



Foundation for Partnership Initiatives in the Niger Delta

AN ASSESSMENT OF THE EFFECTS OF MULTIPLE TAXATION AND ILLEGAL LEVIES ON SMALL BUSINESSES IN ABIA, DELTA AND RIVERS STATE.

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ABBREVIATIONS

ASSM	Artisanal and Small-Scale Miners
CSOs	Civil Society Organisations
LGAs	Local Government Areas
MSME	Micro, Small, and Medium Enterprise
SMEDAN	Small and Medium Enterprises Development Agency of Nigeria
VAT	Value-Added Tax
FGD	Focus Group Discussion
KII	Key Informant Interviews
SPSS	Statistical Package for Social Sciences
CAC	Corporate Affairs Commission
FIRS	Federal Inland Revenue Service

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PIND Advocacy

EXECUTIVE SUMMARY

Inadequate electricity supply, limited access to finance, and multiple taxations are significant challenges to conducting business in the Niger Delta and Nigeria at large. While much attention is directed towards oil wealth, it's crucial to acknowledge the indispensable role that MSMEs play in job creation and empowering the Niger Delta community. These enterprises make substantial contributions to livelihood by accounting for over 65% of all employment opportunities and local capital formation. However, despite being the engines for economic growth, diversification, and poverty reduction, MSMEs face a challenging business environment. This study revealed how the multiplicity of taxes and indiscriminate imposition of illegal levies, an overwhelming overall tax burden, contribute to the alarmingly high mortality rate among these small businesses.

This study examined the impacts of these multiple taxes and illegal levies on nano., micro, small, and medium-scale enterprises in Abia, Delta, and Rivers States, Nigeria. Data were collected from October 11-25, 2021, across 12 local government areas (LGAs) in the three states, focusing on major cities and urban and peri-urban towns with high economic and trading activities.

Study Objective

The primary aim of this study is to provide an adequate evidential basis to advocate for the implementation or enforcement of policies by governments that seek to alleviate the substantial tax burden on MSMEs, thereby enhancing their profitability and ensuring their survival. This endeavor is driven by fostering capital accumulation, stimulating investments, and facilitating job creation. The envisioned outcome is a revitalized business landscape with expanded enterprises and heightened economic efficiency within the states.

Specific objectives include:

- To understand the impact of different forms of taxes and levies on small business operations.
- To showcase the challenges that small businesses confront in their daily operations.
- To identify the challenges of tax collection processes that mostly informal small businesses face.
- To highlight the various ways that tax and levies administrative practices and policies specifically affect the sustainability of small business enterprises in the Niger Delta
- To produce a tax matrix highlighting the various taxes and levies (legal and illegal) imposed on small businesses in the three focal states.
- Provide an evidence-based document to influence the review of tax policies in the focal states

Methodology and Approach

Two critical research approaches (participatory and field observations) were combined to gather quantitative and qualitative secondary and primary data for this study. Questionnaires focused on group discussions and key informant interview tools were deployed to collect primary data, while a comprehensive literature review was employed to analyze secondary data. Primary data was collected from October 11-25, 2021.

In all the focus cities and towns, the field staff gathered data using questionnaires and a checklist of questions for focus group discussions (FGDs), key informant interviews (KIIs), and site observation. Specifically, the study sampled 50 businesses across the three states. The sample size was derived from the stratification of the business population in each location. A self-administered questionnaire was used to collect primary data, and a checklist of questions was used for the KIIs and FGDs. The survey data were quantitatively analyzed in simple percentages. Also, the research hypotheses that “multiple taxation and illegal levies bedevil the growth of MSMEs in the region”

were tested and analyzed using the Statistical Package for Social Sciences (SPSS) model.

Description of Study Area

The study was carried out in three Niger Delta States and 12 LGAs within the states. The towns and communities include Port Harcourt, Aba, Asaba, Umuahia, and Warri. The areas consist primarily of illiterate/semi-literate traders and small business owners trading mainly in agriculture value chain produce.

Findings

Overall, the study shows that the multiplicity of taxes is a significant constraint to the growth, profitability, and survival of small enterprises in the region. The specific findings are:

- The majority of small businesses pay taxes to the three tiers of government most of the time.
- Tax administration and collection do not consider the size of a particular business when enforcing payments.
- Tax administrative costs substantially amplify the tax burden on small businesses.
- Businesses, in most cases, pay the same tax to different arms of the government
- Multiple taxations affect the growth and survival of small businesses negatively.
- The presence of mobile fees and indiscriminate levies exacts punitive effects on traders and their trading activities across local and state boundaries.
- Road levies and charges prevent the development of cross-state value chains and cause segmentation.
- The three tiers of government are exploiting the current tax base and lack coordination of tax administration to the detriment of small businesses

Recommendations

The systemic challenges posed by multiple taxations and illegal levies identified elicit the following recommendations:

- The three state governments should undertake a process of tax administration and collection reform that clarifies the responsibilities of tax authorities at lower levels of government.
- The federal government should harmonize taxes and the tax collection process. This will reduce bottlenecks associated with tax administration and efficient tax collection.
- State governments should strive to eliminate illegal levies (commonly referred to as nuisance taxes) and align tax bases to reduce the multiplicity problem.
- Reduce mobile levies by abolishing fees and levies on mobile factors and removing roadblocks to internal traffic.
- Improve transparency in the tax system. This will help eliminate the chances of corruption and harassment by tax officials.
- The government should frequently raise taxpayers' awareness of the list of approved taxes at the federal, state, and local levels to check arbitrariness in assessments.
- Government should be encouraged to publicize taxpayers' rights and responsibilities.
- Tax collection should be based on the sizes and profits of the MSME.

¹The nanobusiness is a new business category that fits beneath the microbusiness category to describe businesses that employ less than one person.

1

INTRODUCTION

1.1 Background and Statement of the Problem

In Nigeria, MSMEs comprise 96% of the economy, and their activities contribute immensely to the country's gross domestic product (GDP). These MSMEs have been the avenue for job creation and empowerment of most working-age citizens. They provide over 50% of all the country's employment and local capital formation. However, research shows that the rate of closures of these small firms is very high. According to the Small and Medium Enterprise Development Agency (SMEDAN), 85% of small businesses in Nigeria die before their fifth anniversary.² Among the factors responsible for these untimely close-ups are tax-related issues, such as multiple taxations, illegal levies, enormous tax burdens, etc.

Despite the abundant oil wealth in the Niger Delta region, individual states face formidable challenges. Sustainable economic growth remains elusive, and over half of the population lives in poverty. Given the low employment capacity in the oil sector, economic diversification has become pertinent for sustainable growth, job creation, and poverty reduction. Small businesses, widely regarded as the driving force behind development and diversification, offer the region a platform for a comprehensive economic diversification strategy. Nonetheless, they persistently encounter a demanding business landscape. Alongside enduring issues such as inadequate electricity supply and insufficient infrastructure essential for business sustainability, challenges, including limited access to finance, multiple taxation, and illegal levies, pose significant obstacles to regional enterprises.

In many government policies, MSMEs are usually seen and treated the same as large corporations. However, their size and nature make them unique and vulnerable to multiple and illegal tax collection activities. In the Niger Delta, like most parts of the country, small businesses remain largely in the informal sector of the economy because the perceived benefits of remaining informal outweigh the perceived costs.

While taxes serve as crucial revenue sources for governments to foster economic development and deliver social services, small businesses grapple with the adverse impact of taxes and levies on their ability to maintain operations and scale their businesses. MSMEs face highly discriminatory tax rates, multiple levies, complex tax regulations, and a need for proper enlightenment or education about tax-related issues. They are also challenged by government policies and regulations, which adversely affect their operations. All of these eat deeply into their revenue, impeding their growth and survival.

While federal, state, and local governments strive to stabilize general price levels and enhance employment prospects by fostering the establishment of small-scale enterprises, the imposition of new taxes and levies and the escalation of existing ones significantly hinder business activities. In an environment where trade taxes, levies, surcharges, and various other fees contribute to the operational and transactional costs of businesses, the arbitrary implementation of these fiscal measures amplifies uncertainty for enterprises in the Niger Delta. It exacerbates the overall cost of doing business.

The impact on competitiveness and, therefore, external integration is also profound. The levies imposed on transport workers plying Niger Delta roads, for example, affect producers of consumer goods, hindering the integration of internal markets and the overall economic activities within the region. This has far-reaching economic and social repercussions, including implications for poverty

²2014 Conference on Small and Medium Enterprises held in Yenagoa, Bayelsa State, Nigeria: Opening remarks delivered by the then Director-General of SMEDAN; Hon. Bature Umar Masari at the 20th International Conference on SMEs.

levels. The levies on transportation diminish competition that could drive down prices for consumer goods these businesses produce and enhance overall efficiency. It penalizes traders who operate across local and state borders, inhibiting the establishment of a cross-state value chain and resulting in the fragmentation of the region's territory into smaller economic entities.

Currently, more than fifty legal taxes and levies are imposed by the federal, state, and local governments in Nigeria.³ It is even more concerning that these taxes are often levied on the same income or profit base by all three tiers of government. Multiple taxation carries significant cost implications for businesses, especially small and medium enterprises, and prospective investors. It fosters an unfriendly business environment, leading to a loss of man-hours for government and private entities, resulting in persistently low productivity levels.⁴ Several businesses, including manufacturing companies, have ceased production in the Niger Delta region, relocating their factories to more accommodating states such as Ogun and Oyo in the southwestern part of Nigeria.

There are reasons to be sympathetic to the local government's indiscriminate illegal charges. Nigeria has no municipal or metropolitan governments. Local governments, the primary source of these illegal taxes, have mainly become marginalized entities, primarily because their share of the federal revenue is channelled through their respective state governments. This arrangement allows the state to deduct charges from the local government allocations. Additionally, state governments exert control over their local counterparts through expenditure authorization powers, with local government annual budgets subject to prior approval by state ministries of local government affairs.⁵

³<https://www.olaniwunajayi.net/blog/impact-of-multiple-taxation-on-businesses-in-nigeria/multiple-taxation>

⁴See Ajayi Olaniwun's highlights of taxes and levies with respective tax bases and rates set out in his article on the "impact of multiple taxations on businesses in Nigeria 2018.

⁵<https://openknowledge.worldbank.org/handle/10986/24376>

2

CONCEPTUAL FRAMEWORK AND LITERATURE REVIEW

2.1 Conceptual Issues

Multiple taxation and illegal levies in Nigeria must first be defined before being tackled. The word multiple connotes “numerous,” “several,” “various,” etc. A more general definition of taxation is money private individuals, institutions, or groups pay to the government. It may be levied upon wealth or revenue as a surcharge on prices. This definition, therefore, sees taxes as a proportion of the produce of the land and labour a country places at the government's disposal.⁶ On the other hand, multiple taxations are the imposition of different types of taxes that could come under one major tax form on the people by the government. Sometimes, some of these taxes are referred to as levies.⁷ However, within the context of this work, all required payments made by individuals and institutions to the government are regarded as taxes.

According to the National Tax Policy Document, **multiple taxations occur “where tax, fee or rate is levied on the same person in respect of the same liability by more than one state or local government council.”**⁸ With due respect, this definition is too narrow to the extent that it implies that the multiplicity of taxes occurs only with state and local taxes, differing from the general usage of the multiplicity of taxes by stakeholders. The literature has compelling arguments against the menace of the multiplicity of taxation and illegal levies. Like a cat with nine lives, multiple taxations and illegal levies have refused to die and continue to wreak havoc on stakeholders, average citizens, businesses, and even households in the Niger Delta. It manifests in at least four ways:⁹

- First, it refers to various unlawful compulsory payments being collected by the local and state governments without appropriate legal backing through intimidation and harassment of the payer. The collection often uses stickers, mounting roadblocks, and revenue collection agents and consultants, including motor park touts.
- Second, it refers to the situation where a taxpayer is faced with demands from two or more different levels of government either for the same or similar taxes. A good example here is the simultaneous administration of the value-added tax (VAT) and sales tax.
- Third, the term refers to situations where the same level of government imposes two or more taxes on the same base. A good example is the payment of company tax, education tax, and technology levy by the same company or business.
- Fourth, it refers to cases where various government agencies impose taxes in the form of fees or charges.

However, certain levels of multiplicity are unavoidable in a federal structure. Each tier of government may want to charge certain taxes, fees, and charges as applicable. The only aspect of multiplicity avoidable and the constitution abhors when the tax, fee, or rate is levied on the same liability by more than one state or local government council.¹⁰

The argument here is that the multiplicity of taxes, as defined, infringes on the cardinal principle of taxation in the first place. Granted, the government requires revenue to discharge its responsibility to the citizens, but this cannot be done in a haphazard, arbitrary, and capricious manner. A taxpayer can know and determine how much he is obligated to pay and under what circumstances. This underscores why certainty is the first principle of taxation.¹¹

This begs the question of how many taxes exist in Nigeria. Following the fundamental principle that taxation is statutory, the correct approach would be to count the number of specific federal and state laws enacted mainly for tax purposes. This approach will result in several infinitely smaller

taxes than the figure being bandied in some quarters and the existing literature.¹²

2.2 Review of relevant literature in the Niger Delta States

In the Niger Delta, like most parts of the country, small businesses remain largely in the informal sector of the economy because the perceived benefits of remaining informal outweigh the perceived costs.

A preliminary review of some related literature has been aligned with the nationwide perception of the constraints of multiple taxation and illegal levies on small businesses. This literature review focuses on taxation and illegal levies in the focal states and the constraints, impacts, and challenges on small businesses. The review shows that many studies have been carried out over the years and in recent times on these businesses' economics, income, and sustainability. Some of these studies also dwelt on the technical inefficiency of tax administration in the states. Other studies questioned the legality and duplication of taxes and fines and their impacts on business activities in the areas under review. Besides the more academic work in this area, there is a body of media coverage that was referred to;

- Delta Government Urged to Commence Implementation Of Illegal Community Levy Law
 - o Tribune (2019) <https://tribuneonlineng.com/delta-govt-urged-to-commence-implementation-of-illegal-community-levy-law/>
- INVESTIGATION... Thugs rule in Rivers markets and force multiple illegal taxes on petty traders as govt feign ignorance
 - o Ripples Nigeria (2019) <https://www.ripplesnigeria.com/investigation-thugs-rule-in-rivers-markets-force-multiple-illegal-taxes-on-petty-traders-as-govt-feigns-ignorance/>
- Wike Sacks CTC Chairmen over Illegal sticker Levies, Radio Licensees, etc.
 - o Naira land (2018) <https://www.nairaland.com/4290119/wike-sacks-ctc-chairmen-over>
- Delta gets the 7-man board to probe the illegal collection of levies in public schools
 - o Vanguard (2019) <https://www.vanguardngr.com/2019/03/delta-gets-7-man-board-to-probe-illegal-collection-of-levies-in-public-schools/>
- Abia dissociates itself from the illegal market levy
 - o Nation (2019) <https://thenationonlineng.net/abia-dissociates-self-from-illegal-market-levy/>
- Ondo govt warns schools against illegal levies
 - o Galaxy TV (2019) <https://www.galaxytvonline.com/news/local/odsg-warns-public-school-management-against-illegal-levy.>

⁶See Cross Daniel for rather empirical and descriptive work on the "Effect of Multiple Taxation on Small/Medium Enterprise in Nigeria". International Journal of Advanced Research and Publication; Volume 3 Issue 4, April 2019

⁷Multiple is often referred to when the same asset or event is taxed multiple times by different jurisdictions in a federal system. The definition can be extended to include illegal levies as they can exacerbate the burden through administrative costs to both the government and businesses; African Trade Policy Notes 2011. "Impact of Multiple-Taxation on competitiveness in Nigeria.

⁸See national Tax policy Document p.78 paragraph 6.0

⁹For a lucid discussion of these manifestations, see Abiola Sanni PhD, FCTL. " Multiplicity of Taxes in Nigeria: Issues, Problems and Solutions, International Journal of Business and Social Sciences, Vol.3 No. 17; September 2012

¹⁰See Report of the main report of the study group on Nigeria Tax System in tax reform 2003 and Beyond, July 2003. PP286-290

¹¹Ian T.G. Lambert , some modern principle of taxation-Adam Smith Revised January 1992

¹²The 2003 Tax Study Group listed over 120 taxes in Appendix IV of its Report. See Tax Study Group report, pp313-314

3

STUDY DESIGN AND METHODOLOGY

3.1 Study Area

The study area comprised four cities within three states in the Niger Delta region of Nigeria, including Asaba, Aba, Port Harcourt, and Warri. Within these cities, 12 local government areas were sampled.

3.2 Overall Approach

The study adopted a mix of quantitative and qualitative research methods. These included a literature review, face-to-face interviews using survey questionnaires, KIIs, FGDs, and field observations that involved visits to trading hot spots and general business activities. Deliberate efforts were made to target areas of agriculture value chain business activities. The study was conducted with various actors in the small business enterprises sector.

A two-member team undertook the study, with three locally based enumerators and ad hoc field assistants recruited from the surveyed communities to collect data. The team comprised members of PIND's Advocacy Unit, with support from three members of the Economic Development Unit.

While the team had oversight responsibility for the FGDs and KIIs, the field assistants communicated in the local languages with some participants who had difficulty understanding spoken English. As a data quality assurance measure, team members cross-checked the completed forms in the field for data consistency before leaving the survey communities.

Overall, data collection lasted ten days. In each community, team members and field assistants gathered data using questionnaires and a checklist of questions for FGDs and KIIs. Data from questionnaires were entered into Microsoft Excel spreadsheets for data analysis and summary statistics generation. SPSS Software was used to analyze the data to ensure limited error and quality assurance.

3.3 Reconnaissance Visit and Design of Survey Tools

In preparation for the study, two team members first visited the communities selected for the study. They also contacted government ministries and agencies responsible for small business development and revenue collection for a reconnaissance exercise from August 5-7, 2021. Critical stakeholders were engaged during the visit, and FGDs and KIIs with small business sector actors were scheduled. This prior visit to the field enabled the team to understand the current situation and determine how best to adapt the data collection method to the field situation. The familiarization visits also provided an opportunity for hiring field assistants with local language capabilities.

3.4 Sampling Technique

The targeted population of the study was small business owners in Abia, Delta, and Rivers states in Nigeria. The focus area was major towns within the target states with many small businesses, including Aba town, Asaba, Warri, and Port Harcourt City. Businesses across the agricultural value chain were prioritized for this work.

The sample size was 82 respondents purposively selected to participate in the study in collaboration with PIND master service providers in Abia, Delta, and the Rivers States. The study also collected two sets of data, primary and secondary data. The primary data includes a compilation of questionnaires

and KII conducted with small business owners, state and federal government tax officials, etc. FGDs were conducted with groups of small businesses in the four commercial cities of focus. The primary data was collated, analyzed, and interpreted using simple statistics. Triangulation was used on the data to allow for authentic results or findings. The study, therefore, combines three key development research approaches: the participatory approach, the needs assessment approach, and personal observation.

The survey respondents comprised micro-level (mainly roadside) traders from the communities. Eight focus group discussions were undertaken across the four communities sampled for the study. **Table 1** presents the quota for the social survey, FGDs, KIIs, and field visits.

TABLE 1: THE NUMBER OF RESPONDENTS INTERVIEWED FROM THE STUDY AREA

Data Collection Method/Tool	Sample States			Total
	Abia	Delta	Rivers	
Questionnaire	25 respondents	32 respondents	25 respondents	82
Focus Group Discussions	3 FGDs	3 FGDs	2 FGDs	8
Key Informant Interviews	2 Key Informants	2 Key Informants	2 Key Informants	6

TABLE 2: BRIEF DESCRIPTION OF THE SAMPLED CLUSTER

Study Location	Brief Profile
Aba	Aba is a city in southeast Nigeria that is the commercial center of Abia State. Upon the creation of Abia state in 1991, Aba was divided into two local government areas: Aba South and Aba North. Aba South is the principal city center and the heartbeat of Abia State, south-east Nigeria. Aba has a school of arts and science, secondary schools, a teacher-training college, and several technical institutes. The city is noted for its handicrafts. Pop. (2006 est.) 931,900; (2016 est.) Urban agglom., 1,040,000.
Asaba	Asaba is the capital city of Delta State, an oil-rich state in the southern region of Nigeria. It is located on the western bank of the River Niger in Oshimilli South local government area. Asaba is a business hub and transit location because of its proximity to Onitsha (a city famous for its markets). Asaba is well known for its social activities due to its large population and social amenities such as hotels, clubs, cinemas, malls, event centers, etc. It has three major markets in the city.
Ariaria	Ariaria International Market was established in 1976 following a fire outbreak that destroyed the old Ekeoha Market in Aba. The market was initially sited in a swampy area. It is known for its shoemaking and leather works, making it one of the largest leather shoe-making markets in West Africa, with an estimated two million traders.
Effurun	Effurun is a capital town in Uvwie's Local Government Area, Delta State. It is one of the business hubs of the Effurun-Warri metropolis. It has two higher institutions of learning: the Petroleum Training Institute and the Federal University of Petroleum Resources (FUPRE). The 3 Battalion Nigerian Army Barracks is also located in Effurun.

Obio-Akpor	Obio-Akpor is a local government area in the Port Harcourt metropolis, one of the major centers of economic activities in Nigeria, located in Rivers State. The local government area covers 260 km ² and had a population of 464,789 at the 2006 Census.
Port Harcourt City	Port Harcourt Local Government Area (PHALGA) is in Rivers State, Southern Nigeria. It is one of the 23 local government areas created in the state and is home to two different ethnic groups: the Ikwerre and Ogbulom (Abuloma). Its administrative seat is in Port Harcourt.
Udu	<p>Udu is a local government area in Delta State, Nigeria, headquartered in Otor-Udu. Its natural resources include rubber, oil palm, cassava, maize, fruits, and vegetables. A nearby town supplies silica for glass production and crude oil, natural gas, and other minerals for the petrochemical industry. The former Delta Steel Company, now known as Premium Steel, Africa's first direct steel reduction variety of metallurgy, is located in Udu.</p> <p>Udu also has a harbor market that serves as a mini river port. Otor-Udu is home to a Shell gas plant and other engineering and petrochemical companies. A railway line links Itakpe-Ajaokuta to Udu, enhancing the area's economic climate.</p>

3.5 FIELD OBSERVATION AND CONSTRAINTS

The observed constraints during the fieldwork are:

Respondents' reception, perception, and attitude

Respondents in the survey were generally warm and welcoming in all the study centers. However, participants in Aba remembered a previous interaction with a team of researchers who had promised to advocate for government action to reduce the imposition of excessive taxes and levies on their production and trading activities. This was instead of facing arbitrary increases in illegal levies accompanied by punitive collection methods. Since then, businesses have distrusted and are hostile to researchers, especially government-backed researchers. However, the team had to convince them they were not a government agency-sponsored initiative. It was only then that they became very cooperative.

Payment data collection

Many respondents could not recall the exact amount of taxes and levies they paid in previous months. The team expected this occurrence given the frequency and indiscriminate manner in which the collecting agencies and individuals enforce these payments. Most respondents were not educated on the essence of the levies beyond the claim that the local government authorities authorized them.

Socioeconomic Condition

MSME sector actors in the three Niger Delta states, the selected business communities, and the local government areas that house them in Aba, Asaba, Warri, Greater Port Harcourt, and Obio Akpor LGAs were the target population for the assessment study from which the sample was drawn as reported in Section 2.3 above.

4

ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Data Presentation and Results

Respondents' Demographics

Respondents for this field assessment were drawn from 12 LGAs across the focus three States, including Eleme, Obio Akpor, Oshimili North, Oshimili South, Aba, Ughelli North, Ughelli South, Uvwie, Port Harcourt City, and Umuahia. A total of 82 respondents were sampled: 53.8% female and 46.2% male; this reflects the general business landscape in the Niger Delta region, which women primarily drive.

Aba	Eleme	Obio-Akpor	Oshimili North	Oshimili South	Port Harcourt	Ughelli North	Ughelli South	Uvwie	Umuahia
15	5	7	5	3	20	5	2	15	5

TABLE 3: GEOGRAPHICAL DISTRIBUTION OF RESPONDENTS

A large proportion, 54%, of the respondents are female, while the remaining are male. This means proportionate representation in the study. Most respondents are of working age, implying they have first-hand knowledge of the subject under discourse.

Gender of Respondents

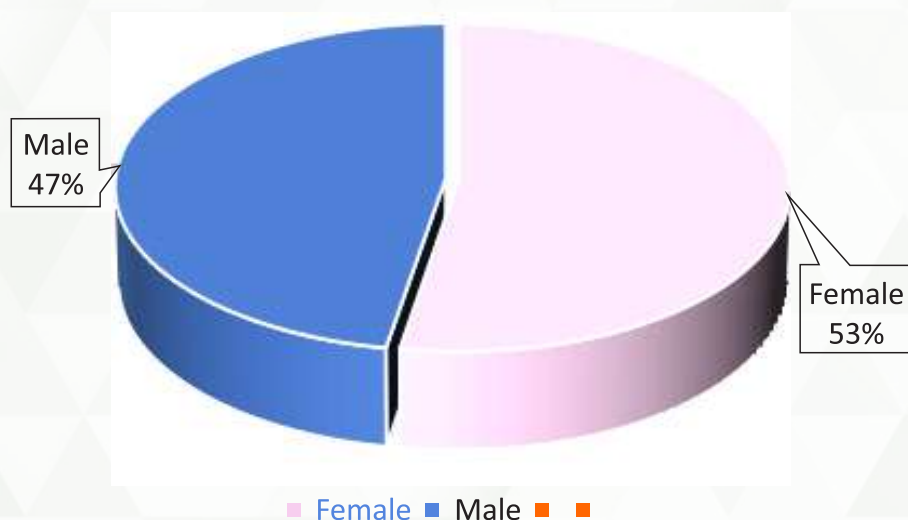


Figure 1: Gender disaggregation of Respondents

4.1.1 Highest Educational Attainment of Respondents

Demographics and Socio-Economic Attributes

Educational attainment is shown to be widely distributed across categories. However, 34% (most frequently response) of the respondents have a secondary school certificate, while 24% have no formal education. Educational attainment across this sampled population is low, as about 74%

attained only secondary school certificates and below. This could indicate a barrier to gainful employment across society, ignorance of tax issues, and fear of non-compliance, as captured below:

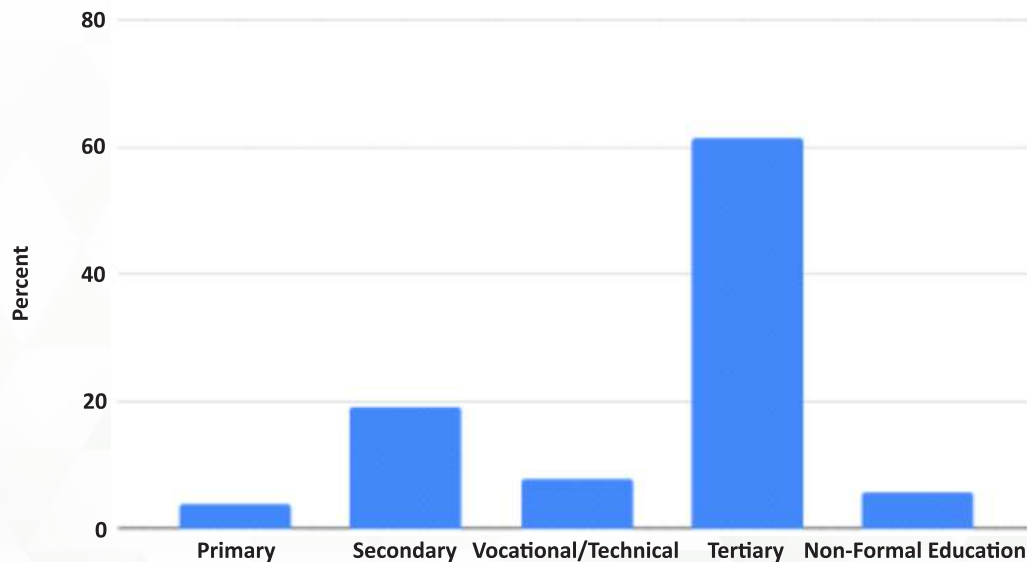


Figure 2: The Highest Educational attainment of respondents

67.3% of respondents were married, and 28.8% were from five to seven-person households. Only 5.8% were from a household of one to two persons. This generally underscores the family size across the region, even as the general population is now estimated to be 45 million people by 2020¹³ Compared to about 30 million in 2010.

4.1.2 Status of Business Registration

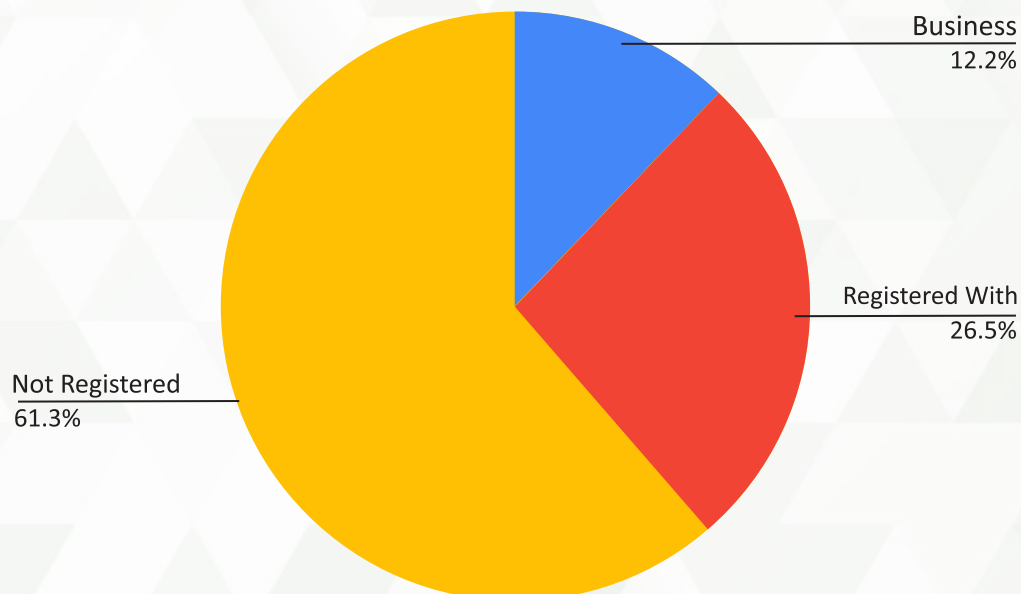


Figure 3: Status of Business Registration

¹³Niger Delta Budget, <https://www.nigerdeltabudget.org/the-niger-delta/>

More than half of all respondents did not have registered businesses (61.3%) compared to 12.2% with business name registration and 26.5% with businesses registered with the Corporate Affairs Commission (CAC). Forty-five female business owners participated in our assessment compared to 37 male business owners. This aligns with the common perception that women in the Niger Delta region engage in entrepreneurship as a means of supporting their families.¹⁴

4.1.3 Type of Business

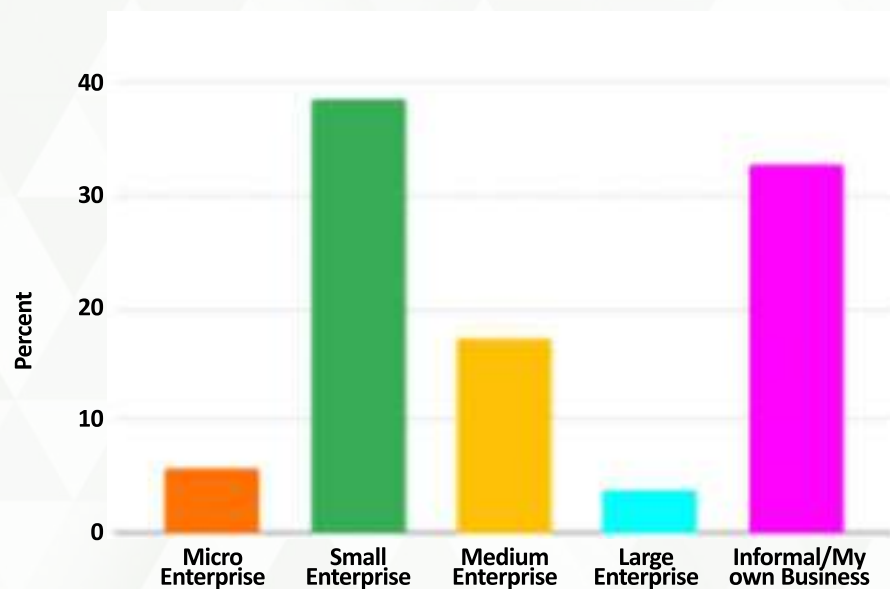


Figure 4; Types of Businesses

About 39% of respondents described themselves as small enterprises, 4% categorized their business as a large enterprise, 17.3% were medium enterprises, and about 33% were sole proprietors.

4.1.4 Business Section

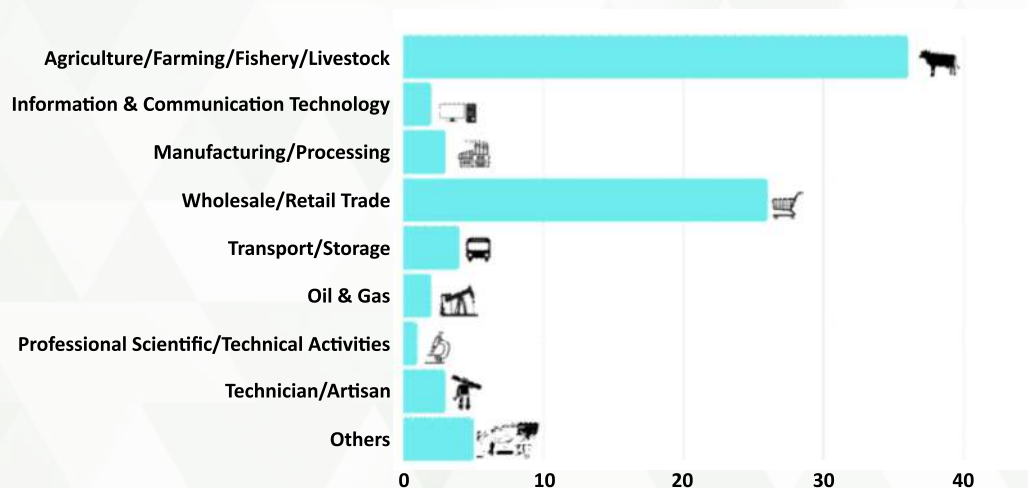


Figure 5: The different Business Sectors interviewed

¹⁴Godwin, A. (2018). Entrepreneur platform to empower 5,000 women in Niger Delta. Guardian Nigeria. <https://guardian.ng/business-services/entrepreneur-platform-to-empower-5000-women-in-niger-delta/>

Table 4: Frequency of Business Sectors Interviewed

Sector	Frequency
Agriculture/Farming/Fishery/Livestock	36
Information & Communication Technology	2
Manufacturing/Processing	3
Wholesale/Retail Trade	26
Transport/Storage	4
Oil & Gas	2
Professional Scientific/Technical Activities	1
Technician/Artisan	3
Others	5

Most respondents were in the agricultural sector (farming, fishery, livestock) and wholesale and retail trade. 9.6% were in other sectors, including those not listed in the table above.

4.1.5 Identification of the Most Important Challenge Facing their Businesses

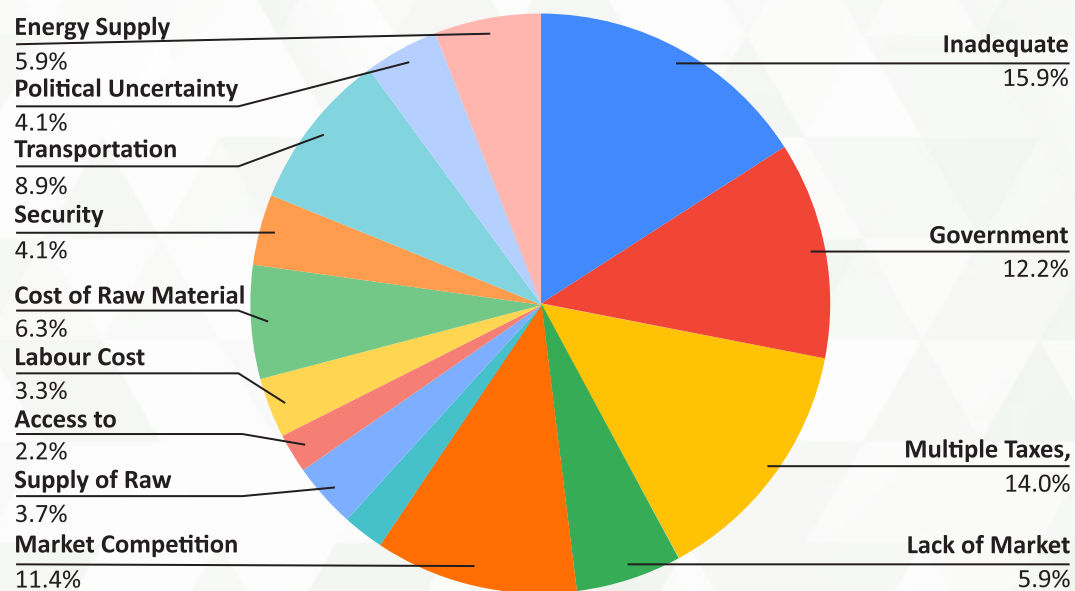


Figure 6: The most Important Challenges Businesses Face in the Niger Delta.

14% listed multiple taxes, fines, and levies as important challenges facing their business. 15.9% said inadequate financial support was their biggest challenge, 12.2% government regulation, 11.4% market competition, and 8.9% transportation. What this shows is that the business community in the Niger Delta is plagued with multiple challenges which need urgent attention both in formal and informal sectors. The government and other key stakeholders must address these constraints to foster regional economic growth.

4.1.6 Business Longevity

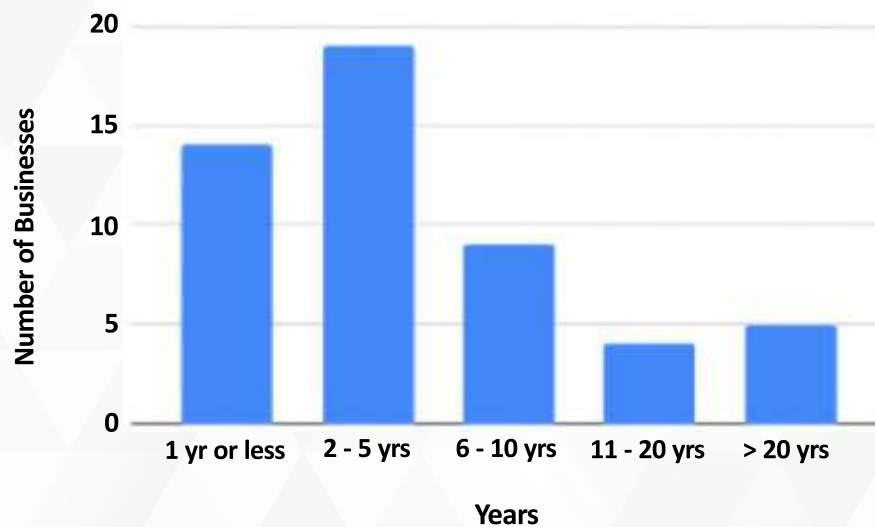


Figure 7; Business Longevity

The effect of the myriad of challenges on business growth, including multiple taxes and levies, cannot be overemphasized. Eighteen respondents fell within the two to five years margin. Less than five businesses have existed for more than 10 and 20 years.

4.1.7 Are multiple taxes and levies a major source of limitation to your business?

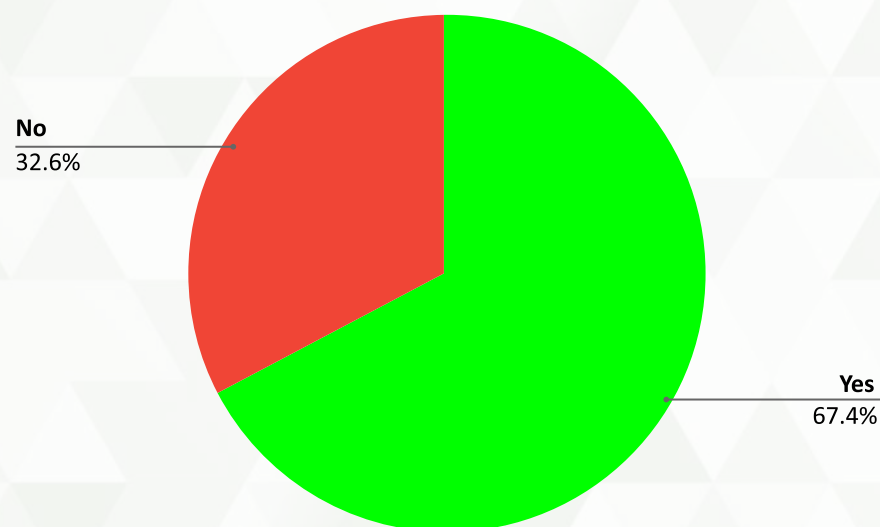


Figure 8: Responses to the Effect of Multiple Taxes and Levies on Businesses

When asked if multiple taxes and levies limit their business, 67.4% said yes, while 32.6% mentioned other sources, including access to finance and low demand.

4.1.8 Forms of Taxes Currently Paid

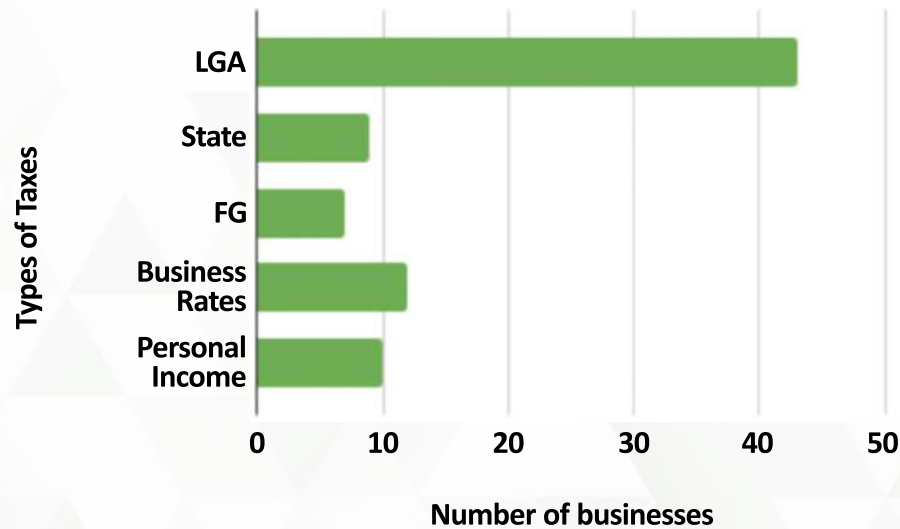


Figure 9: The types of Taxes Currently Paid

Most respondents noted that they pay mostly local government taxes. This was amplified in Aba, where business owners said they often face one new group of local government tax collectors every two business days and pay up to 50,000 naira per time.

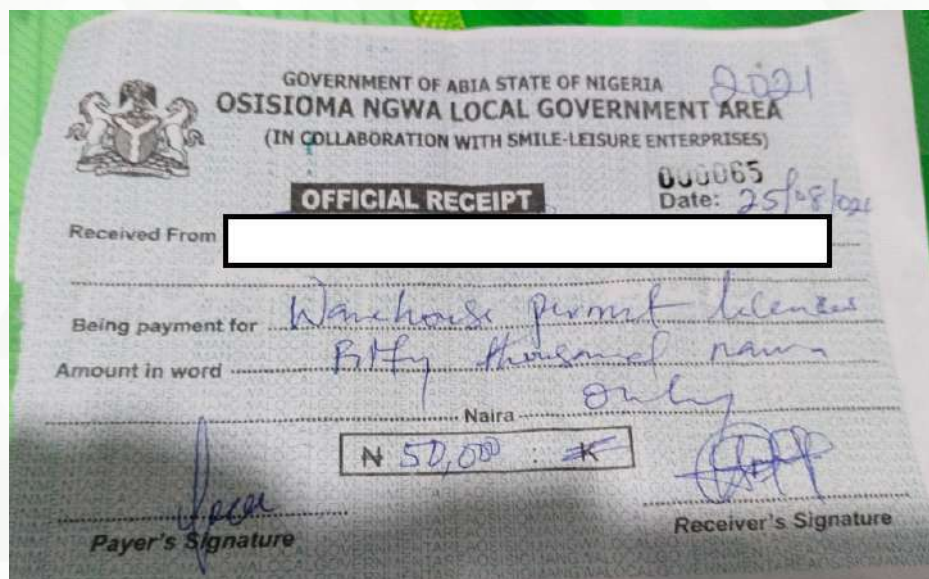


Figure 10: A Sample of an Illegal Levy Receipt in Osisioma Ngwa Local Government Area of Abia State.

The image above is a good example, taken during the FGDs in Aba. One of the businesses was charged with paying a warehouse levy of 50,000 naira on the spot. Most of these local government levies are often collected and formulated indiscriminately without the state or federal government authorization.

4.1.9 Method of Tax Collection

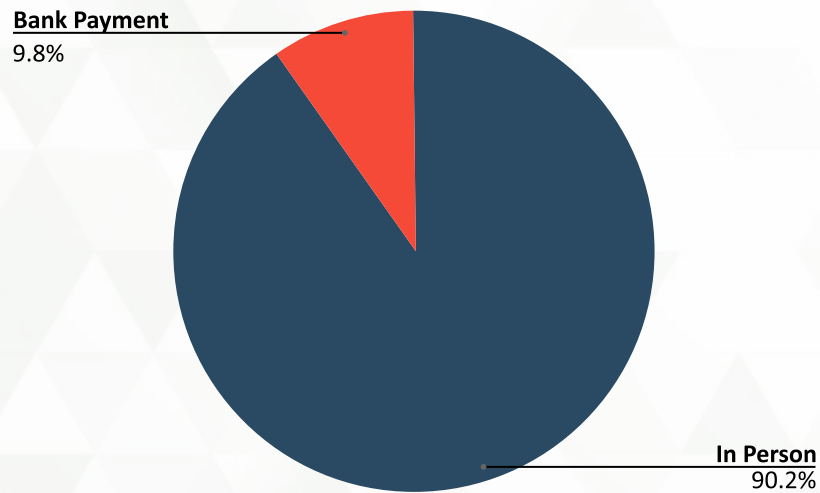


Figure 11: Methods of Tax Collection

Further highlighting the illegality behind the numerous local government taxes/levies, 90.2% of respondents noted that their taxes are paid in person compared to 9.8% who pay via bank transfer. The challenge with these in-person payments is that tracking who these local government groups are and how often these taxes are collected is almost impossible.

4.1.10 Do you know what these taxes/levies are for?

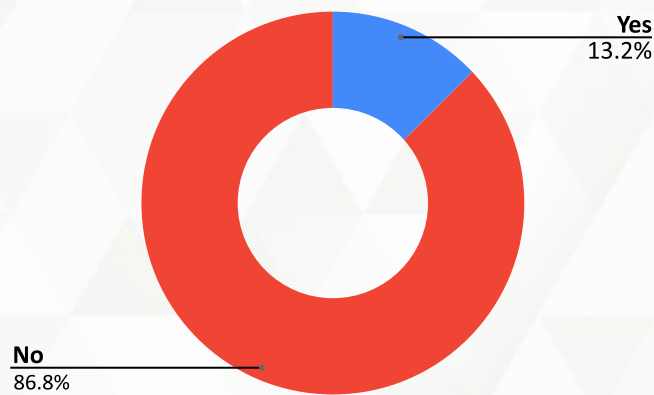


Figure 12: Bar chart showing Knowledge of the use of Levies

There is a need for increased transparency on what these taxes are used for at the local, state, and federal government levels. 86.8% of business owners said they didn't know the purpose of the taxes or levies collected.

4.1.11 Do you move your products/goods to market?

51.9% of respondents mentioned that they transport their products and goods to market to reach their customers, while 28.8% do not

Table 5: Frequency of Goods Transportation

Response	Frequency
Yes	52
No	30
Total	82

4.1.12 Additional transport costs: Are they in the form of legal or indiscriminate levies?

Of the 51.9% who transport their goods to market, 37 noted that they pay indiscriminate road levies, while 10 pay legal road levies. These levies are always paid, according to 37 of them, and 17 of them said they don't always pay these levies.

4.1.13 Do you have employees?

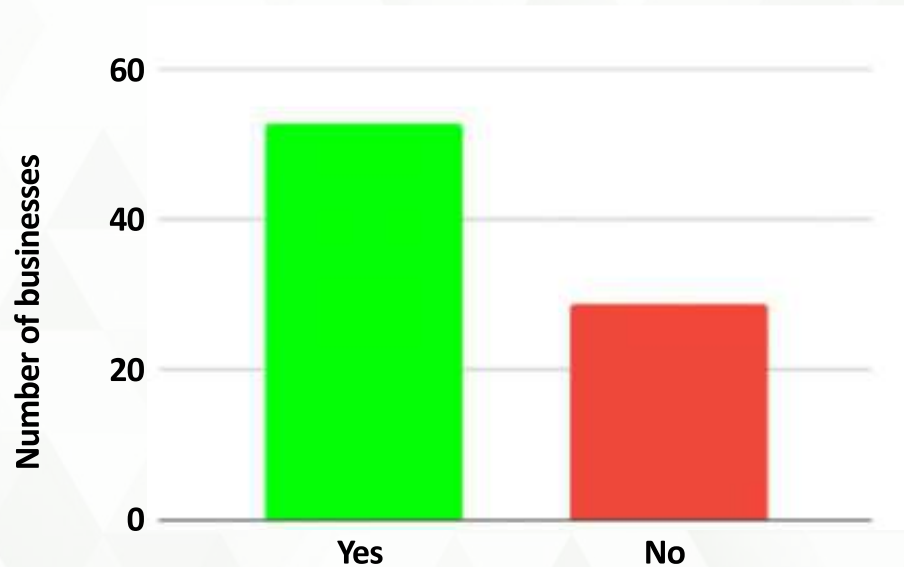


Figure 13: Number of Businesses with Employees

As the unemployment rate in the Niger Delta worsens (being the most unemployed and underemployed region in Nigeria), assessing small businesses' role in lightening the labor market's load is essential. Indiscriminate taxes and levies make it difficult for companies to employ more people. Twenty-nine respondents noted that they do not have any employees, while only one said they have up to seven employees.

Table 6: Frequency of Number of Employees

Number of Employees	Frequency
0	29
1	2
2	20
3	16
4	4
5	7
6	3
7	1
Total	82

The 82 respondents in this study employ only about 166 staff combined. This is a far cry compared to millions in the labor market who are either unemployed or underemployed in the Niger Delta.

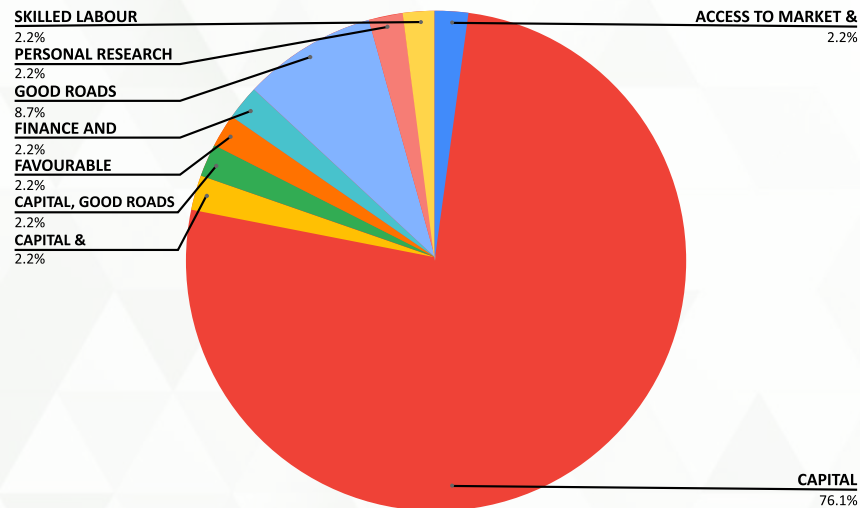


Figure 14: Responses on What Is Needed to Grow Business

When asked what they needed to grow their respective businesses, 76.1% of the respondents chose capital or finance, 8.7% chose good roads, and other responses included skilled labor, personal research, favorable government policies, and access to the market.

4.1.14 Where do you see your business in 5 - 10 years?

Table 7: Frequency and percentage of Responses to how they see their Businesses in 5- 10 years.

Response	Frequency	Per cent
BUSINESS CAPITAL BASE EXPANSION	1	3%
BUSINESS EXPANSION	1	3%
CREATION OF BRANCHES	1	3%
EXPANSION OF A REGISTERED BUSINESS	1	3%
EXPANSION OF BUSINESS	17	47%
EXPANSION OF THE FASHION BUSINESS	1	3%
EXPANSION TO BRANDING COMPANY	1	3%
EXPANSION TO RESTAURANT CHAIN	1	3%
EXPORTING	2	6%
INCREASE CAPACITY	1	3%
INCREASE IN CAPITAL	1	3%
REVENUE EXPANSION	1	3%
WHOLESALE	7	19%

47% of respondents see their businesses expanding within the next decade geographically, while only 3% foresee an increase in capacity or capital. 6% believe they would grow to start exporting beyond the Niger Delta, and 3% would like to expand their capital base.

4.1.15 What can be done to ensure small business businesses survive?

85% of respondents believe that modifying taxes will help small businesses survive. Other tax-related suggestions include free tax, tax holidays, reduced tax amounts, and removal of illegal taxes and levies. The chart below also shows all the suggestions made by respondents represented in a word cloud based on the frequency of words used by respondents.



Figure 15: What can be done to Ensure Small Businesses Survive

Table 8: Tax Matrix showing the list of levies & taxes collected across the focus states (this list is not exhaustive)

LEGAL (All States)		ILLEGAL			
Category	No	Category	Abia	Rivers	Delta
A. Federal	10				
Tax	7				
Companies' income tax					
Withholding tax on companies			✓	✓	✓
Petroleum profit tax			✓	✓	✓
Value added tax			✓	✓	✓
Education tax			✓	✓	✓
Capital gain tax			✓	✓	✓
Personal income tax			✓	✓	✓
Levies	2				
Federal Fire Service levy			✓	✓	✓
National Information Technology Development Levy			✓	✓	✓
Fees	1				
Stamp duties on bodies			✓	✓	✓
B. State	29				
Tax	13				
Personal income tax					
Withholding tax					
Stamp duties on instruments					
Pools betting and lotteries, gaming and casino taxes					
Road taxes					

Market taxes and levies					
Instate road tax sticker					
Parking permit sticker					
Hotel, Restaurant, and Event consumption tax					
Entertainment tax					
Animal trade tax					
Produce sales tax					
Property tax					
Levy	8				
Development levy					
Fire service levy					
Land use charge					
Environmental (ecological) levy					
Infrastructure maintenance levy					
Economic development levy					
Social services contribution levy					
Signages and advertisement levy					
Infrastructural development levy					
Effluent Discharge and Turbidity Levy					
Fee	8				
Business premises registration					
The naming of street registration					
Right of occupancy fees					
Haulage fee					
Wharf landing fee					
Roadworthiness certificate fee					
Mining, milling, and quarrying fee					
Slaughter and Abattoir fees					
Environmental Audit Review and Certification Fee					
Ecological Tariff					
Environmental Support Fee and EIA Registration.					
C. Local Government	23				
Tax	4				
Shops and kiosk rates					
Tenement rates					
Market taxes and levies					
Cattle tax					
Levy	4				
Motor park levies					
Merriment and road closure levy					
Radio and Television license					
Signages and advertisement levy					

Fee	15				
On and off liquor license fees					
Slaughter slab fees					
Marriage, birth, and death registration fees					
The naming of street registration					
Right of occupancy fees					
Domestic animal license fees					
Bicycle, truck, canoe, wheelbarrow, and cart fees					
Radio and Television license					
Vehicle radio license fees					
Wrong parking charges					
Public convenience, sewage, and refuse disposal fees.					
Customary burial ground permit fees					
Religious place's establishment permit fees					
Signboard and advertisement permit fees					
Wharf landing fee					
Total taxes, levies, and fees	60				

5

CONCLUSION AND RECOMMENDATION

Conclusion

The challenges facing small businesses in the Niger Delta region are formidable. Despite perceived oil wealth and sustained economic growth, more than half its population still lives in poverty. Given the states' low employment capacity and lesser diversification of economic activities, a lack of sustainable economic growth, job creation, and poverty still prevails.

Small businesses face challenging business environments. In addition to continuing scant electricity and inadequate access to finance, multiple taxation and illegal levies are significant impediments to doing business in the Niger Delta region. The exact number of taxes levied on businesses varies significantly between various states and local governments throughout the region. "Businesses may be subjected to as many as 100 different taxes, charges, fees, and levies and in some instances taxed for the same activity or asset" (FIAS, 2008).

Focused on three States within the Niger Delta, this study demonstrates the degree to which multiple taxations burden businesses and traders, reducing their ability to compete domestically with other states and to survive. With the focus on MSMEs in these selected states, the resulting observations justify our approach.

The assessment found that state and local government tax administration and collection systems are often rudimentary and lack capacity, primarily caused by flaws in the tax administration system. Such flaws include highly corrupt tax collectors, inadequate tax legislation and monitoring facilities, inefficient tax collection procedures, and outdated data and information systems. All these factors also create strong incentives for individuals and businesses to evade taxes.

The study, therefore, concludes that in an environment where trade taxes, surcharges, and a plethora of other levies exist and increase the cost of doing business, their arbitrary implementation heightens the uncertainty to small enterprises, further increases their cost of doing business, and ultimately increases their chances of going out of business or ultimate demise. The current system of taxation is characterized by a high incidence of 'nuisance taxes' on the mobility of goods and people across states of the Niger Delta and outside of the region and the prevalence of multiple taxations compounded by the administrative burden to comply with these taxes causes the businesses to fail even faster than to establish them.

Recommendations

Government

The government at the federal, state, and local levels should consider the following:

- Ideally, the government should undertake a top-down reform from the Federal level that reduces and clarifies the responsibilities of tax authorities at lower levels of government while addressing the issue of revenue distribution among the three tiers of government. The aim will be to eliminate the incidence of a multiplicity of taxation by clarifying relevant legal texts and harmonizing key tax policies across levels of government to guide against over-taxation and to lower the administrative compliance costs associated with implementing multiple taxes.
- State governments should remove illegal levies and align tax bases. States in the region

should dialogue with the other tiers of government to harmonize and reduce the overall number of legal taxes without necessarily reducing the tax revenue collected. Taxes could be regrouped at the municipal level and levied consistently.

- The federal government should help to improve state and local government managerial skills. This requires providing state governments with support with technical assistance and capacity development.
- Coordinate between tiers of governments in all areas relating to tax collection and other government resource mobilization strategies
- The government must also ensure transparency around using taxpayer funds for state administration and development. A well-understood tax system eliminates the chances of corruption and harassment by tax officials and, consequently, of non-compliance by the taxpayers. A critical step will be to publicize the taxpayers' rights and responsibilities. Specifically, there is a need to provide adequate awareness to taxpayers on the list of approved taxes at the federal, state, and local government levels
- An independent yet powerful complaint body should be established that taxpayers could turn to when they are treated in violation of their rights, particularly concerning mobile levies.
- Tax collection should be based on the sizes and profits of the MSME
- Digitalization of tax processes Tax and levies harmonization through the implementation of single windows
- Strengthen the joint tax board to serve as a policy think-tank that will adjudicate tax policies for efficient and effective tax administration
- Provide tax holidays for new businesses to stimulate entrepreneurship
- Regulate rates or rents for business premises and consider reducing VAT.
- Eliminate the use of task forces and crude tax collection methods.

Private Sector

The private sector is expected to:

- Organize and mobilize its community to engage with federal, state, and local government to identify these multiple taxes and advocate for their removal.
- Promote public-private partnerships. This will likely help financially stretched state governments, especially in urban areas

Civil Society Organisations

CSOs can support this advocacy effort by:

- Building the capacity of members of the organized private sector and trade groups to effectively advocate for removing multiple taxes and illegal levies.
- Lobbying and engaging policymakers to develop effective legislation and policies that address illegal levies with stiff penalties.
- There should be a robust tax sensitization program on tax rights, compliance, and benefits to both taxpayers and administrators

SMEDAN

SMEDAN can support this cause by doing the following:

- Acknowledging the negative impact of multiple taxes and illegal levies on small businesses' growth and development and supporting advocacy efforts to address it.

Business Organisations

The Business communities are expected to:

- Provide businesses with the required information and support compliance and pay payment as when due.
- Create a forum for continuous dialogue with government and tax authorities where effective and more productive tax administration can be achieved.
- Businesses should register with trade organizations and the organized private sector, as these bodies offer protection from tax exploitation.
- Encourage businesses to formalize their operations

These recommendations are not exhaustive, but if implemented, they would increase the economic efficiency of MSMEs and sustain their business activities over a more extended period. There will be reduced inequality in the tax burden between states and between small, medium, and large enterprises. This will also make enforcement simpler. In summary, eliminating double taxation of specific tax bases, reducing the total number of taxes paid, increasing transparency on how and what to pay, simplifying collection processes, removing mobile levies, and facilitating procedures for filing taxes will essentially increase the rate of MSME's profitability and survival.

APPENDIX

1. Questionnaire

BUSINESS/ SURVEY QUESTIONNAIRE (MULTIPLE TAXATION ON SMALL BUSINESSES)

Foundation for Partnership Initiatives in the Niger Delta (PIND) is undertaking a study on the constraints brought about by multiple taxation and illegal levies on small businesses in the Niger Delta. The main aim of the study is to understand the underlining constraints on the productivity, profitability, and sustainability of small businesses in the Niger Delta, particularly in Abia, Delta, and the Rivers States. Findings from this exercise will be helpful in the design of appropriate intervention plans aimed at proffering solutions to the problem.

The interview will take 15 to 20 minutes, and the information elicited will be treated with strict confidence. Participation in the interview is voluntary, and you may choose not to answer some or all of the questions. Your views are very important, and we hope you will fully participate.

Consent Statement

Do we have your consent to utilize the data you provide in this survey for our research?

Yes No

Interviewee Name & Signature

Interview Date.....

Interview Start Time.....End Time.....

Interview Location (State).....

Name of Supervisor.....

LGA /Locality

1. Respondent's Demographic Information

1.1 Where do you reside in the State?

1.2 In which Local Government Area

1.3 Gender of Respondent Male Female

1.4 Which of these age brackets do you belong to? Under 18 18 – 35 years Over 35 years

1.5 Which of these is your highest level of education
 Primary Secondary Vocational / Technical Tertiary Non-formal Education

1.6 What is your marital status? Single Married Divorced Separated Widowed

- 1.7 If married, what is your family size? 1-2 3-4 5-7 7-9 10 and above
- 1.8 How many other dependents are living with you? ----- Male -----
Female -----
- 1.9 What is the total number of persons in your household? ----- Male -----
Female -----
- 1.10 Age and sex structure of household members

Age	Male	Female	Total
Under 18			
18 – 35 years			
35 Years and			

1. Business Information

- 2.1 When was the business established/moved into the rea-----
- 2.2 City/town where business is located-----
- 2.3 Name and address of business-----
- 2.4 Are you a registered business in any of these forms?
 Business name /Enterprise Registered with CAC Not registered
- 2.5 What is your business all about? -----
- 2.6 Which of these best describes your type of business?
 Micro Enterprise Small Enterprise Medium Enterprise
 Large Enterprise Informal Sector/ "My own business"

2.7 In which sector is this business?

S/N	Sectors	Please tick
1	Agriculture/farming/fishery/livestock	
2	Information & communication technology	
3	Manufacturing/processing	
4	Wholesale/retail trade	
5	Administrative support/civil servant	
6	Construction	
7	Arts/entertainment/recreation	
8	Transport/storage	
9	Finance/Insurance	
10	Real estate/renting	
11	Education	
12	Health/social works	
13	Logging/mining	
14	Oil & Gas	
15	Professional scientific/technical activities	
16	Technician/artisan(welder/carpentry/vulcanizer	
17	Others (specify)	

2.8 Ease of doing business information

What are the seven most important challenges facing the business?

S/N	Sectors	Please tick
1	Inadequate Financial Support	
2	Government Regulations	
3	Multiple taxes, fines, and levies	
4	Lack of market information	
5	Market Competition	
6	Labour Availability / Appropriate Skill	
7	Supply of Raw Material	
8	Access to Technology	
9	Labour Cost	
10	Cost of raw material	
11	Security	
12	Transportation	
13	Political Uncertainty	
14	Energy Supply	
17	Others (specify)	

1. Economic Activities

3.1 Is your business your main occupation/source of livelihood? -----

3.2 How long have you been in your business < 1yr 1-5 6-10 11 -20
 > 20

3.3 Are you registered to pay taxes?

3.4 What will you consider as your major hindrance/challenge to your business or trading activities?

- Lack of Fund Unfair government regulations unfair taxes and levies
 Low revenue/income Low output/productivity. Uncompetitive prices
 Lack of demand for your produce

3.5 Do you consider that levies and taxes limit your ability to compete effectively? Yes /
 No

3.6 If not, what fact would you say limits your business growth? Lack of capital injection
 Don't have the required access to finance and don't have enough demand for my produce. I am living with disabilities and cannot do much

3.7 What form of taxes do you currently pay? Local Government State Government
 Federal Government Business Rates Personal Income Taxes Others

3.8 How are these taxes collected? Person Bank payment Transfers

3.9 Do you pay compliance costs such as filing and payment to government-appointed agents? Yes/ No

- 3.10 Do you also make gifts and unofficial payments to the tax authorities/tax consultants' accounts? Yes/No
Please tell us how many such payments you pay and what each is meant for.

- 3.11 Do you pay additional/random levies? YES/NO. Can you tell how many of such levies?
- 3.12 Do you know what these levies are for? YES/NO
- 3.13 Do you move your products/goods to markets? Yes / No. If yes, do you incur additional transportation costs? Yes No
- 3.14 Are these in the form of Legal taxes or indiscriminate levies?
- 3.15 How often do you incur these levies? Always, Not Always
- 1.16 Do you have employees? Yes / No. If yes, how many? -----
- 1.17 Does the cost of employing your staff include payment of taxes? Yes/No
- 1.18 What do you need to grow your business?

- 1.19 Where do you see your business in the next 5-10 years? What are your future growth goals? -----

- 1.20 Given the current challenging business environment, what would you like the tax authorities to do regarding the multiplicity of taxes you incur? In your opinion, what can be done in your State to ensure that small businesses survive? -----

2. Focus Group Discussion Guide

Effect of Multiple Taxation and Illegal Levies on Businesses in Abia, Delta & Rivers States

FOCUS GROUP GUIDE FOR SMALL BUSINESSES

1	Is your business registered, and in what form? (a) Micro (b) small (c) none	
2	In which sector is your business operating? <ul style="list-style-type: none"> - Agriculture - ICT - Whole/retail - Trading - Others 	
3	What are the challenges facing your business? <i>(open discussion but guide)</i> <ul style="list-style-type: none"> - Inadequate finance - Government regulation - Rent - Taxation - Insecurity 	
4	What form of taxes do you currently pay? <ul style="list-style-type: none"> - Local Government - State Government - Federal Government - Others 	
5	How are these taxes collected? <ul style="list-style-type: none"> - In Person - Bank payment - Transfers? 	
6	Do you pay additional levies? <ul style="list-style-type: none"> - If yes, how many? 	
7	What do you need to grow your business?	
8	Where do you see your business in the next 5-10 years? What are your future growth goals?	
9	Given the current challenging business environment, what would you like the tax authorities to do regarding the multiplicity of taxes you incur?	
10	What can the government do to help small businesses grow in your State?	

3. Key Informant Interview Guide

Effect of Multiple Taxation and Illegal Levies on Businesses in Abia, Delta & Rivers States

KEY INFORMANT INTERVIEW GUIDE

Name of Respondent

Title/Position

Name of Organization

State of Residence

1. What forms of taxes do you currently collect?

.....
.....
.....

2. How often do you usually collect these taxes?

- Daily
- Weekly
- Monthly
- Quarterly
- Annually

3. How are these taxes collected?

- In Person
- Bank payment
- Transfers?

4. What is the response of small businesses towards tax collection in your State?

.....
.....
.....

5. How do you ensure businesses do not pay multiple taxes and illegal levies?

.....

6. What challenges do you experience in your work?

.....

1. Validation Session Questionnaire

1. On a scale of 1 to 5, with one being strongly disagree and 5 being strongly agree, how would you rate the relevance of the workshop's objectives to the challenges faced by MSMEs in the Niger Delta region?

1 2 3 4 5

2. Did the presentation of research findings on multiple taxation and illegal taxes provide valuable insights into the challenges faced by MSMEs? (Yes | No)

3. Were the engagement sessions with relevant stakeholders, including SME owners, government authorities, tax agencies, and local communities, effective in gathering insights and perspectives?

(Yes | No) Give reason(s) for your answer.

4. Do you believe the policy recommendations and strategies discussed during the workshop adequately address the challenges MSMEs face regarding taxation? (Yes/No)

5. How would you rate the existing policies, regulations, and tax frameworks in terms of their support for MSMEs in the Niger Delta region? (Scale of 1 to 5, with 1 being unsupportive and five being highly supportive) 1 2 3 4 5

6. How likely are you to collaborate with government agencies, civil society organizations, or development partners to implement and monitor the proposed reforms? (Scale of 1 to 5, with 1 being very unlikely and 5 being very likely) 1 2 3 4 5

7. Overall, how would you rate the effectiveness of this workshop in achieving its goals and objectives? (Scale of 1 to 5, with 1 being ineffective and 5 being highly effective) 1 2 3 4 5

8. What gaps or areas requiring reform in the tax and regulatory frameworks were identified during the workshop that you consider most important for MSMEs?

9. In your opinion, what additional steps or actions can be taken to further enhance the outcomes of this initiative in supporting MSMEs and improving the business environment in the Niger Delta region?

10. What specific challenges mentioned in the workshop presentation do you think are most critical for the survival and growth of MSMEs?

4.1 Stakeholder Validation Sessions

Two validation sessions were held in two states, first in Port Harcourt, Rivers State, and then in Asaba, Delta State, on September 29, 2023, and October 12, 2023, respectively. These States

represent two out of the three study areas for the report, which were Abia, Delta, and Rivers State.

Stakeholders, including small business owners, State and local government authorities, tax agencies, traders’ organizations, CSOs, and members of the Presidential Committee on Fiscal Policy and Tax Reforms, such as BudgIT and the Tax Justice and Governance platform, were well-represented in both sessions. These sessions provided valuable feedback from key stakeholders and subject matter experts, which was incorporated into the report (See Appendix 4)

4.2 Methodology

In both sessions, the methodology employed included;

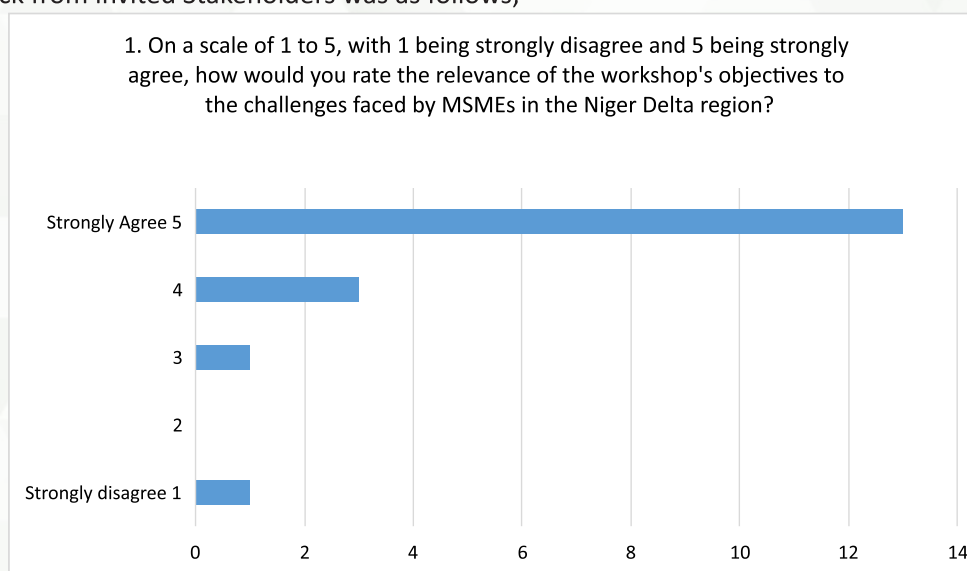
1. A presentation of the draft report, with a feedback session afterward
2. Breakout sessions of two groups with a balance in stakeholder representation, guided by specific questions with a presentation of findings afterward.
3. Using Questionnaires to gauge the session's effectiveness and gather participant feedback.

RESPONSES TO REPORT FINDINGS		
PORT-HARCOURT SESSION		
SN	FEEDBACK	REMARK
1	The participants recognize the need to redefine the narrative to include “nano-business” units. This group is smaller than the micro-businesses as they constitute the smallest business units and are most vulnerable to multiple taxes and illegal levies.	This was noted and included in the report.
2	These revenues are collected by “consultants” who remit some percentages to the government and loot the rest.	This validated one of the report’s findings.
3	A Ministry of Budget and Planning representative mentioned that SMEDAN is currently running a registration initiative covering small business operations in Rivers State. He said this registration comes with certain benefits, especially the RIVCARES, which offers financial benefits to those who register their businesses with N6,000 and have detailed records of business activities. Participants, however, considered that the registration cost is incredibly high as these small business owners still earn below the poverty line.	
4	The participants also decried the inefficient tax administration, which was evident in the sharp increases in taxes without commensurate development efforts.	This validated one of the report’s findings.
5	They also decried that the government's taxation system needs to follow some taxation principles, emphasizing that taxes must be easy to pay.	This validated one of the report’s findings.

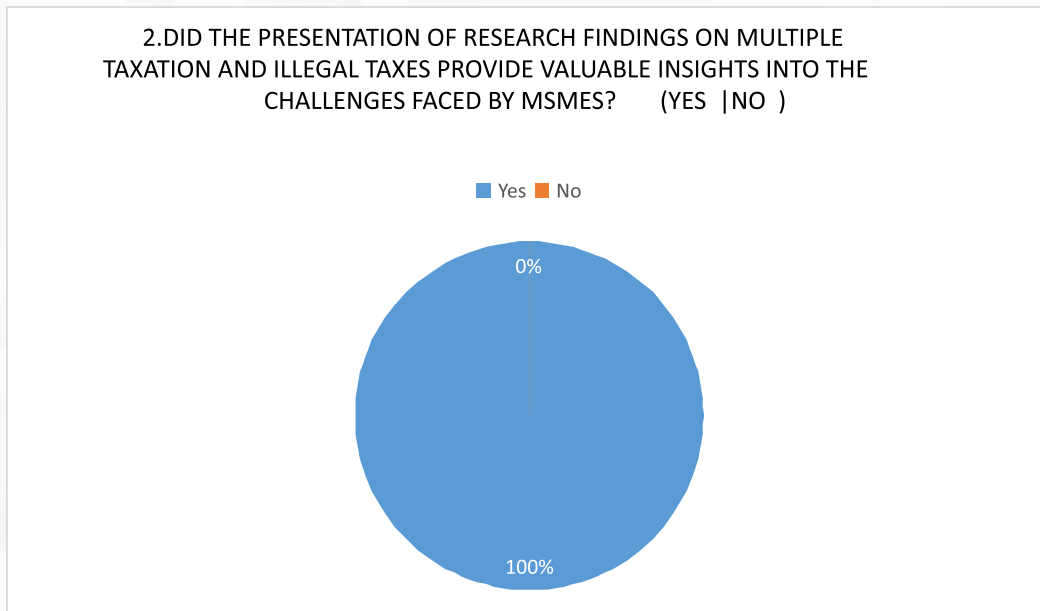
RESPONSES TO PRESENTATION REPORT		
ASABA SESSION		
SN	FEEDBACK	REMARK
1	The director of Delta State Internal Revenue Service disputed the wording of finding one “at all times,” highlighting that the case was not completely accurate in Delta State. Hence, the wording should not be generalized.	In response to finding 1
2	The Taxes and Levies (Approved List for Collection Act) of 2015 was cited as a statutory instrument for tax Harmonization.	
3	A Delta State Internal Revenue Service representative validated the existence and persistence of nuisance tax.	This validated one of the report’s findings.
4	The excesses of tax consultants and the negative effect on tax administration were discussed.	This validated one of the report’s findings.
Responses to Recommendations		
1	The Director of DIRS clarified the engagement of consultants for tax collection, stating that this is legal and done for efficiency, but noted that this needs better oversight.	This validated one of the report’s findings.
2	An existing World Bank initiative on digitizing taxation in Nigeria was referenced.	This could be referenced as a best practice.
3	A participant referenced an existing law for tax harmonization in Delta State Consolidated Delta State Internal Revenue Law 2020.	
4	The need for proper orientation of tax collectors to ensure civility in collecting taxes was highlighted.	This validated one of the report’s findings.
5	A House of Assembly Member and a Tax Advocate referenced a similar study her organization carried out on the effects of multiple taxation on the informal sector. She also spoke on Capacity building initiatives for stakeholders in the taxation sector. She further referenced a colloquium on Taxation and the informal sector, which took place in Delta State in 2014.	

4.3 ANALYSIS OF RESPONSES

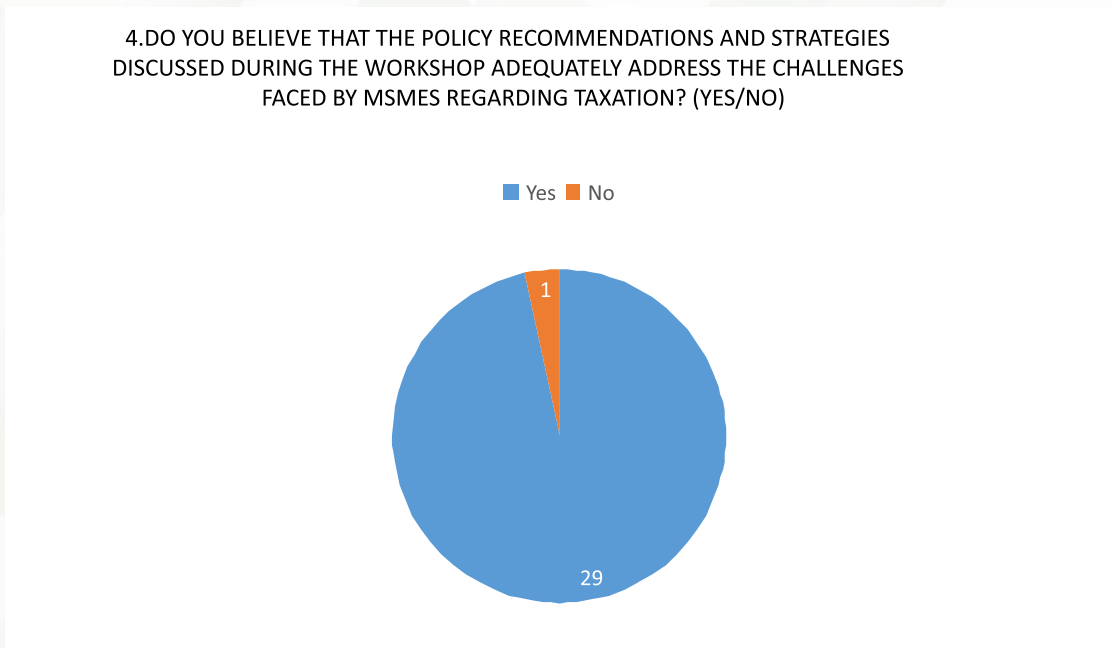
The feedback from invited Stakeholders was as follows;



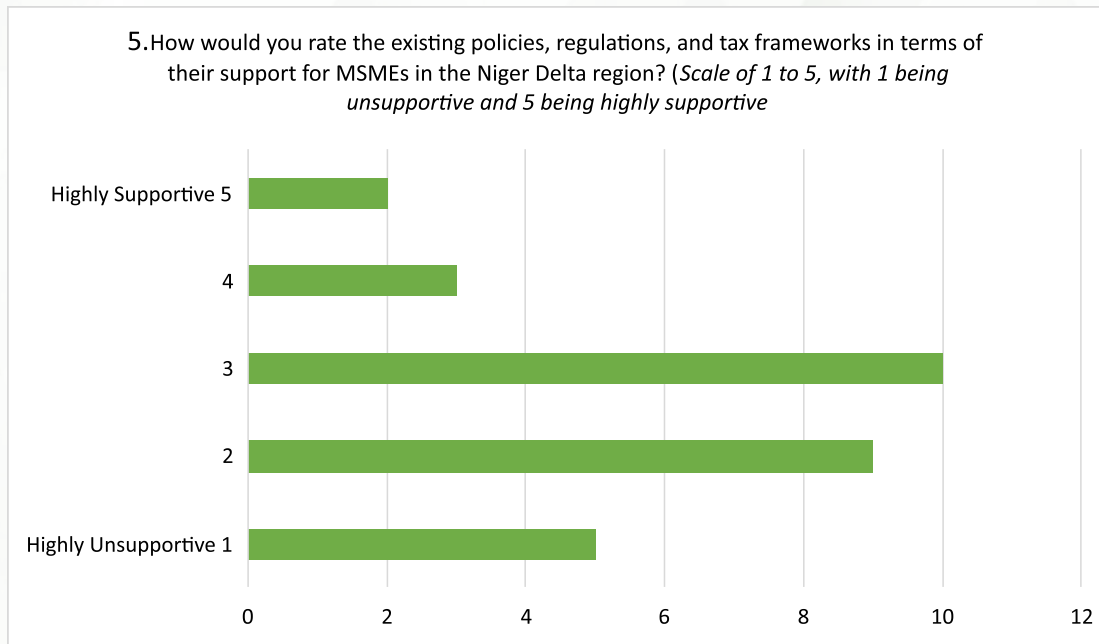
Question 1: *Out of 29 respondents, 20 strongly agreed the workshop was relevant to challenges faced by MSMEs in the Niger Delta region, six decided it was relevant, one was neutral, two strongly disagreed it was relevant*



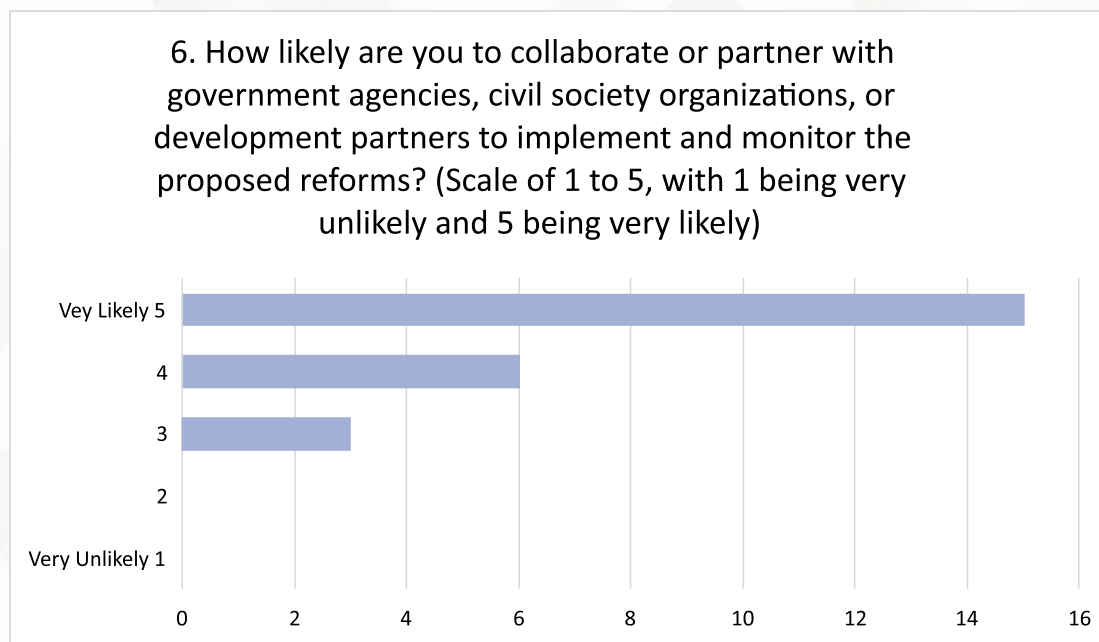
Question 2: *All participants agreed that the research findings on multiple taxation and illegal levies provided valuable insight into the challenges faced by MSMEs*



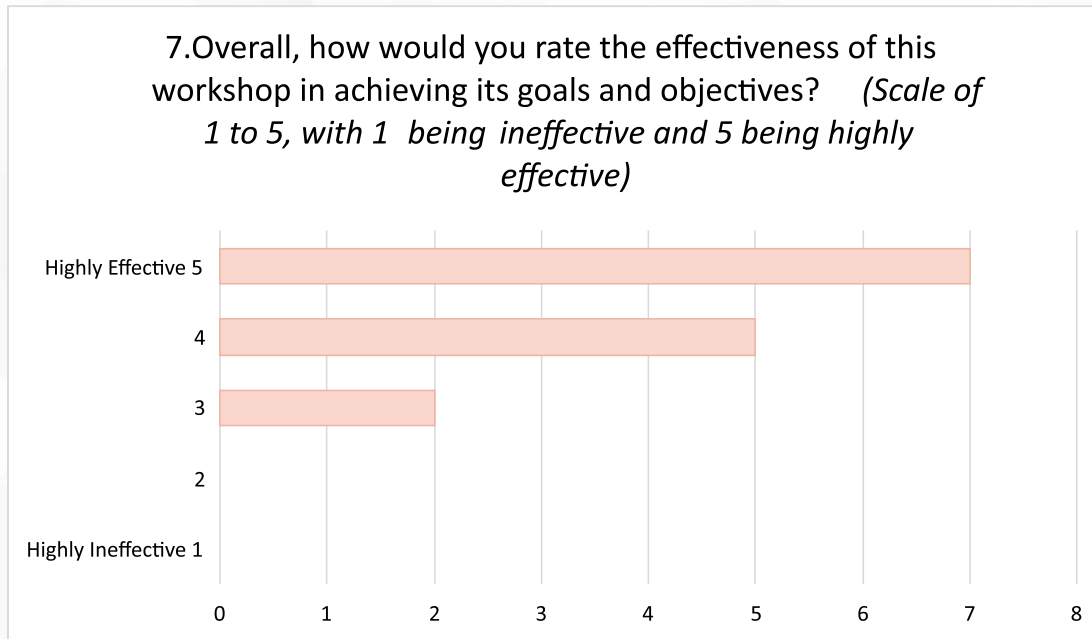
Question 4: *Out of 30 respondents, 29 respondents agreed that the policy recommendations and strategies discussed during the workshop adequately address the challenges faced by MSMEs regarding taxation, while one disagreed*



Question 5: Out of 29 respondents, two rated the existing policies, regulations, and tax frameworks in terms of their support for MSMEs in the Niger Delta region as highly supportive, three rated them as supportive, ten were neutral, nine rated them as unsupportive, five rated them as highly unsupportive.



Question 6: Out of 24 respondents, 15 were very likely to collaborate or partner with government agencies, civil society organizations, or development partners to implement and monitor the proposed reforms. Six were likely to do the same, while three were neutral.



Question 7: Out of 24 respondents, 12 found the workshop highly effective in achieving its goals and objectives, nine found it effective, and three were neutral.

8. What gaps or areas requiring reform in the tax and regulatory frameworks were identified during the workshop that you consider most important for MSMEs?	
The crime called DEVE should be abolished.	Allowing the MSMEs to operate for a while before paying taxes will enable them to operate for at least three years.
- Implementation is poor - Unprofessional practice among tax collectors	- Public enlightenment - Capacity building
- Engagement of incompetent consultants to collect taxes - Regulatory frameworks are not known MSME if there is any	Giving tax holidays for the new MSMEs
Digitization of tax, education, and sensitization of taxpayers	The areas are illegal taxation and levy. Implementing the purpose of why the levies or taxes are collected also needs public sensitization.
Capacity building	Centralized system of tax collection
Public Education	
Sensitization to enable MSMEs to be updated	Effective implementation payment
Lack of synergy between the tax authorities and the taxpayers on their tax responsibilities as well as the government not taking cognizance of the fact that the death of any MSMEs implies poor tax collectibles or death to tax	Effective Implementation of policy
	Allowing the MSMEs to operate for a while before paying taxes will enable them to operate for at least three years.
1. Lack of data-driven policies 2. Lack of synergy between demand and supply side 3. Reliance on manual tax collection processes is a major challenge	Harmonization and digitalization of taxes and levies
The tax authority should be reformed and equipped digitally	Tax Classification and coding, Digitalization
1. Enabling legal framework. 2. Capacity building for all stakeholders. 3. Improved sensitization	1. Multiple taxation. 2. Tax practices that violate human rights and shrink the civic space

<ol style="list-style-type: none"> 1. Formalization and transparent regulatory framework of the informal sector taxes. 2. Classification of the operations in the informal sector. 3. Digitalization of the Tax administration and collection system. 	<ol style="list-style-type: none"> 1. Classification of MSMEs 2. An enabling and Sustainable legal framework (MOU initiation to protect MSME's) 3. Tax and levies harmonization through implementing single window digitalization of tax systems. 4. Establishment of incident reporting centers on Tax Matters. 5. Capacity building, collaborative action, and advocacy to the grassroots in a language they easily understand.
<p>Harmonization and digitalization of taxes and levies</p>	<ol style="list-style-type: none"> 1. System of Tax Collection. 2. Inefficient classification of kinds of business. 3 Weak Legal framework

4.4 RECOMMENDATIONS FROM VALIDATION SESSIONS

After analyzing the feedback from the responses to the surveys shared during the validation session, here are the recommendations derived from this process.

1. Tax exemption should be extended to nano, micro, and small businesses to ensure sustainability and continuity.
2. Digitizing tax processes and harmonizing taxes and levies through the implementation of single-window systems can streamline tax administration.
3. Strengthening the joint tax board to serve as a policy think-tank can facilitate the adjudication of tax policies, leading to more efficient tax administration.
4. Encouraging businesses to register with trade organizations and the organized private sector can protect them from tax exploitation, and awareness campaigns can be launched to promote this initiative.
5. Implementing a robust tax sensitization program on tax rights, compliance, and benefits can educate taxpayers and administrators, fostering better understanding and cooperation.
6. Eliminating the use of task forces and similar agents who rely on aggressive methods for tax collection can lead to more ethical tax collection practices.
7. Investing in capacity building can deter tax evasion, increase government revenue, and enhance trust between the government and the people.
8. A memorandum of understanding (MOU) from the government can ensure an efficient tax-to-service regime, outlining the responsibilities of both parties.
9. Establishing incident reporting centers can address issues related to multiple taxation and illegal levies, ensuring fair tax practices.
10. Encouraging businesses to formalize their operations can create a more transparent and accountable business environment.
11. Introducing a tax holiday for the first 18 months for new businesses can incentivize entrepreneurship and business growth.
12. Implementing a one-year tax holiday for business startups can further incentivize entrepreneurial ventures.
13. Regulating rates or rents for business premises and reducing VAT can alleviate financial burdens on businesses, stimulating economic growth.
14. Utilizing tax revenues to provide essential amenities and ensuring transparency in spending can enhance public trust in the government's use of taxpayer money.
15. Providing tax collectors with training and retraining to align with legal provisions can enhance their professionalism and adherence to the law.

5. COMMUNIQUE PRESENTED AFTER A DAY STAKEHOLDERS TAX POLICY DIALOGUE ON STRENGTHENING TAX ADMINISTRATION IN RIVERS STATE- 16th November 2023

In furtherance of the advocacy for fair and progressive taxation at the sub-national governments in Nigeria, the Rivers State Tax Justice and Governance Platform, in collaboration with the Foundation for Partnership in the Niger Delta (PIND) on 16th November 2023, organized a one-day Stakeholders

Tax Policy Dialogue in Port Harcourt, Rivers State. The dialogue drew participants from the Rivers State Government, the Ministry of Commerce and Industry, the organized private sector, the National Association of Nigeria Traders (NANTS), the Small and Medium Enterprise Development Agency of Nigeria (SMEDAN), the media, people living with disability and civil society organizations.

Recommendations:

1. The Rivers State government and local government councils should support and key into their recommendations of the Presidential Committee on Fiscal Policy and Tax Reform to simplify the tax code, harmonize and streamline taxes and levies collected across the tiers of government to eliminate multiple taxations in Rivers State.
2. The Rivers State government should pass legislation or formulate and implement fair and progressive tax frameworks to stimulate economic growth and increase the state's revenue base.
3. The Rivers State government should deepen the application of information technology in the tax administration value chain by digitizing the taxes and levies system at the state and local government levels to optimize the state's revenue potential.
4. A multi-stakeholder network should be established as a Tax Justice League, which will interface with state and non-state actors involved in tax collection to safeguard the tax system in Rivers State.
5. Tax and levies collected through business membership associations in the informal sector should be considered to facilitate the expansion of the tax net and the reduction of multiple taxation, including ending tax practices that violate human rights and shrink the civic space.
6. The tax policy dialogue should be scaled-up to a regional event to enable cross-learning and knowledge exchange within the Niger Delta region.
7. There is a dire need for a robust tax education and sensitization program by all stakeholders to improve voluntary compliance, which has been noted to be more effective in driving tax receipts.
8. Civil Society Organizations should intensively advocate to relevant stakeholders to strengthen Rivers State's tax administration. They should review, repeal, amend, and effectively implement sections of the Rivers State tax laws to encourage and boost compliance and revenue.
9. The Rivers State Government should institutionalize periodic stakeholder engagement around tax administration and sundry matters to create a better business-friendly environment.
10. The Rivers state Government should urgently develop a tax expenditure and ease-of-doing business framework to facilitate economic growth and sustainable development.

6. ENGAGEMENTS WITH THE PRESIDENTIAL FISCAL POLICY AND TAX REFORMS COMMITTEE.

The Presidential Fiscal Policy and Tax Reforms Committee, established on August 8, 2023, is entrusted with tackling critical issues across three primary areas: fiscal governance, revenue enhancement, and economic growth promotion. Its central objective is to improve the effectiveness of revenue collection, ensure accountability in financial reporting, and encourage the optimal utilization of tax and other income streams to elevate public confidence in taxation, cultivate a favorable tax environment, and encourage voluntary adherence to tax laws.

As part of this intervention, PIND engaged with this body in the following ways to infuse its recommendations into the goals of the committee

6.1 Submission of Memo

On November 10, 2023, responding to a nationwide call in response to a call from the Committee, PIND submitted a memo with the following inputs:

PRAYERS:

This memorandum prays that the committee considers government policy or legislation in support of:

Small Business

1. To eliminate all mobile levies, abolish all kinds of fees and levies on mobile factors, and remove roadblocks on internal traffic that prevent the establishment of efficient cross-state supply chains and reduce competition.
2. Improve transparency in the tax system for small businesses. This will eliminate corruption and harassment by tax officials and, consequently, businesses' non-compliance.

The government is invited to:

1. Consider the complete digitization and harmonization of the tax administration process at State levels.
2. Review the business categorization to clarify the appropriate tax bands for the different levels of small businesses.
3. Carry out a reduction in the overhead capital and cost of tax administration. The three tiers of government are overexploiting the current tax base
4. Produce a register of operational businesses across the local government councils to obtain near-accurate data on GDP and better estimate the tax value.

PRESIDENTIAL FISCAL POLICY AND TAX REFORMS COMMITTEE STAKEHOLDER ENGAGEMENTS AND CONSULTATIONS.

In December 2023, the committee conducted extensive consultations and stakeholder engagements involving all critical segments of society, such as traders, women, youths, diaspora Nigerians, civil society, people living with disabilities, and students.

PIND also engaged this body in a CSO session where feedback from stakeholder consultations and submitted memos were shared. The recommendations and issues to consider emanating from these engagements were as follows.

TAX POLICY REFORM COMMITTEE RECOMMENDATIONS

1. Measures to address duplication functions of functions in public service, ensure prudent public financial management, and optimize value from government assets and natural resources.
2. Improve the effectiveness of policy measures and ensure better collaboration.
3. Use of technology “Data4Tax” to expand the tax net.
4. Increase personal income tax exempt threshold and personal relief allowance
5. Tax breaks for the private sector with respect to wage increases, transport subsidies, and employment.
6. Option to permit payment of taxes and levies in naira for Nigerian businesses
7. Remove impediments to global employment opportunities for Nigerians based in Nigeria
8. The VAT on diesel will be suspended, and tax waivers will be granted on Compressed Natural Gas, (CNG) conversion, and renewable energy items.
9. Fiscal review of 43 items unbanned from accessing forex at the official market.
10. Reform of Withholding Tax Regime for simplicity and ease pressure of working capital for businesses.
11. Facilitate the use of mobile money for conditional tax transfers.
12. Introduce a spending framework to enhance the priority and quality of spending.
13. Suspension of multiple taxes that burden the poor and small businesses and compensate with revenue windfalls of certain agencies.
14. Fiscal measures to complement foreign exchange management for convergence and stability.
15. Implement forward contracts to import petrol as a short-term measure pending improvement in key economic indices.
16. Discontinue the CBN FX verification portal and the requirement for the Certificate of Capital Importation and export proceeds implementation.

17. Address impediments to export promotion for goods, services, and intellectual property.
18. Improve revenue remittances from MDAs to the Consolidated Revenue Fund (CRF).
19. Modify TaxPro Max to allow taxpayers to mark part payments of outstanding liabilities.

ISSUES under Consideration.

1. A new national tax and fiscal policy framework.
2. Harmonisation (taxes and levies, revenue administration, reporting) and setting up of a single national revenue window.
3. Consolidation and redrafting of major tax laws.
4. A new withholding tax (deduction at source) regime with lower tax rates for active income, exemption for SMEs, clarity regarding key requirements such as cash basis and credit notes, etc
5. Revamping of tax agent's function with emphasis on competence and ethics.
6. Data4Tax initiative, VAT fiscalization, and electronic invoicing.
7. Transformation of FIRS to Nigeria Revenue Service, introduction of tax ombudsman office, and creation of a new joint tax board
8. Executive orders and regulations to implement tax and fiscal reforms that do not require legislative changes
9. Model tax codes and revenue administration templates for adoption or adaptation by subnational level of government
10. A national tax amnesty scheme to expand the tax net and give taxpayers the opportunity for self-remediation

PHOTO MOMENTS

PORT HARCOURT, RIVERS STATE MULTIPLE TAXATION STAKEHOLDERS MEETING



Mr. Chuks Ofulue in a work session with Mr. Erasmus Chukwunda, the Director General of the Port Harcourt Chamber of Commerce, Mines, and Industry, in the Validation Session for the Multiple taxation assessment in Port Harcourt.



Kelechi Amachi of the Tax Justice and Governance Platform and Enebi Opeoluwa, Senior Policy & Research Analyst of BUDGIT, participating in the validation session in Port Harcourt (Both organizations are part of the Presidential Committee on Tax and Fiscal Policy reforms)

PHOTO MOMENTS

PORT HARCOURT, RIVERS STATE MULTIPLE TAXATION STAKEHOLDERS MEETING



Cross-section of Participants at the Port Harcourt phase of the validation session.



Participants at the Port Harcourt phase of the validation session.

PHOTO MOMENTS

ASABA, DELTA STATE MULTIPLE TAXATION STAKEHOLDERS MEETING



Cross-section of Participants at the validation session in Asaba



Anyafulu Bridget, Executive Director International Center for Women Empowerment and Child Development/Delta State House Assembly Oshimili South, making a presentation at the Asaba validation session".

PHOTO MOMENTS

ASABA, DELTA STATE MULTIPLE TAXATION STAKEHOLDERS MEETING



Participants at the validation session in Asaba



Anyafulu Bridget, Executive Director, Intl Centre For Women Empowerment & Child Dev (ICWECD) /Delta State House of Assembly (Oshimili South)

PHOTO MOMENTS

ASABA, DELTA STATE MULTIPLE TAXATION STAKEHOLDERS MEETING



Breakout session of Participants at the validation session in Asaba



Breakout session of Participants at the validation session in Asaba

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**MULTIPLE
ATIONS
EGAL LEVIES
VALIDATION
WORKSHOP**



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