

ABSTRACT

The study assessed the implication of withholding tax deductions on working capital management towards contractor's profitability in government funded project in Tanzania. The study was guided with three specific objectives that generated research questions that were used towards facilitating knowledge generation process. The objectives include examining the practices of withholding taxes deduction and its implication towards working capital in government funded projects in Tanzania; to determine effect of withholding taxes on working capital towards profitability of government funded projects in Tanzania; and to identify the challenges of withholding taxes on profitability of government funded projects in Tanzania. Exploratory design was used in facilitating knowledge generation process through testing of the subjective reality using research questions guided the study. The study was conducted in Jandu Plumbers Limited as the case of the inquiry with primary data being used to assure information gathering from the employees sample size. The facts for the study were generated from the sample of 53 participants using questionnaires and interviews. The collected results through questionnaires were computed in SPSS software version 23 which fostered the gathering of descriptive statistics to present the results. Facts that were collected using interviews were analyzed using content analyses which were narratively presented with themes to support the results. Findings revealed that with the practices withholding taxes deductions are higher in government funded projects than others. Also, with effects the taxes have had negative effects with implication on profitability defects and performance concerns in the projects as the outcomes or results. Furthermore, withholding taxes deductions has been the source of challenges in the working capital on the conduct of government funded projects with implication on profitability and performance. The implication of the results is that withholding taxes deductions constitute defects on the working capital with regard to the government funded projects which has implication on the performance of the projects as well contractor profitability.