Effect of Multiple Tax Regimes on Sustainable Development among Small Scale Enterprises in Lagos State: A Study of Lagos Island Local Government

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Abstract: The study examines the effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos State. The burden of multiple taxes on small scale business in Lagos Island Local Government Area is compounded by the administrative burden to comply with these taxes which is higher than competitors. The specific objectives of the study are; to determine the influence of multiple tax burdens on business performance of small scale enterprises, and to ascertain the influence of multiple tax administration on small scale enterprises business performance. The study will cover small scale enterprises in Lagos Island Local Government Area in Lagos State. Survey design was adopted for the study. Data collection was done through primary and secondary sources. The researcher used judgmental sampling technique in selecting participants for the study. This sampling technique was used for convenience sake. The study discovered that there is significant relationship between multiple tax burden and business performance of small scale enterprises. We recommend that government should establish an institution to manage the issue of multiple taxes in economy. This will help to reduce high death tolls recorded among small scale enterprises in our economy.

Keywords: multiple tax burdens; multiple tax administration; small and medium scale development

JEL Classification: H20

1. Background to the Study

Asmelash (2002) describe small scale enterprises as an activities engaged by people who are unable to secure paid jobs or start economic activities of their choice. These kinds of business are family oriented and are often manage or controlled as family business. It is an accepted fact that small and medium scale is an engine to economic growth of the economy. Governments, and even policy

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makers and academics, take the survival of small scale enterprise very serious because of their roles in economic development.

Many small scale business promoters find it easy to start the business because of little capital involved. The small scale business entrepreneurs, especially in Lagos State that serve as commercial nerve center of Nigeria, are confronted with diverse problems which often leads to liquidation of their business. One of the main challenges confronting small scale business promoters is the issue of tax.

According to Arnold and Mclntyre (2002), tax is a compulsory levy imposed by government on citizen income and consumption of goods and services. Adeniyi and Adesunloro (2017) view tax as an important avenue for government to raise money in order to finance her projects and program. The fundamental philosophy of taxation is taking from the citizens according to their abilities and giving back to them according to their needs.

According to Decree 28 of 1998, there are categories of taxes and levies to be collected by federal government, state government and local government in Nigeria. The Lagos State Government passed the approved levies for Local Government Area and Local Council Development Area into law on 12 July, 2010. As laudable as the provision of the law is, it has not addressed the issue of multiplicity of revenue in the state. For example, licensing fee for sales of liquor, commercial premises rate and corporate parking fees within company premises. In Lagos State, the house of assembly has enacted the hotel occupancy and restaurant consumption law that impose 5% tax on consumption of goods and services in hotels, hotel facilities, event centers and restaurants. This can be regarded as sales tax because it excludes value added tax that federal government will collect from the business on the same service rendered. In support of Yaobin (2007), this form of multiple taxes may endanger sustainability of small scale enterprises in the area.

However, the tax law in Lagos State formally recognizes the appointment of tax consultants for tax administration. Some of the agents of tax consultants that serve as revenue collectors intimidate and harass small scale enterprises owners in the process of carrying out their duties in Lagos Island local government. The burden of multiple taxes on small scale business in Lagos Island Local Government Area is compounded by the administrative burden to comply with these taxes which make their product costs higher than their competitors. Hence, empirical researches on influence of multiple taxes on sustainable development among small scale enterprises are scanty. Thus, this study will examine the effect of multiple taxes on sustainable development among small scale enterprises in Lagos State.

1.1. Objective of the Study

The main objective of the study is to examine the effect of multiple tax regimes on small scale enterprises sustainable development in Lagos State. The specific objectives are:

To determine the influence of multiple tax administration on business performance of small scale enterprises.

To ascertain the effect of multiple tax burden on business performance of small scale enterprises.

1.2. Research Questions

The following questions will be answered by the study:

To what extent does multiple tax administration affect business performance of small scale enterprises?

How do multiple tax burdens influence business performance of small scale enterprises?

1.3. Hypotheses

The study will be guided by the following hypotheses:

There is no significant relationship between multiple tax administration and business performance of small scale enterprises.

There is no significant relationship between multiple tax burden and business performance of small scale enterprises.

1.4. Scope of the Study

The study will cover small scale enterprises in Lagos Island Local Government Area in Lagos State. Lagos Island was selected because it is the main commercial Centre of Lagos State. Multiple taxes and using of agents for tax administration is well pronounced in the area.

2. Review of Related Literature

2.1. Conceptual framework

The Concept of Multiple Taxation

Abimbola (2008) said that all the three tiers of government in Nigeria relied on taxation to boost their internally generated revenue. Revenue is generated through different heading without avoiding duplication of taxes. According to Fasoto

(2007), many taxes and levels are imposed on tax payers as against the only 39 approved by Tax and Levies Act.

Izedonmi (2010) describe the subjection of single income to more than one tax treatment by government as multiple taxation. Odusola (2006) cites an example of multiple taxation as when company profit is subjected to company income tax, withholding tax and pay as you earn by entrepreneurs. In Lagos State, in particular, when tax payer is transporting her goods across different local governments; she will be compelled to pay different forms of fees and levies that later amount to multiple taxes within the same state. Therefore, Nigeria is bedeviled with multiplicity of taxes imposed and administered by governments, Oyeaso *et al.* (2009).

2.2. Empirical Review

Agbor (2013) discovered in his study that there are incidences of multiple taxes within 21 tax subheads in Calabar. He posits that small scale business promoter paid for kiosk and or shop rates and forced to pay for operational permit. Multiple taxation also manifest in the signpost/advert tax. The jurisdiction for collection of this tax is the local government, but the state also collect tax on the same heading.

Salami (2011) asserted that there are more than 500 taxes and levies imposed by various tiers of government in Nigeria apart from those approved by Taxes and Levies (Approved list of Collection) Act. This issue of multiple taxes leads to increase in cost of doing business without corresponding increase in profit margin. He further stated that multiple taxation is more common in the Local Government than other tiers of governments. Nwokoro (2013) see multiple taxes as a threat to the growth of small scale business in Nigeria.

Adebisi and Gbegi (2013) examined the effect of multiple taxation on small scale enterprises survival in Nigeria and revealed that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. The study suggested that government should implement uniform tax policies that will favour the development of small scale business in Nigeria.

3. Research Design

Survey design was adopted for the study. Data collection was done through primary and secondary sources. Structured questionnaires were used to generate data from sample population on multiple tax burdens and multiple tax administration. Secondary data were generated from books of account kept by the sample population. The population for the study comprises of small scale enterprises owners from Idumota, Obalende, Isale–Eko, Ereko and Tinubu Square.

These areas were selected because of high concentration of small and medium scale enterprises in the area and government generates more revenue from the environment.

The researcher used judgmental sampling technique in selecting participants for the study. This sampling technique was used for convenience sake. This sampling technique was used because the researcher wishes to focus on small and medium scale owners who pay taxes to state government and local government and keep their books of account up to date. Taxpayers in each selected market were asked to provide an evidence of tax payment receipts. A sample of 250 respondents was selected from these five areas. 50 respondents were selected from each of the five markets. This sample size was selected from each market because it is enough to generate and generalize the findings of a bigger population.

Five point Likert Scale was used for the structured questionnaire. The score was assigned to Likert scale as follows: Very Correct (5), Correct (4), I am not sure (3), Not correct (2), and Not Correct at all (1). Business performance will be measured by net profit margin while multiple tax administration and multiple tax burdens will be measure by battery of test items addressing a number of tax administrations and multiple tax burdens.

3.1. Model Specification

In order to test the above hypotheses, the relationship between the dependent variable (Bup) and the explanatory (independent) variables (Mtad and Mtbu) was estimated in the following models specified

$$Bup = f(Mtad + Mtbu) \tag{1}$$

The model to be used to confirm this proposition is presented below:

$$Bup = \beta_0 + \beta_1 Mtad + \beta_2 Mtbu + e_{it} \tag{2}$$

Where:

Bup = Business Performance

Mtad = Multiple Tax Administration

Mtbu= Multiple tax burdens

$\beta_0, \beta_1, \beta_2$ = Regression Coefficients,

e_{it} = Error term.

4. Data Analysis, Results and Discussions

Linear regression technique was employed as the basic statistical tool for data analyses in this study, with the aid of SPSS 20.0 software.

Table 1. The sample size of 250 selected from the population was tabulated below:

S/N	Respondents Market	Total
1	Idumota	50
2	Obalende	50
3	Isale – Eko	50
4	Ereko	50
5	Tinubu Square	50
Total		250

Source: Field survey, 2017

Two hundred and forty copies of questionnaires were purposively administered by the researcher. Two hundred copies were successfully retrieved from respondents. This represents 80% of the number of questionnaire administered.

Table 2. Administration of questionnaire details was tabulated below:

S/N	Administration of questionnaire	Number of copies	Percentage (%)
1	Copies administered	250	100
2	Copies returned	200	80
3	Wrongly filed/unreturned copies	50	20

Source: Field survey, 2017

Results and Discussions

Analysis of response

Research question: To what extent does multiple taxes administration influence net profit margin of small scale enterprises in Lagos State?

Table 3. The influence of multiple taxes administration on business performance of small scale enterprises.

		Very correct	Correct	I am not sure	At times	Not correct	Total	Mean score	Remark
1	Tax consultants administer tax	148	30	03	11	08	200	4.50	Accept
2	Revenue collectors are agents of tax consultants	150	35	09	05	01	200	4.64	Accept
3	Majority of revenue collectors are not knowledgeable about taxation	174	11	09	05	01	200	4.76	Accept
4	Revenue collectors treats and intimidate tax payer in the course of tax collection	170	17	02	09	02	200	4.72	Accept
5	Some revenue collectors collect money from the tax payers and fail to record the total amount collected in the receipt issued to tax payers	124	46	05	16	09	200	4.35	Accept
6	Administration of sales tax and value added tax on the same income	148	24	04	19	06	200	4.46	Accept
7	Revenue collectors extort money from entrepreneurs	145	25	09	07	14	200	4.40	Accept

Source: Field survey, 2017

From the table above, majority of the respondents agreed that tax collection in Lagos Island local government have been contract out to tax consultants. This was supported by 4.50 mean score of the respondents. The tax consultants employed and control revenue collectors that are not knowledgeable about tax. Therefore majority of them abuse tax administration techniques by treats and intimidate tax payer in the course of tax collection. These findings were supported by 4.64, 4.76 and 4.74 mean scores of the respondents.

Some revenue collectors collect money from the tax payers and fail to record the total amount collected in the receipt issued to tax payers. The respondents shows that the administration of sales tax and value added tax on the same income affect their profit. Moreover, some revenue collectors extort money from entrepreneurs.4.35, 4.46 and 4.40 mean scores of the respondents corroborated this findings.

It can be observed that in the process of boosting internally generated revenue through tax, tax consultants employed revenue collectors that are not knowledgeable about tax and taxation. Therefore, the administration of tax or

performances of their duties affect the performance of small scale enterprises in Lagos Island Local government.

Table 4. The model summary: regression coefficient for Business performance on multiple tax administration

Model					
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.919	.845	.814	.00996	.003[b]

Source: Authors own study, 2017

Predictors: (Constant), Multiple Tax Administration

Dependent Variable: Business Performance

In the table (3) entitled the model summary of regression coefficient for business performance on multiple tax administration, the value of R value = .919; however adjusted R^2 = .814. It shows that 81.4% of the dependent variable (Business performance) have been explained by the independent variable; Multiple Tax Administration. However, the unexplained variation is 0.186 which is about 18.6%; thus we can understand that the model is providing a good fit to the data since the unexplained variation is 0.186.

Table 5. ANOVA and the significance of the model

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	1	.003	27.290	.003[b]
	Residual	.000	4	.000		
a. Predictors: (Constant), Multiple Tax Administration						
b. Dependent Variabe : Business Performance						

Source: Authors own study, 2017

ANOVA results (specifically f-ratio) test the overall significance of the model. The *f*-ratio (27.290) shows that the variables, Multiple Tax Administration, are the major determinants in explaining business performance. It can be observed that the independent variables give a significant effect on the dependent variable based on the *f*-ratio, suggesting that; overall, the model in the study is significantly good enough in explaining the variation on the dependent variable. The independent variables are statistically significant because its significance value is 0.003, that is $P<0.05$. So the null hypothesis is rejected while alternative hypothesis is accepted. Therefore, there is significant relationship between multiple tax administration and business performance of small scale enterprises.

Analysis of Response

Research question: How do multiple tax burdens influence net profit margin of small scale enterprises in Lagos State?

Table 6. The effect of multiple tax burdens on net profit margin of small scale enterprises

		Very correct	Correct	I am not sure	At times	Not correct	Total	Mean score	Remark
1	Multiple taxes constitute additional burden to the operational cost of the business	120	40	19	17	05	200	4.08	Accept
2	Private tax collectors introduced excesses into their job in order to boost their revenue generation	142	35	15	06	02	200	4.55	Accept
3	Consultants remunerations depend on revenue generated and this leads to excessive burden on the tax payers.	156	20	10	05	09	200	4.55	Accept
4	Entrepreneurs are not sure of the extent to which their income would be taxed.	165	25	04	04	02	200	4.74	Accept
5	Entrepreneurs paid for corporate business permit and trade permit on the same shop.	125	31	24	09	11	200	4.25	Accept
6	Entrepreneurs paid for parking fees, load and off load goods ticket on daily basis	155	35	01	08	01	200	4.68	Accept
7	Entrepreneur paid for satellite/mass permit, business sign post permit and mobile advert permit for the same product	154	25	05	11	05	200	4.56	Accept

Source: Field survey, 2017

From the table above, it can be observed that tax consultants remunerations depend on revenue generated and this leads to excessive burden on the tax payers. This is supported by 4.55 mean score of the respondents. Entrepreneurs paid for parking fees, load and off load goods ticket on daily basis. They paid for satellite/mass permit; business sign post permit and mobile advert permit for the same product. It is confirmed that they paid for corporate business permit and trade permit on the same shop. These findings were supported by the respondents mean score of 4.68, 4.56 and 4.28 respectively.

Majority of small scale enterprises promoters agreed that multiple taxes constitute additional burden to the operational cost of the business. Moreover, they are not

sure of the extent to which their income would be taxed. These findings were supported by the respondents mean scores of 4.08 and 4.74. Therefore, multiple taxes serve as a burden because it affect the performance of small scale enterprises negatively.

Table 7. The model summary: regression coefficient for Business performance on multiple tax burdens.

Model					
	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig. F Change
1	.912	.832	.798	.01038	.004[b]

Source: Authors own study 2017

Predictors: (Constant), Multiple Tax Burdens

Dependent Variable: Business Performance

In the table above, the value of R value = .912; however adjusted R^2 = .832 shows that 83.2% of the dependent variable, Business Performance, has been explained by the independent variables; multiple tax burdens. However, the unexplained variation is 0.168 which is about 16.8%; thus we can understand that the model is providing a good fit to the data since the unexplained variation is 0.168.

Table 8. ANOVA and the significance of the model

ANOVA[b]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	1	.003	24.727	.004[b]
	Residual	.001	4	.000		
a. Predictors: (Constant), Multiple Tax Burdens						
b. Dependent Variable: Business Performance						

Source: Authors own study, 2017

ANOVA results (specifically f-ratio) test the overall significance of the model. The *f*-ratio (24.727) shows that the variables (multiple tax burdens) are the major determinants in explaining business performance. It can be observed that the independent variables give a significant effect on the dependent variable based on the *f*-ratio, suggesting that; overall, the model in the study is significantly good enough in explaining the variation on the dependent variable. The independent variables are statistically significant because its significance value is 0.004, that is $P<0.05$. So the null hypothesis is rejected while alternative hypothesis is accepted. Therefore, there is significant relationship between multiple tax burden and business performance of small scale enterprises.

4. Conclusion and Recommendation

Small and medium scale enterprises play pivotal roles in socio – economic development of Nigeria. Despite their roles in economic development in the economy, it is their civil responsibility to pay tax to government cover. However the small and medium scale enterprises owners are directly or indirectly subjected to pay multiple taxes. Most of the agents employed by government as tax collectors do act as terror by coercing the small scale owners in course of collecting multiple tax from them.

The study investigate the influence of multiple tax administration and multiple tax burdens on sustainable development of small scale enterprises in, commercial nerve centre of Lagos State, Lagos Island local government area. We discovered that majority of agents employed for tax collection in Lagos State do harassed small business owners in collecting tax. It was discovered that some of them even collect money without issuing original receipts to the tax payers.

The study discovered that some of the tax collecting agents are aggressive in collecting money from small scale enterprises because of their personal gain. Some agent does not collect the stipulated amount from some small scale enterprise owner because they will not remit the money to government purse. The victims of this incidence are those small scale enterprises owners that know little or nothing about taxation. The attitudes of many tax collectors in Lagos State are not encouraging sustainable development of small scale enterprises in Lagos State.

Tax is a civil responsibility of all TaxAbleperson in Nigeria. We discovered that small and medium scale enterprises pay multiple taxes on the same income. This occurred mainly between Lagos State government and Lagos Island local government area, especially market taxes and levies. In fact, it was amazing when we discovered that small scale enterprises owners are subjected to double taxation by the local government officials. For example, the small scale business owner will pay tax for parking the vehicle that brought her goods from industry. The small scale enterprises owner will still pay tax for off loading the goods to the store. The money will be collected by Local government revenue collectors. Therefore, this incidence of multiple taxes on the same goods do hampered the sustainable development of the business because the tax burden will be too high.

Based on the above conclusion, we recommend that Lagos state government and Lagos island local government area should educate their both their staff and agents that deals directly with tax administration about how they should perform their duties with human dignity without compromising their integrity. This will help to reduce hooligan's character displayed by some tax collectors agent in the state. Moreover, all accredited agents for tax collection should write their name and

agents name on their uniform, for proper identification, when performing their duties.

Small and medium scale enterprises owners need to be well enlightened about taxes and levies to be collected by all tiers of government. They should be educated on when to pay, where to pay and whom to pay their tax to. The government should design a strategy to be attending their meetings whenever they have meeting. This will give government an opportunity to interact with them better.

Multiple taxes is a great burdens that is killing small scale enterprises in Lagos State. Though, it is understandable that all tiers of government want to use all avenues to generate funds and it leads to multiple taxation. Government should establish an institution to manage the issue of multiple taxation in our economy. This will help to reduce high death tolls recorded among small scale enterprises in our economy.

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