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MULTIPLE TAXATION AND THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES (SMEs) IN NIGERIA: A REVIEW OF LITERATURE

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Abstract

The paper looked at how multiple taxation affects small and Medium Scale Enterprises (SMEs) which are regards as the engine room of development of every nation including Nigeria. SMEs play important role for the growth and development of every economy across the world. However, multiple taxes imposed on SMEs are a major factor responsible for why many are struggling to survive in Nigeria and some have even folded up as a result. Unfortunately, some of these taxes are not only huge, majority are illegal. Equally sad, government appears not to be doing anything about them. Rather, it could be argued that government in one or two ways encourages the practice. The paper therefore reviewed extant literature conceptually to determine the effects of multiple taxes on the financial performance of SMEs in Nigeria. There was introduction, conceptual, theoretical and empirical reviews before discussion and conclusion. Based on the literature reviewed, it was concluded that multiple taxes are a major disincentive to investment in the SMEs. The paper therefore recommended among others that government should harmonize the taxes on SMEs with a view to streaming them.

Keywords: Multiple Taxes, Small and Medium Enterprises, Performance, SMEDAN, BOI,

Introduction

The world economy has developed tremendously and this has been linked to activities of SMEs, especially in developing countries. In Nigeria, for example, SMEs make up 97% of productive units of the economy (Ariyo, 2005) creating large number of jobs. Although smaller in size, they are the most important enterprises in the economy because their combined number and effort surpasses that of the larger companies. Successive governments in Nigeria have shown great interest in supporting SMEs by policy formulations and establishment of various schemes and specialized financial institutions to provide suitable financial support and policy directives to the sector. To protect SMEs from sliding, the government established Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) which is supposed to stimulate, monitor and coordinate the development of the sub-sector. The Bank of Industry (BoI) and the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) are meant to provide funds to small and medium scale enterprises by way of commercial loans, and adopted banning on a variety of industrial and agricultural products and increase in tariff rates to discourage importation of some of the industrial goods that could be produced locally. The promotion of SMEs by governments is based on the recognition that a strong, successful and growing Small and Medium Enterprises sector is credible bedrock of growth and development for any country (Tabet & Onyechkwu, 2019).However,in spite of efforts by the government to ensure the growth of SMEs in Nigeria multiple taxes; both legal and illegal hampers their existence and government appears not to be aware or just paying deaf ears. Businesses survival are thus acutely affected by government policies (Oporiopo & Tamarauebi, 2021)

The mortality rate of these small firms is very high. Among the factors responsible for these untimely fold-up are tax-related issues, ranging from multiple taxes (tax burdens) among other issues

(Oporiopo & Tamarauebi, 2021). In the same light, taxes are important for the government as they are the major source of funds for government expenditure.

Taxes are compulsory levies imposed by government on business profits, personal income, dividends, and commission necessary for the infrastructural and social development of the country. Taxes, where not necessary, can be dis-incentive and a hindrance to the development and growth of SMEs. Multiple taxes are the worse. Multiple taxes refer to as taxation of a single amount of money more than once, often by two or more different government authorities (Nwokoro, 2013). Oporiopo and Tamarauebi (2021) viewed multiple taxes as a threat to the growth of small-scale business in Nigeria. Al-Mujtaba (2021) identified multiple taxes as the principal headache that is killing SMEs in Nigeria, and in effect, deepening the unemployment crisis. According to the National Tax Policy Document (2015), multiple taxes occurs where the tax, fee or rate is imposed on the same person in respect of the same liability by more than one state or local government council. Multiple tax occurs when the same earnings are taxed more than once. Ifueko (2008) asserted that multiple tax practice in Nigeria came as a result of the absence of a National Policy Document that defines who has the right to collect tax and what amount to collect by each tier of government. Corroborating this, Abiola (2012) posits that multiple taxes continues to be a major issue faced by SMEs as similar types of taxes are imposed by different tiers of government in flagrant disobedience to tax laws, Al-Mujtaba (2021) asserts that multiple taxation is considered by the SMEs operators as the greatest hindrance. But in the case of SMEs, tax must be imposed in such a way that puts their income and need for survival into consideration. The tax policy must be one that will not encourage SMEs to remain in the informal sector. Butressing this, Agot and Ugwuoke (2018) stated that in China, U.K, U.S, and Japan, low tax rates devoid of multiplicity and generous tax holidays for new businesses have triggered growth of private businesses in these countries. Therefore, encouraging growth of SMEs in Nigeria is sacrosanct for improved growth rating of the countries among community of nations.

It is in recognition of critical role of SMEs in the economy of Nigeria that government has been offering incentives to provide for the operation of the sector in the country. Unfortunately, the growth of these businesses is quite discouraging as many of them do not survive two or three years after their establishment (Lawal & Aduku, 2016). Agot and Ugwuoke (2018), aligning with this observed that over 75% of SMEs in Nigeria collapse after some months of set up, not surviving beyond their fourth anniversary due to myriad of challenge of which multiple taxes is one. Kaigama (2016) discovered that multiple taxes imposed on SMEs is a major factor responsible for the sudden liquidation of these businesses in Nigeria as these huge and illegal taxes continue to take a large some of their earnings (Kaigama, 2016). Oporiopo and Tamarauebi (2021) observed that SMEs are faced with the problem of high tax rates, multiple taxes, complex tax regulations and lack of proper enlightenment or education about tax related issues. The worrisome aspect of multiple tax is the embarrassing nature of its enforcement and the use of illegal collection methods such as mounting of roadblocks, forceful closure of shops of traders in market places and unpleasant handling of persons and businesses that are not able to pay. However, what does the literature says? Are there really multiple taxes? If there are, how do these taxes affect SMEs in Nigeria?

This work is therefore carried out to either confirm or dispute findings of previous studies on related issues conducted elsewhere in Nigeria. This, therefore, formed the basis for a valid conclusion and recommendation of this study on the issue of multiple taxes on SMEs in the country which has become a knotty economic problem on SMEs yet to be properly addressed by successive governments in Nigeria.

Literature Review

Conceptually, the definition of SMEs varies according to the context, author and the country where these businesses operate (Abiola, 2012). In Britain, for instance, SMEs are defined as those enterprises with annual turnover of 2 million Pounds or less with fewer than 200 paid employees (Ekpeyone & Nyong, 1992). In Japan, SMEs are seen as those businesses with 100 million Yen paid up capital and 300 employees (Ekpeyong & Nyang, 1992). In Nigeria, SMEs are defined as those entrepreneurship businesses as with small number of employees of between 1-100 for small sized businesses and up to 500 or more for medium sized companies (CBN Report, 2020). SMEs in Nigeria are broadly defined as business with turnover of less than 100 million Naira per annum and/or less than 300 employees and having capital investment not exceeding 2 million (excluding the cost of land) or a minimum of 5million Naira (CBN Report, 2020). The Federal Ministry of Commerce and Industry of Nigeria defines small-scale business as - a business with capital investment that is not over 750 thousand Naira. According to Sule (1986), a small-scale enterprise has a labor size of 11-100 workers or a total cost of not more than 50 million Naira including working capital but excluding cost of land; while a medium scale enterprise has a labor size of between 101-300 workers or a total cost of over 50 million Naira, but not more than 200 million Naira, including working capital but excluding cost of land. In terms of sectors, Tabet and Onyechukwu (2019) posited that about 50% of SMEs are engaged in distributive trade, 10% in manufacturing, 30% in agriculture and the rest 10% in services.

A unique feature of Nigeria SMEs is that they focus on a small number of products and services, which enable them to establish strong relationships with their customers, which in turn gives their businesses a competitive advantage. Typically, SMEs are flexible to make necessary changes in their services or products to suit customers' dynamic needs.

Role of SMEs in Economy

Various scholars and studies (Al-Muitaba, 2021; Opariopo & Tamarauebi, 2021) affirmed that SMEs play an important role in the economic development of any country, both developed and the one in the course of development. Basil (2005) states that the Industrial Revolution (1760-1850) represents a good testimony of the inherent innovative spirit of SMEs, which is increasingly challenged in the present century, particularly after winds of economic change- cum- technological innovations and industrial liberalization have swept various economies of the world. These challenges notwithstanding, SMEs have remained as important and relevant economic catalysts in industrialized countries as they are in the developing world. In many developed countries, more than 90% of all enterprises are within the SME sub-sector, while 80% of the total industrial labor force in Japan, 50% in Germany and 46% in USA small businesses contribute nearly 39% of the country‘s national income. Comparable figures in many other developed countries are even higher. In Thailand, there are about 118,648 SMEs, representing around 98% of total firms in manufacturing sector (Al-Mujtaba, 2021); UK economy is 99 % SMEs, so out of the 4.8 million UK businesses, less than 1% are large corporations with over 250 employees (Rowe, 2009). China is fast becoming the largest economy in the world and SMEs are key element in China‘s economy, accounting for 99% of total number of firms and about 70% of overall employment (Tang, Paul & Yuli, 2007).

Comparable data on SMEs for developing countries may not be easily available, but it is obvious that the role of SMEs is equally important in the economies of developing and developed countries alike. SMEs are important to almost all economies in the world, but especially to those in developing countries‖ (Berry, 2007). There is considerable interest in SMEs in developing countries. There are probably two main reasons for this. One is the belief that SME development may prove to be an effective anti-poverty program. The second is the belief that SME development is one of the building blocks of innovation and sustainable growth. These two reasons are of course linked because much of the international evidence says that growth and real poverty reduction go hand in hand. If SMEs development helps growth, more than likely it helps reduce poverty as well‖ (Warner, 2001). From all points of view, SMEs constitute an important solution to many economic problems. It has become main driving force behind job creation, poverty alleviation, Income distribution, development of entrepreneurship, production of intermediate goods and transformation of indigenous technology in every economy, development of entrepreneur and avenue for self-employment and provision of opportunity for training managers and semi-skilled workers (Tabet & Onyeakwu, 2019).

Concept of Multiple Taxes

Nigeria's National Tax Policy document defined multiple taxations to include "the imposition of the same or similar taxes on the same income base, transactions, or person by one or more levels of government, in one or more jurisdictions. The above definitions reveal that multiple tax is a compulsory charge on the same base by more than one tax authority. While Adebisi and Abegi (2013) defined multiple taxation as the levying of tax by two or more jurisdictions on the same declared income (in the case of income taxes), assets (in the case of capital gains taxes), or financial transaction (in the case of sales taxes). We can infer from the above definition that multiple taxes could relate to the same income subjected to tax by more than one relevant tax authorities. Fasoto (2007) posits that many taxes and levies are imposed on tax payers as against the only 39 approved by Tax and Levies Act. Izedonmi (2010) described the subjection of single income to different tax treatment by government as multiple taxation. Odusola (2006) cited an example of multiple taxation as when company profit is assessed for income tax, withholding tax, education tax, value added tax, and technology tax. Multiplicity of Taxes (MT) refers to unlawful and compulsory payment collected mostly by local and state government without legal backing (Abiola, 2012). It is a situation where a tax payer is forced by two two or more levels of government to pay either the same or similar taxes in desperate bid to increase their revenue base (Isaac, 2015).

Aligning with others, Abiola (2016) viewed MT as a situation where the same level of government imposes two or more taxes on the same base. A good example is payment of Companies Income Tax, Education Tax and Technology levies by the same company. Adum (2018) described MT as a case where profit or wealth of an individual or corporate body is taxed more than once.

Nigerian Experience of Multiple Taxations

In the case of Nigeria, according to Oyeaso, Igbokwe and Ndicre (2009), it has long been pointed out by many tax lawyers and commentators that the tax regime in Nigeria is severely afflicted by the multiplicity of taxes imposing and tax-collecting entities at federal, state, and local government levels. Hitherto, researches have shown that over 500 different taxes and levies are being imposed by various tiers of government in Nigeria as against the only 39 approved by Taxes and Levies Approved list of Collection Act (Fasoto, 2007). For instance, the more a taxpayer transports his goods and services across many local governments in the country, the more he is confronted with incidents of multiple taxes, legally and illegally imposed (Izedonmi, 2010). Contributing to this fact, Ifeuko (2008) has found out that multiple tax practices in Nigeria came as a result of the absence of a national policy document that defines who has the right to collect tax and what amount to collect by each tier of government. The issue of multiple taxes also confronts the manufacturing sector in different shapes of taxes and education levies, among others. Most of the taxes by some state or local government run contrary to the provisions of the Constitution of the Federal Republic of Nigeria. In response to this, Abimbola (2008) stated that every tier of government sees taxation as an opportunity to achieve their agenda without any sentiment, and so, multiple tax practice is an attempt to generate needed funds, which however, become duplicated under different names.

Factors Responsible for Multiple Taxations in Nigeria

There have been arguements by aggrieved persons and organizations over the imposition of too many taxes. They have asserted that many state taxes, especially those imposed on companies are often a duplication of taxes already levied by another tier of government or by the same government but under different names. Different factors have been identified as responsible for multiple tax practices in Nigeria among which are: unfair revenue formula, dwindling of states' income from the central fund, unhealthy state rivalries, political patronage, source of reimbursing so called political god-fathers, lack of political will to stop multiple taxation by some state and local governments, poor equipping and training of revenue agencies staff and greed on the part of tax officials (Izedonmi, 2010).

Authoritatively, common reasons adduced for the disposition of many states and local councils towards the adoption of various taxes and levies can be attributed to the following factors: Poor tax administration (Salami, 2011; Ifeuko, 2008; Ariyo, 2005), unfavorable revenue allocation formula (Izedonmi, 2010) and corruption among tax officials (Salami, 2011; Oyeaso, 2009; Adeyemi, 2011).

Government Taxation policy and SMEs Financial Performance

Government policies for SMEs vary from country to country and are influenced by prevailing social and custom values. Tabet and Onyeukwu (2019) argued that government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination. Government can formulate taxation policies that can boost and support the growth of novel technologies, products, and solutions. Conversely, Government can, whether knowingly or unknowingly, hinder SME activities when it introduces taxation policies, which do not take into consideration income level or ability to pay and can adversely impact business overhead (Adeneyi, 2011). Government often promulgates laws in line with its political policies in which SMEs has to be compelled to comply with sudden changes in the legal framework. These policies will cause a substantial impact on the competitiveness, ambitiousness and expediency of SMEs. Zahra (2000) strongly claimed that firms operating in hostile environments may be reluctant to invest heavily in developing new technologies because hostility erodes profit margins and reduces the resources available for innovation. The point, therefore, is that the environment in which the SMEs operate is as critical to their survival as taxation policies, funding and management capacities. Although Nigerian government made a substantial effort on the development of small-scale industries, as seen in different schemes established to support the sector, nevertheless, majority of SMEs problems could be traced to the government itself at various levels. This is mostly in the area of improper implementation of its policies and the neglect of appropriate incentive and infrastructural development necessary to facilitate robust business activities of SME sub-sector. Akinbogun (2008) in his study examined the impact of infrastructure and government policies on survival of small-scale ceramic industries in South-West of Nigeria, and found that infrastructural facilities and government policies have not encouraged viable small-scale ceramic industries in Nigeria. He noted that while Nigerian physical environment and people's culture have been favorable towards the business enterprises, infrastructural facilities and Government policies have not. This has serious implication for SMEs performance and survival. SMEs development does not take place in a void (www.hrmars.com). The better the business environment, as influenced by government policies, the faster the development of the sector.

Theoretical Review

Three theories were reviewed in order to lay foundation for the study. The theoretical postulates of relevance to this study were: (i) ability-to-pay theory, (ii) Laffer curve theory of taxation, and (iii) Ibn-Khaldun's Theory of Taxation

Ability - to - Pay Theory: The ability-to-pay theory was developed by Knut Wicksell in 1896 and further improved on by Eric Lindahl in 1919, who were economists of the Stockholm School. The theory was later extended in the work of Paul Samuelson and Richard Musgrave. According to Anyanfo (1996), this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgement about the distributive effects of taxes. Ability-to-pay theory, as the name implies says that the taxation should be levied according to an individual's ability to pay. It says that public expenditure should come from *him that hath* instead of *him that hath not*.

The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), and the English economist John Stuart Mill (1806-1873). This is indeed the basis of 'progressive tax,' as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal need. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as (i) each taxpayer surrenders the same absolute degree of utility that he obtains from his income, or (ii) each sacrifice the same proportion of utility he obtains from his income, or (iii) each gives up the same utility for the last unit of income respectively (Stern & Barbour, 2005).

Laffer Curve Theory of Taxation: Laffer curve theory of taxation was propounded by Arthur Laffer in 1979 and cited in Afuberoh & Okoye (2014). The curve illustrates a theoretical relationship between rates of taxation and the resulting levels of government revenue, with emphasis on taxable income elasticity. The theory assumes that no tax revenue is raised at the extreme tax rates of 0% and 100%, government collect zero (0) revenue due to changes in behaviour of tax payers in response to the tax rate, either losing their incentive to do business or finding numerous ways to evade tax just like 0% tax rate where no revenue is raised. The theory further explained the two effects of taxation, namely: the arithmetic and economic effects of tax rates on revenue. The two effects have opposite results on revenue in case of decrease or increase in tax rates. According to the arithmetic effect, if tax rates are lowered, tax revenue will be lowered by the amount of the decrease in the rate. That is, the amount of the tax revenue is a function of income available for taxation multiplied by the tax rate.

Ibn-Khaldun's Theory of Taxation. This theory was propounded by Ibn-Khaldum in 1345. The theory of taxation was based on the need to lower as much as possible the amounts of tax levied upon persons capable of undertaking cultural enterprises. In this manner, such persons will be psychologically disposed to undertake them, because they can be confident of making profit from them. Therefore, he advocated for decreasing the burden of taxation on enterprises and producers, in order to encourage them by ensuring greater profits to entrepreneur and revenue to the government. Enterprises grow and increase because the low taxes bring satisfaction, and when the enterprises grow, the number of individuals assess also grow. In consequence, the tax revenue, which is the sum total of the individual assessment increases. Ibn-khaldun's theory of taxation has been considered one of Ibn-khaldun's most important contributions to economic thought. In the Muqaddimah, Ibn-khaldun (1345) related the theory of taxation with the government expenditure and argued for low tax rate so that incentive to work is not killed and taxes are happily paid. He also stated that at the beginning of a dynasty, taxation yields large revenue from small assessment, but at the end of a dynasty, taxation yields small revenue from large assessment. Chapra (2000) was of the view that the effect of taxation on incentives and productivity was so clearly visualized by IbnKhaldun (1345) that he seemed to have grasped the concept of optimum taxation, Gwartney's (2006) study supported the work of IbnKhaldun (1345) when he opined that empirical studies of tax cuts that took place in USA during the twenties, sixties and eighties support Ibn-Khaldun's theory of taxation and show that it is still vital and well-suited if similar conditions are found. Gwartney (2006) opined further that as proposed by Secretary of the Treasury, Andrew Mellon, three major tax cuts introduced by the USA Secretary of the Treasury, reduced the top marginal tax rate from 73 percent in 1921 to 25 percent in 1926. In addition, the tax cuts eliminated or virtually eliminated the personal income tax liability of low-income recipients. The results were quite impressive and the economy grew rapidly from 1921 through 1926. He went further to say that after the rates were lowered, the real tax revenue collected from taxpayers with incomes above $50,000 rose from $305.1 million in 1921 to $498.1 million in 1926 which was an increase of 63%. Critics believe that revenue responses to a tax rate change will depend upon the tax system in place, the time period being considered, the ease of movement into underground activities, the level of tax rates already in place, the prevalence of legal and accounting-driven tax loopholes, and the proclivities of the productive factors. Laffer (2004) was of the view in this regard that the economic effect of the tax cut would outweigh the arithmetic effect. From the review of relevant theories relating to taxation, it is evident that the most relevant theory to and adopted for this study is the Ibn-Khadun theory of lower taxes to enterprises. This is because the theory advocated for a low tax rate in order to stimulate the growth of enterprises. According to Ibn-Khaldun (1332-1406), it is the nature of government spending and its policy of taxation that determine whether the economy is passing through the period of formation, prosperity and stability, or depression and decay. If the tax policy is favourable, it shows prosperity and stability. The studies of Chapra (2000) and Gwartney (2006) were in support of the Ibn-Khadun theory of taxation of lowering taxes to enterprises for the prosperity of the enterprises and the growth of the economy at large. Furthermore, the theory pointed out various principles of taxation, such as equity and efficiency, justice and neutrality, ability to pay, economy, benefit and convenience, attributed to Adam Smith, multiplier effect of government spending, incidence of taxation, in addition to a number of fundamental economic theories. The theoretical basis for this study is therefore premised on equity (the ability to pay theory) as advocated in Ibn-Khadum's theory of taxation.

Empirical Review

Various researchrs have been reviewed to support the main thrust of the paper. Adeniyi and Osazee (2018) conducted research on effect of multiple tax regimes on sustainable development among SMEs in Lagos State, focusing on Lagos Island Local Government. The paper made use of survey design approach through the administration of questionnaire to a sample of 250 respondents judgmentally selected from the target population. The hypotheses were analyzed using multiple regression technique. Findings revealed a significant relationship between multiple tax burden and performance variables of SMEs. The paper recommended the establishment of proper institution to manage the issue of multiple taxes in Nigeria. But contrary to Adeniyi and Osazee (2018)'s findings above, Okpara and Okolo (2016) investigated the effect of multiple taxes on investments of small and medium enterprises in Enugu State, Nigeria. A survey research design was applied on the population of 80 SMEs. Simple percentages/frequencies were adopted in analyzing the primarily sourced data and the research hypotheses were tested using ANOVA. The study found a negative effect between multiple taxation and SMEs performance. Based on the findings, the paper recommended the development of tax policy that considers the enhancement of SMEs capital allowance when imposing taxes by the government. Similarly, Adebisi and Gbegi (2013) studied effect of multiple taxes on performance of SMEs, a study of West African Ceramics Abeokuta, Kogi State, Nigeria. Using survey design on a population of 91 staff and 74 samples determined statistically using Taro Yamani formula; the study found that multiple taxations have negative effect on SMEs success and a significant positive relationship between SMEs' size and ability to pay taxes. A uniform tax policy across the federation was recommended to favor SMEs in Nigeria and that government should put into consideration the size of SMEs when setting tax policies on them. In contrast, Ojochogwu (2012) examined relationship between tax policy, growth of SMEs and Nigeria economy. Using judgmental sampling technique and spearman rank correlation, the study found a significant negative relationship between taxes and business performance of SMEs. Based on the findings, the study recommended that appropriate tax policy that will promote good business environment should be put in place to enable SMEs flourish. Similarly, Machira and Irura (2012) studied taxation and SME sector growth in Kenya. The paper adopted binary logistics regression as a measure of analysis. The results of the analysis revealed a significant relationship between taxation and growth of SMEs. On the basis of their findings, they recommended that there should be a friendly tax policy for all start-ups businesses, preferably a tax holiday or an introduction of a growth limit which can be seen as a level stable enough to sustain tax payment. Ocheni and Gemade (2015) conducted a study on the effect of multiple taxes on the performance of SMEs in Benue State. The aim of the study was to examine the effect of multiple taxes on SME's survival. Data for the study were collected from a sample of 74 respondents into small and medium scale businesses in Benue State, using questionnaire, responses were analysed using simple percentages of non-parametric statistics. Findings suggest that multiple taxations have negative effects on survival of SMEs. The study recommended that government should come up with uniform tax policies that will aid development of SMEs in Nigeria. Onwe (2006) investigated the effects of multiple taxation on small scale enterprises in Ebonyi State. Using primary source, data were collected from a sample of operators of small-scale business in the area of study. The obtained data were analysed descriptively using God'sman and Kruskal's Gama of non-parametric measures. It was discovered that 60 per cent of the respondents complained that tax expenditure took between 50-60 per cent of their turnover and that negative association exist between multiple taxation and growth of Small-Scale Enterprises (SSEs). The study recommended introduction of simplified taxation for SSEs. Oseni (2014) examined the appropriateness of multiple taxes in developing nations like Nigeria, given the ambiguous legislation that contains list of fees and taxes to be collected by all tiers of government in Nigeria. The study used content analysis method to highlight challenges that are peculiar to the country introducing taxes that are not backed by laws. The study recommended use of police to arrest those involved in collecting taxes outside the ones in tax laws of Nigeria.Furthermore, Ebere, Eunice and Chimaobi (2016) examined the effect of multiple taxes on investments in SMEs. Using primary source through questionnaire distribution, data were obtained from a sample of 80 respondents. Obtained responses were analyzed using simple percentages. It was found that multiple taxation have negative effects on SMEs investments. The study recommended that government should evolve a tax policy that would encourage investment in SMEs. Chukwuemeka (2017) examined the effect of taxation on businesses, particularly in Aba. Structured questionnaires were used to obtain data from selected private business operators in Aba metropolis. Analysis of the data was done using simple percentages. The findings suggested among others, that multiple taxation have discouraged the springing up of new businesses enterprise in Aba metropolis. 3.0 Methodology of the Study The study adopted literature review design/method to examine the effect of multiple taxes on SMEs in Nigeria. The approach was adopted because the work is an opinion /theoretical paper which is not based on statistical data.

Discussion of Findings

The paper examined the effect of multiple taxes on SMEs in Nigeria. Taxes are major source of government revenue. It is used to regulate social-economic activities in a country. Tax holiday and other forms of tax incentives are granted to SMEs sector. However, from the literature reviewed, multiple taxation have done more harm than good to the Nigerian small scale business environment. It means that the objective of tax has not been achieved in actual fact by multiple tax system (policy). The issue of multiple taxes in Nigeria has been a matter of concern to individuals, group of persons, corporation and researchers in the realm of tax laws in the country. Multiple taxes are detrimental to the growth of SMEs that could not afford paying the levies and taxes were threatened to close while some had actually been shut down. This result is in conformity with that of Chukwuemeka (2017) and Segun and Osazee (2018) in their studies they found out that multiple taxes have hindered the growth of SMEs in Nigeria. The growing adverse effect of multiple taxes has affected almost every sector of the economy. The myriad of taxes and levies imposed on taxpayers in various states across the country continues to be a major bane of the spirited efforts aimed at transforming the manufacturing sector.

It was observed that greed, unfair revenue formula and the quest to boost the internally generated revenue of states and local councils are among the reason for multiple taxations. The survival of SMEs is crucial to the growth of the Nigerian economy, as any adverse effect on the finances of these businesses and their eventual collapse will trigger a decline in the taxes accruable to the government and further aggravate the unemployment situation in the country.

Conclusion

The developed economies of the world are driven by robust activities of SMEs. There is a strong relationship between the level of activities of SMEs and economic growth. The United States for example, though a developed nation, still call for continuous supports for over 33 million SMEs in the country. But here in Nigeria, as shown by the review, SMEs are discouraged by multiple taxes imposed by government at all levels thus making the business environment quite challenging for them. Many are suffocating on the verge of collapse while many have actually folded up. This paper therefore did a literature review to highlight the effects of multiple taxes on SMEs. From the literature reviewed, all the research conducted pointed to one direction and that makes us to conclude in this paper that multiple taxes are major disincentive to local and foreign investment in SMEs sub-sector. But none of the paper reviewed showed whether these taxes are legal or illegal which suggests an investigation of the legality of these taxes.

Recommendations

Based on the review of relevant extant literature, the following recommendations are made:

1. Government should implement uniform tax policies that will encourage SMEs in the informal sector, to prevent tax evasion or avoidance.
2. Government should harmonize taxation for SMEs.
3. Government should repeal its tax laws and include special laws and policies that are favourable to SMEs in order to enhance their performance, giving them opportunity to grow, stabilize and expand. Low tax rates devoid of multiplicity and general tax holidays for SMEs will trigger growth in the sector.

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