ABSTRACT

The study investigated thin capitalization effect on tax revenue collection in Tanzania, a case study of companies listed in Dar es Salaam stock exchange. This study used secondary data obtained from the audited financial statements of companies listed in Dar es Salaam stock exchange. The researcher employed panel data regression and the results obtained from fixed effect model **TAX_{it}, = 25.93347-0.15500079DE_{it}, -0.0004548DA_{it}, + 0.0171086 EPS_{it} +εit**, revealed that thin capitalization measured by debts to equity (DE) have a negative but significant effect on tax revenue collection in Tanzania at 5% levels of significance, This implies that a unit increase in debts to equity will results to 0.155 decreases in tax revenue collection(corporate tax), holding other factors constant. This means that variation in tax revenue collection can be influenced by thin capitalization measured by debt to equity. The probability of F-statistic which measure the significant of the overall model is 0.0015 which is less than the threshold of 0.05 level of significant which compliments the fact that the overall model is statistically significant. The study therefore recommends that, government through its revenue authority should investigate further and make proper implementation on thin capitalization rules so that it will not lose much of its revenue from corporations involving the use of fixed percentage on earnings before income tax, depreciation and amortization and the use of advance ruling.