The scale **Journal Website:** https://thescalejournal.com.ng/
An Interdisciplinary Journal of **https://doi.org/10.5281/zenodo.20313141**
The ACADEMIC STAFF UNION OF POLYTECHNICS - ZONE D
ISSN: 2992-3727 Published 30th May, 2026

MULTIPLE TAXATION AND THE PERFORMANCE OF SMALL AND MEDIUM SCALE ENTERPRISES IN BAYELSA STATE

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Abstract
This paper investigated the impact of multiple taxes and levies on SMEs in Yenagoa metropolis. A theoretical and empirical review was made of the issues of tax and other levies. The problems were identified to include among others, poor performances due to multiple taxes and levies; abrupt closure of shops to avoid tax officials etc. This paper therefore sought to establish the existence of multiple taxes, in Yenagoa metropolis and to determine if they are of concerns to business survival. A descriptive statistic was employed using frequency and percentages to analyze the responses from the sampled 392 SMEs, the first and the second research questions each had a frequency of 390 and a percentage of 99.5% respectively for the questions which seek to confirm if multiple taxation exists in Bayelsa state and if they are of concerns to business survival respectively. The analysis of results shows that continuous multiple taxes are a great concern to business owners and it causes demotivation to entrepreneurial spirit, causes business failures, and high running cost. The work concludes that many businesses ware optimistic from start but the zeal and motivation died due to the activities of touts from the many outfits presenting themselves as tax collectors and agents to Government Ministries, Local Governments and relevant authorities. Finally, the work recommends that tax holiday should be given to newly established businesses at least for the first 3 years while existing businesses should be given a form of tax palliatives of about 50% reduction in their payable taxes and levies to ensure survival of SMES. For effective tax administration among its ministries, department and parastatals. The study further stresses the need for government to harmonize its tax system to avoid multiple taxation.

Key words: Taxes, Multiple taxation, levies, & metropolis.

1.0 Introduction

Taxes are the most important source of government income. Dr. Dalton defined tax as “a compulsory contribution imposed by a public authority, irrespective of the exact amount of service rendered to the tax payer in return."" According to Professor Seligman, a tax is “a compulsory contribution from a person to the government to defray the expenses incurred in the common interest of all, without reference to special benefits conferred. These definitions point towards three characteristics of a tax. First, it is a compulsory contribution imposed by the government on the people residing in the country. Since it is a compulsory payment, a person who refuses to pay a tax is liable for to punishment Nzotta (2007). But a tax is to be paid only by those who come under its jurisdiction. Similarly, persons who buy a commodity which carries a tax on it, pay the tax while others do not. Second Tax is a payment made by the taxpayers which is used by the government for the benefit of all the citizens. the state uses the revenue collected from taxes for provision of necessary amenities such as, hospitals, schools, public utility services, etc. which benefit all people. Thirdly, a tax is not levied in return for any specific service rendered by the government to the taxpayer. An individual cannot ask for any special benefit

from the state in return for the tax paid by him. In the words of professor Taussig, "The essence of a tax... is the absence of a direct quid pro quo between the taxpayer and the public authority & implies that the taxpayer cannot claim something equivalent to the tax paid (quid pre quo) from the government. A good tax system should have some of the following features;

(i) Should meet the cannon of equity: That is every person should be taxed according to his ability that is the rich should pay more and the poor should pay less so the taxes should be some worth progressive in nature**.**

(ii) Should meet the cannon of certainty. The time of payment, the manner of payment, the quantity to be paid, all need to be clear and plain to the contributor and to every other person, the tax which every individual is required to pay should be certain and not arbitrary so that he is not left to the whims of the tax officials.

(iii)Should satisfy the cannon of convenience. The time and mode of payment should be fixed and not inconveniencing to the tax payer.

(iv)The tax system should bring in sufficient revenue to the taxpayer.

(v) The tax system should be simple to understand and administer. Etc.

However, beside all these, it is multiple taxation that harms SME performance primarily by increasing compliance cost. Ehigiamusoe. & Saad, (2022). Tax in itself may not be that bad, it is the perceived lack of tangible government support exacerbates the negative effects of multiple taxation. Okeke, et'al. (2023). Despite their significant contribution to the local economy, SMEs in Yenagoa are subjected to various problems among whom are, a complex and overlapping system of taxation imposed by various government tiers and agencies. These include federal, state, and local government taxes, as well as numerous unofficial levies. This phenomenon of "multiple taxation" creates an unpredictable and costly business climate, forcing entrepreneurs to divert scarce capital meant for expansion and innovation into tax compliance and payments. Preliminary evidence and anecdotal reports suggest that, this fiscal burden leads to severe consequences, including stifled growth, reduced profitability, and a high rate of business failure. Furthermore, it encourages a culture of informality, as some SMEs opt to remain unregistered or operate underground to avoid these levies, thereby limiting their access to formal credit and government support. While the problem of multiple taxation is acknowledged nationally, there is a lack of specific, empirical research focusing on its nature, prevalence, and direct impact on the operational sustainability and growth of SMEs within the unique context of Yenagoa Metropolis. Therefore, this study seeks to investigate if these taxes and levies are of great concern to business owners and to know if multiple taxes do exist in Yenagoa, and analyze how this burden influences business growth, survival, and without this understanding, policymakers cannot design effective interventions, and the potential of SMEs to transform the local economy of Yenagoa will remain unrealized. Small and Medium Scale Enterprises (SMEs) are widely recognized as critical drivers of economic growth, employment, and innovation in Nigeria. In Yenagoa Metropolis, the capital of Bayelsa State, these enterprises operate within an increasingly challenging fiscal environment characterized by the burden of multiple taxes and levies.

The general objective of this research work is to find out the implication of multiple taxation and levies on SMEs in Yenagoa metropolis in Bayelsa State. In a wider view, the specific objectives are to:

i. to obtain facts that multiple taxes and levies truly exist in the Bayelsa State
ii. to determine whether these taxes and levies are of great concern to small and medium scale enterprises (SMESs) in Bayelsa state
iii. to know the various negative economic impact that these excessive taxes and levies have on small and medium scale enterprises (SMEs) Bayelsa State

The following research questions were answered to arrive at the findings of this study:

i. to what extent do you agree that multiple taxes and rates exist in Bayelsa State?
ii. do taxes and rates create concerns to you as a business owner?
iii. does the negative impacts of multiple taxes happens to your business quite often

2.0 Literature Review

Njoku, et al. (2017) define small businesses to be generally a business which is owned and controlled by one or few persons, with direct owner's influence in decision making and having a relatively small market share and low capital. The federal government industrial policy of 1989 defined a small business as any business that its total investment is between 10,000 and 2 million exclusives of land but including working capital. Maxwell (2012) outlines the undesirable effects of tax on the economy (SMES in this case), which include; a deterrent to work; it inhibits saving and invariably investment; does not encourage risk taking businesses; a source of inflation; diversion of economic resources; and proneness to corrupt practices.

Also, according to William (2003) taxing more and spending less produces a contractionary fiscal policy that reduces aggregate demand. When aggregate demand (consumer's demand for goods and services) is negatively affected, business increasing level of failure and invariably closure is inevitable. This justifies why a lot of businesses (especially SMES) have liquidated recently in Bayelsa state. Majority of the street's shops have remain perpetually closed.

Taxes and levies are fiscal instrument used by the government to raise revenue for economic, political and social development of any country. Taxes are compulsory payments to the government by individuals and companies for the purposes of achieving one or more of government objectives. Levies are extra amount of money that has to be paid to government (Oxford Dictionary). According to Appah & Tebepah (2018), the political economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure. However one means of generating the revenue needed by government to provide infrastructure is through an efficient tax system, however, taxes have a significant negative relationship between multiple taxation and profitability, return on assets, and return on equity of SMEs thus resulting to poor performance Adeyemi & Ojo (2022) posited that there are three basic objectives of taxation, these are to raise revenue for the government; to regulate the economy; and monitor every economic activities and to control income and employment. Also, Nzotta (2007) noted that taxes generally have allocation, distribution and stabilization functions. The allocation function of taxes entails the determination of the pattern of production the goods that should be produced, who produces them, the relationship between private and public sectors and the point of social balance between the two sectors Salami (2011). The distribution function of taxes relates to the manner in which the effective demand over economic goods are divided among individuals in the society (Ihezie et al, 2014). Multiple taxes have been linked to inefficiency, market distortion, and reduced investment. (World Bank. (2020)

Multiple taxation partly accounts for this low ranking. Multiple taxes are more common in the Local Government Councils. (Adebimpe) in Vanguard newspaper (2015), stated that there are states in

Nigeria where business premises receive and entertains about six to seven demand notices for taxes from the state government offices annually. These governors often equip thugs with uniforms, provide them with motorcycles and give them revenue targets on monitoring and seizing broken down vehicles, collecting fines for wrong parking, wrong lane driving and all sorts of unimaginable traffic offences along their often potholes-filled roads. When you are caught, the fines are usually very heavy, from N35,000 for cars to N90,000 for trucks, but you can negotiate and sort them out with a little amount before they drag you to their wretched officers in their office. The implications for these multiple taxation on businesses in some states are heavy and further impoverish the people. New business start-ups are very slow and few, because of such impediments. In Bayelsa state, a man whose relative sells "Bolle" (ie roasted plantain) was lamenting how she was given 8000 to pay from one of the task force which they lamented was too outrageous. According to Sahara reporters (2020), in an interview with business owners on revenue generation by one of the Lagos local government council, it was reported that some business premises were given about 100,000 to pay. In their response, a kiosk owner said:

"This money they are asking us to pay is too much for us. We just came back from coronavirus lockdown and we have already paid tax to the state and local government. "This is very ill-timed as it is coming when federal government just increased electricity and petrol fee.

"The local government chairman to rethink about this money they are forcefully asking us to pay".

Another respondent by name Mr Mide also said:

"They came to my shop, carried my generator and said I must pay before i get it back.

"This forceful taxation should be stopped considering the increase in our economy, there is no money outside and instead of giving us tax palliatives, they are giving us demand notice to get money for the local government". If nothing is done, multiple taxation will endanger, if not kill, the laudable new initiative of the Central Bank of Nigeria to empower and fund SMEs in the states of the Federation. In Bayelsa state for example, from various survey carried out, numerous taxes and levies are being impose on businesses, which include;

i. Environmental & Sanitation tax/levies
ii. Local government council (Environmental & Sanitation) tax/levies
iii. Impoundment (illegal structure) charge
iv. Education & health (BHIS) insurance tax
v. Union dues i.e. labour & trade union that the individual belongs to

It is important to note that each of these enumerated taxes above have their task force who are not civil at all in carrying out their enforcement. Quoting from Adebimpe (Vanguard Newspaper 2015), she said; Most tax officials tend to be poorly educated and lack the basic knowledge and techniques to communicate. Many Tax inspectors tend to be very aggressive, thereby putting the taxpayer on the defensive. According to report from survey carried out, most times, the tax payer's goods or assets are impounded with force without prior warning or allowance for negotiation for days of grace. i.e., time limits.

Some theories related to this research Work were made to highlight the relevance of the study. Bhatia's (2009), (as cited in Ihezie et al 2014) posited that a taxation theory may be derived on the assumption that there need not to be any relationship between tax paid and benefits received from the state activities. This reasoning justifies the imposition of taxes for financing state activities and also providing a basis for apportioning the tax burden between members of the society.

The Theory of Fiscal Federalism. The originator of this theory is Richard Musgrave and Wallace oates. The theory was developed in the mid 20th century, Richard Musgrave (1910-2007) systematically laid out the three core functions of government 1). Stabilization, 2). Distribution, and 3). Resource allocation. He theorized how these functions could be best assigned to different levels of government (central state local) creating the foundational logic for fiscal federalism. Wallace (1937) building on Musgrave's, formalized the "decentralization theorem" This theory provides the primary framework for understanding multi-level government taxation.

Core Premise: It deals with the optimal division of governmental functions and financial relations between different levels of government (national, state, local).

Application of the theory to Multiple Taxation: Multiple taxation arises from a failure in fiscal federalism design. The theory posits that for efficiency, the tax base assigned to each level of government should be clear and non-overlapping. When the same tax base (e.g., business profits, capital, or consumption) is taxed by multiple tiers of government, it leads to the problem of "tax-on-tax" or "vertical fiscal imbalance."

Tiebout Model: Charles tiabet (1924-1968) is the originator of this theory in 1956. A pure theory of local expenditure he create a related model which suggests that individuals and businesses choose their location based on the bundle of public services they receive for their tax payments. Multiple taxation distorts this choice, as it makes the total tax burden unpredictable and high, driving businesses away rather than attracting them.

The theory of the Benefit Principle of Taxation, this theory was developed by the classical economists (Adam Smith, John stuart Mill) in the 18th and 19th century

Core Premise: Taxes should be paid in proportion to the benefits a taxpayer receives from public services. Application to Multiple Taxation: When multiple government agencies tax the same business without providing a clear, commensurate benefit (e.g., good roads, security, stable electricity), it violates this principle. This leads to a high perception of unfairness and fosters tax evasion.

Some Empirical Review of related literature also prove that there has been a general outcry against the existence of multiple charges of taxes and rates in Nigeria. Adeleke (2011), stated that one of the challenges facing efficiency and effectiveness of Nigeria's tax system over the years is multiple taxation where there are over 500 different taxes and levies imposed by various tiers of government in Nigeria instead of only those approved by Taxes and Levies (Approved list of Collection) Act. The multiplicity of tax-imposing and tax collecting structures drive up the cost of doing business and destroys investor confidence (Appah 2014). In fact, the World Bank Doing Business Report, 2010, ranked Nigeria 132nd out of 183 countries with regard to the ease of paying taxes. Adeyemi & Ojo (2022) working on multiple taxation and fiscal performance of small and medium enterprises in Lagos state Nigeria provide direct evidence that significant negative relationship between multiple taxation and profitability, return on assets, and return of equity of SMEs they explicitly link multiple taxation to poor financial performance. Ehigiamusoe, & Saad (2022) in a work, multiple taxation and SMEs performance: the role of tax compliance cost and managerial skills investigates the mechanisms of multiple taxation and finds that it harms SME performance primarily by increasing compliance cost, it also highlight that strong managerial skills can help mitigate this negative impact. Okeke, et'al. (2023). In their research tax multiplicity and survival of Small and Medium Scale Enterprises in South-South Nigeria; the moderating effect of government support. Focuses on SME survival (key aspect of growth), it confirms that tax multiplicity threatens survival of SMEs.

3.0 Methodology

This study adopted the frequency and percentage method to analyze and show results of responses from the owners of micro, small and medium enterprises (SMES) in Yenagoa Metropolis, the sample size used for the study were selected from the population of small and medium scale enterprises resident in Yenagoa Metropolis in Bayelsa State using simple random sampling. The instrument for data collection were the questionnaire, a total of 400 questionnaire were distributed 8 were lost and 392 items were retrieved from respondents and used for the analysis.

Population of the Study: The target population for the study was calculated from the population of adults and youth between the ages (19 - 65) years old among whom the population of the studies was calculated and drawn which comprises of 219,800 projected entrepreneurs who are owners and managers of small and medium scale enterprises (SMEs) operating in Bayelsa State made up of the formal and informal sector (SMEDAN/NBS 2021) & Bayelsa State Ministry of Trade, Industry, and Investment. (See appendix 2)

Sample size: The sample size of 400 will be selected for the study using Taro Yamen's formula. As $S = N/1+N(a^2)$ (see appendix 3.) This sample is sufficient to draw a meaningful inference from the population.

Sampling technique: Purposive sampling technique will be used to select a total of 400 respondents from their business places, the population will first be stratified by type and size to ensure fair representation, then equal number of respondent will be selected from every strata, purposive sampling method will be used to select individual businesses at their business location.

Data collection: The instrument of data collection is the self-made questionnaire, (see appendix 1) 400 questionnaire were distributed purposively to the business owners residence in Yenagoa Metropolis a total of 392 were retrieved 8 damaged. The analysis and discuss on findings are based on the number of questionnaires returned.

Data Presentation and Analysis of Responses:

Table 1: To what extent do you agree that multiple taxes and rates exist in Bayelsa State?

Variable	Frequency	Percentage
Strongly Agree	300	76.5
Agree	90	23
Not sure	2	0.5
Dis agree	0	0
Total	392	100

Source: field survey 2025

Table 2: do these taxes and rates creates concerns to you as a business owner?

Variable	Frequency	Percentage
Strongly Agree	340	86.7
Agree	50	12.8
Not sure	2	0.5
Dis agree	0	0
Total	392	100

Source: Field survey 2025

Table 3: Does the negative impacts of multiple taxes happen to your business quite often?

Variable	Frequency	Percentage
Strongly Agree	200	51.0
Agree	130	33.2
Not sure	33	8.4
Dis agree	29	7.4
Total	392	100

Source: Field survey 2025

Source: data from researchers' field work.

4.0 Results and discussion of findings

Analysis of the findings to research question 1, 2 and 3 are presented in the tables above.

Table 1 shows that majority of the respondents strongly agree or agree that there is an existence of multiple taxes in Yenagoa Metropolis, this is evident from table 1 which projected a total frequency of 390 respondents equivalent to 99.5% of total number of respondents agreeing that there is multiple taxation, while only 2 respondents representing 0.5% of the respondents were not sure whether multiple taxation exist or not.

Table 2 shows the responses as to whether these multiple taxes are of any concern? Yes because a total of 390 respondents representing 99.5% of total respondents agreed that, they are highly concern about the issue of multiple taxes and levies been demanded by government from them in the course running their businesses, only about 2 respondents representing 0.5% is not sure if multiple taxation has any effect on their business.

Table 3. above seeks to find out if the negative implication of multiple and excessive taxes and levies happens very often to businesses? A total of 200 respondents equivalent to 51.0% of total respondents strongly agreed that these excessive payments do happen quite often, while 130 respondents representing 33.2% of total respondents agreed that multiple taxation occur but rarely, also 33 respondents are not sure if the negative effects of multiple taxes affect their businesses. Lastly 29 respondents representing 7.4% said they do not notice any effect of multiple taxation. .

5.0 Conclusion and recommendation

From the study, it will be a disservice and disincentives to the various stimulus empowerment programmes the CBN is rolling out to the economy if the issues of multiple taxes are not being tackled holistically. Also, as seen from the result of the survey carried out, an excessive payment situation through multiple taxes and rates will bring about a demotivation to entrepreneurship which will cause the teeming unemployed citizens to start looking for white collar jobs. For an effective, efficient and fairly operated tax system that will not inhibit the smooth running of businesses in the state and the federation at large (especially in this COVID -19 era), the followings are recommended:

- There should be a tax holiday to newly established SMEs of a period of at least 3years.
- Existing businesses (SMEs) should be given a form of tax palliative i.e., a reduction of about 50% in taxes and rates that must be paid.
- The national assemblies should harmonize all the state tax laws to eliminate multiple taxes.

- Tax enforcement agent must be trained to be courteous, professional and humane to the tax payers. Government should look out for more tax base as a way of increasing revenue instead increasing the tax rate. Government should be more transparent to engender public confidence in tax matters.

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