

ABSTRACT

Small and Medium Enterprises play a very important role in development of the Nigerian Economy. Making up about 97% of the entire economy, they serve as a source of employment generation, innovation, competition, economic dynamism which ultimately lead to poverty alleviation and national growth. Tax policy is one of the factors that constitute the Small businesses' economic environment. This research work tries to establish if any relationship exists between the growth of Small businesses and the tax policy environment in which they operate in Nigeria. Questionnaires were distributed to Small businesses in Calabar, Nigeria and non-probability judgmental sampling method was employed. It was found out that from most Small businesses surveyed; they were faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Although there was a general perception that tax is an important source of fund for development of the economy and provision of social services, the study revealed a significant negative relationship between taxes and the business' ability to sustain itself and to expand. In order to obtain a vibrant and flourishing SME sector, the tax policy needs to be appropriate such that it will neither be an encumbrance to the Small businesses nor discourage voluntary compliance. A suggested solution is by increasing tax incentives through reducing tax rates and increasing tax authorities' support services towards small and medium enterprises.

CHAPTER I INTRODUCTION

The desire to build a civilized country with a strong and sound economy is the desire of every Country, including Nigeria. Tax payment is the demonstration of such a desire, although some income earners see it as a means of exploitation by the government. Tax payment is a voluntarily contribution imposed by the Government on personal income earners, companies, investors, exporters, importers etc. revenue realized from taxation is a major source of revenue to the Government of Nigeria, and as such is an important tool used in the development of Nigeria and her economy. A country's tax policies and systems are greatly related with business ventures in that country. An economy that enacts favorable and progressive tax laws and policies will definitely breed successful and finance-healthy business organizations. Once businesses flourish, the economy flourishes as well, as there is no quicker way of stirring the affairs of an economy without the help of organizations that move services, goods, money and investments from those with surplus to those with deficit; those with marketable ideas/output to those who need these ideas and products. In essence, businesses and tax policies greatly depend on one another for survival. If one is greatly affected, the other follows suite.

1.1 BACKGROUND OF THE STUDY

The Nigerian Tax System has undergone significant changes in recent times. With the help of various studies and research done by tax experts, tax laws are being reviewed with the aim of repelling obsolete provisions and simplifying the main ones. Under current Nigerian law, taxation is enforced by the 3 tiers of Government, i.e. Federal, State, and Local Government with each having its sphere clearly spelt out in the Taxes and Levies (approved list for Collection)

Small businesses are generally recognized as important drivers of economic success. They are a key ingredient in the “ecology of firms” in a healthy economy, as job creators, sales generators and a source of tax/fiscal revenue. In Nigeria the importance of small business as a creator of jobs, particularly for those with a low skills level, is widely recognized. Small, medium and micro-enterprises (“SMMEs”) contribute 36.1% of the country’s gross domestic product (“GDP”) and employ 68.2% of the workforce in the private sector. In the agriculture, construction and retail sectors, SMMEs employ more than 80% of the total workforce. Over the last few years, the growth in employment by SMMEs has exceeded the growth in their contribution to GDP, highlighting the job creation potential of this sector of the economy.

Regulations and red tape are reported as one of the constraints to the expansion of businesses both in Nigeria and internationally. International research in this field shows that tax regulatory compliance costs are a significant portion of the total regulatory cost. Several other patterns emerged from the various local and international studies performed, among the most important being that tax compliance costs comprise a much larger proportion of total compliance costs for smaller firms.

Furthermore, various research has suggested that any effective approach to assist small business requires both policy and administration model adjustments in order to be effective. The 2005 year, therefore, saw the beginning of a process of structural change that was intended to build a positive tax compliance climate in Nigeria.

This report is focused on the survey of the compliance experience of professional accountants and bookkeepers (referred to as “tax practitioners” for the purposes of this document) in respect of their small business clients in Nigeria. It will be complemented by two related surveys, one of small businesses that are registered with the Federal Inland Revenue Service (FIRS), regarding their time and cost requirements for tax compliance, and one of informal businesses, regarding their perceptions about tax compliance.

1.2 STATEMENT OF THE PROBLEM

Small and medium enterprises (Small businesses) form the core of majority of the world’s economies. A

study carried out by the Federal Office of Statistics shows that in Nigeria, small and medium enterprises make up 97% of the economy (Ariyo, 2005). However, the mortality rate of these small firms is very high. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, 80% of SMALL BUSINESSES die before their 5th anniversary. Among the factors responsible for these untimely close-ups are tax related issues, ranging from multiple taxation to enormous tax burdens etc. In many government policies, small and medium enterprises are usually viewed and treated in the same light as large corporations. However, their size and nature makes them unique. Therefore, in dealing with small and medium enterprises, these unique qualities need to be considered. In levying of taxes for these enterprises in particular, issues that need to be considered are how these tax policies can be designed to bolster the growth of Small businesses and the most effective ways to administer them. The importance of Small businesses as a mechanism of economic growth and development is often ignored. They are perceived as minute establishments that have minimal effect on the state of the economy. However, if conducive environment is created for these Small businesses to grow through proper regulation, the SME sector has the highest propensity to transform our economy. In the same light, taxes are important for the government as they are the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses are used to run governments as well as provide infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such rely on these commodities to survive.

Tax burden is a major problem in Nigeria as many business organizations are not favored by the tax systems and policies in place. Some businesses are already collapsing; while majority are still struggling to meet up with high tax rates to ensure their businesses still exist. According to a study conducted by Bateman (2007), it was reported in a survey that 90% of business owners admitted that taxes were a huge constraint to their businesses, as they claim taxes are high and do not allow new businesses to cover up initial cost.

1.3 OBJECTIVES OF THE RESEARCH

In order to achieve the purpose of this research, the following are the objectives of the research:

2 To identify the challenges of Nigerian tax policies.

3 To examine the influence of multiple taxation on small businesses and the economy as a whole.

4 To identify ways of properly addressing the challenges of Nigerian tax policies in order to favour small businesses as well as encourage tax compliance.

1.4 RESEARCH QUESTIONS

In order to achieve the objectives stated above, the following research questions were used as a guide in achieving the objectives of this research:

5 What are the various challenges facing tax policies in Nigeria?

6 What are the influences of the challenges of tax policies in Nigeria on small businesses and the economy?

7 What must be done to address the challenges of tax policies in Nigeria to suite small businesses?

1.5 SIGNIFICANCE OF THE STUDY

This study gives a clear insight into the various ways in which tax policies in Nigeria can be executed efficiently to still favor small businesses and how some taxation policies in Nigeria can be properly tackled. The study also gives a clear insight into the various causes of why small businesses fail in Nigeria as well as the challenges of the tax policies in Nigeria. The findings and recommendations of the researcher will help in building a strong and better tax policy system in Nigeria, if taken seriously by government and the general public. The challenges of taxation in Nigeria are outlined in order for drastic measures to be taken to tackle these challenges and meet the prospects of the general public so that revenue from tax policy to the government can be increased.

1.6 SCOPE OF THE STUDY

This research focuses mainly on the impact of Nigerian tax policies on the economy and small businesses in Nigeria. The study only touches on the challenges tax policies in Nigeria and how it can affect self employed business men and women, traders, and other forms of sole proprietorship businesses.

Based on the findings of this study other possible researchable areas may include studies on the various challenges of other forms of tax such as the Value Added Tax (VAT), Capital gains tax, Import and Export duties tax. Etc. Further research can also be done on curbing tax evasion in Nigeria.

1.7 TIME FRAME

This study lasted for four months before it was complete. The study lasted from January 2011 to April 2011.

1.8 LIMITATION

The only limitation faced by the researcher in the course of carrying out this study was the delay in getting data from the various respondents. Most respondents were reluctant in filling questionnaires administered to them due to their busy schedules and nature of their work. The researcher found it difficult to collect responses from the various respondents, and this almost hampered the success of this study.

1.9 CHAPTER SCHEME

Chapter one of this study includes the general introduction, background information about the study,

statement of the problem, objectives of the study, research questions, scope of the study, significance of the study, and the limitation of the study.

Chapter two reviews all relevant literatures relating to the study as well as the researcher's views concerning previous studies on the challenges of tax policies.

Chapter three includes the methodology applied in collecting and analyzing data, population definition, study site, and limitations.

Chapter four presents the results of the study as well as data analyzed, and the interpretation of the analyzed data.

Chapter five includes a summary of the study, conclusion and recommendations based on the findings from the study.

Impact of multiple taxation on small and medium scale businesses in Nigeria

The complete project material is available and ready for download. All what you need to do is to order for the complete material. The price for the material is NGN 3,000.00.

Make payment via bank transfer to Bank: Guaranteed Trust Bank, Account name: Emi-Aware technology, Account Number: 0424875728

Bank: Zenith Bank, Account name: Emi-Aware technology, Account Number: 1222004869

or visit the website and pay online. For more info: Visit <https://researchcub.info/payment-instruct.html>

After payment send your depositor's name, amount paid, project topic, email address or your phone number (in which instructions will sent to you to download the material) to +234 70 6329 8784 via text message/ whatsapp or Email address: info@allprojectmaterials.com.

Once payment is confirmed, the material will be sent to you immediately.

It takes 5min to 30min to confirm and send the material to you.

For more project topics and materials visit: <https://researchcub.info/> or For enquiries: info@allprojectmaterials.com or call/whatsapp: +234 70 6329 8784

Regards!!!