

**THE IMPACT OF TAX, ECONOMIC GROWTH, GRANT AND INFLATION
ON FOREIGN DIRECT INVESTMENT IN GHANA.**

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DECLARATION

I hereby declare that this thesis is the result of my own research and that no part of it has been submitted to any institution or organization anywhere for the award of a degree. All inclusion for the work of others has been duly acknowledged.

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ABSTRACT

As of late consideration has been given to fascination of foreign direct investment (FDI) with strategies that will whet the hankering of outside firms. In Ghana for instance, a legal instrument, Act 478 was proclaimed in 1994 that went for decreasing snags to and making motivating forces to foreign direct investment. Regression analysis was utilized to break down the relationship and effect of tax, grant, inflation and GDP on FDI. A multiple linear regression model displayed to empower us to foresee the volume of corporate tax revenue utilizing the FDI values. Discoveries from the study uncover that the development rate of GDP expanded following 1981. Averagely, the development rate of GDP for the time of study is 6%. In addition the study demonstrated a positive relationship in the middle of GDP and Foreign Direct Investment (FDI). Additionally, it was figured out that GDP is not a critical indicator of FDI. Expansion as measured by the buyer cost file expanded was additionally figured out to be an inconsequential indicator of FDI. Regardless, expansion has been communicating decidedly with FDI. The normal rate of swelling somewhere around 2001 and 2013 was discovered to be 20.5% while the nation encountered its most elevated expansion for the period in 2001 at 59.4%. Awards that are gotten by the nation which speak to the lawfully tying duties that commit a particular estimation of trusts accessible for dispensing for which there is no reimbursement prerequisite has no huge effect on FDI per this study. On the other hand, it was uncovered that allows communicate decidedly with FDI. From the relapse results, Grants and Inflation have no measurable effect on FDI. Charges, which speak to obligatory exchanges to the focal government for open objects were likewise distinguished as having a positive association with FDI. Then again, from the different relapse models, duties were distinguished as the main critical indicator of FDI.

DEDICATION

This is Dedication to My Late Mother, Mrs Helena Someah-Addae

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I am most grateful to the Almighty God for the soundness of mind and the ability to pursue this project successfully.

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TABLE OF CONTENTS

DECLARATION	ii
ABSTRACT.....	iii
DEDICATION	iv
ACKNOWLEDGEMENT	v
TABLE OF CONTENTS	vi
LIST OF TABLES.....	ix
LIST OF FIGURES.....	x
CHAPTER ONE	1
INTRODUCTION	1
1.0 Background of the Study	1
1.1 Problem Statements.	3
1.2 Objectives of the study	4
1.3 Research Questions.....	4
1.4 Significance of the study	5
1.5 Brief methodology	6
1.6 Scope and limitation of the study	6
1.7 Organization of the study.....	7
CHAPTER TWO.....	8
LITERATURE REVIEW	8
2.0 Introduction.....	8
2.1 Foreign direct investment (FDI)	8
2.2 Type of investment	12
2.3 FDI determinants	13
2.3.1 Economic framework.....	14
2.4 Taxation of inbound foreign direct investment	18
2.4.1 Efficiency consideration	19
2.5 Linkages between host nation assessment and FDI.....	20
2.6 International tax rivalry	23

2.7 FDI in Ghana	27
2.8 The free zones plan and FDI streams	31
2.9 Determinant of FDI in Ghana	32
2.10 The role of tax systems on FDI.....	33
2.10.1 Ghana charge frameworks	34
2.10.2 The duty law	35
2.10.3 Tax impetuses in Ghana.....	36
2.10.4 Sectorial motivations (decreased tax rate).....	37
2.10.5. Industrial concessions (exclusion period).....	37
2.10.6 Local motivators (assessment refunds).....	38
2.10.7 Foreign duty alleviation	38
2.11 Conclusion	39
 CHAPTER THREE.....	40
METHODOLOGY	40
3.0 Introduction.....	40
3.1 Research Methodology	40
3.2 Research Design	40
3.3 Sources of data.....	42
3.4 Population and sample size.....	42
3.5 Data analysis techniques.....	42
3.6 Conclusion	43
 CHAPTER FOUR	44
DATA ANALYSIS.....	44
4.0 Introduction.....	44
4.1 Regression analysis.....	44
4.2 Description of data.....	50
4.3 Foreign Direct Investment	52
4.4 Gross Domestic Product (Growth Rate %)......	53
4.5 Inflation.....	55

4.6 Tax Revenue	56
4.7 Grants.....	58
4.7.1 Year to Year analysis.....	59
4.7.2 Year on year analysis.....	61
 CHAPTER FIVE	64
SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	64
5.0 Introduction.....	64
5.1 Summary of Major findings.....	64
5.2 Recommendations.....	65
5.3 Conclusion	66
 REFEREENCES.....	67

LIST OF TABLES

Table 4.1 Definition of Variables-----	50
Table 4.2: Descriptive Statistics -----	51
Table 4.3: Model Summary -----	59
Table 4.4: ANOVA -----	60
Table 4.5: Coefficients -----	60
Table 4.6: Model Summary of Regression 2-----	61
Table 4.7: ANOVA of Regression 2 -----	62

LIST OF FIGURES

Figure 4.1: Trend of Foreign Direct Investment from 1981 – 2013 -----	53
Figure 4.2: Gross Domestic Product (Growth Rate %)-----	54
Figure 4.3: Relationship between FDI and GDP -----	54
Figure 4.4: Trend of inflation from 1981 – 2013-----	55
Figure 4.5: Relationship between Inflation and FDI-----	56
Figure 4.6: Trend in Tax revenue. -----	57
Figure 4.7: Relationship between Tax Revenue and FDI -----	57
Figure 4.8: Trends in Grants received from 1981 – 2013 -----	58
Figure 4.9: Relationship between Grants and FDI -----	59

CHAPTER ONE

INTRODUCTION

1.0 Background of the Study

After self-sufficiency in the 1960s, most African countries in an offer to secure nearby commercial ventures speculation constrained trade restrictions and controls on capital. Starting late then again, thought has been given to interest of FDI with systems that will whet the appetite of foreign firms. In Ghana for case, a lawful instrument, Act 478 was declared in 1994 that went for diminishing obstacles to and making sparks to FDI. The inspiring strengths running with the law consolidated the going with:

Downgrading of capital settlement of 75% of capital utilization brought on in the year of enthusiasm for resulting years.

The free transferability of advantages and benefits and remote exchange support accounts through which each and every outside portion including benefits can be made. Others were rejection from portion of conventions commitments on equipment and plant for the establishment of the mines and further help for picked things for on-production a go at mining endeavors, and the establishment of all that much portrayed standards for inquiry settlement. Along these lines, remote direct dare to Africa has been on the rising of late especially since the 1990s. Starting now and into the foreseeable future, a couple market examiners have been able to be agonized over the effect of this improvement on financial execution (of both the host and the country of cause) and about the necessity for a legitimate government game plan toward outside direct wander. Obviously, this stress has been empowered by the responsiveness of outside direct dare to tries to charge the pay that it conveys. If outside direct hypothesis is not open to require, then it may be a suitable center

for appraisal by the host country, which can raise wage without surrendering any of the budgetary preferences that remote direct investment produces, for a couple of countries in which the level of remote direct investment is significant, the salary raised from loaded remote direct investment can identify with a basic bit of total obligation salaries. In Nigeria and Egypt, for occasion, charge portions by United States organizations alone surpass 10 percent of the host country corporate cost livelihoods. If the volume of remote direct investment responds conversely to duty then the host country must trade off the pay increases of extended evaluation (if any) against the money related costs of discouraging remote direct investment hypothesis. FDI streams to making economies went to their most raised sum ever, at \$681 billion with a 2 for each penny rise. Making economies in like manner built up their lead in overall inflows. China transformed into the world's greatest recipient of FDI. Among the primary 10 FDI recipients on the planet, 5 are making economies. (UNCTAD, 2015)

FDI inflows to Africa stayed level at \$54 billion. Despite the way that the organizations offer in FDI in Africa is still lower than the overall and the making country midpoints, organizations spoke to 48 for every penny of the total FDI stock in the region (generally accumulated in a few moved countries), more than twofold the offer of collecting (21 for every penny). FDI stock in the key division was 31 for each penny of the total. (UNCTAD, 2015)

Prospects for overall FDI inflows are incredible, with an expected improvement of 11 for each penny to \$1.37 trillion in 2015. It is ordinary that overall FDI streams may assemble further to \$1.5 trillion in 2016 and to \$1.7 trillion in 2017. Both UNCTAD's FDI assessment model and its business review of broad multinational endeavors (MNEs) signal a climb of FDI streams in the coming years. These wishes of higher FDI streams are supported by

improvement prospects in the United States, the enthusiasm engaging effects of lower oil expenses and satisfying monetary methodology, continued with endeavor liberalization and progression measures in host countries, and anomalous measures of advantage and addition being utilized of cash stores among MNEs. The offer of MNEs hoping to construct FDI utilizes all through the accompanying three years (2015–2017) rose from 24 to 32 for each penny. Designs in cross-periphery mergers and acquisitions (M&A's) also show a landing to advancement in 2015. In any case, different financial and political perils, consolidating consistent insecurities in the Eurozone, potential floods from geopolitical weights and productive vulnerabilities in rising economies, may agitate the foreseen recovery.

1.1 Problem Statements.

An expansive volume of study has been stood to evaluating the relationship between duty approaches and remote direct venture inflow, with conflicting result. A few studies demonstrated that duty strategies have negative association with outside direct speculation. While others specify the likelihood that levy may even have a positive association with outside direct speculation .Further studies show assessment has no noteworthy effect on remote direct venture.

It is in this way clear that albeit expansive based speculations have been produced, a nation particular examination is obliged to better focus the impact that an assessment approach has on the remote direct venture inflow to a nation. With the oil find in Ghana, it is normal that there would be expanded enthusiasm from outside financial specialists. The competitiveness of Ghana's expense strategies contrasted with different nations in the sub locale has not been investigated adequately and this exhibits the motivation behind this paper.

1.2 Objectives of the study

In spite of the fact that there are numerous givers to drawing in remote direct venture, charge, expansion, gift and financial development has all the earmarks of being territories where modification can be made without hardly lifting a finger than most other outside direct speculation elements. This study plans to address the relationship between assessment, award, swelling and financial development and outside direct speculation and expects to recognize conceivable approaches that could be considered to enhance the allure of Ghana to remote speculators. The particular destinations of the study are

1. To determine the level of remote direct speculation and tariff in Ghana.
2. To discover the relationship between tariff, expansion, gift, and financial development and remote direct venture.
3. To discover whether tax consideration and grant received have an effect on FDI

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1.3 Research Questions

In spite of the fact that there are numerous patrons to drawing in outside direct speculation, charge, swelling, stipend and financial development gives off an impression of being ranges where conformity can be made without any difficulty than most other remote direct venture variables. This study plans to address the relationship between assessment, award, expansion and financial development and remote direct speculation and expects to recognize conceivable approaches that could be considered to enhance the allure of Ghana to outside speculators. The particular destinations of the study are

1. What is the volume of FDI in Ghana.
2. What is the volume of tax revenue and grant in Ghana
3. What is the relationship between FDI and tax, inflation, GDP and grant.
4. What is the impact of FDI on tax, inflation, GDP, and grant.

1.4 Significance of the study

This research will be very significant due to the fact that it will help both investors and government. It will enable government to know the trend in foreign direct investment (FDI) inflows into the country. This will intend help government to budget very well, avoiding budget deficit which has dire consequences on the economy. If the government has ample of the FDI inflows, government can have programs to attract more FDI into the country or otherwise.

Investors on the on the hand knowing the trend and impact of the FDI on Ghana's economy may increase their investment (for existing investor) and new investors may also come in.

The research will also add unto literature on impact of FDI and instigate others for further research.

The result of the research will enable the Ghana Investment Promotion Centre (GIPC) to formulate investment promotion policies and plans, promotional incentives and marketing strategies to attract foreign and local investments in advanced technology industries and skill-intensive services which enjoy good export market prospects.

Initiate and support measures that will enhance the investment climate in Ghana for both Ghanaian and non-Ghanaian enterprises.

Initiate, organize and participate in promotional activities such as exhibitions, conferences and seminars for the stimulation of investments, to present Ghana as an ideal investment destination.

The Association of Ghana Industries (AGI) will use this outcome of the study to disseminate information about investment opportunities and sources of investment capital, incentives available to investors, the investment climate and advise upon request on the availability, choice or suitability of partners in joint venture project

1.5 Brief methodology

The research method utilized was quantitative exploration outline. This is on account of the researcher needed to quantitatively and decisively discover the relationship between two variables, FDI as the dependent variable and tax, grant, inflation, and GDP as independent variables. The information utilized was auxiliary information of FDI and tax, grant, inflation and GDP between the periods 1981 to 2013. Sample size of thirty two (32) was utilized, an essential necessity that empowered the analyst to utilize the simple linear multiple regression.

1.6 Scope and limitation of the study

This study dissected auxiliary information traversing from 1981 to 2013. The analyst picked the last current accessible information, in light of the fact that the flow of the economy has grown so much that utilizing extremely old optional information may influence the legitimacy and unwavering quality of the outcomes. The quality of each creating country needs the mix of nearby and remote financial specialists. Be that as it may, the exploration was restricted to just FDIs since outside trade acquired by these FDIs add to the

development and steadiness a few macroeconomics markers, similar to intrigue rate and security and quality of the Ghana cedis.

The primary troubles and difficulties confronted in this examination included becoming acquainted with distinctive writing including books, diaries, magazines, reports and so forth. Access to information required for the examination was simple .The exploration was genuinely influenced by current vitality emergency, since electronic access of data was subject to power and this further exacerbated the time compel.

1.7 Organization of the study

The structure of the study was partitioned into five sections. Section one include the presentation ,foundation of the study, issue proclamation, goals of the study, examination questions, importance of the study, brief strategy, extent of the study ,restriction of the study. Part two comprises of audit of related writing. Section three discussed the technique utilized.

Section four is information presentation and examination .Chapter five at long last is the outline, discoveries, conclusions and suggestions.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews the concept of foreign direct investment and taxation. A thorough review of foreign direct investments and corporate tax revenue.

2.1 Foreign direct investment (FDI)

With the rising convenience of overall associations and the clearing of overall capital-stream bars, more countries have begun to esteem the unmistakable nature of FDI to their general long –term monetary improvement. Today, pulling in quality FDI has transformed into a fundamental methodology objective for most countries to secure and update their benefit and future fiscal growth,(OECD,2003).

Two crucial sorts of endeavors are affected by overall obligation procedures. These are portfolio foreign investment (PFI) and FDI. If all else fails, portfolio theory and outside direct ventures are seen by rate shares held by a cash related master. In the event that the cash related expert has not as much as a 10 percent shareholding or holds not absolutely the entire expected that would fabricate an overarching part vote, that theory is considered as portfolio endeavor. PFI for the most part takes the sort of security procurement and is thought to be unwelcoming. If all else fails, it doesn't control or offer in resources association remote endeavors. In general, FDI is on a to a great degree central level component and transmits to business operations association. Outside direct theories, in light

of current circumstances, intertwines the brief acquisition of good circumstances in a nation that generally contain of touchable properties.(OECD,2003)

This definition was changed by Organization for Economic Co-operation and Development (OECD) According to the third form of OECD benchmark definition, FDI is described as: Investment with the objective of obtaining a continuing premium, an occupant component of one economy (direct speculators) in an attempt working in a monetary circumstance other than that of the theorist. The profound established premium proposes reality of a whole deal relationship between the prompt examiner and the endeavor and a critical level of impact on the organization of the enterprise.(OECD,2003)

Additionally, the IMF (1997), characterized foreign private investments as investments that is made to obtain an enduring consideration in an undertaking working in an economy other than of the financial specialist, the speculators resolution being to have a dynamic voice in the administration of the endeavor. The outside body or gathering of associated substances that makes up the investments is termed the immediate financial specialist. The unincorporated or fused endeavor, a branch or auxiliary individually in which foreign direct investment is made alluded to as a foreign investments undertaking. Financial specialists from a foreign nation would require satisfactory inspirations to contribute outside their local limits.

As indicated by Frimpong and Oteng-Abeyie (2006) Ghana has a tried past of financial and political advancement which echoes in the sporadic inflows of FDI, changes in political and arrangement administration and unpredictable development outlines. Since the introductory

1980s, Ghana has needed to gadget a few monetary revamping strategies, for example, the Structural Adjustment Program (SAP) in 1983 and as of late the Improved HIPC Initiatives HIPC (Ibrahim, 2005). These techniques were acknowledged basically to turn around the post-freedom financial decay, reduce the effect of the 1980 obligation situation and, facilitate the fascination of worth added FDI inflows to Ghana. Various subjective examinations of available confirmation uncover that the appropriation of the SAP, the primary monetary change project, has prompted an upsurge in the quantity of multinationals putting resources into Ghana. Extra studies have additionally settled that Ghana's SAP has had some characteristic of achievement in a few regions, including the dropping of swelling; progression of a domain of monetary steadiness; evacuation of the permitting commitment; the opening of some time ago shut areas; rejection of tax blockades that deny FDI inflows; wrecking trade controls; and diving open doors for the outside trade underground market (U.S. Library of Congress, 1998). Regardless of these rearrangement accomplishments, there are still grave difficulties that hamper the gigantic fascination of FDI inflows into Ghana as coordinated to other creating nations, for example, South Africa, Malaysia, and Thailand.

Frimpong and Oteng-Abeyie (2006) set up that the heading of causality keeps running from FDI to monetary development is built up on account of Ghana since the auxiliary alteration system (SAP). This loans backing to the judiciousness of arrangement rules which highlight the significance of FDI for development and security in creating nations under the suspicion of 'FDI-drove development'. What's more, that valuing the bearing of causality between the

two variables is key for encircling arrangements that would help more private speculators in Ghana.

As showed by Bond and Samuelson (1986), host countries could lose some cost pay in short run if obligation events were given to attract FDI in front of calendar period. Charge salary could augment over the whole deal in light of the way that remote hypothesis would not pull out after that evaluation event period. Brander and Spencer (1987) communicated that host countries could pull in FDI by driving toll on imports and loosening up the obligation on close-by creation. It was communicated that FDI could upgrade national welfare by diminishing unemployment, creating benefit through advancement trades and raising government wage through levy. Horstmann and Markusen (1987) analyzed the welfare sway through government pay, change in customer surplus and trade methodology. The host country government may compel charge on imports and may loosen up outside budgetary pros from obligation. As duty extended government salary, so it is encouraged to welfare sway than remote hypothesis with cost concession. Therefore, welfare depended on upon whether outside endeavor happened or imports were made do with toll. Horstmann and Markusen (1992) set up that countries with a lone private creator had bigger measure of welfare than two-firm duopoly from which one firm was nearby and the other one was MNE. A country with MNEs had bottommost level of welfare. Council of the host country could impact welfare through trade methodology, offering in order to bolster direction and R&D charge concessions. Dunning (1993) perceived that welfare effects of FDI in host locale depended on after bargaining power of host country with outside budgetary authorities, it is conceivable that it offered the evaluation discounts on essentialness or work cost to draw in remote wander or constrained obligation. Raff and Srinivasan (1998) ensured

that organization should yield some obligation salary to charm remote endeavor in light of the way that FDI could create work, close-by work's readiness, traded advancement and better organization capacities. Mudambi (1999) ensured that countries could grow welfare by selecting suitable sort of remote enthusiasm for suitable domains of countries and upgraded obligation premise which would help extending the desires for regular solaces backward zones.

Markusen (2001) showed the welfare sways with a choice amongst FDI, conveying and approving and found that FDI had the most strange measure of welfare for the host country. In the Knowledge-Capital Model, welfare effects of FDI with high trading cost was sure for capable work rich countries. Welfare effect of FDI was in like manner promising for broad countries and for talented work unlimited little countries with low trading cost (Markusen et al. 1996; Markusen 1997; Markusen 2002). There is a partial trial take a shot at testing the effect of FDI on obligation salary. Gropp and Kostial (2000) used the board data of nineteen OECD countries to find relationship amidst FDI and obligation pay. They set up a frail relationship in the middle of FDI and corporate pay force and set up a lively constructive outcome of FDI inflows on the advantage charge and on the total obligation salary.

2.2 Type of investment

The OECD identifies three types of investment;

1. Natural resource seeking investment:

These types of investors are committed to accessing the natural resources of a country. Mines would therefore entice these types of investors to a country.

2. Market seeking investment:

Businesses that are interested in growing their brand and market size, invest in foreign countries where there is a likelihood of increased sales thereby increasing their incomes.

3. Efficiency seeking investments:

This comprises investors that intend to exploit the helpful attributes of a specific country such as labour costs and infrastructure.

From these, one can see that the use of tax policies as an inducement is more likely to entice efficiency seeking investments. The natural resources and market size of a country are limited but the alteration of policies applied by a country appears to have less limitations. In fact, if one contemplates the popularity of tax havens, helpful policies offered by a country may still act as adequate incentive to entice foreign investors even in the absence of the other two investment types. Tax havens, such as for example Mauritius, tend to be smaller country with limited or no natural resources and market size, yet as a result of the helpful tax policies they offer, still attracts a fair amount of foreign direct investment. Because of the limits of natural resource and market seeking investors with a short discussion of the factors that are likely to be considered by investors interested in one of the other form of investment.

2.3 FDI determinants

To guide charge arrangement in connection to outside direct speculation, strategy investigators may depend on maybe a couple financial models or structures to look at conceivable channels of impact. A determination of these incorporates; the OLI structure;

the OECD arrangement system for venture; the neo-established speculation model, and model get from the new monetary topography writing.

2.3.1 Economic framework

Dunning (1986), proposed the OLI framework, foreign direct theories choices exemplify an evaluation of circumstances. Level outside direct theories including period abroad can be run of the mill set up of tolls permitting where OLI conditions are met. At initial, a MNE must have proprietorship focal centers (licenses, know-how, trademark) giving point of interest over neighboring firms in outside business divisions. Second, FDI must offer business portion extent purposes of interest (e.g. low exchange, work or noteworthiness expenses, low exact rate) that make neighborhood period more supportive than passing on.

Third, FDI must offer broad awesome circumstances that make undertaking a business advancement especially through FDI more important than sanctioning to unmistakable firms in remote markets the advantage to utilize resources guarding keeping in mind the end goal to present proprietorship advantage, for event information capital. Vertical FDI choices over finding or outsourcing certain times of time to an outside region also focus proprietorship reach and internationalization advantages,(Dunning,1986). The Policy structure for speculation focused at game-plan creators in making and move economies, purposes bearing in ten framework fields including commitment, with a completed target to see needs and help make dynamic procedures. The examination region pulls in, things being what they are, on blueprint studies to see key issues in measuring the experts/cons of corporate expense motivations and option charge procedures and configuration choices to attract outside direct

meander, while in like way raising pay from remote direct theory to help trust base movement. In setting the commitment load on inbound hypothesis, method creators are urged to survey whether their host nation offers eye-getting danger and returns opportunities, considering structure conditions (e.g. political, money related openness or expenses of work, vitality, condition of base) and the ordinariness of reach particular favorable circumstances. As underlined in the commitment range, host nation structure qualities depend to some degree on past and current levels of open uses on exercises in extents of isolating centrality to cash related powers (e.g. get ready, base change). This affiliation builds up the key centrality of social event commitment where conceivable on budgetary point of interest recalling the choosing target to back open uses that invigorate host nation essentials and attract FDI,(OECD,2005).

Fujita et al (1999), fights that the neo-built up endeavor structure is maybe the system most all things considered utilized by open record fiscal powers to investigate commitment influences private and cross-periphery direct theories is the neo-customary hypothesis system. A principle hobby is its joining of focal statutory evaluation parameters influencing capital expenses and building up the statutory duty rate on attempt returns. Specifically, parameter-based minor and commonplace suitable expense rates got from the neo-customary endeavor model may be investigated to focus the rate change to these levy rate measures working out as intended as a consequence of a particular or stack of corporate commitment approach the affectability of outside direct theory to these powerful examination rates, the structure fits surveying the long-run impacts of corporate assessment change on remote direct wander. In the mean time, such plan expense measures must be utilized with thought as the carelessness distinctive segments influencing the authentic duty rate on outside direct

ventures (e.g. expense sorting out, regulatory care in picking assessment liabilities, particular commitments not got by the model).

Baldwin and Krugman (2000), other than battle that at any rate particularly cases, the key theory of falling unimportant yield of capital. Specifically, business centers may offer climbing to overhauled rates of return (extending returns to scale at the business level), with conceivably all around distinctive structure proposals. Key gages of neo-ordinary speculation of hypotheses as regards evaluation results for attempt have been confronted in current years by the new budgetary topography structure, underscoring the some bit of self-re-embracing business center (agglomeration) economies.

The middle edges (CP) model, business access impacts may control and make promptings for firms to find period in gigantic markets, to decrease transportation costs, and to section to little markets. With firms winning from focus economies, a level of fixity of cash related advantage that can be stacked up to some point without hosing investment,(Devereux,2002).

In a standard neo-traditional ventures model where capital stocks are adjusted, for instance, that after-corporate cost rates of return are leveled out across over zones, an augmentation in the obligation rate of a country would roll out capital improvement place from the country , bringing on pre-appraisal rates of return in the country to increase and in diverse countries to fall, until after-obligation rates of return are again leveled. Interestingly, under a CP model, the same cost rate grow may not provoke discriminating capital development if business center focal points of that country more than equalization the higher tariff rate. However

should country A grow its obligation rate basically, business obsession economies may be more than surpassed by a higher levy rate, making capital move from country A. Business center economies surmise that effects of appraisal rate changes will be non-coordinate game plan similarities under particular conditions may have unimportant impact on the range of capital, while coming about modifications may have staggering effects. Along these lines the response of income to past changes may offer a poor manual to gage the impact of similar changes, and the (normal) supposition of a straight relationship in the middle of FDI and evaluation may not be right for quantifiable work,(Neary,2001).

At the point of convergence of methodology prudent talk over the suitable setting of a host country's corporate appraisal rate on business advantage is the troublesome request of the affectability of outside direct dare to corporate tax. Tending to this request is the fundamental examination of how best to address centered weights and avoid capital movement, while also key to cost/advantage assessment of appraisal easing, and to gage salary response to a corporate obligation method change. As researched above, frameworks considering the standard neo-traditional speculations theory anticipate extended (reduced) inbound outside direct wander taking after a decay (increase) in the host country corporate assessment rate (if not offset by acclimations to home country remote cost credit). Then again, this central desire is tried by the new monetary geography composing which underlines the hugeness of speaking to region ward advantages structure business center economies and extending returns to scale at the business level, where such advantages can be troubled up to some point without enabling discriminating capital relocation. (Neary,2001).

A META-examination of the results finds that the offer of outside direct enthusiasm for physical capital is more open to forces than diverse sections of remote direct theory. There is no check exhibiting that remote direct wander from benefit rejection countries is more cost responsive than outside direct theory from isolated credit countries, recommending that evaluation orchestrating renders refinements between these structures of little hugeness to the extent impacts on outside direct hypothesis,(Button et al,1999). Also, test results don't watch intra-EU capital streams to be more open to host country charge contrasts (rather than prospects that the departure of limits to the free stream of capital within the EU would make force an all the more capable part). Studies for intra-EU capital streams yield more diminutive semi-adaptability's than studies considering US data. Finally, studies using latest data are found to yield greater semi-adaptability, recommending that FDI is ending up being more delicate to exact after some time,(Button et al).

2.4 Taxation of inbound foreign direct investment

Zodrow and Mieszkowski (1986), battle that for inbound remote direct venture, procedure interest may develop as a result of the probability for net augmentation in family unit pay conferred to government through toll of remuneration and pay and advantages of outside had associations, and maybe distinctive charges on business (e.g. property tax).These streams must be extra and not identify with move sways .Foreign direct venture may in like manner completely move family unit pay through flood sways. The angle of these advantages amasses weight on government to guarantee that its obligation system is solid for FDI,(Wilson,1986).

Detainee to possible pay requests and sensible neighborhood competition conflicts for the levy of proceeds on inbound outside direct theory at the same feasible rate as constrained on the close-by nearby had associations, overall forcefulness concerns and weights are identified in all countries to by some methods oblige a comparably low host country cost load. Where inbound FDI, is seen as essentially compact and delicate to host country tax, governments may be energized to target charge diminishment to FDI to the underestimation of family unit had firms(e.g. through appraisal persuading powers, or through slight or neglectful necessity of the base protection acquirements), or to diminish the cost rate on the compensation from capital,(Gordon,1986).

2.4.1 Efficiency consideration

Starting late, the advancement of overall cost dispute have been comprehensively inspected and wrangled, with an eye to assessing evaluation plan reaction to and potential efficiency effects of competition for a geographically compact capital obligation base. Under a fundamental cost contention demonstrate that disregards work duty, extended capital flexibility is foreseen to result expense rates on capital wage that are set pointlessly low from an open viewpoint. Distinctive conjectures fuse uncommon countries testing less for capital through rate cuts, and higher per-capita compensation in humbler countries with lower cost rates and higher capital/work ratios,(Baldwin and Krugman,2000).

Spreading the examination to fuse the duty of altered work finds that it is perfect for a bit capital-importing country standing up to an immaculately adaptable supply of remote financing to waive host country pay charge on inbound FDI, with this assessment being

totally lifted onto work. Under this condition, it is perfect for the host country to as an alternative duty work pay particularly and avoid era efficiency hardships that result from saddling capital pay. Ensuing work by Gordwin (1986), finds that if monetary salary can't be totally depleted, then some host country toll of inbound outside direct wander by capital importing countries is capable. Right when displaying trade costs and business center economies underlined in the new money related geography composing, certain results from neo-established models proceed with, while other foreseen effects are qualified. Where capital is more convenient running with reduced trade expenses or all the more generally when business center qualities lessen, the perfect cost rate for host country rots (dependable with the crucial obligation competition model). Additionally, the impact on region choice of cost rate differences between two countries is foreseen to fluctuate transversely over business wanders that change similarly as the essentialness of business center points of interest. A further comprehension is that obligation contention effects may differentiate dependent upon whether outside capital points of interest or not from the obtainment of neighborhood open items.

2.5 Linkages between host nation assessment and FDI

Inbound FDI is recognized as being pulled in by macroeconomic constancy; a made establishment; and business opportunities altering to market size (with achievement of the nearby business part appended to obtaining power of the individuals, and remote markets came to by method for an expansive arrangement of trade understandings) as being what is indicated, a number non-cost components are winning drivers to FDI decisions. Complete cost methodology makes a reason for money related robustness which fortifies the business

air. In like way, in particular cases, obligation may be a key variable influencing region decisions, (Devereux, 2002).

For course of action inventors and academic authorities alike, correct close estimations of the outside direct theory reaction to host country levy are dangerous to make, given the need to consider generally as obligation and non-appraisal parts in divergent territories, and the perspective that cost flexibility of FDI, may vacillate inconceivably transversely over business activities, host countries and time. Unquestionably, a perplexing variable is that the possible impact of host country charge on FDI will stand out across over countries from moving host country highlights (non-obligation segments). Fragment of the inconvenience does not know with conviction what the imperative cost weight measure is to focus on .To some, noteworthy evaluation examinations stop at statutory "broad" obligation rate. Others take the viewpoint that last feasible assessment rates are more vital in illuminating FDI than the statutory corporate cost rate alone, yet with some vulnerability over the level of obligation unpretentious component (with obligation organizing) accounted for,(Auerbach et al,1988).

To the extent precisely evaluating obligation results for FDI, one point of view is that recognized (audit) ordinary convincing cost rates are the appropriate figure and that this measure is a prevalent marker than forward-looking minor suitable cost rates and boundlessly enhanced than statutory obligation rates which neglect obligation –planning effects and interesting appraisal obtainments. This point of view proposes that effective rates

thorough of cost base requirements and evaluation orchestrating are considered in by theorists, (Desai and Hines, 2013)

While much thought is unmistakably given to corporate compensation charge, the probable essentialness of diverse costs ought to in like manner be known. Charges, for instance, essentialness costs and fund appraisals are key, and consenting to a couple of powers, are ending up being altogether more basic. This is in light of the fact that associations "have successfully managed the corporate compensation charge", as in corporate expense is paid at levels suitable to directors. This conclusion offers weight to the recognition that multinationals have various cost masterminding frameworks accessible to them and may have the ability to capably pick the level of host country charge on advantage that they will pay,(Pain and Young,1996).

Additional key point on which there is titanic comprehension is that a low host country obligation load can't pay for an all things considered weak or unappealing FDI environment. There are various past representations of where poor structure and other weak theory conditions have dispirited remote direct wander. Cost is however one part and can't compensate for weak non-obligation conditions. In like manner, where higher corporate appraisal rates are facilitated by all around made base, open organizations and other host country credits speaking to business, charge competition from low-force countries not offering these inclinations is not regarded by different technique makers as genuinely undermining the obligation base,(Tanzi and Bovenberg,1990).

While certain accurate studies find an in number negative relationship between host country tax and remote direct wander, others don't. Furthermore, different far reaching OECD countries with for the most part high capable obligation rates are uncommonly productive in pulling in remote direct hypothesis. This suggests the hugeness of business segment size in pulling in outside direct hypothesis and the region of territory specific advantages that organizations have the ability to force. It may in like manner be watched that sure countries without an inconceivable private business have been to a great degree productive in pulling in business, while situating high to the extent their general tariff rate may be high, the levy rate on business may be immediate or respectably low and edge a bit of an appealing theory framework.

2.6 International tax rivalry

Upgraded thought is being given by countries to "obligation competition" for inbound FDI, associated with the extending advancement of capital and qualities to offer an impartial cost structure. While it is consistently difficult to control the relative importance of cost among other hypothesis choosing variable in change range decisions, certain fantasies and frameworks for game plan makers in handling issues around there may be known,(Wilson,1986).

To begin, host country charge evaluations tend to be made with generally as organized countries, to the extent position and business size. A general supposition is that host country evaluation concerns are conceivable to matter more to site choice when other crucial speculation choosing parts are by and large columnist. Thusly, while charge thoughts all things considered are not an essential component delineating FDI streams, the effect of

appraisal on FDI decisions may be conceivable to be pervasive within the EU (than possibly diverse locale) to the degree that there is basically a "level-playing ground" in other course of action areas,(Keen and Piekkola).

There is sweeping gratefulness that overall expense contention is extending, and that what may have been seen as an engaged obligation load in a given host country at one time may never again be (slighting distinctive components) taking after rounds of corporate rate. Regardless, knowing additionally that FDI depends generally on non-obligation segments and systems (numbering direction methodologies, base and work market relations) which have changed after some time, it is normally moving to evaluate the necessity for and effects of refunds in host country appraisal rates. Different other methodology techniques in offering a clarification to obligation contention can be recognized in OECD countries. Different obligation powers underline the attractions of fading away the statutory corporate pay cost rate as an expects to move FDI: a modestly clear evaluation change to proclaim; immediately saw; particularly related to money related pros who imagine getting unadulterated fiscal advantages; adequacy refining when united with base widening; and reducing obligation masterminding weight against the private appraisal base. For EU countries subject to State Aid rules and Code of Conduct norms despite essentials that different for FDI, thought is focused back to the statutory rate as a wide based framework to diminishment the host country tariff rate. In any case, such diminishments tend to be indulgent to the extent pay inescapable, may be seen as uncalled for, and may deliver obligation arbitrage challenges with the individual pay charge system,(Pain and Young,1996). While the experience of a couple of powers is that host country charge relationships by shareholders consistently stop at the statutory obligation rate, others take the

point of view that other crucial appraisal supplies are similarly routinely considered into element cost rate examinations and should be given methodology thought. Instances of general obligation help substituting for or supplementing statutory rate cuts include: ensuring cost base acquisitions (e.g. charge crumbling) are strong with overall principles; discarding capital costs; and giving ordinarily open appraisal arrival of distinct turnover to particular events (e.g. Master sort notional enthusiasm thinking). Instead of reducing the heaviness of obligation acquisitions of general application, certain countries craving to explicitly target evaluation release with the purpose of cheering additional FDI at a lower cost similarly as inevitable appraisal wage. Directing versatile events (e.g. conveyance, films, toll organized, head-office) is seen by some procedure makers as a splendid choice. In considering decreases in the practical cost rate on the most mobile components of the duty base, the assessment treatment of interest and sovereignty pay is progressively under audit, with a few nations exhibiting the dependence of their future arrangement programs on the exercises of others. Some expense frameworks focus on specific occasions as an issue of national industry strategy, while in others, occasions are focused on just where there is comprehended to be market debacle. Numerous nations point to steps being taken to take out issues to FDI (taken in segregation, or close by changes in accordance with statutory assessment provisions). Examples incorporate strides to enhance straightforwardness and assurance of expense treatment. Authorities in various OECD nations depict that they are giving expanded thoughtfulness regarding decision techniques which help give sureness of duty treatment ahead of time of a given venture or transaction,(OECD,2003).

Charge courses of action and common understanding techniques (MAPs) are also seen as key to sureness and relentlessness in the treatment of cross-edge theory. Another essential

worry in the treatment saw commonly as a growing issue to address. Are generally significant with respect to attracting FDI and reducing obligation progression weights, the augmentation for such abatements is confined. A major undertaking is that cost store trusts may be seen in a given host country by moving assessable turnover of a dare to a related assistant in an obligation refuge paying little mind to the way that the host country corporate evaluation rate is low. As there are costs included in obligation orchestrating, limits to the measure of formal that may be moved, and diverse chances to appraisal course of action for a multinational working in various countries with moving corporate obligation rates, most likely obligation masterminding weight on the cost base would be for the most part diminished at some non-insignificant corporate expense rate, (Slemrod, 1990).

Regardless, choosing this point of confinement regard or extent of characteristics is not rapidly dynamic, notwithstanding the way that there appears, from every angle, to be all around as statutory appraisal rates fall and master cost Another errand is striking a fitting balance of methodology considerations in creating chooses that enough secure the obligation base (general and specific threatening to evading obtainments including dainty capitalization and trade evaluating principles) without driving irrational pleasantness costs on firms, or for the most part hampering run of the mill business operations. As being what is indicated, practically as tradeoffs are met in changing the effective appraisal rate on FDI through statutory acquirements, equivalent tradeoffs are gone up against in extending the feasible rate through more healthy execution.

According to Swenson(1994), central inconvenience is absolutely weighing up overall forcefulness conflicts that business will discover elsewhere unless the host country removes

or by and large incapacitates the scope of its base efforts to establish safety (e.g. feeble capitalization rules). Where a given duty orchestrating structure is seen to be outside the spirit or general objective of the cost standards, while maybe inside the letter of the law, governments may be reluctant to alter the law, given shakiness over the FDI response. In particular, worries over worldwide power, adjacent cases by business gathers that satisfying treatment is available elsewhere in other host countries, may condition an organization's position. Furthermore, with growing multifaceted nature of business structures and operations, an authentic inconvenience is in making sense of where obligation should be paid in a fiscally perceiving manner and perceiving in order between avoidance trades and blueprints, and honest to goodness ones. Meanwhile, if game plan slants a ton for obliging business impact that the host government avoids brain boggling or by and large troublesome base security obtainments, pay targets may be exchanged off open perspective of goodness in the cost system. These acknowledgments may further cripple charge salary urging to assemble resistance in other areas,(Tanzi et al,1990).

2.7 FDI in Ghana

The need to charm remote continuous monetary pros into the Ghanaian economy has been one of the critical method focuses of ERP, which started in 1983, the gathering of the Mining Code in 1986, the performing of the Investment Code in 1994, and the Free Zone Act in 1995, Ghana has exceptionally improved the business environment for outside (and family unit) speculators, (UNCTAD 2003). The privatization task set out upon by the country in the mid 1990s has also helped in drawing enormous inflow of private outside capital into the economy. The task achieved the offer of more than 66% of plus or minus

300 state-owned endeavors. Lion's offer of the associations were accomplished by remote money related masters with couple of adjacent theorists banding together their outside accomplices to obtain others. The DIC is the organization association that coordinates the privatization of these endeavors, which lead the divestiture process through an offering method. The triumphant offers are evaluated on the reason of various criteria, including organization capacities, money related resources and attractive procedures. It is assessed that the new proprietor has the limit consolidate the attempt with a valuable, productive try that adds to the obligation salary and uses Ghanaians. The privatization system seems to have backed off slight for a long time now,(Ali-Nakyea,1990).

New venture laws that are altered towards rousing remote hypothesis and also private part activity have substituted those that officially covered theory. The key law that was affirmed as needs be is the GIPC Act, 1994 (Act 478). The GIPC law speaks to enthusiasm for all fragments of the economy. In spite of the way that the GIPC law administers enthusiasm for each and every other fragment, division specific laws also control those sectors,(GIPC,1998, for instance, dealing with a record, non-keeping cash money related foundations, insurance, calculating, securities, and area. A remote examiner is urgent to fulfill the obtainments of the endeavor go about furthermore the acquisitions of the fragment specific law. A case is enthusiasm for keeping cash, where laws specific to the dealing with a record region apply despite the GIPC law. Generally, systems have been patched up and deferrals decreased starting late through the assistance of the GIPC. The GIPC law applies to outside endeavor through acquisitions, mergers, takeovers, and moreover new hypotheses. The law is moreover fitting to portfolio enthusiasm for stocks, securities, and diverse securities took a

shot at the Ghana Stock Exchange (GSE). The law furthermore demonstrates regions of theory put something aside for Ghanaians, specifically, unimportant trading, operation of taxi organizations (except for when a non-Ghanaian has a base naval force of 10 vehicles), pool wagering associations and lotteries (beside soccer pools), wonderfulness salons and hair parlors. It in like manner demonstrates the base outside capital essential for non-Ghanaians. The law further sets out promptings and affirmations that are legitimate to endeavors enrolled under the law. These rousing powers and sureties relate to collect, trade of capital, advantages and benefits and protections against explorations,(GIPC,2002).

The screening of endeavor has in like manner completed up taking after the organization of the GIPC law. The GIPC registers endeavors, engages both nearby and outside enthusiasm for Ghana, and gives all the crucial support that enables a theorist to end up set up. The Government has no prominent general money related or present day procedure that has a biased effect on remote had associations. On occasion, a remote money related master can acknowledge additional inspirations if the endeavor is thought to be especially essential to the country's progression.

The main pre-condition for interest in Ghana is money related. An outside speculator is obliged to fulfill a slightest capital necessity. When this is met and every essential report submitted, speculations are enlisted by the GIPC inside of five working days. The base capital needed for remote speculators is US\$10,000 (for joint endeavors with a Ghanaian) or US\$50,000 (for ventures completely claimed by a non-Ghanaian). Exchanging organizations either completely or halfway possessed by non-Ghanaians oblige a base outside value of US\$300,000 and the exchanging organization must utilize no less than ten Ghanaians. This

may be fulfilled through transmitting convertible remote money into a bank in Ghana or by importing merchandise into Ghana with the end goal of the speculation. The base capital commitment is, be that as it may, not pertinent to portfolio venture, endeavors set up for fare exchanging, and branch workplaces.

Interest in minerals and mining is controlled by the Minerals and Mining Law, 1986 (PNDCL 153) as revised by the Minerals and Mining Amendment Act, 1994 (Act 475). Basically, the law directs interest in mining except for interest in little scale mining, which is reserved for Ghanaians. Additionally, the law determines distinctive sorts of mining rights, issues connecting to motivating forces and ensures, and land possession. The Minerals Commission is the administration organization that executes the Minerals and Mining law. The Petroleum Exploration and Production Law 1984 (PNDCL 84), known as the Petroleum Law manages the investigation and generation of oil and gas in Ghana. The law bargains widely with petroleum gets, the rights, obligations, and obligations of builders and pay payable to those influenced by exercises in the petroleum division. The Ghana National Petroleum Corporation (GNPC) is the administration foundation that manages this law. Several remote organizations have been effectively tangled in oil/gas investigation in Ghana, albeit none is dynamic at the present time,(Tsikata,2000).

Between September 1994 and June 2002, the GIPC enrolled 1,309 FDI tasks (barring 88 enlisted contact workplaces) for the most part in the administration (388), assembling (368), tourism (153), building and development (106), agribusiness (105), and fare exchange (91). As at June 30, 2002 a sum of 1,309 activities including 912 joint remote Ghanaian and 397

entirely outside possessed tasks, had been surveyed at a foundation expense of US\$1.72 billion of which US\$1.40 billion are remote capital (US\$450,22 million value and US\$977.26 million advances) and US\$296.17 million in neighborhood financing made up of US\$207.79 million value and US\$91.50 million advances. Joint outside Ghanaian undertakings have been promoted at US\$1.27 billion whilst entirely remote claimed tasks are evaluated to cost US\$450.39 million. These ventures have been anticipated to make job open doors for approximately 63,303 Ghanaians and 4,397 non-Ghanaians. Remote capital moves in admiration of the base needed by the law added up to US\$178.84 million,(GIPC,2002).

2.8 The free zones plan and FDI streams

As a component of the administration's push to pull in FDI, especially into the production of merchandise for fares to expand the nation's fares possibilities, Parliament in September 1995 proclaimed the Free Zones Act to quicken the abuse of the nation's general fare possibilities. In promotion to that, the Ghana Free Zones Board was set up to help and screen the occasions of the export processing zones (EPZ),(Asiedu,2002). The Act has as it real target the fascination of household and outside straight speculation. Thusly, various mouth-watering motivations were tabled for financial specialists who wish to set up business in the free zones enclave. Among the motivating forces incorporates the accompanying:

1. Exemption of free zones designers from wage or benefit charge for up to 10 years
2. Income duty after the ten years expense occasion was not to surpass a most extreme of 8%
3. Exemption from withholding duties on profits radiating from free zone venture

4. Freedom of remote financial specialists to hold a 100% offer in any free zone undertaking and
5. Various sureties in admiration of repatriation of benefits and against an irrational nationalization of advantages.

2.9 Determinant of FDI in Ghana

As demonstrated by Asiedu (2002), outside firms that arrange in a making country, for instance, Ghana do accordingly with resource, market, and/or profitability searching for destinations at the highest point of the need rundown. Variables that go about as a draw for firms for which the benefit searching for target is vital are definitely not hard to tie. For mining, oil examination and oil era associations, the openness of typical resources are key similarly as the variables that impact the decision of the firm to arrange in a given country. For the second game plan of destinations, that is business part searching for objectives, one may be inclined to reason that it won't be unnecessarily discriminating for a country, for instance, Ghana. The compass of Ghana's business area measured by its GDP is minimal compared to that of neighboring countries like Nigeria. In 2007, for event, Ghana's GDP talked reality US \$15.25 billion, identified with US \$165.69 billion for Nigeria this endorses that, holding others figures reliable, MNEs considering a zone in this locale must have a slant for Nigeria, where the business division is all the more appealing. On the other hand, publicize potential, but joined with business size, could be the more key component. This is particularly indispensable, as diverse variables continue with key in the choice of a firm to arrange in either Ghana or other FDI host countries within the sub-region. In like manner, as mulled over by Lucas (1993), the noteworthiness of business may be unreasonable when one

fails to consider the charge presentation of the host country. Destinations of the efficiency searching for kind of FDI suggest that MNEs will move to a making country to reduce their era costs. This has ended up being particularly relevant starting late, when esteem competition, prompted by globalization has compelled firms to constantly search for cost lessening measures This variable is usually expected that would be particularly basic for non-mining MNEs in Ghana. As demonstrated by the data, the most essential part impacting the choice of Ghana as an endeavor destination is the macroeconomic and political environment.

2.10 The role of tax systems on FDI

Countries utilization charges for a few reasons. Charges are used to assemble earnings to store citizen driven associations, to right market deformities, and to stir or caution certain sorts of behavior. Budgetary methodology supports the Government's goals by ensuring that general society stores are sensible, adding to an enduring circumstance that advances financial improvement. This environment is fundamental for fulfilling the Government's objective of building a more grounded, all the more venturesome economy and a more wonderful society, growing money related open entryway and supporting those most in need to ensure that rising national flourishing is shared by all,(Ajayi,2006).

The cost structure is in perspective of the constitution of a country. Measures of set up law like adjust, the protection of marriage and family, and the surety of welfare are particularly fundamental segments of cost structures. The Constitution of the Republic of Ghana confirmations reasonableness and adaptability of isolation in section 17 of the constitution

and looks for after social focuses in territory 37 of the constitution. The constitution gathers the arrangement of each and every regulatory activitie, including the obligation game plan; e.g. the German Constitutional Court has made statute huge for its legitimate activism in the obligation area .This Court attempted evaluation laws against general holy norms. The principal rule of the German charge technique is that every individual may pay obligation as showed by his or her capacity to make parity as required by crucial law,(Pain and Young,1996). The essential for reasonableness in tax obliges demand according to the financial ability to pay. Henceforth, the assessment rate depends on upon the compensation less the deductible utilizations. To guarantee a base subsistence level the German charge law underpins certain uses, for example alimonies. In light of the secured law there are various motivations to pass obligation regulations. The composition on the determinants of appraisal course of action and obligation structure does not offer one bound together model but instead various fighting systems. The huge points of view of government toll plan can be gotten from the viewpoint of Musgrave's conventional components of open trust.

2.10.1 Ghana charge frameworks

The assessment arrangement of every nation mirrors its particular history, legitimate convention, political structure and financial base. The duty arrangement of Ghana started from the pioneer framework, when it bore little relationship to the unmistakable conditions or hobbies of the nation. The most widely recognized direct assessments are the individual pay duty (PIT), corporate salary expense and riches and legacy charges. The most well-known aberrant charges are VAT, chose deals and extract charges. The assessment arrangement of Ghana incorporates the same fundamental expense classes utilized as a part

of created nations. Expenses gathered in the interest of the Central Government which incorporate salary charge, mineral eminences, import and extract obligation, worth included assessment, etc,(Ali-Nakyea,2000).

Three organizations control the principle part of Ghana's focal government income. These are the Internal Revenue Service represented by the Internal Revenue Act, 2000 (Act 592), t CEPS administered by CEPS Management Law, 1993 (P.N.D.C. Law 330) and VATS administered by the VAT Act, 1998 (Act 546).

2.10.2 The duty law

The chief pay evaluation was along these lines the Income Tax Ordinance (No. 27)1943.This Ordinance was demonstrated to a tremendous degree on the general benchmarks shrouded the Income Tax Act then in force in the United kingdom. It approved the obligation generally on wages having their sources in Ghana with the goal that remote source pay was not subject unless it was transmitted in Ghana. One trademark highlight of this law was the different individual reliefs and discoveries that it contained.

During the time the Income Tax Law has seen a couple of movements through changes, and adjustments, for instance, the Income Tax (Amendment) Ordinance 1952. The at first consolidated adaptation of the Income Tax Ordinance was appropriated in March, 1953. The going with exhibitions then familiar changes with the hardened form Act 68 in 1961, trailed by Act 178 and 197 in 1963 and Act 312 in 1965. The second cemented discharge was disseminated in September, 1966, i.e., the Income Tax Decree, 1966 (No.78). The Income

Tax Decree 1975, SMCD 5, which was disseminated in December, 1975, was the third cemented discharge. The present Income Tax Law is the Internal Revenue Act, 2000(Act 592). This is thusly the fourth united adaptation to which reference will broadly be made.

In 2001, another obligation law, The Internal Revenue Act 2000 (Act 592), was gone to control direct costs. The Internal Revenue Regulations, 2001 (L.I. 1675) was furthermore displayed. There have been different changes to the law and regulations. The primary unmistakable national obligation in the country is the National Health Insurance Levy (NHIL). The NHIL of 2.5% is furthermore constrained on particular stock and advantages and is controlled on the lines of the value included obligation. Charges contain the compensation costs coordinated by the Internal Revenue Service (IRS), conventions and concentrate commitments managed by CEPS, and the business and organization obligations controlled by VATS.

2.10.3 Tax impetuses in Ghana

Corporate cost rate is 25% and this applies to all divisions banning pay from non-customary charges (8%) and oil and gas examination associations (35%). For a couple of zones there are impermanent appraisal events. These zones join Free Zone endeavors and architects (0% for the starting ten years and 8% starting there); area change and rental (0% for the introductory five years and 25% starting there); agro-get ready associations (0% for the beginning five years, after which the obligation rate ranges from 0% to 25 % depending upon the territory of the association in Ghana), and waste taking care of associations (0% for quite a while and 25% from that point on). Appraisal discounts are in like manner offered as

propelling powers considering zone. A capital stipend as stimulated degrading is correlated in regardless of divisions from sparing cash, trust, exchange, insurance, mining, and petroleum,(GIPC,1991).

The organization charges a 12.5% VAT notwithstanding a 2.5% Health Insurance Levy on most imports, each and every client purchas, organizations, settlement in motels and guest houses, sustenance in diners, lodgings and bistro, and advancing, wagering and fervor,

2.10.4 Sectorial motivations (decreased tax rate)

Tax rates differ contingent on the territory (part or industry) from which the salary is originating from as demonstrated as follows:

Hospitality industry 20%; Export of non-traditional production 8%; Loans conceded to a farming investment 20%; Loans allowed to a renting organization 20%.

Organizations listed on the GSE:

Trade in/after 1/1/2004 , 25% (for the first 3 years);

Companies recorded on the GSE :

Trade after 1 January 2004 22% (for initial 3 years); Rural keeping money following first 10 years 8%

2.10.5. Industrial concessions (exclusion period)

The wage of a man from the accompanying business or area of the economy is released from expense for the years expressed against them: Farming tree edits 10 years; Livestock 5 years Farming steers 10 years; Agro Processing business 3 years; Rural keeping money 10 years

Construction available to be purchased/letting of ease sensible private Premises confirmed by Minister of Works & Housing 5 years; Cocoa cultivating Indefinitely; Production of cocoa by-items; got from cocoa squander 5 years; Processing of waste materials for agrarian or business reason 7 years; Agro-handling (viable 1/1/2004) 5 years Venture capital financing organization 5 years (successful 2006).

2.10.6 Local motivators (assessment refunds)

Fabricating commercial ventures arranged in Accra and Tema 25%, All other provincial Capital 18.75%, area outside territorial capitals 12.5%. After the starting expense occasion period, agro handling ventures which utilize neighborhood horticultural crude materials as their principle inputs will have corporate assessment rates settled by area as takes after: Accra/Tema 20% , other provincial capitals (with the exception of northern ,upper east and upper west local capitals) 10%, outside local capitals 0%, Northern, Upper East, Upper West(Capitals and every other area) 0%,(GIPC,1991) 2.10.7 Exemptions Industrial plants, hardware and parts thereof are released from traditions import obligation under HS codes section 82, 84 and 85.

2.10.7 Foreign duty alleviation

Remote assessment credits are accessible to discharge twofold levy on abroad wage. Credits are figured independently for every wellspring of business, work and speculation salary and may not surpass the normal rate of Ghanaian wage duty of that individual for the year of appraisal connected to that individual's assessable outside wage for the year.

2.11 Conclusion

All in all, the writing survey took a gander at the essential component of remote direct speculation and the assessment laws of Ghana. It additionally survey the affectability of FDI on assessment income. The following section will take a gander at the technique that will be utilized for the exploration

CHAPTER THREE

METHODOLOGY

3.0 Introduction

The previous chapter dealt with the literature review on FDI and corporate tax revenue. That was based on what have been written and said on FDI and corporate tax revenue. This chapter emphasizes on research methodology comprising how the research was designed, the data used, source of data and how they were analyzed.

3.1 Research Methodology

The methodology used to assemble information and data with the deciding objective of settling on business decisions. The technique may consolidate appropriation examination, gatherings, surveys and other investigation systems, and could fuse both present and true information. It is also the course of action of condition for social occasion and separating data which were material to the expert in most productive way. Its gives an undeniable thought on what the expert is finishing in his or her examination. It is the programe that associates the pro to incorporate and to be alterable in his or her particular field of enquiry. It portrays the territory of hypothesis by indicating whether the result got can be meant assorted condition or not.

3.2 Research Design

The research design empowers the researcher to react the research questions and objectives destinations. While trying to achieve that the researcher is liable to utilize three fundamental research procedures that is quantitative, qualitative and blended techniques.

Quantitative data alludes to information in a crude shape that should be taken care of and investigated to make them significant to transform them into data. Quantitative system, for example, diagrams, graphs and factual breaking down instruments like SPSS permits the analyst to investigate, present, portray and analyze connections and patterns inside of the information. (Saunders et al., 2012). Quantitative investigation bolster the scientist to make range from straightforward tables or charts that demonstrates the recurrence of the event and utilizing insights, for example, files to qualify correlations, through setting up factual connections between variables to complex measurable displaying.

Qualitative data methodology can be translated as an examination approach that as a rule accentuation words as opposed to measurement in the accumulation and investigation of information. Despite the fact that a percentage of the techniques utilized, for example, gatherings are utilization in quantitative exploration, the distinction is that the subjective researcher just uses non-scientific measures when deciphering and clarifying their examination. In administration and business this procedure is utilized to contemplate the way associations, gatherings and people perform and collaborate (White,2000). Subjective examination is every now and again related with an interpretive reasoning in light of the fact that specialists need to comprehend specific and publically developed significance express by the individuals who join in exploration about the wonder being concentrated on. This demonstrates that implications are reliant on individuals' understandings of the occasions and all things considered information are conceivable to be more vague, flexible and complex than quantitative information. The exploration configuration utilized as a part of

this study is quantitative examination and relapse investigation will be utilized for the investigation of the information.

3.3 Sources of data

There are two sources of data of which data is collected in research. They are primary sources of data and secondary sources of data.

Secondary sources of data refers to data that have been used before and which exist already. The researcher used secondary data in the form of books which have been written, brochures, articles, and journals.

3.4 Population and sample size

With a research like this, it could have been very appropriate if all data since 1957 could have been used. The population in any research is the data of interest to the researcher. The targeted population is the data points from 1957 to 2014, that is FDIs and corporate tax revenue for the period. These facts are not readily available and not accessible. The researcher chose data from 1981 to 2013 as samples since they are available to be used. These values are current and their values are still relevant. The size is thirty-three (33). For a regression analysis, we need to use at least 30 data points to have a good result.

3.5 Data analysis techniques

The information investigation procedure utilized as a part of this thesis is the Statistical Package for Social Science (SPSS) and content examination. SPSS was intended to perform factual examination on quantitative information. The SPSS programming is utilized for

complex computations to break down numerical information. It is utilized as a part of philanthropic offices, instructive establishments, and even in business to examine numerical information. It performs capacities, for example, relapse, which is a type of prescient counts used to focus the relative impact of a solitary component on a circumstance. With SPSS prescient investigation programming, you can foresee with certainty what will happen next so you can settle on more intelligent choices, tackle issues and enhance results (Bry, 2011).

3.6 Conclusion

In this chapter, the research design, sources of data, population and sample size, sampling technique, data analysis techniques. Regression model was thoroughly discussed.

CHAPTER FOUR

DATA ANALYSIS

4.0 Introduction

This chapter discuss regression analysis, the research method being used for the analysis and the data analysis using graphs, central tendencies and dispersion.

4.1 Regression analysis

In measurements, relapse investigation is a verifiable technique for regarding the associations among variables (Freedman, 2005). It contains various routines for demonstrating and investigating a couple of variables, when the consideration is on the relationship between a subordinate variable and one or more autonomous variables. More especially, relapse investigation helps one recognize how the keep running of the normal estimation of the reliant variable changes when any of the self-sufficient variables is contrasted, while the other free variables are held secure. Most consistently, backslide examination assessments the prohibitive prescience of the poverty stricken variable agreed the autonomous variables – that is, the typical estimation of the dependent variable when the indepedent variables are settled. In all cases, the evaluation target is a segment of the free variables called the backslide limit. (Freedman,2005)

In backslide examination, it is in like manner of excitement to delineate the assortment of the subordinate variable around the backslide limit which can be depicted by a probability course. Reversal examination is for the most part used for desire and deciding, of this the expert attempt to do. Using the past and current FDI qualities and corporate evaluation

salary, grants, inflation and GDP to model an examination to permit us to figure the volume of corporate cost wage using the FDI values. Backslide examination is in like manner used to grasp which among the free variables are associated with the needy variable, and to research the sorts of these associations. In oversaw circumstances, backslide examination can be used to determine causal associations between the free and ward variables. However this can incite illusions or false associations, so ready is fitting. For association does not propose causation, however there may be association between variable its does not mean they have sway on them.(Weisberg,1982)

Various methodology for doing reversal examination have been set up, regular schedules, for instance, lined backslide and ordinary scarcest squares backslide. The routine of backslide examination strategies before long depends on upon the sort of the data creating system, and how it relates to the backslide technique being used. Since the bona fide sort of the data creating strategy is normally not known, reversal examination frequently depends to some degree on making suspicions about this method. These assumptions are every so often testable if a sufficient measure of data is available. Backslide models for desire are routinely useful despite when the assumptions are decently harmed, notwithstanding the way that they may not perform in a perfect world. Nevertheless, in various applications, especially with little effects or request of causality considering observational data, backslide schedules can give beguiling results. Backslide models incorporate the going with three variab

1. The unknown parameters, denoted as β , which may represent a scalar or a vector.
2. The independent variables X .
3. The dependent variables, Y .

A regression model relates Y to a function of X and β .

$$Y \approx f(\mathbf{X}, \beta)$$

The rough guess is typically formalized as $E(Y | X) = f(X, \beta)$. To complete relapse investigation, the type of the capacity f must be indicated. Once in a while the type of this capacity is taking into account learning about the relationship in the middle of Y and X that does not depend on the information. On the off chance that no such learning is accessible, an adaptable or advantageous structure for f is picked. Expect now that the vector of obscure parameters β is of length k . Keeping in mind the end goal to perform a relapse investigation the client must give data about the subordinate variable Y . On the off chance that N information purposes of the structure (Y, X) are watched, where $N < k$, most traditional ways to deal with relapse investigation can't be performed: following the arrangement of comparisons characterizing the relapse model is underdetermined, there are insufficient information to recoup β . In the event that precisely $N = k$ information focuses are watched, and the capacity f is straight, the mathematical statements $Y = f(X, \beta)$ can be fathomed precisely as opposed to give or take. This diminishes to illuminating an arrangement of N comparisons with N questions (the components of β), which has an one of a kind arrangement the length of the X are directly free. On the off chance that f is nonlinear, an answer may not exist, or numerous arrangements may exist. The most well-known circumstance is the place $N > k$ information focuses are watched. For this situation, there is sufficient data in the information to gauge a special quality for β that best fits the information in some sense, and the relapse model when connected to the information can be seen as an in β .

In the last case, the relapse investigation gives the apparatuses to:

Discovering an answer for obscure parameters β that will, for instance, minimize the separation between the deliberate and anticipated estimations of the indigent

Under certain statistical assumptions, the regression analysis uses the surplus of information to provide statistical information about the unknown parameters β and predicted values of the dependent variable Y .

In the more general multiple regression model, there are p independent variables:

$$y_i = \beta_1 x_{i1} + \beta_2 x_{i2} + \cdots + \beta_p x_{ip} + \varepsilon_i,$$

where x_{ij} is the i th perception on the j th free variable, and where the first autonomous variable takes the worth 1 for all i (so is the relapse catch).

The minimum squares parameter evaluations are acquired from p ordinary comparisons. The lingering can be composed as $\varepsilon_i = y_i - \hat{\beta}_1 x_{i1} - \cdots - \hat{\beta}_p x_{ip}$.

Consider a backslide model which has three indeterminate parameters, β_0 , β_1 , and β_2 . Accept an experimenter performs 10 estimations all at the extremely same estimation of free variable X . For this circumstance, backslide examination fails to give an astounding game plan of evaluated qualities for the three dark parameters; the experimenter did not give enough information. And additionally can be required do is to gage the typical worth and the standard deviation of the dependent variable Y . Correspondingly, measuring at two extraordinary estimations of X would give enough data for a backslide with two inquiries, however not for three or more inquiries. This infers for single independent variable we oblige no under thirty (30) data points. (Freedman, 2005)

On the off chance that the experimenter had performed estimations at three distinct estimations of the free variable vector X , then relapse investigation would give a novel arrangement of evaluations for the three obscure parameters in β .

In direct relapse, the model detail is that the subordinate variable, is a straight blend of the parameters (yet require not be straight in the autonomous variables). For instance, in basic direct relapse for displaying information focuses there is one autonomous variable: , and two parameters, and straight line: $y_i = \beta_0 + \beta_1 x_i + \varepsilon_i, \quad i = 1, \dots, n.$

where ε_i is an error term and the subscript i indexes of a particular observation.

Given a random sample from the population, we estimate the population parameters and obtain the sample linear regression model:

$$\hat{y}_i = \hat{\beta}_0 + \hat{\beta}_1 x_i.$$

The lingering, , is the contrast between the estimation of the reliant variable anticipated by the model, , and the genuine estimation of the needy variable, . One technique for estimation is customary slightest squares. This system acquires parameter appraises that minimize the whole of squared residuals, SSE

$$SSE = \sum_{i=1}^n e_i^2.$$

Minimization of this function results in a set of normal equations, a set of simultaneous linear equations in the parameters, which are solved to yield the parameter estimators, $\hat{\beta}_0, \hat{\beta}_1.$

In the case of simple regression, the formulas for the least squares estimates are

$$\hat{\beta}_1 = \frac{\sum (x_i - \bar{x})(y_i - \bar{y})}{\sum (x_i - \bar{x})^2} \text{ and } \hat{\beta}_0 = \bar{y} - \hat{\beta}_1 \bar{x}$$

Where \bar{x} is the mean (average) of the x values and \bar{y} is the mean of the y values.

Under the assumption that the population error term has a constant variance, the estimate of that variance is given by:

$$\hat{\sigma}_\varepsilon^2 = \frac{SSE}{n - 2}.$$

This is known as the mean square error (MSE) of the relapse. The denominator is the specimen size decreased by the quantity of model parameters assessed from the same information, (n-p) for p regressors or (n-p-1) if a capture is utilized. For this situation, p=1 so the denominator is n-2.

The standard errors of the parameter estimates are given by

$$\hat{\sigma}_{\beta_0} = \hat{\sigma}_\varepsilon \sqrt{\frac{1}{n} + \frac{\bar{x}^2}{\sum (x_i - \bar{x})^2}}$$

$$\hat{\sigma}_{\beta_1} = \hat{\sigma}_\varepsilon \sqrt{\frac{1}{\sum (x_i - \bar{x})^2}}.$$

Under the further supposition that the populace lapse term is typically dispersed, the analyst can utilize these assessed standard slips to make certainty interims and behavior speculation tests about the populace parameters.

Table 4.1 Definition of Variables

Variable	Description	Source
Foreign Direct Investment (FDI)	The aggregate of value capital, reinvestment of income, other long haul capital, and transient capital as demonstrated to be determined of installments	World Bank
Inflation	Annual Percentage change in CPI.	World Bank, 2015
GDP Growth rate	Annual percentage growth rate of GDP at market prices based on constant local currency.	World Bank, 2015
Grants	Legitimately tying duties that commit a particular estimation of trusts accessible for payment for which there is no reimbursement necessity.	World Bank, 2015
Tax Revenue (TAX)	Compulsory transfers to the central government for public purposes.	World Bank, 2015

Source: Author's Construct, 2015

4.2 Description of data.

This section of the analysis discusses the descriptive statistics of the variables used for the study. It focuses on the trends in the variables between 2001 and 2013 with their mean, maximum, minimum and their standard deviations.

Table 4.2: Descriptive Statistics

	GDP	INFLATION	TAXES	GRANTS	FDI
MIN	-5.04	8.73	228	163.05	2
MAX	14	122.88	14307.65	5348.10	3294.52
MEAN	5.22	28.38	2162.04	614.27	548.72
STD. DEVIATION	3.27	26.33	3509.15	936.25	1020.04

Source: World Bank report, 2015

The minimum value of GDP was -5.04 over the period under study and occurred in 1982, year after the overthrow of the government in 1981. In 1981 the GDP value was 5.181, there was a sharp decline of 203% from 1981 to 1982. Between 1981 and 1992, a period of military rule, the GDP reached its peak in 1988 at 9.38. This could not be equaled until 2011 when the maximum GDP was recorded at 14.

The minimum (best) value of inflation was 8.73 over the period under study and occurred in 2011. The value was recorded in 1983, inflation of 122.88%, the worst during the period of study. This was in 1983, the year of severe famine in Ghana. It fell to 39.67% , a 2010% better. From 1981 to 1986, inflation was better in election years as compared to the previous years. Inflation in 1991 was 18.03% and 10.06% in 1992 a year of election. 1995 had inflation of 59.46% and 44.36% in 1996 a year of election. But 2000, 2008, 2012 had 25.15%, 16.52% and 11.5% respectively. These values were worse of as compared to 1999, 2007 and 2011 values of 12.45%, 10.73% and 8.73% respectively. This could be due to campaign spending.

The minimum value of grant was 163.05 over the period under study and occurred in 1998. The maximum value was recorded in 2006, grant received was 5348.1. Since 1997 to date, election years have recorded the highest grant receipt for each government. In 2000 grant receipt was 255.75 from the previous year of 239.84 in 1999, in 2004 grant received was whooping 1930.75 from the 542.14 in 2003. In 2007 grant increased from 750.91 to 774.8 in 2008 and in 2011, grant increased from 926.45 to 1052.34 in 2012.

The minimum value of FDI was 2.0 over the period under study and occurred in 1985. The maximum value was recorded in 2013. FDI Election years under each government has seen an increase in FDI.

The minimum value of tax was 228.0 over the period under study and occurred in 1985. The maximum value was 14307.65.

4.3 Foreign Direct Investment

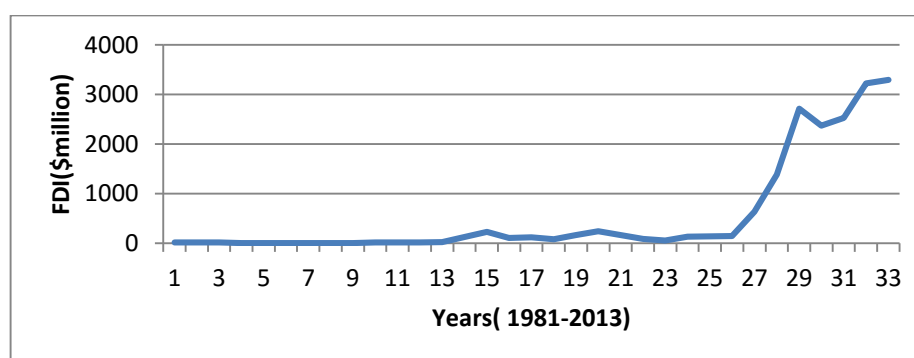
FDI which speaks to the net inflows of speculation to secure an enduring administration premium (10 percent or a greater amount of voting stock) in an undertaking working in an economy other than that of the speculator has been expanding subsequent to 2001.

The average volume of FDI in Ghana for the period of study is \$548.72 million. Moving forward, the minimum and maximum volumes of FDI in Ghana for the period of study are \$2 million and \$3294.52 million. The country experienced its maximum FDI volume in 2013.

For the period of military rule, 1981 to 1992, the Ghana experienced the lowest inflow of foreign direct investment, the minimum FDI value was recorded during this period at \$2 million. The total FDI for the 12 year period, 1981 to 1992, was \$103.968 million whilst the

highest FDI was \$16.3 million which was in 1983. From 1993 to 2000, a period of democratic governance immediately after the end of military rule, had a total of \$1099.904 million. This represents a 958% increment of the 12 year period of military rule, 1981 to 1992. The total FDI for 2001 to 2008 was \$2754.328 million, an increment of 150% of the previous government value. 2009 to 2013 recorded a total of \$14131.566 million of the five year period, five times the previous, 2001 to 2008, value. These FDI values peak in each election year.

Figure 4.1: Trend of Foreign Direct Investment from 1981 – 2013



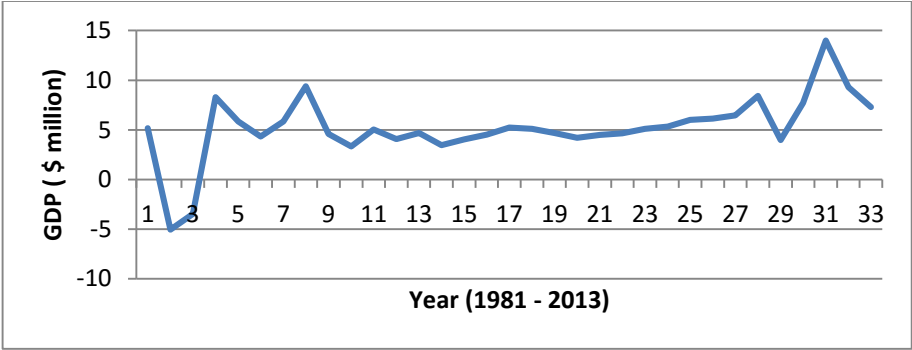
Source: Data from World Bank, 2015

4.4 Gross Domestic Product (Growth Rate %)

Results presented in Figure 4.3 shows that the growth rate of GDP increased since 2001. However, from 2008 to 2009, the growth rate experienced a decline by 4.99%. From the period of study, the minimum GDP growth rate is -5.04 % while the maximum growth rate from 1981 to 2013 is 14% which was achieved in 2011. Averagely, the growth rate of GDP for the period of study is 5.22 %. Moreover, between the period, GDP has related positively with Foreign Direct Investment (FDI). The years 1982 and 1983 recorded negative GDP. But

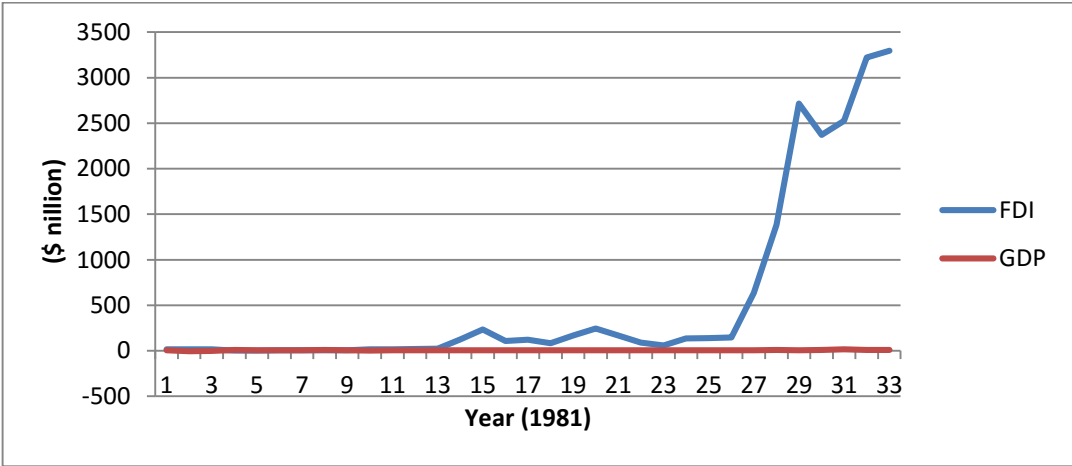
increased to 8.301% , a 340% increase of the 1983 value, the highest percentage increase of previous year increment.1984 is the best performance of GDP. GDP since 2011 when the highest value of 14% was achieved, has been declining under the period of the study.

Figure 4.2: Gross Domestic Product (Growth Rate %)



Source: Data from World Bank

Figure 4.3: Relationship between FDI and GDP



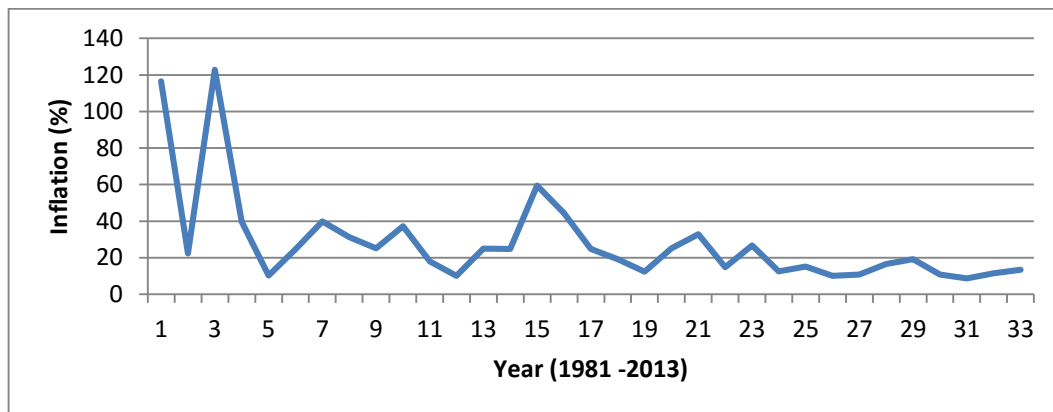
Source: Data from World Bank

4.5 Inflation

From the results presented in Figure 4.4, generally, the country experienced a fluctuation in the annual rate of inflation from 1981 to 2013 with an average rate of 28.38 %. The country experienced its highest inflation for the period in 1983 at 122.88 %, a year of acute famine in Ghana. The rate of inflation has been relating negatively with Foreign Direct Investment for the period of study.

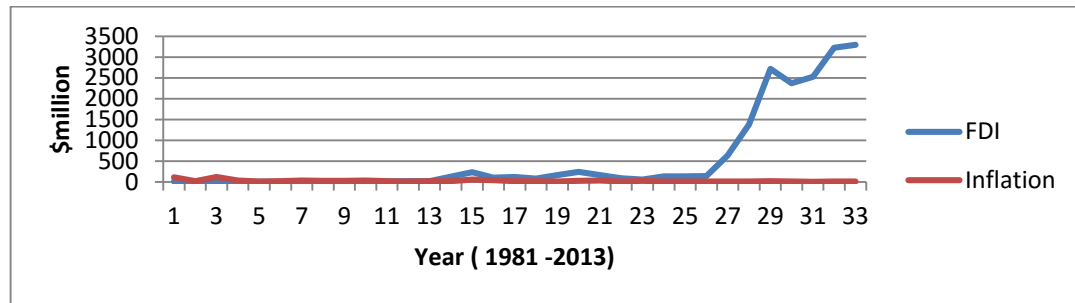
The average inflation rate from 1981 to 1992 was 45.664%, the average rate for 1993 to 2000 was 29.412% a decrease of 36%. The average inflation rate got better still for the year 2001 to 2008, a 41% decrease from the previous 1993 to 2000 value. It got better by 27% from 2001/2008 period to 2009/2013 period. The period, 2001 to 2008 saw a better management of inflation. The minimum (best) inflation value was in 2011, that is, 8.726%.

Figure 4.4: Trend of inflation from 1981 – 2013



Source: Data from World Bank

Figure 4.5: Relationship between Inflation and FDI



Source: Data from World Bank

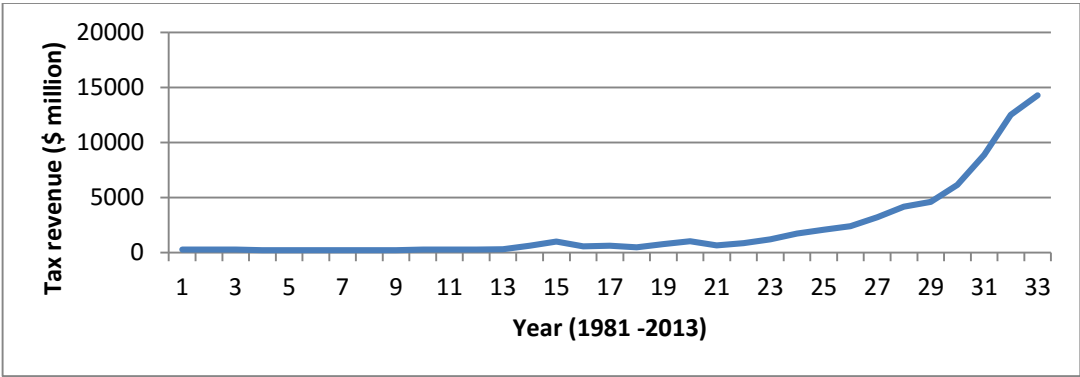
4.6 Tax Revenue

Compulsory transfers to the central government for public purposes have also been increasing since 1992. For the study period, the average tax revenue for the country was \$ 2162.04 million while the minimum tax revenue was \$ 228 million and it was realized in 1992. The country experienced its maximum tax revenue of \$14,307,651,165.6 in 2013. The implication is that the government has been consistent in increasing its tax revenue. Tax revenue reaches its peak in election year each government. 1992, 1996, 2000, 2004, 2008 and 2012 recorded the highest tax revenue for each government for the period under review. This may be due to government desire to complete project as fulfillment of campaign promises and hence to collect more revenue for such purpose. Tax revenue has been at least almost doubled from the subsequent election year. The period of study shows a positive relationship between tax revenue and FDI.

The military period, 1981 to 1992, saw a total of \$3063.864 million tax revenue being collected over the 12 year period. This figure increased by 78% to \$5440.336 million for 1993 to 2000 political year. During the 2001 to 2008 realized a total of \$16345.816 million, a 200% increment of the previous period. The last period under the study recorded the highest

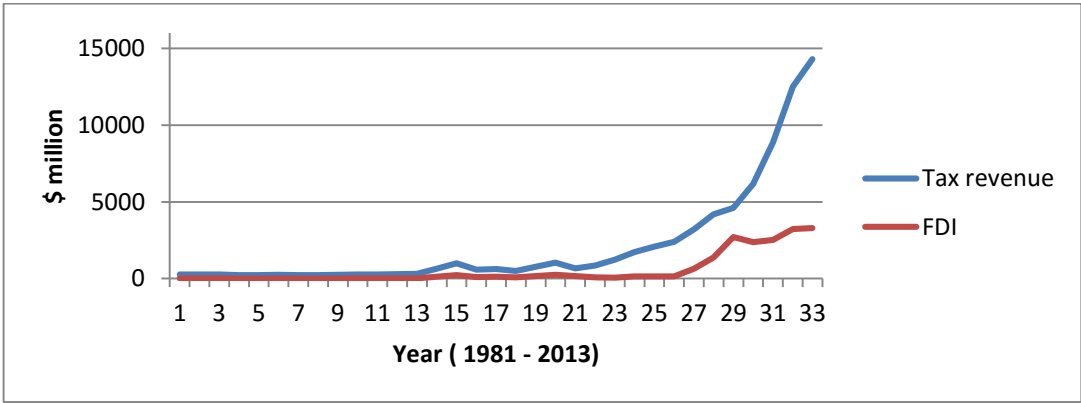
total tax of \$46497.225 million over a five year period. This represent 185% growth in tax revenue over the previous period.2001 to 2008 performed better in terms of increment over subsequent years.

Figure 4.6: Trend in Tax revenue.



Source: Data from World Bank

Figure 4.7: Relationship between Tax Revenue and FDI

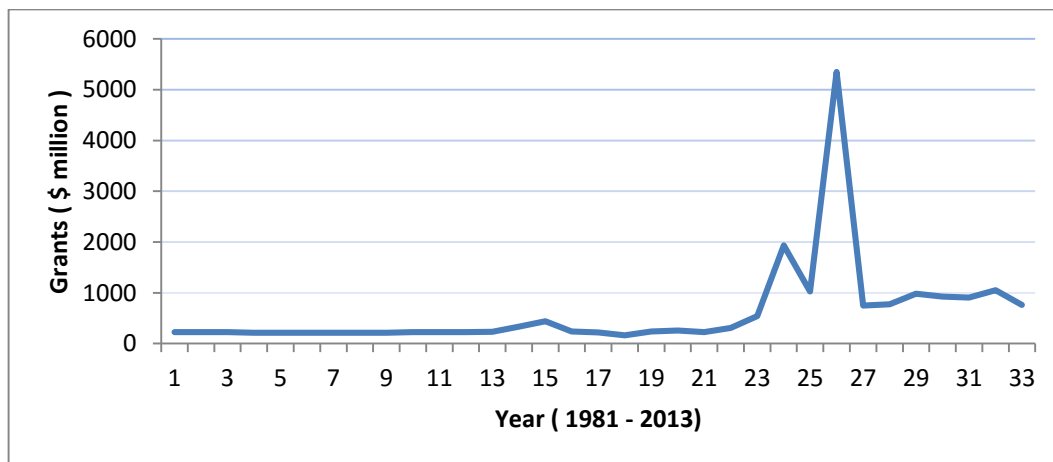


Source: Data from World Bank

4.7 Grants

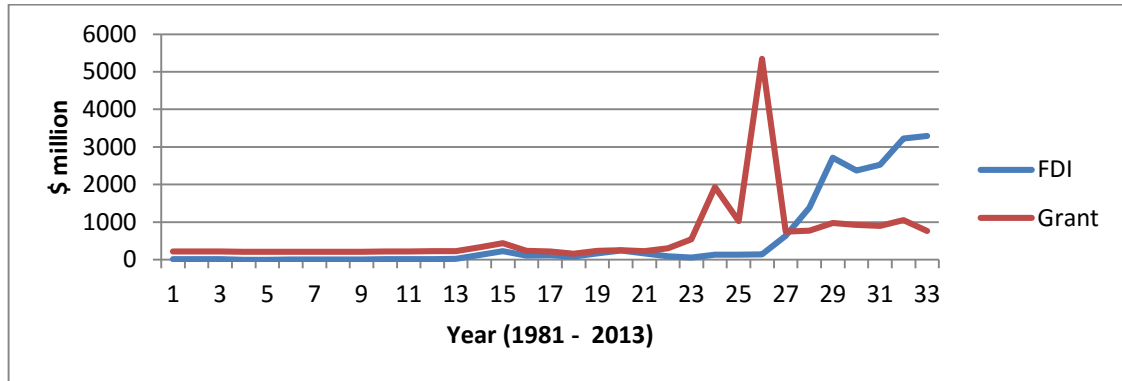
The nature of grants that are received by the country which represent the legitimately obligatory guarantees that obligate a exact value of monies available for distribution for which there is no settlement prerequisite has not been stable as presented in Figure 4.7. Grants received by the country increased between 2001 and 2004. But generally, grant receipts has been fluctuating over the period. However, between 2004 and 2005 grants declined by \$903,180,000. Between the periods of study, the average grants received was \$614.27 million with a minimum value of \$163.05 million. Between 2000 and 2004 there was a slack in grant received, but increased tremendously after that. The slack period is when Ghana went HIPC. 1997, 2001, 2005 and 2013 were years after elections and saw a sharp decline in grant receipts, 9%, 12%, 47% and 28% respectively. 2005 had the highest decline.

Figure 4.8: Trends in Grants received from 1981 – 2013



Source: Data from World Bank

Figure 4.9: Relationship between Grants and FDI



Source: Data from World Bank

4.7.1 Year to Year analysis

The study assesses the impact of taxation on foreign direct investment. The regression model assumes that FDI is normally distributed with equal variance across all values of any independent variable. From the regression results, the ANOVA table shows the model is statistically significant at $p < 0.05$.

Table 4.3: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.895a	.802	.703	758.981

Table 4.4: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	18634354.770	4	4658588.693	8.087	.007b
	Residual	4608417.538	8	576052.192		
	Total	23242772.308	12			

Table 4.5: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	208.588	1349.689		.155	.881
	GDP	28.836	110.699	.057	.260	.801
	Inflation	-8.987	43.768	-.045	-.205	.842
	TAXES	2.575E-007	.000	.827	4.034	.004
	GRANTS	-8.544E-008	.000	-.080	-.447	.667

The results show that GDP, Grants and Inflation have no statistical impact on FDI ($\alpha=.05$).

However, holding all other variables constant, Tax revenue has a statistically significant positive relationship with FDI. ($t=4.034$, $p=0.004$). This implies that if favorable tax regime are put in place, more foreign direct investors will be attracted to the country. When this is done, it will also guarantee the inflow of foreign exchange which will ensure the stability and strength of the cedis. FDI will also spur the local industries for growth; this will create the necessary competition needed for the economic growth of the country. This is in support of the notion tabled by Pain and Young (1996), that there is a relationship between tax and

FDI .Devereux(2002), share similar view that investors are attracted to countries with good tax regime. Over the years many have looked at the impact of FDI on tax, but I looked at the impact of tax on FDI. This is because, generally, investors will look at host countries favorable taxation system before moving in their investments.

The R-squared value of 0.802 (adjusted R-squared = 0.703) indicates that this model explains about 80.2 percent of the variation in FDI, based on results from the current data.

To predict individual values of FDI based on the regression line, the appropriate values for each independent variable into the regression model takes the form:

$$\text{Fdi} = 208.738 + 28.819 * \text{Gdp} - 8.544\text{E-}008 * \text{Grant} - 8.99 * \text{Inflation} + 2.575\text{E-}007 * \text{Taxes}$$

4.7.2 Year on year analysis

This regression considers an overlap of the dependent variable; FDI with respect to its relationship with the independent variables. The model is statistically significant at $p=0.002$.

When the year was overlapped, the results show that GDP and Grants have no statistical impact on FDI ($\alpha=.05$).

Table 4.6: Model Summary of Regression 2

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.855a	0.8116	0.7279	724.4

Holding all other variables constant, Inflation has a statistically significant negative impact on FDI. For a one unit increase in Inflation, FDI decreases by 83.209 units. ($t=-3.15$, $p=0.012$). Moreover, holding all other variables constant, Tax revenue has a statistically significant positive relationship with FDI. ($t=3.877$, $p=0.004$).

The R-squared value of 0.811 (adjusted R-squared = 0.727) indicates that this model explains about 81.1 percent of the variation in FDI, based on results from the current data. To predict individual values of FDI based on the regression line, the appropriate values for each independent variable into the regression model takes the form:

$$\text{FDI} = 2446.805 - 104.668 * \text{Gdp} - 2.846\text{E-}07 * \text{Grant} - 83.209 * \text{Inflation} + 2.339\text{E-}07 * \text{Taxes}.$$

Table 4.7: ANOVA of Regression 2

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	17153490.987	4	4288372.747	6.113	.002b
1 Residual	6314056.720	9	701561.858		
Total	23467547.707	13			

Coefficients of Regression 2

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	2.447e+03	730.076		3.152	0.0037
GDP	-1.047e+02	96.019	-.268	-1.165	0.2392
1 Inflation	-8.321e+01	30.542	-.374	-2.082	0.0117
TAXES	2.339e-07	.000	.770	3.309	0.0037
GRANTS	-2.846e-07	.000	-.288	-1.601	.144

In concluding the regression results, when the year was overlapped, the R^2 value which measures the variations in the dependent variable; FDI by the independent variables changed significantly. When the dependent variable was overlapped by a year, the R^2 increased from 80.2% to 81.1%. This means that before foreign direct investors will start to reap from their benefits in the following year. In Ghana, business are given tax holiday in the initial years of their establishment and hence their impact cannot be felt in the first year. This could account for the improvement of the R-squared value from 80.2% to 81.1%. Moreover, inflation also became significant in predicting FDI. Inflation also became significant in predicting FDI, because the impact of inflation is not always instantaneous. The effect is felt in the following year. Finally, the coefficients of the independent variables also changed. For instance, tax revenue, which is a significant predictor of FDI decreased from 0.0000002575 to 0.0000002339.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The chapter presents the general findings of the research in the context of the central ideas underpinning the objectives of this research. The perspective of this chapter does not only endorse solutions but grants the findings in relation to FDI, and grant, taxes, inflation and GDP. The key components of the chapter include the summary of findings, recommendations and conclusion.

5.1 Summary of Major findings

The total volume tax for period ,1981 to 2013 was \$ 71.34732 billion and total inflow of FDI was \$18.10776 billion

Findings from the study disclosed that the growth rate of GDP have been fluctuation since 1984. Averagely, the progress rate of GDP for the period of study is 5.22%. Moreover the study indicated a positive relationship between GDP and Foreign Direct Investment (FDI). Also, it was found out that GDP is not a significant predictor of FDI.

Inflation as measured by the customer price index increased was also found out to be an insignificant predictor of FDI. Notwithstanding, inflation has been interacting positively with FDI. The average rate of inflation between 2001 and 2013 was found out to be 28.38% whiles the country experienced its highest inflation for the period in 1981 at 122.88%.

Grants that are received by the country which represent the lawfully compulsory obligations that obligate a precise value of monies available for payment for which there is no refund

condition has no important impact on FDI per this study. However, it was discovered that grants interact positively with FDI.

From the regression results, Grants and Inflation have no statistical impact on FDI. Taxes, which represent necessary allocations to the principal administration for public determinations were also recognized as having a positive relationship with FDI. However, from the numerous regression models, taxes were recognized as the only significant predictor of FDI.

Finally, when the year was overlapped, the R^2 value which measures the variations in the reliant variable; FDI by the independent variables changed significantly. When the dependent variable was overlapped by a year, the R^2 decreased to 7.1% from 8.1%. Moreover, the coefficients of the independent variables also changed.

5.2 Recommendations

The study provides the following recommendations

1. Since taxes are potential predictors of FDI, it is recommended that effective tax regime must be put in place to enable the state get the needed foreign direct investment that will propel the growth of the economy.
2. Though other variables like grant, are not having any impact on FDI, then it could mean they are not been used to implement policies that will go a long way to help industries grow. A typical example is the GYEEDA and SADA projects. It is therefore being recommended to government to ensure that grants are used for the intended purpose.
3. Further studies must be done to identify what can impact positively on FDI.

5.3 Conclusion

With the creating advancement of overall associations and the departure of overall capital-stream limits, more countries have started to see the criticalness of remote direct theory (FDI) to their general long –term fiscal improvement. Regardless, attracting quality FDI has transformed into a basic technique objective for most countries to secure and improve their productivity and future money related advancement. FDI – like power advancement help can't be the essential hotspot for dealing with the country's change issues. With typical inward FDI stocks identifying with around 15 % of gross private capital plan in making countries, outside endeavor goes about as a productive supplement to mainly gave settled capital rather than a vital wellspring of record. Disclosures from the study reason that FDI can supplement money related progression yet effective appraisal system stays subordinate upon promising and fitting methodology movement by the administration.

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