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Taxation and the Growth of Small and Medium Enterprises in Nigeria

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Abstract

This study examines the impact of taxation on the growth of Small and Medium Enterprises (SMEs) in Nigeria from 2007 to 2019. Data was gathered from the Central Bank of Nigeria Statistical Bulletin and Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). The study adopted the co-integration and error correction modelling as its technique of analysis. While Company Income Tax (CIT) and Value Added Tax (VAT) were found to have significant impact on the growth of SMEs in Nigeria, Custom and Excise Duty (CEDT) was found to have insignificant impact on their growth. As expected however, the three variables, CIT, VAT and CEDT were found to be inversely related with SMEs growth. The study therefore recommends among others, that for taxation to grow the SMEs, tax policies especially those relating to CIT and VAT should be properly formulated and carefully administered in such a way that such policies directly promote the growth of SMEs. In particular, the government should consider a downward review of the current VAT rate of 7.5%. In addition to reducing tax rates for the SMEs, other incentives, reliefs and allowances such as loss reliefs, pioneer status, tax holidays, capital allowance etc. should be specially packaged for SMEs to enhance their productivity and growth.

Keywords: Taxation, Value added tax, Custom, Excise duty, Company income tax, SMEs.
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Contribution of this paper to the literature
This study has contributed immensely to the literature because unlike previous studies on this subject, the effects of the major types of taxes, both direct (company income tax) and indirect (value added tax and custom and excise duty) on the growth of the SMEs in Nigeria have been considered and comprehensively analyzed in this paper. Also, the methodology adopted is much more superior to those adopted in the previous studies.

1. Introduction

Taxation is central to the current economic development agenda in Nigeria. It provides a stable flow of revenue to finance development priorities, such as strengthening of physical infrastructures. It also plays a crucial role in over-all economic management and stabilization. Fundamentally, tax policy shapes the environment in which local trade and investment take place. Thus, a core challenge for Nigeria is finding the optimal balance between an effective taxation that is business and investment friendly, and one, which can leverage enough revenue for public service delivery to enhance the attractiveness of the economy.

Taxation is an integral part of countries' development policies, interwoven with numerous other areas, from good governance and formalizing the economy, to spurring growth and stimulating export activities. Among other things, taxation: Provides governments with the funding required to build the infrastructure on which economic development and growth are based; Creates an environment in which business is conducted and wealth is created; Shapes the way government activities are undertaken; and Plays a central role in domestic resource mobilization. (NEPAD & OECD, 2009)

The importance of SMEs in the economic development process of nations has necessitated a shift of emphasis by successive governments in Nigeria away from large-scale, capital-intensive industrialization to small businesses. The SMEs are therefore seen as cardinal and veritable tools in the industrialization process of Nigeria. But their existence and survival depend largely on adequate financing. Ovat (2013) and Afolabi (2013) had observed that the bane of SMEs in Nigeria is financial constraint.

Churchill and Lewis (1983) identified growth stage models; an attempt to link growth with stages of development. However, more examination is needed of SME's capability to adapt, deploy skills, focus assets, and of how such procedures lead to ultimate success. Clearly, as firms and particularly SMEs grow, they face threats and opportunities and it is legitimate that researchers should seek to examine these influences.

The problem of taxation on the growth of SMEs is exacerbated by a lack of reliable data for statistical analyses. The mortality rates of SMEs are very high, and among the factors responsible for this are tax related issues. Despite the emphasis placed on taxation especially, Value Added Tax, Custom and Excise Duties and Company Income Tax to grow the SMEs, yet, the SMEs are not growing as expected.

It was on the above premise that the Finance Bill 2019 which was passed into law in Nigeria in January 2020 to become the Finance Act, 2019, has as one of its strategic objectives; supporting of small businesses in line with the ease of doing business reforms (Obayomi, 2020). The new law has amended certain tax Acts and made them more responsive to the tax reform policies of the Federal government and enhance their implementation and effectiveness. The Tax Acts which have been amended include; Companies Income Tax, Value Added Tax, Custom and Excise Tariff, Personal Income Tax, Capital Gains Tax, Stamp Duties Act and Petroleum Profit Tax. Some of the amendments, especially on the CIT Act are deliberately aimed at promoting the growth of SMEs.

1.1. Objective of the Study

The general objective of this study is to examine the impact of taxation on the growth of small and medium enterprises in Nigeria from 2007 to 2019. Other specific objectives include: to evaluate the impact of value added tax on the growth of SMEs in Nigeria; to examine the impact of custom and excise duty on the growth of SMEs in Nigeria and to determine the impact of company income tax on the growth of SMEs in Nigeria.

1.2. Hypotheses

Based on the above objectives, the following null hypotheses are formulated and tested:

H_{01}: Value Added Tax (VAT) has no significant impact on the growth of small and medium enterprises in Nigeria.

H_{02}: Custom and Excise Duty (CEDT) has no significant impact on the growth of small and medium enterprises in Nigeria

H_{03}: Company Income Tax (CIT) has no significant impact on the growth of small and medium enterprises in Nigeria.

1.3. Scope of the Study

This study covers a period of 13 years, from 2007 to 2019 and the entire 72,838 SMEs in Nigeria according to SMEDAN & NBS (2013). This period is chosen because it covers the administration of the country by the past and present governments and as such captures their efforts at shifting attention from the country's dependency on crude oil to that of enhancing the growth of her SMEs so as to create many jobs and eradicate extreme poverty that has hit the nation.

2. Review of Literature

2.1. Concept of Taxation

Taxation is a process through which governments all over the world raise revenue to finance her expenditures by forcing charges on their corporate entities, citizens as well as on goods and services. Taxation is differentiated from other forms of payment, such as market exchanges, in that taxation does not require consent and is not directly tied to any services rendered. The three types of taxes used in this study are discussed below.

2.1.1. Value Added Tax

A value added tax (VAT), also known as turnover tax, single business tax, or Goods and Services Tax (GST) in

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some countries, applies the equivalent of a sales tax to every operation that creates value. VAT is usually applied by requiring the company to complete a VAT return, giving details of VAT it has been charged (referred to as input tax) and VAT it has charged to others (referred to as output tax). The difference between output tax and input tax is payable to the Local Tax Authority. Ogunrinde (2013) stated that value added tax was introduced to make a remarkable shift from direct to indirect taxation in order to boost government tax revenue and minimize the country's dependence on oil revenue.

In Nigeria, the VAT Act was amended by the Finance Act, 2019 to improve the efficiency of the Nigerian VAT system, expand VAT coverage through taxation of the digital economy, VAT registration threshold and intangibles. The new Act raised the rate of VAT from 5% to 7.5% to help government generate additional revenues to fund the budget.

2.1.2. Company Income Tax

Adereti, Sanni, and Adesina (2011) noted that company income tax Act, LFN 2007 is the current enabling law that governs the collection of taxes on profits made by companies operating in Nigeria excluding companies engaged in petroleum exploration activities. He further noted that this tax is payable for each year of assessment of the profits of any company at a rate of 30%.

In Nigeria, the new Finance Act amends the provision of the Companies Income Tax to among other things address the taxation of industries such as insurance, start-ups and the capital markets considered by the FGN as being critical to growing the Nigerian economy, with a view to stimulating activities in those sectors and fostering overall economic growth. In particular, the new law provides for new Rates of Tax in favor of SMEs as follows; 1) a general exemption (subject to a minimum tax of 0.5% of the turnover of the company) from corporation tax for small companies earning lower than N25 million turnover in any tax year; 2), 20 kobo for every Naira for medium-sized companies; and 3) retained the old flat rate of thirty kobo for every Naira for Large companies

The above provisions enable a more robust incentive to all SMEs, instead of former provisions relating to reduced tax rates for small manufacturing companies in their first four years. It also supports government's initiative to foster overall growth of MSMEs in Nigeria.

2.1.3. Custom and Excise Duty

De Wulf (2005) views customs and excise duty as a revenue generation mechanism on imports or on export of commodities. The Customs and Excise Act of Nigeria defines customs duty as a tax levied on imported goods and excise duty as a tax levied on certain locally manufactured products and other products that are imported under Trade Agreements. The rate of duty charged per product depends on the category of goods as classified according to its description. Generally, an excise duty is an indirect tax imposed on goods during the process of their manufacturing, production or distribution and is usually proportionate to their quantity or value.

In Nigeria, the new Finance Act amends the provision of the Custom and Excise Tariff (Consolidation) Act to create a level playing field for local manufacturers by subjecting certain imported goods to excise duties in similar manner as their locally manufactured counterparts. This is basically meant to incentivize local production.

2.2. Concept of Small and Medium Enterprises

In Nigeria, the National Council of Industry (2001) categorized SMEs based on three criteria: Micro with employee size of 1-10 and less than N1 Million capital, Small with employee size of 11-35 and N1 Million to less than N40 Million capital, Medium with employee size of 36-100 and N40 Million to less than N200 Million capital. The Central Bank of Nigeria, in its 2005 guideline on Small and Medium Enterprise Investment Scheme (SMEIS), described SME as any enterprise with a maximum asset base of 200 million naira (excluding land and working capital) with no lower or upper limit of staff (Etuk, Etuk, & Michael, 2014).

Onugu (2005) states that the National Council of Industries in Nigeria describe SMEs as business enterprises whose total costs; excluding land, is not more than two hundred million naira (N200, 000,000.00) only. The Federal Ministry of Commerce and Industry defines SMEs as firms with a total investment (excluding cost of land but including capital) of up to N750, 000, and paid employment of up to fifty (50) persons (Mba & Cletus, 2014).

In the 1990 Federal Government of Nigeria's budget, small scale enterprises for the purpose of commercial loan were defined as those enterprises with annual turnover not exceeding N500,000 and for merchant loan as those with capital investment not exceeding N 2 million (excluding cost of land or a maximum of N5 million) (Aremu & Adeyemi, 2011).

The new Nigerian Finance Act defines a 'Small company' as a company that earns gross turnover of N25 million or less; 'Medium-sized company' as a company that earns gross turnover greater than N25 million but less than N100 million; and a 'Large company' as any company which is not a small or medium-sized company. Aruwa (2013) believed that Nigeria's industrial sector is dominated by SMEs which accounts for 90% of the number of enterprises, as compared with other developed countries where more than 98% of all their enterprises belong to SME sector. In Japan, SMEs employ about 80% of the total industrial labor force, while in Germany and USA, 50% and 46% respectively, are employed in smaller firms.

2.3. Theoretical Framework

2.3.1. Optimal Tax Theory

Optimal taxation theory is the branch of economics that considers how taxes can be structured to give the least deadweight costs, or to give the best outcomes in terms of social welfare (Simkovic, 2012). The Ramsey problem deals with minimizing deadweight costs. Because deadweight costs are related to the elasticity of supply and demand for a good, it follows that putting the highest tax rates on the goods for which there is most inelastic supply and demand will result in the least overall deadweight costs.

2.3.2. Ability-To-Pay Theory

This theory suggests that, taxes should be levied according to an individual's ability to pay. It says that public

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expenditure should come from him that hath instead of him that hath not. The principle originated from the sixteenth century. The ability-to-pay theory was, scientifically extended by the Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean- Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This is indeed the basis of 'progressive tax,' as the tax rate increases by the increase of the taxable amount. This principle is indeed the most equitable tax system and has been widely used in industrialized economies.

The usual and most supported justification of ability to pay is on grounds of sacrifice. The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government, which he would have used for his own personal use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as (i) each taxpayer surrenders the same absolute degree of utility that she/he obtains from her/his income, or (ii) each sacrifices the same proportion of utility she/he obtains from her/his income, or (iii) each gives up the same utility for the last unit of income; respectively. The theoretical framework found adequate for this study was this ability-to-pay theory.

2.4. Empirical Studies

Ojeka (2012) employed non-probability judgmental sampling method and Spearman's Rank Correlation for hypothesis testing to examine tax policy and the growth of SMEs in Nigeria. Questionnaires were distributed to SMEs operators in Zaria, North Central, Nigeria and the findings revealed that most SMEs surveyed were faced with the problem of complex tax regulations, high tax rates, lack of proper enlightenment or education about tax related issues, and multiple taxation. The study also found a significant negative relationship between taxes and the business' ability to sustain itself and to expand.

Ocheni (2015) investigated the impact analysis of tax policy and the performance of SMEs in the Nigerian economy. Descriptive survey research design was adopted. The population of the study comprised sixty-eight (68) SMEs currently operating in Kogi State and FCT, Abuja. Their 727 personnel comprised fifty-six (56) managers and 671 accountants. The sample for the study consisted of two hundred and fifty-eight (258) respondents, (20 managers and 238 accountants from the two states. Taro Yamani's sampling technique formula was used to select the two hundred and fifty-eight (258) respondents, representing 36% of the population. Out of the two hundred and fifty-eight (258) copies of the questionnaire which were printed and distributed, sixty-eight were not returned, while One hundred and ninety (190) copies or (74%) of the questionnaire were retrieved. Of the 190 copies, forty-six (46) were wrongly filled giving a total of one hundred and forty-four (144) copies of valid questionnaire. Descriptive statistics was used to analyze the data collected and to obtain the mean assessment for each scale item. The research hypotheses for this study were tested using z-test statistics to establish $p < 0.05$ significant differences. The analysis revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth.

The researcher did not use efficient statistical tools such as regression, but only percentages, graph and chart to analyze the data. Also, the researcher made use of GDP as a measure of economic growth but failed to consider and specify his exact study period. Furthermore, he did not explicitly state the analytical statistical package used such as SPSS or E-view software statistical package. These are some of the identified research gaps that this study intends to fill. The study also makes use of secondary data from 2007 to 2019 and adopts various types of taxes such as value added tax, custom and excise duty and company income tax to examine their effects on the growth of SMEs.

3. Methodology

This study adopted an econometric approach in its empirical analysis of the impact of taxation on the growth of SMEs in Nigeria. The technique of analysis is co-integration and error correction modelling. This technique is chosen in order to determine whether there is the existence of a long run equilibrium relationship in the series. Data for this study was gathered from Central Bank of Nigeria Statistical Bulletin and SMEDAN. The time frame is thirteen years period from 2007 to 2019. The population of this study comprised of all SMEs in Nigeria, which according to SMEDAN and National Bureau of statistics is 72,838. The types of taxes used to assess the impact of taxation are; value added tax, custom and excise duty and company income tax, while the proxy used for the growth of SMEs is SME's contributions to GDP. The theoretical base of the study is ability-to-pay, anchored on the John Stuart Mill led growth hypothesis. This hypothesis emphasized that public expenditure should come from him that hath instead of him that hath not. This taxation theory stressed that tax is a key factor affecting government infrastructures. The model which draws considerably from the literature is functionally specified as follows:

$$GSME = f(VAT, CEDT, CIT) \quad (1)$$

Equation (1) is transformed into an econometric form to include the error term as follows:

$$GSME = \beta_0 + \beta_1 VAT + \beta_2 CEDT + \beta_3 CIT + \upsilon_t \quad (2)$$

Where: GSME = SMEs growth, which is proxied by SMEs contribution to GDP; VAT = Value Added Tax; CEDT = Custom and Excise Duty; CIT = Company Income Tax; υ_t = Stochastic or error term; β_0 = Constant term and β_1-β_3 = Coefficients of the explanatory variables, which a priori are all expected to be < 0.

4. Results and Discussion

4.1. Unit Root Test

Econometric studies have shown that most financial and macro-economic time series variables are non-stationary and using non-stationary variables lead to spurious regression (Engle, 1987). To test for the

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stationarity, the Augmented Dickey-Fuller (ADF) unit root test technique was used to ascertain whether the four variables used in the study exhibit unit root property. The result of unit root test is presented in Table 1.

Table-1. Traditional Unit Root Test Result (Trend and Intercept).

Variables	ADF-statistics	Critical Values	Order of integration
GSME	-7.790918	-4.356068*	I(0)
CEDT	-5.819927	-4.374307*	I(0)
VAT	-3.645969	-3.574244**	I(1)
CIT	-4.29157	-3.595026**	I(0)

Note: * and **indicate significance at 1% and 5% levels respectively.

From Table 1, the traditional test of the ADF indicates that three (3) of the variables, GSME, CEDT and CIT are stationary at levels. Their ADF test statistics of -7.790918, -5.819927 and -4.29157 are greater than their critical values of -4.356068, -4.374307 and -3.595026 at 1%, 1% and 5% levels respectively. However, VAT was found stationary at first difference (that is at order I(1)) and 5 percent level.

4.2. Co-Integration Test Result

Having established the order of integration, we proceeded to establish whether the variables are cointegrated, or there is a long run equilibrium relationship among them using the bounds testing approach. The result of the co-integration test is presented in Table 2.

Table-2. Bounds Test Co-integration result.

F-Bounds Test		Null Hypothesis: No levels relationship		
Test Statistic	**Value**	**Signif.**	**I(0)**	**I(1)**
F-statistic	15.28175	10%	2.20	3.09
K	3	5%	2.56	3.49
		2.5%	2.88	3.87
		1%	3.29	4.37

The co-integration test result shows that the F-statistic value of 15.28 is greater than the lower (I(0)) and upper bound (I(1)) critical value at the 5% significance level. Thus, the null hypothesis of no long-run relationship is rejected at the 5% significance level. It can therefore be inferred that the variables are co-integrated. Thus, there is a long-run co-integrating relationship between the taxation variables and SMEs growth.

4.3. Estimation of Results

The ECM results and interpretation are presented as follows:

Table-3. Error correction regression.

Dependent Variable: LOG(GSME)
Method: ARDL
Selected Model: ARDL(2, 0, 0, 0)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
LOG(GSME(-1))	0.799826	0.284113	2.815173	0.0183
LOG(GSME(-2))	-0.678247	0.361687	-1.875230	0.0902
LOG(CEDT)	-0.420973	0.393613	-1.069510	0.3100
LOG(VAT)	-0.789116	0.028158	-2.494090	0.0260
LOG(CIT)	-0.124160	0.016731	-2.240280	0.0150
C	5.948726	3.344393	1.778716	0.1056
ECM(-1)*	-0.878421	0.224090	-3.919952	0.0029
R-squared	0.853933	Mean dependent var		10.23002
Adjusted R-squared	0.730899	S.D. dependent var		0.662130
S.E. of regression	0.174055	Akaike info criterion		-0.378896
Sum squared resid	0.302951	Schwarz criterion		-0.089176
Log likelihood	9.031171	Hannan-Quinn criter.		-0.364060
F-statistic	15.28457	Durbin-Watson stat		2.129213
Prob(F-statistic)	0.000002			

***Note:** p-values and any subsequent tests do not account for model selection.

The ECM coefficient (-0.8784) with p-value, 0.0029 is statistically significant at 5%, and with the expected sign. It indicates that once there is disequilibrium in the system in the short-run, it takes an average (high) speed of 87.84% to adjust itself back towards long-run equilibrium level.

The R^2 (R-squared) value of 0.8539 indicates that all the explanatory variables were able to explain about 85.39 per cent of the variation in SMEs growth, implying that only 14.61 percent of the variation in SMEs growth is attributed to variables omitted from the equation, ceteris paribus. The F-statistics (15.28) and its probability value (0.000002) confirmed the overall significance or 'goodness-of-fit' of the regression equation. The Durbin-Watson Statistic (2.13) revealed the absence of autocorrelation. The above statistics confirm the adequacy of the model and hence its reliability for predicting the effects of Value Added Tax (VAT), Custom and Excise Duties (CEDT) and Company Income Tax (CIT) on the growth of SMEs as follows:

VAT – If VAT rate is decreased by 1%, the growth of SMEs will increase by 0.79%, and vice versa, ceteris paribus. If CEDT is decreased by 1%, the growth of SMEs will increase by 0.42%, and vice versa, ceteris paribus. Finally, if CIT is decreased by 1%, the growth of SMEs will increase by 0.12%, and vice versa, ceteris paribus.

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4.4. Test of Hypotheses

The test of hypothesis is based on the ARDL-ECM regression result shown in Table 3, using the t-statistic of each of the variables and their associated probability values. For each variable, we accept the null hypothesis if at 5% level of significance, the probability value which indicates the exact level of significance is greater than 5%, otherwise we reject the null and accept the alternative hypothesis

4.4.1 Hypothesis One

H01: Value added tax (VAT) has no significant impact on SMEs growth in Nigeria.

From the regression result in Table 3, the t-statistic for VAT is -2.49 and its probability value (0.0260) < 0.05, so we reject the first null hypothesis (**$H0_1$**) and accept the alternative. This implies that Value added tax (VAT) has significantly impacted SMEs growth in Nigeria

4.4.2 Hypothesis Two

H02: Custom and excise duties (CEDT) has no significant impact on SMEs growth in Nigeria.

From the long-run regression result in Table 3, the t-statistic for CEDT is -1.07 and its probability value (0.3100) > 0.05, so we accept the second null hypothesis (**$H0_2$**) and reject the corresponding alternative hypothesis. The conclusion here is that custom and excise duties (CEDT) has no significant impact on SMEs growth in Nigeria

4.4.3. Hypothesis Three

H03: Company income tax (CIT) has no significant impact on SMEs growth in Nigeria.

From the result in Table 3, the t-statistic for CIT is -2.24 and its probability value (0.015) < 0.05, so we reject the third null hypotheses (**$H0_3$**) and accept the alternative. This implies that company income tax (CIT) has a significant impact on SMEs growth.

5. Discussion of Findings

From the results, we found that Value Added Tax and Company Income Tax have significant effects on SMEs growth in Nigeria, while Custom and Excise Duties had insignificant effect. The coefficients of all the variables were found to have a negative relationship with SMEs growth within the period under study. The implication of these finding is that a reduction in the rates of these taxes will significantly boost the growth of SMEs in Nigeria and vice versa. Accordingly, the increase in the VAT rate from 5% to 7.5% by the Finance Act, 2019 might adversely affect the growth of SMEs in Nigeria.

The CEDT was found to have an insignificant and negative effect on SMEs growth. The inverse relationship implies that higher custom and excise duties are detrimental to the growth of SMEs. The insignificant relationship observed could also imply that Custom service operations and revenue generation especially in the border is not practically impacting in the economy due to non-accountability, transparency and obvious leakages in the system.

Finally, Company income tax (CIT) was found to have a negative but significant influence on SMEs growth in Nigeria. It shows that the higher the CIT rate, the lower the rate at which the SMEs grow. This finding agrees with the findings of Ojeka (2012) who found that tax policy adversely affected the growth of SMEs in Nigeria. However, it is hoped that the Finance Act, 2019 which amends the rate of CIT from a flat rate of 30% on the assessable profit of all companies irrespective of size, to a complete tax exemption for small companies with gross turnover of N25 million or less; 20% (twenty kobo for every naira) for medium-sized companies with a gross turnover greater than N25 million but less than N100,000,000 and 30% (thirty kobo for every Naira) for large (not small or medium-sized) companies with gross turnover of N100 million or more, would greatly enhance the performance and growth of the SMEs

6. Conclusion and Recommendations

In recognition of the fact that the role of SMEs is very strategic with far-reaching implications on any economy, this study sets to establish the impact of taxation on the growth of SMEs in Nigeria from 2007 to 2019. From the results, it can be inferred that taxation has stifled the growth of SMEs rather than promoting them. It is imperative to note that only SMEs operating in a conducive tax- friendly environment can remain competitive, relevant and active players within the domestic economy and in the global arena.

Based on the findings, the study therefore makes the following recommendations:

i. Tax policies especially those relating to CIT and VAT which have been found to be significant in the growth of SMEs should be properly formulated and carefully administered, in such a way that such policies directly promote the growth of SMEs. In particular, the government should reconsider a downward review of the current 7.5% VAT rate as the study has revealed that VAT is significant to the growth of SMEs. The reduction in the CIT rate for small and medium-sized companies by the Finance Act, 2019 is a step in the right direction.
ii. In addition to reducing tax rates for the SMEs, other incentives, reliefs and allowances such as loss reliefs, pioneer status, tax holidays, capital allowance etc. should be specially packaged for SMEs by the government to enhance their productivity and growth.
iii. Effective modalities should be put in place to ensure accountability, transparency, and stoppage of the leakages associated with customs service revenue generation to enable the operations of the service impact positively on the SMEs and the entire economy.
iv. Finally, government should be sensitive to the variables in the tax environment to enable the SMEs cope with the ever-changing dynamics of the SMEs environment.

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