

The study analyzed the effect of government taxation on profitability of SMEs in Nakuru County. MSMEs are the heartbeat of any country's economy, more so in the developing countries where the micro and small enterprises are responsible for employment and the economic growth. Taxation has been identified as a major threat to the growth of small enterprises not only in highly industrialized countries but also in less industrialized countries, Kenya included. The serious decline in performance of small enterprises in recent years had led to a decrease in profit available for tax obligation to the government. Taxation in general increases the costs of operation of running small enterprises. Empirical evidence about studies in Kenya's SMEs sector shows that they have so far dealt with effects of taxation in major towns like Nairobi and Mombasa. The study aimed to assess the impact of taxation on profitability of SMEs in Nakuru County. To achieve the study aims, the following specific objective was used. To evaluate the impact of level of taxation awareness and knowledge on profitability of SSEs in Nakuru County., to assess the impact of tax rates on profitability of SSEs in Nakuru County, to evaluate the impact of tax administration on profitability of SMEs in Nakuru County. Descriptive survey design with both qualitative and quantitative technique was used for the study. The target population was 50 SMEs in Nakuru County. The study used convenience sampling techniques. The study used questionnaire to collect data. Data was analyzed using descriptive statistics, correlations, and linear regressions analysis. Correlation analysis and regression analysis was used to determine the relationship between taxation and profitability. The study found that business entity is aware of the consequences of failing to pay tax obligations in time. The study found also that taxpayers take low tax rates in Kenyan tax rates in relations to profitability. The findings indicated that tax administration improve tax payer's convenience in tax assessment. The study concluded that tax is a tool for fiscal policy used by the government to influence the business negatively or positively depending on the nature of business activities in a country. This study recommended that taxpayers should have more Information about taxation. There is need to conduct further study on tax awareness/knowledge on profitabilit