does not significantly affect the performance of manufacturing firm. The findings in table 4.16 showed that expense deductible had no statistical significant effect on the performance of the manufacturing firms. This was evidenced by β_2= -0.014, p=0.662>0.05, which means that the researcher

fails to reject the null hypothesis and agree with a conclusion that there is no significant effect of the expense deductible on the performance of Manufacturing firms in Nairobi, Kenya.

H₀3: Capital intensity has no significant effect on the performance of manufacturing firms in Nairobi, city Kenya. capital intensity does significantly affect the performance of manufacturing firms in Nairobi, Kenya. The findings in Table 4.16 revealed that capital intensity had a statistical significant effect on the performance of the Manufacturing firms in Nairobi city, Kenya .This was evidenced by β_3=0.377, p=0.000<0.05, therefore the null hypothesis is rejected and conclude that capital intensity had a significant effect on the performance of the Manufacturing firms in Nairobi, Kenya.

H₀4: Firm restructuring has no significant effect on the performance of manufacturing firms in Nairobi, firm restructuring had significant impact on the performance of manufacturing firms in Nairobi, Kenya. The findings show that firm restructuring had a positive significant effect in the performance of the manufacturing firms. The p-value of the t-statistic for this independent variable which is evidenced in the by β_3= 0.842, p=0.000<0.05, thus the null hypothesis is rejected and alternative hypothesis was considered thus concluded that firm restructuring had a significant effect on the performance of the Manufacturing firms in Nairobi, Kenya.

Table 4.16 :Summary of Hypothesis Testing

Summary of Hypothesis Testing	P -Value	Recommendations
H_{01} - Income shifting has no significant effect on the performance of manufacturing firms in Nairobi city Kenya.	0	Reject H_{01}
H_{02} -Expense deductible has no significance effect on the performance of manufacturing firms in Nairobi, city Kenya	0.662	Accept H_{02}
H_{03} Capital intensity has no significant effect on the performance of manufacturing firms in Nairobi, city Kenya.	0	Reject H_{03}
H_{04} Business reorganization has no significant effect on the performance of manufacturing firms in Nairobi,	0	Reject H_{04}

4.7 Discussion of the Findings

This section presents the discussion of findings for a study whose objective was to determine the effects of tax planning strategies on the performance of manufacturing firms in Nairobi city, Kenya. The variables in discussion are income shifting, expense deduction, capital intensity and Firm restructuring**.**

4.7.1 Effects of income shifting on performance of manufacturing firms

The study's first objective was to determine the effect income shifting on the performance of manufacturing firms in Nairobi city Kenya. The study's findings indicated that income shifting had a positive correlation with performance of manufacturing firms, statistically significant at a p-value of 0.000, which is less than the normal probability significance level of 0.05.

This is in line with the findings of McGuire and Weaver (2018) who found that the incentives to shift income were potential ways to reduce cash tax payments, lower tax expenses and therefore create higher net income therefore improving the performance of the Manufacturing firms. This study finding also supports the findings of Mgammal and

Ismail (2015) who indicated that tax planning by income shifting during the adjustment of income from income revenue are subjected to better performance. Therefore, this study encourages the manufacturing firms to embrace the use of income shifting as a way of improving their performance.

4.7.2 Effect of expense deduction on performance of manufacturing firm

The study's second goal was to establish the effect of expense deduction on the performance of manufacturing firm in Nairobi, City Kenya. The study findings found a negative correlation between the expense deduction and the performance of the manufacturing firms in Nairobi city. Furthermore, the study found that there exists no statistical significance of expense deduction on the performance of the manufacturing city. Expense deduction was statistically insignificant at p-value $P>0.0662$ which was greater than the convectional probability significance level of 0.05.

This indicates that however much the firms may practice expense deduction, it may have little or no significant effect on their performance, where in other cases it may reduce their performance. This may be supported by Fischer and Huang (2013) who indicated that expense deduction may include mortgage to employees which may be costly deduction, therefore reducing or having little significant effect on the performance of the Manufacturing firms. Therefore, at the end of the financial year expense deduction may not have an effect on the performance of the manufacturing firms.

4.7.3 Effect of capital intensity on the performance of manufacturing firm

The third study objective was to determine the effect of capital intensity on the performance of manufacturing firm According to the study's findings, Capital intensity was found to have a positive correlation with the performance of the manufacturing firms in Nairobi, City

Kenya. This could be because capital intensity is an aggressive way of improving the performance of manufacturing firms. The study affirms with the argument of Akitonye (2020) who defined capital intensity to be the level of a company's investment in fixed assets and affirmed capital intensity to be a good tax planning method since the company is able to reduce taxes due to depreciation and therefore saving the company on the tax payable annually. Therefore, the study encourages manufacturing firms to take the advantage of Capital intensity to improve on their performance. They should not only have the adequate knowledge of the same but also implement the strategy as a way of tax planning and improving performance.

4.7.4 Effect of Firm restructuring on the performance of manufacturing firm

The final objective of the study was to establish the effect of Firm restructuring strategies on the performance of the manufacturing firms in Nairobi. This study established a positive correlation between Firm restructuring and the performance of the manufacturing firms. Firm restructuring

was statistically significant at a p-value of 0.000, which is less than the normal probability significance level of 0.05. The study therefore encourages the manufacturing firms to consider firm restructuring as a measure of improving the performance of the manufacturing firm.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter covers summary, conclusions and recommendations based on the objectives of the study. The recommendations to the manufacturing firms, practitioners and also to the scholars. The summary shows how the dependent variable and independent variable relates.

5.1. Summary of Findings

The overall objective of this study was to determine the effect of tax planning strategies on the performance of the Manufacturing firms in Nairobi, Kenya. Specifically, the study sought to determine the effect of income shifting on manufacturing firms' performance. To determine the effect of expense deduction on manufacturing firms' performance. To determine the effect of capital intensity on manufacturing firms' performance and to determine the effect of firm restructuring on the performance of Manufacturing firms in Nairobi, Kenya.

5.1.1 Income tax shifting on performance of manufacturing firms

The first objective was to determine the effect of Income tax shifting on the performance of manufacturing firms in Nairobi, Kenya. Income shifting can be said to be one of the aggressive ways of tax planning. The independent variable income shifting was measured using five statement. The statements were reliable as confirmed by Cronbach alpha reliability coefficient. The correlation and regression coefficient analysis revealed a positive relationship between income shifting and performance of manufacturing firm with P=0.000 and a beta coefficient of 0.134. This is supported by the finding from the

correlation matrix which shows a positive correlation between income shifting and performance meaning that an increase in income shifting strategy, improves the performance of manufacturing firms.

5.1.2 Expense deduction on performance of manufacturing firm

The second objective was to determine the effect of expense deduction on performance of the manufacturing firm in Nairobi, City Kenya.The study found that expense deduction did not explain the performance of the manufacturing firms to the required extend. This is evident by the negative correlation coefficient followed by a negative regression model and a probability value greater than 0.05. This means that though it is advisable for the companies to use expense deduction as a way of improving their performance, it could as well have limited or un limited impact on the performance.

5.1.3 Capital Intensity on performance of manufacturing firm

The study sought to determine the effect of capital intensity as a measurer of tax planning strategy on the performance of the Manufacturing firms. The study established a positive correlation between the capital intensity and the manufacturing company's performance. This is also supported by the regression coefficient which has a probability value of p=0.000 and a beta of 0.377 implying that an increase in capital intensity improves the performance of the manufacturing firms.

5.1.4 Firm restructuring on performance of manufacturing firm

The last objective was on effect of firm restructuring on the performance of the manufacturing firms. The mean of all statements was above average. The standard deviations were also small. This means that the respondents agreed that firm restructuring when well-practiced can impact positively to performance of manufacturing firms. This is

also evident by the positive correlation and a probability value of 0.000 and a beta of 0.842 indicating that Firm restructuring is significant to the manufacturing firms.

5.2. Conclusion

The study main objective was to determine the effect of tax planning strategies on the performance of manufacturing firms in Nairobi, Kenya. Based on the findings the study made the conclusion that enhanced income shifting approaches such as transfer pricing and use of deferred accounts for instance individual retirement accounts where payment is deferred to future date leading to tax saving to the firms. Therefore, for the firms to improve their performance, it is advisable that they consider income shifting approach by employing various measures like of use of tax-deferred accounts by shifting income from taxable accounts to tax-deferred accounts, such as individual retirement accounts (IRAs) where the growth and distributions are taxed at a more favorable rate or deferred until a later date. Additionally, utilizing debt-equity Swaps rate by restructuring the financial arrangements, like converting debt to equity, whereby interest payments on debt that is taxable is converted into dividends which are often taxed at a lower

Consequently, the study concluded that improved capital intensity positively affects the performance of manufacturing firms. Respondents agreed that they benefited from the training on effective use of various measures of capital intensity. Therefore, it is advisable for manufacturing firms to consider utilizing capital intensity strategy by employing measure such use of depreciation cost because depreciation is a non-cash expense that reduces taxable income, hence lowering tax liability. In the long term, higher capital intensity leads to larger depreciation deductions, contributing to tax savings over several years

Additionally, the study found that well-structured firm restructuring approaches such as use of tax expert advises gained through consultation was very instrumental in improving the performance of the Manufacturing firms, also efficient allocation of resources where by the firms are capable of reorganizing the business to allows for strategic allocation of resources, directing investments towards areas that qualify for higher deductions, such as research and development, or employee training which are allowable expenses thus the firm can reduce tax burden and save cash which are redirected to boosting the firms' performance. Firm restructuring can not only be beneficial to firms in Nairobi city, Kenya, but also to the manufacturing firms in Kenya and across the globe. In the absence of any of these variables, manufacturing firms are likely to experience a serious gap in terms of the degree of performance and this may in turn lead to shutting down of the companies.

In conclusion, it is recommendable utilize income shifting, expense deduction capital intensity and firm restructuring as tax planning strategies in manufacturing firm.

5.3. Recommendations

5.3.1. Policy Implications

The study recommends that the government through its agencies should consider organizing seminars, practical sessions and tutorials to representatives from various manufacturing firms on the provided provisions in law about strategies with an intention of improving the performance. Given the findings of the study, the study further recommends that the agencies prioritise on income shifting and capital intensity tax planning approach as ways of improving the performance of the manufacturing firms.

5.3.2. Managerial Implication

The study recommends that the corporate tax payers and investors take good use of tax timings and tax planning strategies to reduce the cash payable on taxes and therefore

improve the performance of the firms. Additionally, the study recommends that the managers and tax practicing agents should take note of income shifting, capital intensity and firm restructuring and advise the firms on how they can utilize these strategies effectively so as to improve on the performance of their firms.

5.3.3. Theoretical Implication

The current model could only explain 79.6 % of variations in dependent variable with depended variables. The remaining 20.4% can be explained by other factors not in this model. The current study therefore recommends that more research be done using other variables so as to establish which other factors affects the performance of the manufacturing firms in respect to tax planning strategies taking the current study as a reference point while pursuing the further studies. Similar studies can also be done in other towns in Kenya to establish whether similar findings will be obtained. Also, similar study can be done in Nairobi, Kenya but in a different sector.

5.3.4 Suggestion for further research

This study focused on four tax planning strategies that affects performance of manufacturing firms in Nairobi, City Kenya. This approaches include Income shifting, expense deduction, capital intensity and firm restructuring. These strategies were not exhaustive as per the correlation analysis. There are other tax planning strategies which affect manufacturing firms. The study, therefore, suggests that to enhance the body of knowledge in the challenging area of taxation, future researchers are encouraged to do further investigation about the effect of tax planning approaches in other cities.

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APPENDICES

Appendix I: Consent Letter

Dear Respondent,

RE: DATA COLLECTION

I am Mugambi Mary Mukami**,** a student at Moi University/ Kenya School of Revenue Administration. I wish to invite you to take part in my study. This study will be used for partial fulfilment for the degree leading to Masters in Tax and Customs Administration.

I am currently conducting research on "**EFFECT OF TAX PLANNING STRATEGIES ON THE PERFORMANCE OF MANUFACTURING FIRMS IN NAIROBI CITY, KENYA**". I kindly request you to assist me to collect data by completing the accompanying questionnaire. The questionnaire will take 10 to 20 minutes to be completed and is in a simple language. The data provided will be strictly for academic purpose and will be held in strict confidence.

Thank you.

Sincerely,

Mugambi Mary Mukami.

Appendix II: Questionnaires

SECTION A; BASIC INFORMATION

1.Level of Education Attained

Secondary   〔   〕

Tertiary   〔   〕

Degree   〔   〕

 Postgraduate   〔   〕

2.Age of the firm

0-3 Years   〔 〕

3-5 years   〔 〕

6-10years   〔 〕

10 years and Above   〔 〕

3.Size of the firm

Large (200 employees and above   〔   〕

Medium (100-199 employee)   〔   〕

Small (below 100 employees)   〔   〕

SECTION B: TAX PLANNING STRATEGIES

PART B (i) Income Shifting

To what extent do you agree with the following statements about income shifting tax

planning strategy used by your firm. Please tick where (1) Strongly Disagree (2),

Disagree (3), Neutral (4), Agree (5) strongly Agree

No	Statement	1	2	3	4	5	Mathenge (2021)
1	We pursue tax planning by changing characteristic of income by modifying income revenue in nature to capital gain in nature.						
2	We classify business income so as to take advantage of Income shifting strategy to minimize tax payable						
3	We employ debt equity swap as a strategy of tax planning						
4	Deferred payment accounts has helped us in tax planning						
5	We get relevant information from management about income shifting tax planning strategy.						

PART B(ii) Expense deduction

Do you agree with the following statement about expense deduction as a tax planning

strategy used by your firm? Please tick appropriately

Where (1) Strongly Disagree (2), Disagree (3), Neutral (4), Agree (5) strongly Agree

	Statement	1	2	3	4	5	Sarawati (2021)
1	We understand different types of expense deductions approach provided by the law						
2	We use employee expenses effectively as an approach to reduce firm tax liability						
3	Interest expense deduction has led to significant tax saving to the firm						
4	Classification of expenses is an effective way of tax saving to the firm						
5	We often uses charitable contributions expenses as a strategy of minimizing tax liability.						

PART B(iii)Capital Intensity

Do you agree with the following statement about capital intensity as a tax planning

strategy used by your company? Please tick appropriately

where (1) Strongly Disagree (2), Disagree (3), Neutral (4), Agree (5) strongly Agree

	Statement	1	2	3	4	5	Sardju1 ,& Letari (2022)
1	Leverage debt financing has help our firm reduce tax liability.						
2	We practice depreciation cost as a way of reducing tax liability of the firm						
3	Investment allowances has significantly helped us reduce tax payable						
4	We have invested in different types of property plant and equipment						
5	We benefit from trainings on how to effectively use various measure of capital intensity to reduce tax liability.						

PART B(iv)Firm restructuring

To what extent do you agree with the following statement about Firm restructuring

strategy tax planning approach Please tick where appropriate where (1) Strongly Disagree

(2), Disagree (3), Neutral (4), Agree (5) strongly Agree

	Statement	1	2	3	4	5	Source Adetole&Oke(2016)
1	Internal restructuring has helped our firm to reduce tax liability in large extent.						
2	We encourage vertical acquisition because it ease the tax burden of our firm.						
3	We practice tax efficiency analysis as tax planning approach to reduce the tax payable.						
4	Legal and regulatory compliance as a tax planning strategy has benefited the firm in great extent						
5	We often consult tax expert to help our firm manage tax liability.						

PART B(v)Performance of Manufacturing firms

Please tick the level of your agreement or disagreement on the following statements about effect of tax on performance of your firm The range of scale are shown Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), strongly Agree (5).

No	Statement	1	2	3	4	5	Mathenge (2021)
1	We have grown in terms of market share						
2	We have maintained high standard in terms of customer expectation						
3	We have expanded in terms of firms size						
4	We produce quality product as compared to our competitors						
5	We adopt new technology and innovations as soon as they hit the market so as satisfy the needs our customers						

Appendices III :University Letter

KENYA REVENUE AUTHORITY

ISO 9001:2015 CERTIFIED

KENYA SCHOOL OF REVENUE ADMINISTRATION

REF: KESRA/NBI/036

4th July 2023

TO: WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST FOR ASSISTANCE TO MUGAMBI MARY MUKAMI OF REGISTRATION NO.: KESRA105/0022/2021 UNDERTAKING MASTERS AT KESRA

This is to confirm that the above named is a student at Kenya School of Revenue Administration (KESRA) Nairobi Campus pursuing Masters in Tax and Customs Administration.

The named student is undertaking Research on TOPIC: *"Effects of tax planning strategies on the performance of manufacturing companies in Nairobi county, Kenya ."*

The purpose of this letter is to request for your kind facilitation in enabling the student progress in her research project by allowing access to any relevant information and/or conduct interviews, which are relevant to the project.

Your support to the student in this regard will be highly appreciated.

Thank you.

Damacrine Masira
Manager Academic Research,
KESRA

Appendix IV: NACOST Research Permit

REPUBLIC OF KENYA

**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Ref No: **886504**

Date of Issue: **25/July/2023**

RESEARCH LICENSE

This is to Certify that Ms. MUKAMI Mary MUGAMBI of Kenya School of Revenue Administration, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: **EFFECTS OF TAX PLANNING STRATEGIES ON THE PERFORMANCE OF MANUFACTURING FIRMS IN NAIROBI COUNTY, KENYA. for the period ending: 25/July/2024.**

License No: **NACOSTI/P/23/27878**

886504

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY
&INNOVATION

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See overleaf for conditions

Appendix v :   List of manufacturing firms

1	Nemity poultry Ltd	49	Jey Oil Africa Limited
2	Solai Paint ltd	50	Virs Investment Limited
3	Abu Engineering Ltd	51	Design For Living
4	Geomatic Services Ltd.	52	Healthy U 2000 Ltd
5	Repelectric Kenya	53	Design For Living
6	Saj Raj Ltd	54	Europa Healthcare Ltd
7	Nationwide Electrical Industries Limited	55	Ace packaging solution Ltd
8	Kenya Association of Building & Civil Engineer	56	Afri Venture Ltd
9	Chandaria Industries	57	Cyclone Plastic Kenya Limited
10	Kenafric Manufacturing Ltd	58	Africa Lifestyle Brands Limited
11	Rockmix Int Limited	59	Hydraulic Hose & Pipe Manufacturers Limite
12	Bella Tissue Kenya	60	Kaaya Films
13	Unipro Ltd	61	H.Young & EA Ltd
14	Fusion Concepts LTD	62	Nestel Ltd.
15	Kenya Hydraulic Ltd	63	Procter & Gamble
16	KJ Industrial Machinery & Equipment	64	Henkel Ltd
17	Technology & Materials Co. Ltd	65	Manji Food Ltd
18	Proteq Automation Ltd	66	Silpack Industries Ltd
19	Electrical/Mechanical Engeneering	67	Philip East Africa
20	Keep it promo K Ltd	68	Zenith steel fabricators Ltd
21	Sujuzi Group	69	Procter and Allan Ltd
22	Alakaran Wear and Designs	70	Unga Group
23	Joxy Venture LTD-Interior and Decor	71	Unga farm care
24	Dalwats Paint	72	Tripac Chemical Industries Ltd
25	Allwin Packaging International Ltd	73	Hydraulic Hose & Pipe Manufacturers Ltd
26	Line Plast group Ltd	74	East Africa Glassware Mart Ltd
27	Kiganda engineers & supply ltd	75	Doshi Group of Companies
28	Coca-Cola Kenya.	76	East African Cables Kenya Ltd.
29	Dawanol ltd	77	East Africa Breweries Ltd
30	Bidco Africa.	78	Hebatullah Bros Ltd
31	East African Breweries Ltd	79	Acme Container Ltd
32	Unga Group	80	Saifee Silvering Co Ltd
33	Malbrol Ltd	81	Smart window ltd
34	Propack Kenya Ltd. .	82	Vista window Ltd
35	Haco Industries	83	Sultan Glass Mat Ltd
36	Johnson &Johnson Ltd	84	Uniliver Kenya
37	Kapa Oil Refineries Limited	85	Cannon Aluminium fabricators ltd
38	Kenbro Industries	86	Customs Alluminium East Africa Ltd
39	Acme Container Ltd	87	Essajee Amijee East Africa Ltd
40	Adhesive Solutions Africa Ltd	88	Bilco Engineering
41	Agni Enterprises Ltd	89	Kim fay Ltd
42	ASL ltd	90	Mawega Ltd
43	Arrow Rubber Stamp Company Ltd.	91	KingSource Plastic Machinery Co.,Ltd.
44	Dawanol ltd	92	Confini - The Candy Co.
45	Athi River Mining Ltd	93	Warren Ltd
46	Blow plast ltd	94	Sameer Africa Ltd
47	BIDCO Oil Refineries Limited	95	Biodeal laboratories ltd
48	Saj Raj Ltd		

List of Manufacturing Companies

96	Weetabix East Africa	142	Rsa Kenya Ltd	187	Debros Kenya Ltd
97	Winnies Pure Health	143	Vivid Printing Equipment ltd	188	Epco builders Ltd
98	Tunu Bakeries	144	Zenith Rubber Rollers	189	Nyoro construction Ltd
99	Supa Loave	145	Weetabix East Africa	190	HoriCon Afrika Ltd
100	Stawi Foods and Fruits Limited	146	Winnies Pure Health	191	Khatet Roofing Ltd
101	Pyramidia Ventures	147	Tunu Bakeries	192	Beacle Constructors
102	Onja uone ltd	148	Supa Loave	193	Renovators Limited
103	Premier Foods Limited	149	Stawi Foods and Fruits Limited	194	Bhran Construction Co Ltd
104	Malindi Industries	150	Pyramidia Ventures	195	Design Key Builders Ltd
105	evergreen fresh ltd	151	Onja uone ltd	196	Jongonga Contractors
106	Broadway Group of Companies Ltd.	152	Premier Foods Limited	197	Oaks Construction Compan
107	DPL festive bread	153	Malindi Industries	198	Domysuma Architects LTD
108	Unga Group	154	evergreen fresh ltd	199	Brima Construction ltd
109	Pembe Kenya	155	Broadway Group of Companies Ltd.	200	Kawa Garments
110	Trufood ltd	156	DPL festive bread	201	Sunflag Textiles Mills
111	Spez Ltd	157	Unga Group	202	Knitwear Mills
112	Grain Ltd	158	Pembe Kenya	203	Supra Textile
113	Gregos food ltd	159	Trufood ltd	204	Midco Textiles
114	Gee Tee Industries Limited	160	Spez Ltd	205	United textile
115	Grabby Africa Ltd	161	Grain Ltd	206	Gimex Textiles
116	Kenafric Industries	162	Gregos food ltd	207	Trite Apparel Exporter
117	Kenya Papaya Products Ltd	163	Gee Tee Industries Limited	208	Straightline Enterprises Ltd
118	premier food ltd	164	Grabby Africa	209	Tionyz Investment Company
119	Mamlaka food Ltd	165	Kenafric Industries	210	Ken Knite
120	Milly Fruit Processors	166	Kenya Papaya Products Ltd	211	Rivertex Ltd
121	Sil Wire Products Limited	167	premier food ltd	212	Sinners & spinners Ltd
122	Simba Technology Limited	168	Mamlaka food Ltd	213	Oriental Millers
123	Abcos Industrial Limited	169	Milly Fruit Processors	214	Fairoil EPZ Ltd
124	Arora properties	170	Sil Wire Products Limited	215	Exotic EPZ Ltd
125	Cable Connect Ltd	171	Simba Technology Limited	216	Avo Health (EPZ) Ltd
126	Canvas Media Limited	172	Abcos Industrial Limited		
127	H.Young Ltd	173	Arora properties		
128	Kellico Limited	174	Cable Connect Ltd		
129	Kilimanjaro	175	Canvas Media Limited		
130	Lomas And Lomas	176	H.Young Ltd		
131	Marshalls (e.a) Limited	177	Kellico Limited		
132	Slumberland Ltd	178	Kilimanjaro		
133	Silver Limited	179	Lomas And Lomas		
134	powertec ltd	180	Marshalls (e.a) Limited		
135	Kenya Stationers Ltd-medical	181	Slumberland Ltd		
136	Rsa Kenya Ltd	182	Silver Limited		
137	Vivid Printing Equipment ltd	183	powertec ltd		
138	Silpack Industries Ltd	184	Kenya Stationers Ltd-medical		
139	Paras Ltd	185	Rsa Kenya Ltd		
140	Karatasi Ltd	186	Vivid Printing Equipment ltd		
141	Eslon plastic Co Ltd				

EFFECT OF TAX PLANNING STRATEGIES ON THE PERFORMANCE OF MANUFACTURING FIRMS IN NAIROBI CITY KENYA.

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