

MULTIPLE TAXATION AND PROFITABILITY OF SELECTED SMALL SCALE BUSINESS IN TARABA STATE, NIGERIA

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ABSTRACT

This paper examined Multiple Taxation and Profitability of Small Scale Business in Taraba State, Nigeria., It is presumed that small scale businesses are faced with payment of multiple taxes, incessant high and arbitrary charges, and inadequate provision of essential amenities that could foster the progress of the business, non-proper registration and assessment of businesses before levying tax by the tax authorities. A survey design was adopted and the respondents were 98 involving the entrepreneurs and staff sampled from the fifteen (15) bread bakeries in Jalingo metropolis. Random sampling was used in selecting the respondents. The modified Linkert's pattern of data measurement was adopted. Questionnaires were administered on the two samples of respondents namely: entrepreneurs and their employees. Data were collected, tabulated and analyzed using descriptive statistics. One hypothesis was tested using standard deviation to test the influence of multiple taxes on profitability of bread bakeries. It was discovered that multiple taxes negatively affect profitability of small scale business. Small scale business is a major tool for accelerated economic development of any nation and tax is supposed to therefore contribute to the development of the country; yet, small scale businesses pay multiple taxes which at the long run significantly affect their profitability. Tax authorities are equally expected to demonstrate the principles of equity, convenience and economy in tax collection. It was recommended that tax authorities should ensure proper documentation, computation of profits before assessing businesses for payment and laws governing taxation of

small scale businesses should be revisited to ensure that multiple taxation is minimized or even eradicated so that small scale businesses could continue to remain in business for the purpose of national development.

1. INTRODUCTION

Government plays great role in any national economy. This is particularly true in the developing countries where government has to initiate and promote economic development. To achieve its purpose, government uses different instruments to mobilize funds and channel same to the provision of essential services and amenities; protection of its nationals, provision of education, health care services etc. By so doing, the government raises revenue which takes a number of different forms such as taxation, borrowing, grants, rents royalties, fees and other charges.

Taxation is the main source of government revenue and tax can be defined as “a compulsory levy imposed by a public authority on the income, capital, and profit or wealth of an individual, family, community, estate, corporate or unincorporated body for the public purpose” (Okezie, 2003).

The policy of taxation in Nigeria is directed towards achieving specific objectives which include among others revenue generation and economic growth. Therefore, avoidance and evasion affect both the volume and nature of government finances generated being the key to economic development.

Tax administration has been structured in such a way that from the federal government level through state to the local government level it can be assessed and collected in all sectors of the economy.

The world over, small scale business play a much more important role in economic growth and development, which can best be described as the bedrock of rapid and sustainable growth and development of any society. Prior to the 19th century, cottage industries mostly small and medium scale business controlled the economy of Europe (Joseph 2004). The industrial revolution changed the status quo and introduced mass production by 1970s. The mass production model was seen as not relevant which eventually led to the unexpected reappraisal of the role and importance of small scale business in the global economy.

The value of small scale industries cannot be over emphasized. Small scale business can be characterized by dynamism, innovations, efficiency and their small size allows for faster decision making process.

Poverty is one of the most serious problems confronting Nigerians today (Joseph, 2004). Therefore, absolute poverty exists, due to the inability of a person or group of persons to satisfying their most basic and elementary requirements of human survival in terms of good nutrition, clothing, shelter, education, recreation etc. It is generally believed that absolute poverty can be eradicated or reduced thus, government introduction of some intervention programs. Nigerian government has realized the importance of small scale industries and has formulated public policies to encourage, support and fund small scale business (Itodo, 2011). Also, the former president (Goodluck Jonathan's) introduction of the Youth Enterprise within Innovation in Nigeria (YOUWIN), which was a joint initiative of the Federal Ministries of finance, Youth Affairs, women Affairs and Communication Technology, aimed at encouraging and supporting ambitious and creative enterprises, for young men and women to develop and implement business ideas for job creation. This program if it had been properly implemented it was expected to employ between 80,000 to 320,000 new jobs at the cost of 10 billion naira by September, 2013.

Hence, Small scale business creates avenue for employment generation, solid entrepreneurial base and encourage the use of local raw materials and technologies. Small scale business creates employment, increase job growth, induce change, innovation and competition. The benefits accruable from small scale industries are easily noticeable. These benefits include contribution to the economy in terms of output of goods and service; creation of jobs at relatively low capital cost, especially in the fast growing service sector. Provides a vehicle for reducing income disparities, develops a pool of skilled and semi-skilled workers as a basis for the future industrial expansion; often, an excellent breeding ground for entrepreneurial and managerial talent, the critical shortage of which is often a great handicap to economic development and provides opportunities for development among others.

The fact that small scale business contributes greatly in development of nation's economy; yet, Nigerians still face harsh economic conditions since early 1980s (Ezekiel, 2009). These resulted

in several government policies designed to alleviate the bad situation (Okauru, 2012). Among these policies is the Structural Adjustment Program (SAP) which was supposed to make Nigerians look inward for solutions to their problems. The Federal Government of Nigeria has emphasized that one of the solutions to such unhealthy situation is the establishment of small scale business.

However, in recent times in Nigeria, the World Bank by some estimates said that 56 percent of Nigerian youths were jobless. However, Adebisi (2013) is of the view that over the years, small and medium scale enterprises have been an avenue of job creation and the empowerment of Nigerian citizens, providing about 50% of all jobs in Nigeria and also for local capital formation. The M.O Ibrahim foundation opined that Nigerian educational system is not structured in such a model as can produce graduates who are comprehensively groomed with the 21st century compliant skills. Furthermore, M.O Ibrahim (2003) also said that Africa had the lowest share of engineering graduates in the world which has grossly discouraged the growth of small businesses among Nigerian Youths who in their millions roam the streets searching for the elusive white collar jobs rather than being encouraged and empowered to become investors and small business operators. For example, researchers that work with <http://www.evolveyourbiz.com> emphasized that small businesses in the United States are key to job creation and indeed are credited for creating nearly 50 percent or more of the jobs in the U.S economy. According to them, in U.S., small business employs over half of the nation's work force (Ezekiel, 2009).

Despite the laudable objective of the government, the rate of failure of small scale business had been quite high (Adebisi, 2013). Small scale business is characterized by mismanagement, lack of capital backup, inability to train and retrain workers, lack of certified public accountants to help in keeping accounting records, inadequate knowledge of the market situation, limited control to ascertain fraud, illiteracy and ignorance, inability to distinguish between working capital and personal cash, lack of growth, inadequate funding, incessant closure of business, unorganized system of account or poor management of funds, non- motivational welfare factors, inadequate resources and raw materials needed for production, ineffective communication among others.

Profitability is the ability of an enterprise to use its resources to generate revenues in excess of its expenses. Profitability always fascinates a businessman. This is because the business owner is always interested in success than failure. Those charged with running businesses whether small or large know all too well that failure is a possibility if the right steps are not taken. Cross the thin line, and at the slightest mistake, failure will show its face. Failure can stem from excessive payment of tax or double taxation. Records show that businesses close down after one or two years of operation particularly new businesses. This could be attributed to high taxes, incessant and arbitrary payment of taxes, and lack of provision of essential amenities by the government even after payment of tax, non-documentation or registration of small scale businesses by tax authorities etc.

Profit is one of four building blocks for analyzing financial statements and company performance as a whole. Profitability is the primary goal of all business ventures. Without profit, the business will not survive in the long run. So, measuring current and past profitability and projecting future profitability is very important. Profitability is measured with income and expenses.

To this end, this paper examined Multiple Taxation and profitability of small scale business (a case study of Bread Bakeries in Jalingo metropolis of Taraba State) and proffered solution to problems confronting it.

Statement of the Problem:

In recent times it is believed that small scale businesses provide about 50% of all jobs in Nigeria and also for local capital formation. Its benefits are inexhaustible. Sad enough, the mortality rate of small scale business is very high (Adebisi, 2013). Among some of the factors responsible for close-up include multiple taxation, incessant high and arbitrary payment of taxes, and inadequate provision of essential social amenities by tax authorities even after payment of tax and, non-documentation/registration of small scale business by tax authorities. To buttress this fact, Adebisi (2013) in his findings revealed that multiple taxation of the resources of small scale businesses have negative effect on their survival in Nigeria. Adebisi (2013) further stressed that “existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by costs when scaled by sales or assets, the compliance costs of

Small and Medium Enterprises (SMEs) are higher than large businesses”. How can we then evolve an efficient and effective process to ensure optimum tax collection by the government to meet its financial obligation without taxing the small scale businesses arbitrary but as required by the law to enable them remain in business?

At the moment, there is no known literature to remedy the situation. How can this scenario be reversed to create room for small scale business (Bread Bakeries in Jalingo Metropolis of Taraba State) to thrive? However, this work therefore deems it fit to conduct an empirical study on multiple taxation and its effect in the profitability of bread bakeries in Jalingo metropolis of Taraba State.

Objective of the study

The main objective of this study is to examine multiple taxation and performance of small scale business (a case study of Bread Bakeries in Jalingo metropolis of Taraba State).

The specific objectives are to:

- i. Examine the extent to which multiple taxation by tax authorities influence the profitability of Bread Bakeries in Taraba State.
- ii. To examine the level to which lack of provision of essential amenities by the government influence the performance of Bread Bakeries in Jalingo metropolis of Taraba State.
- iii. Ascertain to what extent does non-documentation/registration of Bread Bakeries by tax authorities influence tax payment.
- iv. Examine the extent to which excessive and arbitrary payment of tax influence the profitability of Bread bakeries in Jalingo metropolis of Taraba state.

2. LITERATURE REVIEW Conceptual Issues on Tax Structure

Aguolu (2004) defined tax as “compulsory levy by government through its various agencies on the income, capital or consumption of its subjects”. Ochiogu (2003) says “Tax is a levy imposed by the government against the income, profit or wealth of the individuals, partnership and corporate organization”. Tax could also be seen as a compulsory levy imposed by government on

individuals, goods and service and corporate bodies for the purpose of financing government expenditure (Ojo, 2003). Okezie, (2003) equally sees taxation as a levy by public authorities on citizens within their tax jurisdiction for the purpose of obtaining compulsory payments to meet financial, social and economic needs of its people. Black's Law Dictionary describes a tax as "a ratable portion of the produce of the property and labor of the individual citizens taken by the nation, in the exercise of its sovereign rights, for the support of government, for the administration of the laws and as the means of continuing in operation of the various legitimate functions of the state". Therefore, a tax is an enforced contribution of money to legislative authority. There must be valid status by which it is imposed. A tax has to be backed by written law and it has to have the identified characteristics. Hence, in dictating a tax it is important to look for its essential characteristics aside the regular use of the terms such as custom, exercise, subsidy etc to represent taxes.

Taxation has existed with man from time immemorial, manifesting itself in various forms. A relationship has always existed between citizens and public authorities whereby, the two parties have to contribute to provide economic and social services for the benefit of all. This compulsory contribution has created inconveniences for the citizens and in some cases highly resisted. For example, the famous Aba riot of 1920s has one of its main cause being that, the colonial authorities attempted to levy taxes on women (Okauru, 2012).

Payment of tax is compulsory and enforced by the legal system, some political philosophy view tax as theft or slavery, or as violation of property rights, tyranny, accusing the government of levying taxes using force and coercive means. Such individuals such as voluntary individualists, anarchists, objectivists, anarchy-capitalists, and libertarians see taxation as government aggression. Hence, Walter E. Williams, Professor of economics sees government income redistribution programs the same as theft due to biased distribution (Ojo, 2003).

2.2 Major Areas where Taxes are levied

Occupational taxes or license fees (Okezie, 2003). These may be imposed on businesses or individuals engaged in certain businesses. Many jurisdictions impose tax on vehicles. A poll tax can equally be called a "per capita tax" which is a tax that levies a set amount per individuals. It is an example of the concept of fixed tax. One of the earliest taxes mentioned in the Bible, a half

shekel per annum from each adult Jew (Ex. 30:11-16) was a form of poll tax. Poll taxes are administratively cheap because they are easy to collect and difficult to cheat.

Consumption Tax: This refers to any tax on non-investment spending, and can be implemented by means of a sales tax, consumer value added tax, or by modifying an income tax to allow for unlimited deductions for investment or savings.

Environmental Tax: This includes natural resources consumption tax, petroleum tax etc. the stated purpose is to reduce the environmental impact by reprising.

2.2 Purpose of Taxation (Okezie, 2003; Ojo, 2003):

Revenue Generation: The traditional role of taxation has been to generate revenue to finance its activities, such as social services, administration of government and capital projects. This revenue is generated by the local, state and federal authorities.

Redistribution of Income: All salaries and wage earners are taxed by the government from the incomes they receive. Income can be redistributed by adopting the progressive system of taxation. Hence, income redistribution is used in favor of the poor whereby higher tax rate is imposed on high income. The higher revenue generated from the high income earners are used for provision of services for all. Furthermore, leverage situation is achieved in a relative sense by taking more from those who earn high.

Protection of Home industries and promotion of economic growth: One of the ways the government employs to protect home industries is by raising custom duties so as to discourage foreign importation of goods. This is done by charging high custom duties and tariffs. This will discourage imports and therefore help to protect local production and consumption of the product. Another way of protecting indigenous local industries is by granting tax relief. Government may equally introduce tax holiday to companies or charged low taxes; this may induce further investment and economic growth. Furthermore, during depression, a reduction of tax rate results in inflationary effect which eventually stimulates consumers' demand thus encouraging more production.

Redistribution of resources: In a lazier-fair (free market economy), the pattern of allocation of resources for production can be influenced by tax system in operation. Generally, essential commodities like wares, sugar, meat. attract lower taxes whereas taxes like alcohol, tobacco attract high rate of tax.

The primary purpose of taxation includes:

Raising revenue for government's expenditure which is the quickest way of generating revenue by the government and to influence economic activities in the nation (Tabansi-Ochiogu, 2003). Tax polices provide mechanism for influencing consumer demand as well as providing incentives for production, investments and savings. Other reasons for taxation include bridging the gap between the poor and the rich. Tax is used as a process through which the inequalities between the rich and the poor are reduced; as the rich pays higher than the poor. Tax is also used as a medium to curtail or restrain consumption of undesirable goods and services. When government wants to reduce or minimize the consumption of some undesirable goods such as tobacco, jewelry etc. it raises its tax to discourage consumption which in effect causes the price of the goods to rise, resulting in reduction in demand whereby consumers switch over to close substitutes. It is equally used to correct balance of payment problems. It serves as a medium for protection of home or infant industries and a tool to combat inflation and encourage investment.

Defects or malfunctioning of taxation: It is obvious that the benefits of taxation abound, yet there are adverse effect on the tax payer as well as the economy in general if not properly controlled and directed. Some of these negative effects of taxation include the following according to Ojo (2003):-

- **Disincentive to work:** When a high or too high rate of tax is imposed on an individual's income, it could discourage the individual from working hard. A worker may not be willing to work extra time particularly if the extra pay will lead to additional tax payment. These will in-turn lead to low productivity. Some other persons may equally not want to work harder because working harder implies higher tax payment.
- **Discourages investment:** Supposing investors or companies are taxed high, this will definitely affect or discourage investment. If greater part of income or profit from one's

business is charged to tax, the resultant effect of law investment is little productivity and little future income.

- **Encourages price inflation:** When goods and services are taxed high, this will increase the prices of goods and services and will in-turn bring about inflationary trends if such trends persist. High tax rates may lead to under spread tax evasion and tax avoidance. When taxpayers no longer desire to pay tax, it may degenerate to a total breakdown of law and order which can eventually affect or lead to decrease in revenue generated through tax. Hence, employees may seek fixed income jobs.

2.3 Qualities of a good tax system (Tabansi-Ochiogu; Ojo, 2003) include the following:

Adam Smith in his book titled “Wealth of Nations” published in 2015 discussed four qualities of a good tax system which must be observed for efficiency. These include the following:-

- **Equality:** Tax payers in the same income group should pay the same amount of tax; especially when their tax conditions are the same. That is to say that there should be absence of discrimination or favoritism.
- **Certainty:** There should be no confusion regarding when, what, where and who to pay tax. The identity of the tax payer must be known, the amount to be paid must be certain, there should be no dispute about the relevant tax authority and the payment period must be clearly stated.
- **Convenience:** The time of payment and mode of payment clearly determined not to discomfort the tax payer. That is, the location of the tax office and the disposition of tax officer as well as the environment where the taxpayer lives should not discomfort the taxpayer.
- **Economy:** Taxes should be economically collected. This is to say that the amount generated as tax should reasonably exceed the expense incurred in tax collection.
- **Enforceability:** That is being good, capable of enforcing the payment of a tax levied hence, the enforcement of payment come through tax laws.
- **Acceptability:** It must be accepted generally by taxpayers as a legal way of raising money by the government. Taxpayers must not be put in conditions to suspect the system’s transparency, to facilitate its acceptability.

- **Stability:** A good tax system should be for the economic well-being of its citizens and as a tool to achieve the objectives of the fiscal policy.
- **Plausibility:** Government should be flexible in determining the amount to be paid as tax such that it could be adjusted either upward or downward as the situation warrants or as government deems fit. Hence, a good tax system should be responsive to changing realities especially in federal and democratic country where there are always changes of government. That is, a tax system should be adjustable to allow for scrapping of obsolete tax system and replacing same with meaningful tax process (Zubiaru, 2004).

Personal Income Tax Legislation:

The current existing tax legislation on personal income tax administration is the personal income tax decree 104 which replaces:

- i. Income tax management Act of 1990
- ii. Income tax (Armed forces and other persons) 1990
- iii. Personal Income Tax (Lagos) Act of 1961

The main purpose of these legislations is to regulate personal income taxation in Nigeria. This happens at various points in time hence, different legislature at different times. Principally, they regulate the assessment and collection procedures for the taxable individuals including family, sole, corporation, trustee or an executor having any income that is chargeable to tax under the provision of the decree PITD 104 of 1993.

Value Added Tax Decree 102 of 1993

The emphasis of the government is now on consumption tax which is relatively easier to collect with minimum cost. Value Added Tax (VAT) is a consumption tax on the supply of VATABLE goods and services. VAT decree regulates the procedure for assessment and collection of the tax, of which the present rate is 5%.

Stamp duties: Stamp duties are taxes on documents and not on any transactions or persons. Hence, it is a tax on instruments or written document. Transactions that are orally carried out need to be affixed stamps, such as fixed duties and Ad-valorem duties.

Classes of income: As stated earlier, tax is a levy imposed by the government against the income, profit or wealth of the individual, partnership and corporate organizations. Various types of income include the following;

- **Income from employment:** These include wages, salaries and bonuses. It is normally collected through the system of Pay — As — You — Earn (PAYE). The employee must have filed his/her annual return form or income tax form issued by the Internal Revenue Department. This return form indicates income and claims for relief and allowances. Therefore, upon the completion and return of the tax return form, the employee is issued with a tax code which guides the employer on the amount of tax to be deducted from the employee. Tax deducted is forwarded to Internal Revenue Office nearest the place of work with stipulated date normally ten days.
- **Income from profits of trade, profession or vocation:** This income includes trade profits; profits of professions e.g. like lawyer, accountancy, medical doctor etc.
- **Income from investment include:** interests; dividends received. The company paying these dividends and interest deducts from source before paying the net amount to the employee which is known as “withholding tax”.
- **Income from land and building:** such as rents and royalties. The total amount involved as rent is ascertained first of all, expenses deducted and net amount is charged to tax. Miscellaneous income includes other income not chargeable under any of the above heads, such as casual commission received.

2.4 Administration of tax in Nigeria

There are five (5) administrative set ups in Nigeria. These administrative set ups are composed of the following and their major functions (Ojo, 2003):-

The Joint Tax Board (JTB): This is made up of the Federal Inland Revenue Service (FIRS) which acts as the chairman. This body is constituted by a representative from each state of the Federation.

Functions: Give advice to the Federal Government as regards double taxation arrangements, rate of capital allowances and other tax matters or amendments on Personal Income Tax Decree.

They ensure that uniformity is maintained in application of the Personal Income Tax Decree (PITD) and equally incidence of tax on individuals throughout the country is maintained. They impose their decisions on any state of the federation that does not apply the Personal Income Tax Decree (PITD) correctly. This is done to ensure uniformity in Nigeria.

Federal Board of Inland Revenue: The Board has an executive arm known as Federal Inland Revenue Service with members selected from (some) different parastatals to form the board.

Functions: Federal Inland Revenue Board (FIRB) collects companies' income tax, petroleum profit tax and Value Added Tax. Anything that has to do with assessment and collection of these taxes, they are responsible for that. Any property confiscated or taken as security as a result of any penalty, tax or judgment debt due on a company, the FIRB accounts for all such properties or proceeds to the minister of finance. They also serve as link between Nigeria and outside world. The FIRB can equally delegate Joint Tax Board to perform or exercise any of its powers, duties or functions. State Board of Internal Revenue, its membership is drawn within the state service to form the Board.

Functions: Responsible for the assessment and collection of Pay As You Earn (P.A.Y.E) as well as other personal income tax. Appointment, promotion, transfer and imposing discipline on employees of the state service. Recommends to the Joint Tax Board (JTB) on tax policy, tax forms, tax legislative and exemptions as required by law from time to time. Ensuring the effectiveness and optimum collection of all taxes and penalties due to government.

Local Government Revenue Committee: This is established specifically for each local government area of each state for their smooth operations. The chairman is the supervisor of finance at the local government, three local government counselors and two other persons who are experienced in finance serve as members.

Functions: The committee is responsible for the assessment and collections of all the taxes, fines and rates within the local government. They equally account for all monies collected to the chairman of the local government. They are responsible for the daily running of the local government treasury.

Joint State Revenue Committee The federal government established this committee in 1998. The chairman of the state Inland Revenue Service serves as chairman. The chairman of the local government revenue committee serves as member and other members drawn from some selected ministries within the state.

Functions: They implement the decisions of the Joint Tax Board; ensure that there is uniformity in tax administration in the state; act on instructions given to it by the Joint Tax Board and they equally enlighten the state, local government and members of the public on revenue matters.

2.5 Tax sources at the federal, state and local government levels

Table 2.5: Nigerian's major Taxes

NO.	Types of Tax	Jurisdiction	Administration/Collection
1.	Import duties	Federal	Federal
2.	Excise duties	Federal	Federal
3.	Export duties	Federal	Federal
4.	Mining rents and royalties	Federal	Federal
5.	Petroleum profit tax	Federal	Federal
6.	Companies income tax	Federal	Federal
7.	Personal income tax: Armed forces, External affairs and Federal capital territory	Federal	Federal
8.	Capital gains tax	Federal	States
9.	Personal income tax	Federal	States
10	License fees on television and wireless	Federal	States

	radio		
11.	Stamp duties	Federal	States
12.	Estate duties	Federal	States
13.	Gist tax	Federal	States
14	Sales or purchases tax	Federal	States
15.	Football tools and other betting taxes	States	States
16.	Motor vehicle tax and drivers' license fees	States	States
17.	Entertainment tax	States	States
18.	Land registration and survey fees	States	States
19.	Property tax	States	Local
20.	Market and trading license and fees	States	Local

Source: Akenbor & Arugu (2014).

Taxation of Sole Traders: Taxation of business is done on preceding year basis. Before computing the tax liability of a sole trader, the audited financial statement is first of all analyzed and examined to see whether or not the expenses included before arriving at the profit or loss are accepted for tax purpose in doing this, the expenses have to be ascertained that they are wholly, reasonably, exclusively and necessarily for the purpose of the trade or business.

Personal Income Tax: Personal income tax in Nigeria covers the following areas such as taxation of employees; taxation of sole traders; partnership assessment and taxation of estates, trustees and settlements.

Tax Jurisdiction: Person or individuals, who are not officers in the military nor police or officers of foreign affairs Ministry, pay their taxes (relevant tax authority) to the state where they reside in Nigeria.

Income Chargeable to Tax or Assessable Income: Tax is paid on various sources of income which include; - Gains! profits of any trade, business, profession or vocation; remuneration of any employment; gains / profits and premiums he receives as a result of use or occupation of his property; for example, rent, dividends, interest, commission and bonuses, discounts, pensions and annuity. Annuity is fixed amount of money paid each year to someone, usually until he/she dies. Bad debts recovered after cessation; pension, incomes brought into Nigeria from outside; overtime allowance, this is fully charged to tax. This is because the income accruing from it is treated as part of salary or wage.

Definition of small scale business: Definition of Small Scale Businesses according to Wikipedia dictionary are privately owned corporations, partnerships, or sole proprietorships that have fewer employees and/or less annual revenue than a regular-sized business or corporation. What businesses are defined as “small” in terms of being able to apply for government support and qualify for preferential tax policy varies depending on the country and industry. Small businesses range from fifteen employees under the Australian Fair Work Act 2009, fifty employees according to the definition used by the European Union, and fewer than five hundred employees, to qualify for many U.S. Small Business Administration programs. While small businesses can also be classified according to other methods, such as annual revenues, shipments, sales, assets, or by annual gross or net revenue or net profits, the number of employees is one of the most widely used measures.

Small businesses in many countries include service or retail operations such as convenience stores, small grocery stores, bakeries or delicatessens, hairdressers or trades people (e.g., carpenters, electricians), restaurants, guest houses, photographers, very small-scale manufacturing, and Internet-related businesses such as web design and computer programming. Some professionals operate as small businesses, such as lawyers, accountants, dentists and medical doctors (although these professionals can also work for large organizations or companies). Small businesses vary a great deal in terms of size, revenues and regulatory

authorization, both within a country and from country to country. Some small businesses, such as a home accounting business, may only require a business license. On the other hand, other small businesses, such as day cares, retirement homes and restaurants serving liquor are more heavily regulated, and may require inspection and certification from various government authorities.

Characteristics of Small businesses: Researchers and analysts of small or owner-managed businesses generally behave as if nominal organizational forms (e.g., partnership, sole-trader, or corporation), and the consequent legal and accounting boundaries of owner-managed firms are consistently meaningful. However, owner-managers often do not delineate their behavior to accord with the implied separation between their personal and business interests. Lenders also often contract around organizational (corporate) boundaries by seeking personal guarantees or accepting privately held assets as collateral. Because of this behavior, researchers and analysts may wish to be cautious in the way they assess the organizational types and implied boundaries in contexts relating to owner-managed firms. These include analyses that use traditional accounting disclosures, and studies that view the firm as defined by some formal organizational structure.

2.6 Measurement of Profitability: If the revenue from products and services is covering expenses, the business is turning a profit. However, the cash amount cannot explain why the profit. By calculating and comparing a handful of financial metrics, areas that are working well can be identified as well as other areas that need improvement. However, four (4) major measurements are essential in determining profitability of a business. These include Net Profit Margin which is the big picture (view) of the business; Gross Profit Margin; Comparative Expenses Analysis and Profit by Segment. Igbe et al (2008) considered small scale business to be profitable when it realizes not less than 30% of its investment each year.

2.7 Theoretical Framework

There has been increased interest in Small Scale industry particularly as a result of the global economic problems which has tended to crumble the global economy (Hanson, Honohan & Majnoni, 2003). Small Scale business forms the bedrock of rapid and sustainable growth and development. However, contributions in form of taxes from different sources and quarters are essential to aid the government in discharging her responsibility. Similarly, theoretical

framework to be used for this study is anchored on Adam Smith in the Wealth of Nations theory which emphasizes the need for Governments at all levels (national, regional and local) to raise revenue from variety of sources to finance public sector expenditure.

Adam Smith in The Wealth of Nations wrote:

“Such things as defending the country and maintaining the institutions of good government are of general benefit to the public. Thus, it is reasonable that the population as a whole should contribute to the tax costs. It is also reasonable to demand certain other things of a tax system—for example, that the amounts of tax individuals pay should bear some relationship to their abilities to pay... Good taxes meet four major criteria. They are (1) proportionate to incomes or abilities to pay (2) certain rather than arbitrary (3) payable at times and in ways convenient to the taxpayers and (4) cheap to administer and collect.”

Wealth of Nations, Adam Smith enumerated “justifiable” functions of government revenue. Thus, (i) the duty of protecting the society from violence and invasion by other independent societies; (ii) the duty of protecting every member of society from injustice and oppression of every other member of society; (iii) the duty of establishing and maintaining those highly beneficial public institutions and public works which are of such nature that the profit they earn could never repay the expenses to the individuals to provide them and which it therefore, cannot be expected that they would be supplied in adequate quantities; and (iv) the duty of meeting expenses necessary for support of the sovereign.

Other supportive theories include Arthur LeciPigou that is, “ability theory” and Erik Lindahl “benefit theory” known as the “voluntary exchange” theory. However, the components of tax include: effectiveness administrative, convenience and equity. Regardless of the review of related literature in this subject, there is link between the theory and components under the study.

3. Research Methodology:

In this study, survey research design was used to determine the relationship between multiple tax; lack of provision of essential amenities; non-documentation/ registration of business and excessive/arbitrary payment of tax and profitability of bread bakeries in Jalingo metropolis of

Taraba State. The population covered all fifteen (15) Bread bakeries in the metropolis with a total of fifteen (15) Entrepreneurs and 3,570 employees. Stratified random sampling method was used because it ensures that the sample is representative on the characteristics used to form the strata. Hence, a sample of 120 employees was drawn. Information gathered was through questionnaire, interview and government publications. Questionnaire contained self report statements and each rated on a modified Likert scale, ranging from strongly agree to strongly disagree. Oral interview was conducted especially on respondents who could neither read nor write. Statistical analysis employed included simple percentage to determine their rate of responses and standard deviation.

4. Data Presentation, Analysis and Result.

Table 4.1 Response rates of Entrepreneurs and staff of Bread bakeries

SN	Questions	SA	A	D	SD
1	Payment of many different taxes greatly affect business operations and its profitability negatively.	32- 32.65%	29- 29.59%	18- 18.37%	19- 19.39%
2.	Taxes are always paid after the determination of profit each year.	22- 22.44%	12- 12.24%	28- 28.57%	36- 36.73%
3.	Social amenities provided by the government include good roads, water, medical facilities, security, electricity for the operation of bread bakeries in Jalingo Metropolis.	11- 11.22%	22- 22.44%	20- 20.40%	42- 42.85%
4.	Adequate provision of essential amenities by the government ensures smooth operation of the	32- 32.65%	21- 21.42%	29- 29.59%	15- 15.30%

	business.				
5.	The business in operation	26-	38-	16-	15-
6.	presently had been duly registered with the tax authorities. Lack of registration of business with government and tax authorities makes the identification of tax collectors difficult.	26.53% 5- 5.10%	38.77% 15- 15.30%	16.32% 48- 48.97%	15.30% 30- 30.61%
7.	Monies paid are always receipted and such receipts indicate the authority (authorities) responsible for the collection.	12- 12.24%	20- 20.40%	31- 31.63%	35- 35.71%
8.	Taxes paid out of profits are minimal and convenient for payment.	18- 18.36%	23- 23.46%	22- 22.48%	33- 33.67%

H₀: Multiple taxes do not have negative effect on the performance of SMEs

From the analysis of feedback from the respondents above, it shows that bread bakeries pay different taxes which negatively affect their operations and profitability (62%). Moreover, taxes are often not paid after the determination of profit (65%). In addition, not minimal amount is neither collected nor convenient for payment to most bread bakeries (56%). Government fails to provide social amenities needed by these bread bakeries for their operation (63%). Most of these bread bakeries are formerly registered with tax authorities which makes the identification of tax

collectors easy by the entrepreneurs of these businesses (79%). Furthermore, monies paid to tax collectors are always receipted this makes the identification of the tax collectors easy (67%).

4.3 Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.473 ^a	.223	.215		.244

a. Predictors: (Constant), Multiple Tax

4.4 ANOVA^b

Model		Sum Squares	df	Mean Square	F	Sig.
1	Regression	1.641	1	1.641	27.613	.000 ^a
	Residual	5.706	96	.059		
	Total	7.347	97			

a. Predictors: (Constant), Multiple Tax

b. Dependent Variable: SMEs Performance

4.5 Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.819	.056		14.714	.000
Multiple Tax	.117	.022	.473	5.255	.000

a. Dependent Variable: SMEs Performance

The result of the regression analysis signifies that multiple taxes accounted for 47.3% of the variance in the performance of Small scale businesses. This implies that multiple taxes are positive predictor of performance of Small scale businesses. The results demonstrate that multiple taxes with ($\beta=0.473$, $p<0.05$) contributed to the discrepancy in profitability of small scale business. This means that multiple taxes affect performance of SMEs negatively. Adebisi (2013)'s findings supports this result in that multiple taxation has negative effect on SME's survival.

Discussion

On the basis of the analysis of the data the findings were made. Bread bakeries in Jalingo metropolis pay different types of taxes which negatively affects their operations and profitability. Adebisi (2003) supports the fact that there are other levies which small scale businesses pay such as community levy; youth levy and union association levy among others. Osita (2004) sees multiple taxation as a situation where the same profit or income respectively is liable for tax in Nigeria and still subjected to tax by another authority in Nigeria or another country outside Nigeria. However, this may not be different from what obtains in Jalingo metropolis which negatively affects the profitability of bread bakeries since even their operations are affected negatively.

Table 2.5 above indicates tax sources at the federal, state and local government levels, yet, this could be circumvented by some tax collectors. For example, bread bakeries operating in Jalingo metropolis pay taxes to Board of Internal Revenue (BIR) while tax collectors from Jalingo metropolis collect taxes from these business operators since Jalingo metropolis is part of Jalingo Local government. However, multiple tax implies that the profit of the business is charged to tax, the owner of the business if he/she is in paid employment or a wage owner his earned and unearned income are levied, raw materials for production, finished goods are charged to tax (VAT); if the entrepreneur or his business is operated in more than one state or local government. If he is an importer or exporter, he pays community tax among others.

The purpose and existence of small scale business is for generating profit meant for reinvesting and expansion of the small scale business. However, the most worrying aspect of the business is the mortality rate which is very high (Adebisi & Gbegi, 2013). Holban, (2007) emphasized the need to devise methods to encourage the growth and development of small scale enterprise so as to ensure that they reach their full potential. Similarly, a favorable business and regulatory environment needs to be created for them to thrive. The focus therefore, should be on small scale businesses' growth through tax policy addressing-the problems threatening the existence and advancement of small scale enterprises (Olowale, & Garvwe 2010). This is because for accelerated economic development to be achieved in any nation, it requires the participation of the private sector particularly the small scale business.

The tax law specifies that taxes (Businesses) be paid on preceding year basis and should be convenient for taxpayer. However, taxes collectors receive taxes from bread bakeries in Jalingo metropolis at anytime violating this principle thus, discomforting the taxpayer or otherwise the money that should have been reinvested into the business.

Social amenities provided by the government do not correspond with the tax collected to enable the bread bakeries run their businesses at minimal costs.

The essence of registering bread bakeries (businesses generally) is for identification purpose and ease of tax collection by both the taxpayer and the tax authority. Similarly, all payments are receipted showing the tax authority to which the bread bakeries are liable to pay tax to. Why then do bread bakeries in Jalingo metropolis pay different types of taxes which negatively affect their profitability if they truly understand the tax authority they are responsible to? Why should they pay high taxes? However, this could be attributed to their (i.e. entrepreneurs) level of education. It was for this reason that Adebisi (2013) and Onwumere (2000) emphasized that small scale business needs to own sufficient knowledge or be an originator of profitable ideas as an independent private businessman, operating for the sake of making profit, also being confident, task result oriented, risk taker, leader, innovative, creative, flexible, knowledgeable, having foresight and can perceive into the future among other characteristics.

Why multiple tax? This happens in cases where first and foremost, profit of the business is charged to tax; the owner of the business if he/she is on paid employment or wage owner, his earned and unearned income are levied, raw materials, finished goods etc. are charged to tax (VAT); if the owner or his business is operated in more than one state, if he is an importer or exporter (he pays foreign countries also), he pays community tax among others. More to that Adebisi, (2003) supports the fact that there are other levies which small scale businesses pay, such as community levy, youth levy, and union association levy, among others.

5. Conclusion and Recommendations

This study examined multiple taxes and profitability of small scale business. The result indicated that multiple taxes negatively affect profitability of bread bakeries in Jalingo metropolis. Nigeria is constantly faced with poverty and to overcome this challenge, there is the need to encourage

the establishment and sustenance of small scale businesses through policies that will build and make their businesses profitable. One of the ways is by ensuring that discriminate, high and inconsistency in collection of tax is avoided.

Before taxes are collected, thorough and accurate information or assessment is carried out on small scale businesses before payment is made. Tax authority or collectors responsible for collection of tax must be the only agents charged with the responsibility of collection from specified businesses. This is to avoid multiple payment of tax.

Tax laws should be regulated to favor the small scale business to ensure their continuous existence in business by avoiding unnecessary deductions that will affect the profit margins of these businesses.

Small scale businesses that have existed for the first ten years should be allowed tax exemption to ensure their continual existence in business. This is because, this period requires learning, acquiring experience, adjustments for the business to actually get its footing and be established. Moreover, this is the period of adapting to certain changes before actual profit begins to trickle in.

There is the urgent need for the government to provide the required enabling environment for the small scale business to thrive. This should be done by providing infrastructural facilities such as electricity, water, road, good communication system, security among others since it is for this purpose that the government generates revenue. These infrastructural facilities (which serve as input) will aid most of these small scale businesses in the process of running their affairs.

Tax rate used for small scale business should be moderate and payment should be made at the time that is favorable to them. That is, time frame should be created within which taxes should be paid to allow the small scale enterprise pay out of the profit generated and not from the capital of the business as indicated from the findings.

Okauru (2012), opines that intensive taxpayer education be carried out to reduce the incidence of multiple taxes. Okauru further added that tax authorities and educational institutions should play key roles in taxpayer education.

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