Asia Proceedings of Social Sciences (APSS)
Journal Homepage: http://readersinsight.net/APSS

INCREASING FOREIGN DIRECT INVESTMENT FLOWS THROUGH TAX INCENTIVES

Ida Farida Adi Prawira*

Department of Accounting
Universitas Pendidikan Indonesia
Indonesia
ida.farida@upi.edu

Memen Kustiawan

Department of Accounting
Universitas Pendidikan Indonesia
Indonesia
memen.kustiawan@gmail.com

Aditya Putra

Department of Accounting
Universitas Pendidikan Indonesia
Indonesia

Fitri Anggrayni

Department of Accounting
Universitas Pendidikan Indonesia
Indonesia

*Corresponding Author email: ida.farida@upi.edu

Submitted: 26 November 2021 *Revised: 30 December 2021* *Accepted: 10 January 2022*

Peer-review under responsibility of 7th Asia International Conference 2021 (Online) Scientific Committee
http://connectingasia.org/scientific-committee/

https://doi.org/10.31580/APSS.v9i1.2301

ABSTRACT

This study aims to measure the effect of providing tax incentives on foreign direct investment (FDI) of ASEAN countries. The method used in this research is an associative method with a quantitative approach. Tax incentives are measured using the percentage of tax expenditures, while FDI is measured by FDI inflows. The population in this study are ASEAN countries. The sample in this study was obtained using purposive sampling method. Sources of data were obtained from the World Bank and IMF websites using documentation techniques. Data were analyzed using panel data regression analysis with random effects model. The results show that the provision of large tax incentives does not guarantee a country will receive large FDI inflows. Even based on existing data, Singapore and Indonesia are ASEAN countries with the lowest average annual tax incentives during 2006-2018. Based on this, it can also be concluded that tax incentives are not the main consideration for investors when investing in a country, but there are other factors that are more considered by investors. The provision of tax incentives to investors should be further evaluated for their usefulness so as not to cause harm to the government.

Keywords: *Tax Incentives; Foreign Direct Investment; ASEAN Countries; Investors*