

**INFLUENCE OF TAX PLANNING ON FINANCIAL PERFORMANCE OF  
SMALL SCALE ENTERPRISES:**

A survey of Small Scale Enterprises in Embu Central Business District

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## ABSTRACT

In order to ensure the efficiency and effectiveness of activities, reliability and compliance with applicable laws, small scale enterprises need to have adequate tax controls. The study sought to find out the extent to which Tax Planning influences Financial Performance of Small scale enterprises in Embu town CBD, by filling the following specific objectives :To assess to what extent expenditure on capital assets in tax planning influence performance of small businesses , to determine how tax planning by Capital Structure influence performance of small enterprises, find out how tax planning through Advertisement expenditure influence performance of small enterprises and to assess how tax planning through Legal Forms of enterprise influence performance of small enterprises in Embu CBD. The study had a total population of one hundred and forty nine respondents. The research study was carried out using random stratified sampling technique. According to Mugenda, 2003, stratified sampling is whereby the population embraces a number of distinct categories; the frame can be organized by these categories into separate strata. Each stratum is then sampled as an independent sub-population, out of which individual elements can be randomly selected. Random selection involves giving a number to every subject or member in the accessible population, picking a specific number and members under the certain number will have picked at random for the purpose of the study. A sample of 30 percent was drawn from each stratum. The procedure for carrying out the study involved the use of questionnaires. The data collected was analyzed using descriptive statistics and inferential statistics. The data was then presented in form of Percentages and Tables. . The study found that the influence of tax planning by capital structure has no significant relationship just as it found that tax planning through advertisement expenditure is regressed by performance of small enterprises in Embu CBD has no significant relationship. The study also found that tax planning in investment in capital asset has no significant relationship and also the study found that the Legal Forms of enterprise tax planning has significant relationship. The study recommends that small scale enterprises should be ready to seek advice on tax planning. Further to this, the study recommends that there is need to have NGOs to sensitize the respondents as to the need to do formal tax planning as it could increase their Business profitability