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Full Length Research Paper

Multiple Taxation and the Operations of Business Enterprises in Aba Metropolis

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Abstract

The main objective of the study was to examine the effect of multiple taxation on the operations of business enterprises in Aba metropolis. A survey approach was adopted in the study. Structured questionnaire was used to gather data from some selected business operators in Aba metropolis. Data collected were presented in a table and simple percentages were used to analyse the data. The findings of the study revealed that incidence of this multiple taxation has increased the cost of business operations, reduce profit margin of businesses and discourage the springing up of new business enterprises, increase unemployment in Aba metropolis. Based on these findings, it was recommended that that an agency that will ensure that all tiers of government restrict themselves within their tax jurisdiction be established and government should enlighten its revenue officials on the legal implications of multiple taxation. Moreover, tax laws be strengthened to ensure that there is stiff penalty against any tier of government that violates it.

Keywords: Business enterprises, Multiple taxation, tax.

INTRODUCTION

Taxation is a very important means by which governments raise revenue for financing their projects. Such projects include: construction of roads, provision of health care, provision of qualitative education, provision of water, provision of electricity which are common features of modern society today. Governments also use tax to regulate economic activities and the behaviour of economic agents in general. Examples of such use of tax include the regulation and discouragement of production and consumption of commodities considered to be harmful to the health of the consumer. This is achieved by increasing the excise duty on the production of such commodities as this will increase their cost of production and in turn increases their market prices. Tax is also used to protect infant industries and also prevent dumping. This is achieved by reducing excise duties, increasing import duties and outright ban on importation. All these will make locally produced goods to be cheaper than imported goods. Tax is also used to control inflation

by increasing income tax as this will lead to a fall in disposable income and aggregate demand. Tax is also used to reduce income inequality. This is achieved by reducing taxes paid by low income earners and increasing taxes paid by high income earners and then using the tax revenues to provide social goods and services.

STATEMENT OF PROBLEM

As a result of the advantages of taxes, governments at different levels (federal, state and local) implement various forms of taxes. And because all tiers of governments implement some forms of taxes, there are tax laws to govern the taxes that are collectable by each tier of government. From the tax law, taxes to be collected by the federal government for the economic management of the nation include: companies' income

tax, withholding tax on companies, residents of the federal capital territory, petroleum profit tax, value added tax, education tax and capital gains tax on residents of the federal capital territory and corporate bodies. Taxes and levies to be collected by the state governments include: personal income tax, withholding tax (individuals only), capital gains tax (individuals only), stamp duties on instruments executed by individuals, pools betting and lotteries, gaming and casino taxes, road taxes while taxes and levies to be collected by local governments include: shops and kiosks rates, on and off liquor license fees, naming of street registration fee excluding any street in the state capital, right of occupancy fees on lands in the rural areas excluding those collectible by the federal and state governments, market taxes and levies excluding any market where state finance is involved, motor park levies, wrong parking charges and signboard and advertisement permit fees. As time went on, it was observed that taxes collected by federal government were also collected by state government and sometimes by the local government though there are existing laws governing the taxes and levies that are collectible by each tier of government. It was also observed most of the state and local government taxes are often a duplication of taxes already levied by another tier of government using different names under the guise of maximizing of internally generated revenue. All these show that states and local governments have failed to exercise their powers within their jurisdiction in terms of collection of taxes and revenues. This gives rise to multiple taxation which is seen as a situation in which the same tax base is taxed more than once

OBJECTIVES OF THE STUDY

The broad objective of the study was to examine the effect of multiple taxation on the operations of business enterprises in Aba metropolis. The specific objectives of the study include:

- i). To establish whether multiple taxation exist in Aba metropolis and if it exists, its effect on:
- ii). The cost of doing business in Aba metropolis.
- iii). The profit level of business enterprises in Aba.
- iv). Unemployment rate in Aba metropolis.

Research Questions

In other to guide the study, the following research questions were formulated:

- i). What are the taxes/levies business operators pay in Aba metropolis?
- ii). Who are the tax agencies that collect them?
- iii). How do the taxes/levies affect the cost of doing

business in Aba metropolis?

iv). How do the taxes/levies affect business profit in Aba?

v). How do the taxes/levies affect unemployment in Aba?

LITERATURE REVIEW

Meaning of Tax

Tax according to Njoku (2009) is a compulsory contributions or payments of money or occasionally of goods and services from private individuals, institutions or groups to the governments for the defraying of expenditures incurred by the government in the common interest of all without reference to any special benefit conferred on any of the person or impersonal unit that made the compulsory contributions or payments. Soyode and Kajoka (2006) defined taxation as the process of levying and collection of tax from taxable persons. Nwachukwu (2005) defined taxation as a system of taxing and executing the collection of tax by the authorities. He defined tax as a compulsory payment made by a citizen for which there is no immediate commensurate return. Bhatia (2009) defined tax as a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite direct quid pro quo from the government.

Objectives of Taxation

Taxation is usually used as a major instrument for revenue generation but Akujuobi (1988) has a contrary view. He postulated that this function of taxation in recent years can be questioned because government has the power to create money. However, Naiyeju (1997) is of the opinion that the revenue objective of taxation is still important. The revenue function of taxation is still important in any economy. The government can raise the required revenue through taxation. Taxation can be used as a principal tool for generating revenue used in financing various government expenditure programmes which are geared towards raising the standard of living of the citizens.

Apart from using taxation as an instrument for revenue generation, it can also be used to accomplish some economic objectives. Rabi (2003) is of the opinion that government can use taxation to accomplish some economic objectives such as influencing consumption demand and providing incentives for production, investment and savings. Buhar (2004) classified the objectives of taxation into four broad headings: revenue generation, income distribution, regulation and stabilization of the economy. Hanson (1988) listed the reasons for the imposition of taxes as follows: payment for the cost of general administration, defence and social

services, curtailing the consumption of harmful commodities and reduction in income inequality.

Harvey (1982) summarized the purpose of taxation as follows: achieving equitable distribution of wealth and income, compensating social cost and benefits and regulation of the economy. He explained that the economy of a country should be regulated in order to develop important industries, to protect infant industries, to move factors of production from one industry to another, to reduce unemployment, to allocate resources and to encourage the growth of the national income. Njoku (2009) is of the opinion that the objectives of taxation include raising revenue, reducing inequality in the economy regulating and controlling consumption of certain goods, checking inflation, servicing of national debt planning and directing the economy, protecting infant industries, promoting exports and curtailing imports, maintain credit balance. Anyanwu (1997) is of the opinion that the primary objective of is to raise revenue for the government needed to finance the provision of essential services to the people. He also argued that tax is used to regulate the production and consumption of certain commodities considered injurious or harmful to the health of either workers or consumers. It is also used to protect infant industries and curb inflation.

Principles of a Good Tax System

Adam Smith laid the requirements of a good tax system. These requirements are known as the canons of taxation. According to him, a good tax system must be based on the principles of equity, convenience certainty and cost of collection (Harvey, 1982; Soyade and Kajola 2006). Musgrave and Musgrave (1989) also summarized the requirements of a good tax system. They are of the opinion that a good tax system should be easily administered, efficient in resource use, equitable in burden distribution and should be able to accomplish macro policy objectives. Harvey (1982) opined that the ability to pay principle which is also known as the equity principle is one of the Smith's cannons of taxation. This principle stated that people should pay tax according to their abilities. That is, tax burden should be equitably distributed. This includes horizontal equity which is a situation whereby people of equal income pay the same amount of tax and vertical equity which refers to a situation whereby people of unequal income pay unequal tax. Byrns and Stone (1984) support this argument as they considered wealth as an appropriate measure of somebody's ability to pay tax. Harvey (1992) regards the ability to pay as equality of sacrifice which involves the computation of tax based on the size of income and family responsibilities. He also argues that according to Adam Smith, a good tax system should be based on the principles of certainty, convenience, economy and simplicity. By the principle of certainty, it means that the

time of payments, the manner of payments and the amount to be paid should be clear to the tax payer. The amount to be paid should not be arbitrarily fixed.

The principles of convenience imply that the time and the manner of payment should be convenient to the tax payer while the principles of economy implies that the cost of collection of tax should be small when compared with the tax yield. The principle of simplicity implies that a good tax should very simple and not complex. It should be simple and well understood by both the payers and tax administrators. It should be easily administered. However, Ndulue (2003) argued that the Nigerian tax system does not meet all these requirements. The time of payment, the manner of payment and the amount to be paid are not very clear to the tax payers especially the self-employed people. The assessment and collection procedures are complex and cumbersome in spite of the introduction of the self-assessment scheme and the new payment system whereby the tax payers are to pay their taxes to selected banks. Moreover, the Pay As You Earn (PAYE) method of collecting income tax is only used in collecting income tax from the employees. The self-employed people are expected to pay their taxes promptly to selected banks after assessing themselves. This mode of payment is not convenient to the tax payers because the services rendered by some of the banks are not efficient. The tax payers waste their time in these banks and this is against the principles of convenience. In some states, taxes are arbitrarily fixed by the tax contractors that were engaged by the state governments. This has compounded the problems and has made the tax system complex because the tax contractors violate the principles of certainty, equity and even convenience.

Tax Classification

According to Pizzey (1993) taxes are classified according to how they are paid to the government and are known as direct and indirect taxes. Direct taxes are levied directly on the income of individuals or business organizations. Nworji (2008) argued that it is a system of taxation whereby the incidence falls directly on the tax payer while Nnamocha (2000) argued that the person on whom a direct tax is imposed bears the tax burden. In Nigeria, direct taxes consist of personal income tax, company's income tax, capital gains tax and so on. Pizzey (1993) opined that indirect tax is that tax that is levied on goods and services and is paid when they are consumed. They are collected by the sellers of the goods on behalf of the government. Examples include import duties, excise duties sales tax Value Added Tax and so on. Anyanwu and Onuoha (1999) say that another classification of taxes is based on how they relate to the tax payers' income. They argue that a tax is considered "progressive" if the rate increases as the tax base increases and "regressive" if the rate increases as the tax base

decreases. For Njoku (2009) there is a third one which is "proportional tax". In proportional taxation, the same rate is charged on every taxpayer irrespective of the amount or size of the income. All income is taxed at a single uniform rate.

Taxes to be collected by the federal government in Nigeria

The Federal Board of Inland Revenue is constituted to assess and collect the following tax on behalf of the federal government:

- a). Companies income tax by limited liability companies.
- b). Withholding tax on companies and residents of the federal capital territory, Abuja and non-resident individuals.
- c). Petroleum profits tax
- d). Value added tax
- e). Education tax
- f). Capital gains tax on residents of the federal capital territory, Abuja, corporate bodies and non-residents of the federal capital territory Abuja.
- g). Personal income tax in respect of:
 - i). Members of the armed forces of the federation.
 - ii). Members of the Nigeria Police.
 - iii). Residents of the federal capital territory, Abuja
 - iv). Staff of the Ministry of Foreign Affairs and non-resident individuals

Taxes and levies to be collected by the state governments

The State Board has power to assess and collect the following categories of taxes and levies:

- a). Personal Income Tax in respect of:
 - i). Pay-As-You-Earn (PAYE); and
 - ii). Direct Taxation (Self-Assessment)
- b). Withholding tax (Individual only).
- c). Capital gain tax (Individual only).
- d). Stamp duties on instrument executed by individual.
- e). Pools, betting and lotteries, gaming and casino taxes.
- f). Road taxes.
- g). Naming of street registration fees in the state capital.
- h). Business premises registration fee in respect of:
 - i). Urban area as defined by each state maximum of –
 - N10,000 for registration; and
 - N5,000 per annum for renewal of registration
 - ii). Rural areas –
 - N2,000 for registration; and
 - N1,000 per annum for renewal of registration.
- i). Development levy (individuals only) not more than N100 per annum to all taxable individuals.
- j). Right of occupancy fees on lands owned by the state government in urban areas of the state.

k). Market taxes and levies where state finance is involved.

Taxes and levies to be collected by the local governments

The following taxes and levies can be collected at the local government level:

- a). Shops and kiosks rates.
- b). Tenement rates.
- c). On and off liquor license fees
- d). Slaughter slab fees
- e). Marriage, birth and death registration fees
- f). Naming of street registration fees, excluding streets in the state capital
- g). Right of occupancy fees on lands in the rural areas excluding those collectable by the Federal and State governments
- h). Market taxes and levies excluding any market where state finance is involved
- i). Motor park levies
- j). Domestic animal license fees
- k). Bicycle, truck, canoe, wheelbarrow and cart fee other than a mechanically propelled truck
- l). Cattle tax payable by cattle farmers only
- m). Merriment and road closure levy
- n). Radio and television license fees (other than radio and television transmitter)
- o). Vehicle radio license fee (to be imposed by the local government of the state in which car is registered).
- p). Wrong parking charges
- q). Public convenience, sewage and refuse disposal fees.
- r). Customary burial grounds permit fees
- s). Religious places establishment permit fees
- t). Signboard and advertisement permit fees

Taxes and levies (Approved list for collection) Decree No 21 of 1988

Concept of multiple taxation

Multiple taxation is a phenomenon which describes an income that is subjected to tax more than once, often by two or more different authorities in a way that may be unfair or illegal. According to Oseni 2014, multiple taxation is a phenomenon which describes an income that is subjected to tax more than once, often by two or more different authorities in a way that may be fair or illegal. Multiplicity of taxes connotes paying similar taxes on the same or substantially similar tax base. Double taxation and triple taxation are common examples of multiple taxation. The main issue is that the same income or money is taxed more than once. If it is taxed twice, then we have double taxation but when it is taxed thrice, we have triple taxation. Ojeka (2011) argued that though

Table 1. Responses of the respondents on whether their organization pays tax

Question	Yes	%	No	%
Does your organization pay any tax/levy to the government?	86	100	0	0

Source: field survey 2017

From the data presented in table 1, 86 respondents indicating 100% of the total respondents show that all business enterprises in Aba pays one form of tax/levy or the other implying that all businesses in Aba metropolis pay one form of tax/levy or the other.

Table 2. Responses of the respondents on the taxes business enterprises pay the government agents that collect them.

Question	Taxes/ levies paid	Collected by the federal government	Collected by the state government	Collected by the local government
What are the taxes/levies your business pay and the government agency that collects them	Motor emblem	-	✓	✓
	Operational fees	-	✓	✓
	Daily market tolls	-	✓	✓
	Business premises	-	✓	✓
	Physical and infrastructural levy	-	✓	-
	Abia state environmental protection agency fee	-	✓	-
	Waste disposal and cleaning of dirt fees	-	✓	-

Source: Field survey 2017

Table 2 showed that both the state government and local government collect motor emblem from the motorist, operational fees, daily market tolls and business premises irrespective of the fact that there are laws governing the taxes and levies that are collectable by each tier of government. The tax law does not permit more than one tier of government to collect a particular tax from a particular individual or organization but pieces of information collected as shown in table 2 revealed that two tiers of government (the state government and the local government) collect the same tax from the same organization. This is a clear evidence of multiple taxation in Aba metropolis. The table also showed that only the state government collects physical and infrastructural levy, Abia state environmental protection agency fee, water and cleaning of dirt fees. However, this is also another clear evidence of multiple taxation as there is no fundamental difference between the levies collected by the state ministry of environment and Abia state environmental protection agency.

tax is an important source of revenue for the development of the economy and provision of social amenities small and medium enterprises surveyed in his work were faced with the problems of high tax rates, multiple taxation, complex tax regulation and lack proper enlightenment. Adebisi and Gbegi (2013) were also of the opinion that multiple taxation has negative effect on small and medium enterprises (SMEs) survival as 80% of small and medium enterprises die before their 5th anniversary. They concluded that one major factor responsible for such untimely deaths is multiple taxation. Atawodi and Ojeka (2012) asserted that taxes for SMEs have been more harmful than beneficial as they increase the running cost and slow down growth. Onyeukwu (2010) in Oseni (2014) while agreeing that multiple taxation is not healthy

for development of corporate entities further asserted that it is a disincentive for their growth and these at times affect their corporate social responsibility where they perceived the host state government as being unfriendly. Salami (2011) in Oseni (2014) asserted that there are more than 500 taxes and levies imposed by various tiers of government in Nigeria apart from those approved in Nigeria by Taxes and Levies (Approved list of collection) Act. These invariably drive up the cost of doing business and destroy investors' confidence.

METHODOLOGY

The study was based on a survey approach so as to get

Research question 3, 4 and 5: How do the taxes affect the cost of doing business, profit of business operators and unemployment in Aba metropolis?

Table 3. Responses of the respondents on how the taxes they pay affect the cost of their business Operations, profit of their business and unemployment in Aba metropolis.

Questions	yes	%	No	%
Do the taxes/ levies you pay have any adverse effect on your business?	86	100	0	0
If yes, state the effect as experienced				
(i) it increases cost of operation	86	100	0	0
(ii) it reduces cost of operation	0	0	86	100
(iii) it increases the profit margin	0	0	0	0
(iv) it reduces the profit margin	86	100	0	0
Do the taxes/levies you pay have any effect on other people that want to join the business?	84	97.7	2	2.3
If yes, state the type of effect it will have				
(i) Many people will be encouraged to join the business	0	0	84	97.2
(ii) Many people will be discouraged to join the business	84	97.7	0	0
Do the taxes/levies you pay have any effect on the number of people you will like to employ?	83	96.5	3	3.5
If yes, what effect will it have on the number of people you employ				
(i) the number will increase	0	0	83	96.5
(ii) the number will decrease	83	96.5	0	0

Source: Field survey, 2017

Table 3 showed that 86 respondents indicating 100% of the total respondents agreed that the taxes/levies business operators pay have a negative effect on their business. From the table, all these respondents agreed that the adverse effect which the taxes/levies they pay have on their business is that it increases the cost of their business operations and also reduces their profit margin. The table also showed that these taxes/levies business operators pay have effect on the people that want to join their business and the number of people they will like to employ as majority of the respondents agreed to this. The table revealed that the effect is that many people are discouraged from joining the business and also, the number of people that the business operators will like to employ will decrease.

First-hand information on the taxes that are paid by business operators and the government agencies that collect them. The survey also sought to gather information on how these taxes paid by business operators affect the cost of doing business, business and unemployment in Aba metropolis. In this study, 45 business enterprises were randomly selected and two questionnaires were administered in each of the business enterprise. Out of a total of 90 questionnaires that were administered, 86 questionnaires representing 95.6% were retrieved. Collected were presented in a table and simple percentages were used to analyse the data.

FINDINGS OF THE STUDY

The study revealed that business operators in Aba

metropolis pay one form of tax/levy or the other like motor emblem, operational fees, daily market tolls, business premises, physical and infrastructural levy, Abia state environmental protection agency fee and waste disposal and cleaning of dirt fees. The study revealed that both the state and local government collect motor emblem, operational fees and daily market tolls which results to multiple taxation as more than one organ of government is not allowed to collect the tax on the same income, individual or organization based on tax laws. The study also revealed that among the taxes/levies which the state government collects from business operators include physical and infrastructural levy, Abia state environmental protection agency fees and waste disposal and cleaning of dirt fees. There is no fundamental difference among these levies but just a change in nomenclature and therefore is clear evidence of multiple taxation.

The study also discovered that these taxes and levies imposed by the state and federal government which amount to multiple taxation increases the cost of business operations in Aba metropolis and has equally lead to the reduction in the profit margin of business operators in Aba. The study revealed the reduction in the profit margin of business operators in Aba metropolis resulting from the increase in the cost of business operation because of multiple taxation have discouraged prospective business operators from establishing new businesses in Aba. The study also revealed that the increase in cost of business operations and reduction in the profit margin of business operators have led a decrease in the number of people employed by business operators in Aba metropolis.

RECOMMENDATIONS

Based on the above findings, the following recommendations were made

- 1). The federal government should allocate greater proportion of the revenue derivable from the federation account to states and local governments. This is to enable them increase their revenue and discourage them from looking out for other sources of revenue from which they are expressly barred from collecting by the provisions of the constitution.
- 2). Government should enlighten its revenue agents and officials on the legal implications of multiple taxation.
- 3). There should be an agency that will ensure that all tiers of government restrict themselves within their tax jurisdiction. Moreover, tax laws should be strengthened to ensure that there is stiff penalty against any tier of government that violates it.

CONCLUSION

To a large extent, any society that is not actively involved in business activities is dead. Therefore, for a society to be alive there must be a high level of business activities to enhance economic growth for the betterment of both the citizens and the entire society. In view of this, there is need to encourage commercial activities in Aba metropolis. Unfortunately, multiple taxes/levies have been identified as a pull down factor and it is also obvious that the existing business outfits are either on their ways to wind-up and new ones are discouraged from entering. The effect of this will be total stagnation of business activities and high rate of unemployment in the metropolis. In other to avoid this, multiple taxation should be discouraged in its entirety.

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