Abstract

The current study sought to establish the effect of capital gains tax on performance of real estate businesses in Mavoko Municipality, Machakos County. The study used descriptive research design where the target population under study constituted all the 143 employees of 31 real estate companies operating in Mavoko and which are registered with relevant department of Machakos County Government. The study used primary data which was collected using an open and closed ended Likert scale questionnaire. The data was then analyzed using SPSS V23 where Correlation Coefficient was used to determine the strength and direction of the relationship between the dependent variable and each of the independent variables while coefficient of determination will be used to measure the proportion of variance in the dependent variable that can be explained by independent variables. ANOVA, T- and F- tests will be used to test the significance of the model in measuring the relationship between capital gains tax and performance of real estate businesses in Mavoko Municipality, Machakos County at 95% confidence level and 5% significant level. The study established that there was a significant positive relationship between capital gains and performance and a non-significant positive relationship between capital allowances and performance. However, significant negative relationship between performance and lock in effect was established. Performance and capitalization effect was found to be having an insignificant negative relationship. A conclusion was therefore made that there exist a significant relationship between capital gain tax and performance. A recommendation was made that real estate businesses do not need to put much resources in claiming for the capital allowances and deductions since though they use a lot of resource to claim, their contribution to overall performance is insignificant.