

Multiple Taxation Burden and the Survival of Small and Medium Enterprises in Lagos State, Nigeria

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ABSTRACT

This study examined the effect of multiple taxation burden on the survival of small and medium enterprises (SMEs) in Lagos State, Nigeria. Small and medium enterprises are widely regarded as the backbone of Nigeria's economy, yet those operating in Lagos State, the country's most commercially dynamic jurisdiction, continue to grapple with an existential threat posed by overlapping tax obligations imposed simultaneously by federal, state and local government authorities. Despite growing scholarly attention to multiple taxation and SME outcomes in Nigeria, most existing studies predate the Nigeria Tax Reform Acts 2025. Specifically, the study assessed the effect of tax multiplicity on profitability, determined how the burden of multiple tax rate influences investment capacity and expansion decisions, evaluated the effect of tax administrative cost on operational continuity, examined the effect of local government levies and informal taxation on survival rate, and investigated the influence of the Nigeria Tax Reform Acts 2025 on survival rate.

The study was anchored on the Ability to Pay Theory and adopted a descriptive survey research design. Primary data were obtained through a structured questionnaire administered to 370 formally registered SME operators drawn through multi-stage sampling across seven local government areas of Lagos State, namely Ikeja, Alimosho, Mushin, Oshodi-Isolo, Eti-Osa, Lagos Island and Surulere. Data were analysed using descriptive statistics and five separate simple linear regression models, one for each objective, all tested at the 5% level of significance.

Tax multiplicity had a negative and statistically significant effect on profitability ($\beta = -0.701$, $R^2 = 0.539$, $F = 429.498$, $p < 0.01$). Multiple tax rate had a negative and significant effect on investment capacity and expansion decisions ($\beta = -0.431$, $R^2 = 0.654$, $F = 176.111$, $p < 0.01$). Tax administration cost exerted a negative and significant effect on operational continuity ($\beta = -0.138$, $R^2 = 0.553$, $F = 11.190$, $p < 0.01$), while local government levies and informal taxation exerted a negative and significant effect on survival rate ($\beta = -0.570$, $R^2 = 0.599$, $F = 40.458$, $p < 0.01$). In contrast, the Nigeria Tax Reform Acts 2025 exerted a positive and significant effect on survival rate, the strongest relationship observed among the five models, explaining about 79% of its variation ($\beta = 0.744$, $R^2 = 0.787$, $F = 63.186$, $p < 0.01$). Consequently, all five null hypotheses were rejected.

The study concludes that SME survival in Lagos State is shaped by a multidimensional tax burden in which tax multiplicity, tax rate, administration cost and informal local levies each independently threaten different aspects of business survival, while a well-implemented tax reform offers a genuine, though still incomplete, counterweight to this burden. The study recommends that tax authorities establish a single harmonised collection window for SMEs, that the Lagos State Government moderate and clearly publish the cumulative tax rate applicable to SMEs, and that unauthorised revenue collectors be eliminated.

Keywords: Multiple taxation, SME survival, tax multiplicity, informal levies, Nigeria Tax Reform Acts 2025.

INTRODUCTION

Small and Medium Enterprises (SMEs) represent the engine of economic development in both developed and developing nations, serving as the primary vehicles through which economies diversify their productive base, create employment and stimulate innovation. In Nigeria, there are over 40 million MSMEs, contributing approximately 48% of national GDP and accounting for more than 80% of employment (SMEDAN & NBS, 2023). Yet the story of the Nigerian SME is predominantly one of struggle, survival and premature death: market survival demands financial resilience, and for SMEs in Lagos State, Nigeria's commercial nerve centre, this resilience is perpetually eroded by a crippling burden of multiple and overlapping taxes imposed by different tiers of government. Multiple taxation challenges have been identified as a leading contributor to the collapse of the majority of SMEs before their fourth year of existence (Punch Investigations, 2023).

Multiple taxation occurs when a particular tax is levied on the same person in respect of the same liability by more than one authority, or when different taxes of a similar nature are imposed simultaneously by the federal, state and local government tiers. In practice, Nigerian SMEs face a bewildering array of levies, from corporate income tax, value-added tax and education tax to market tolls, signage fees, tenement rates and sundry “nuisance taxes”, often collected by different agencies with minimal coordination and, at times, through coercive methods (Akpan & Ime, 2021; Ilemona et al., 2019). The problem is structural and rooted in Nigeria's fiscal federalism, which divides taxing powers among three tiers of government and creates opportunities for duplication and overlap. Odion et al. (2023) confirmed that tax multiplicity constitutes a significant drag on SME growth in South-Eastern Nigeria, leading to reduced production capacity, downsizing and business closure, while Ilodigwe (2023) found that multiple taxation makes management of small businesses more difficult and reduces their service-rendering capacity.

The issue gained renewed urgency following the enactment, on 26 June 2025, of the Nigeria Tax Reform Acts, a package of four legislative instruments comprising the Nigeria Tax Act, the Nigeria Revenue Service Establishment Act, the Nigeria Tax Administration Act and the Joint Revenue Board Act (KPMG Nigeria, 2025; PwC Nigeria, 2025). The reforms consolidated more than eleven overlapping tax statutes into a unified framework, introduced a new Development Levy to replace multiple sector-specific levies, and reduced to zero percent the Company Income Tax payable by small businesses with annual turnover below ₦100 million. While these reforms signal a genuine policy intent to reduce the multiple taxation burden on SMEs, their practical impact on the survival of small enterprises in Lagos State remains uncertain, particularly given the persistence of subnational taxes, local government levies and informal collection mechanisms that fall outside the purview of federal tax legislation.

Notwithstanding the growing body of literature on multiple taxation and SMEs in Nigeria, most existing studies predate the 2025 Tax Reform Acts and do not capture the new fiscal landscape, and few studies have jointly examined the combined effects of formal and informal dimensions of multiple taxation on specific survival indicators such as profitability, investment, operational continuity and closure. It is against this backdrop that this study investigates the effect of multiple taxation burden on the survival of SMEs in Lagos State, Nigeria, a study made particularly timely by the implementation of the Nigeria Tax Reform Acts 2025 from 1 January 2026.

Research Questions

1. To what extent does tax multiplicity affect the profitability of SMEs in Lagos State, Nigeria?
2. How does the burden of multiple tax rate influence the investment capacity and expansion decisions of SMEs in Lagos State?
3. What is the relationship between tax administrative costs and the operational continuity of SMEs in Lagos State?

4. To what extent do local government levies and informal taxation practices affect the survival rate of SMEs in Lagos State?
5. How has the Nigeria Tax Reform Acts 2025 influenced the multiple taxation burden and survival prospects of SMEs in Lagos State?

Objectives of the Study

The broad objective of this study is to examine the effect of multiple taxation burden on the survival of SMEs in Lagos State, Nigeria. The specific objectives are to:

1. assess the extent to which tax multiplicity affects the profitability of SMEs in Lagos State;
2. determine how the burden of multiple tax rate influences the investment capacity and expansion decisions of SMEs in Lagos State;
3. evaluate the relationship between tax administrative costs and the operational continuity of SMEs in Lagos State;
4. examine the extent to which local government levies and informal taxation practices affect the survival rate of SMEs in Lagos State; and
5. investigate the influence of the Nigeria Tax Reform Acts 2025 on the multiple taxation burden and survival prospects of SMEs in Lagos State.

Research Hypotheses

H01: Tax multiplicity does not have a significant effect on the profitability of SMEs in Lagos State, Nigeria.

H02: The burden of multiple tax rate does not significantly influence the investment capacity and expansion decisions of SMEs in Lagos State.

H03: Tax administrative costs do not significantly affect the operational continuity of SMEs in Lagos State.

H04: Local government levies and informal taxation practices do not have a significant effect on the survival rate of SMEs in Lagos State.

H05: The Nigeria Tax Reform Acts 2025 have not significantly influenced the survival prospects of SMEs in Lagos State.

LITERATURE REVIEW

Conceptual Review

Multiple Taxation. Multiple taxation refers to the imposition of a particular tax on the same taxpayer, in respect of the same liability, by more than one authority, or the simultaneous imposition of similar taxes by the federal, state and local government tiers (Akpan & Ime, 2021). In this study, it is examined through the frequency with which SMEs pay overlapping taxes to different government authorities, the duplication of similar taxes by different agencies, and the growth in the number of taxes and levies imposed over time.

Small and Medium Enterprises. SMEs are defined, consistent with the SMEDAN National Policy on Micro, Small and Medium Enterprises (2021–2025), as businesses with a workforce of between 1 and 199 employees and total assets, excluding land and buildings, below one billion naira. They contribute significantly to employment, output and non-oil GDP in Nigeria (SMEDAN & NBS, 2023).

Business Survival. Business survival refers to the continued existence and operational capacity of an enterprise despite internal and external pressures. In this study, it is proxied by a composite measure of profitability trends, operational continuity and investment activity, and is examined as the outcome variable affected by the various dimensions of the multiple taxation burden.

Tax Burden. Tax burden denotes the cumulative financial and administrative weight of tax obligations on a taxpayer relative to income or capacity to pay. In this study it is disaggregated into tax multiplicity, multiple tax rate, and tax administrative cost, reflecting, respectively, the number of overlapping tax authorities, the cumulative rate of taxation, and the time, fees and procedural complexity of compliance.

Informal Taxation / Nuisance Taxes. Informal taxation refers to unofficial and extralegal charges levied on businesses by touts, enforcement officers and community agents, typically without receipts or legal backing, and often enforced through coercive means such as roadblocks and forced shop closures. Alongside official local government levies, these charges constitute a distinct and largely unregulated component of the tax burden borne by SMEs (Arinze et al., 2026; Bariki et al., 2025).

THEORETICAL FRAMEWORK

Several theories inform the study of taxation and enterprise behaviour. The Ability to Pay Theory, formalised by Musgrave (1959) and traced to Adam Smith and John Stuart Mill, holds that the tax burden imposed on any person or entity should correspond to that taxpayer's capacity to bear it, requiring both horizontal and vertical equity. Ibn Khaldun's Theory of Taxation (1377) holds that excessive tax rates paradoxically yield smaller total revenue because they suppress the productive activity that generates taxable income. The Optimal Taxation Theory, developed from Ramsey's (1927) work and extended by Diamond and Mirrlees (1971), prescribes tax structures that minimise the social welfare loss arising from tax-induced distortions. The Benefit Theory of Taxation, associated with Wicksell and Lindahl, holds that tax obligations are justified only where they correspond to identifiable benefits received from government. The Theory of Business Growth, propounded by Penrose (1959), attributes firm growth to the availability of financial and managerial resources, such that the diversion of resources to non-productive obligations constrains expansion.

This study is anchored on the Ability to Pay Theory because it provides the most direct normative standard for evaluating whether the multiple tax obligations imposed on SMEs in Lagos State are equitable relative to their financial capacity. When small enterprises operating on thin margins are required to pay the same variety of taxes as larger firms, the resulting burden is disproportionate in economic terms even where it is equal in legal terms. Kwaltommai et al. (2025), applying this theory, found that tax imposition, assessment, payment and policy each had significant negative effects on SME growth in Nigeria, while Eteng et al. (2025) found that the proliferation of taxes across government tiers intensifies fiscal pressure in ways that disproportionately affect smaller businesses. The theory thus supplies both the normative lens and empirical grounding for this study's examination of how excessive and poorly calibrated tax obligations threaten the survival of Lagos-based SMEs.

EMPIRICAL REVIEW

Tax Multiplicity and Profitability of SMEs. Arinze et al. (2026) found that market levies, business premises levies, and environmental and sanitation levies each significantly affected the survival of entrepreneurs in Anambra State. David (2024) found that multiple taxation had a negative and significant effect on the survival and performance of SMEs in Edo State, while Obeki and Asaolu (2024) found that business premise registration fees and operational permit fees each had a negative and significant impact on SME survival in Bayelsa State, though development levy had no significant effect. Adewara et al. (2023) found that multiple tax burdens and multiple tax administration exhibited a significant negative relationship with SME financial performance in Ekiti State, and Babatunde et al. (2023) similarly found that multiple taxation adversely affected SME growth in Ogun Central. Adamu (2022) found that multiple taxation significantly increased operational costs and reduced profitability among MSMEs in Adamawa State. Most of these studies were

confined to single states, underscoring the need for further examination within Lagos State's uniquely dense multi-tier tax environment.

Multiple Tax Rate, Investment Capacity and Expansion Decisions. Akinyemi and Asonye (2026) found that policy inconsistency, including erratic taxation, significantly hampers SME growth and sustainability by reducing investor confidence and increasing operating expenses. Odion et al. (2022) found that tax multiplicity had a significant negative effect on the investment decisions of SMEs, deterring reinvestment and constraining expansion in South-Eastern Nigeria, while Nnam et al. (2022) demonstrated that tax practices significantly affected investment decisions and limited the ability of enterprises to fund capital growth from internal resources. In contrast, Wang and Kesan (2022) found that corporate tax credits significantly stimulated R&D investment among SMEs in China, and Luo et al. (2020) found that bank-tax interaction mechanisms reduced leverage and bankruptcy risk, suggesting that, outside the Nigerian multiple-taxation context, well-targeted tax incentives can support rather than suppress investment. Inim et al. (2020) found Company Income Tax and Value Added Tax inversely related to SME growth in Nigeria.

Tax Administrative Cost and Operational Continuity. Lavic (2023) found that tax compliance costs averaged 8.3% of SME revenue in Bosnia and Herzegovina and were regressive in nature. Bruce-Twum (2023) found that higher compliance costs were associated with lower non-compliant behaviour among Ghanaian SMEs, while Peprah et al. (2022) found that increasing compliance burden significantly widened the tax gap among micro and small businesses in Ghana. Biru (2020) found that tax rate had a significant negative effect on compliance behaviour, while tax knowledge and simplicity of the tax system were positively associated with compliance in Ethiopia. Pertiwi et al. (2020) found that tax fairness and tax knowledge significantly influenced MSME compliance in Indonesia. These studies collectively point to procedural complexity and compliance cost, and not only the amount of tax owed, as a material burden on SME continuity.

Local Government Levies, Informal Taxation and Survival Rate. Arinze et al. (2026) found that market levies, environmental and sanitation levies, and business premises levies imposed at the local level each exerted a significant negative impact on entrepreneur survival in Anambra State. Obeki and Asaolu (2024) similarly found that locally administered registration and permit fees significantly threatened SME survival in Bayelsa State. Karim (2024) found that multiple taxation regimes significantly affected SME activities, profits and survival in Makeni City, Sierra Leone, while Bariki et al. (2025) found that informal taxation and regulatory complexity were significant predictors of SME vulnerability in the Gwagwalada Area Council, Abuja. Nyong (2021), by contrast, found that specific local charges such as tenement rate and refuse disposal levy had no significant individual effect on SME going-concern status in Calabar, though their cumulative burden warranted attention, and Inyang et al. (2022) found that multiple municipal business taxes significantly predicted declining profitability among SMEs in Calabar metropolis.

Nigeria Tax Reform Acts 2025 and Survival Prospects of SMEs. Eteng et al. (2026) found that Nigeria's tax reforms significantly improved VAT and non-oil revenue generation and supported fiscal sustainability, although their effect on private sector growth was mixed. Bello (2025) found that Nigeria's new tax policy produced both positive and negative effects on small businesses, including increased tax burden alongside improved compliance. Udoh (2025) found that while the new consolidated tax regime established a fairer system through exemption thresholds for microenterprises, digital compliance requirements and cost-push inflation threatened to erode the intended equity gains, particularly for the informal sector. Akomolafe et al. (2026) found that tax awareness and tax education exerted positive and significant effects on MSME revenue generation, while Ogundajo et al. (2026) found that tax incentives had a positive and significant effect on SME sustainability, moderated by ease of doing business. Taken together, these studies suggest that while the Nigeria Tax Reform Acts 2025 carry genuine potential to ease the burden on SMEs, their realised benefits depend heavily on taxpayer awareness and the extent to which local government levies are also addressed.

Overall, the reviewed studies confirm that tax multiplicity, tax rate burden, administrative cost and informal local levies each constrain SME performance, but most examined these dimensions in isolation or relied on secondary or single-outcome data, and few have incorporated the Nigeria Tax Reform Acts 2025 as a distinct

explanatory variable alongside the pre-existing dimensions of the tax burden. This study addresses that gap using primary data drawn directly from SME operators in Lagos State.

METHODOLOGY

This study adopted a descriptive survey research design, relying on primary data collected from formally registered SME operators in Lagos State, Nigeria's most commercially dynamic state, using a structured questionnaire. The design was appropriate because the study sought to quantify respondents' perceptions of, and experience with, multiple taxation, and to statistically test the relationships between its dimensions and specific survival indicators, consistent with comparable studies (Adewara et al., 2023; Mbazulike et al., 2023).

The target population comprised formally registered SMEs, defined as businesses employing between 1 and 199 persons with total assets, excluding land and buildings, below one billion naira, operating in the manufacturing, trading and services sectors across seven selected local government areas of Lagos State, namely Ikeja, Alimosho, Mushin, Oshodi-Isolo, Eti-Osa, Lagos Island and Surulere. Based on Lagos State Internal Revenue Service and Corporate Affairs Commission data, the accessible population was estimated at approximately 5,000 formally registered SMEs. A sample size of 370 was determined using the formula $n = N / (1 + N(e)^2)$, where N is the accessible population and e is the 5% margin of error, i.e., $n = 5,000 / (1 + 5,000(0.05)^2) \approx 370$. A multi-stage sampling technique was applied: stratified random sampling grouped the population by sector (manufacturing, trading and services), and simple random sampling was then used to select individual enterprises within each stratum. A total of 370 valid questionnaires were retrieved and used for analysis, distributed across sectors as shown in Table 1.

Table 1: Sample Distribution of Respondent SMEs by Sector (N = 370)

Sector	Frequency (n)	Percentage (%)
Manufacturing	57	15.4
Trading / Retail	113	30.5
Services	101	27.3
Agriculture	43	11.6
Others	56	15.1
Total	370	100

Source: Field Survey, 2026.

Content and face validity of the questionnaire were established through expert review, yielding a Content Validity Index of 0.87, while reliability, assessed through Cronbach's alpha in a pilot study of 30 SME operators, ranged from 0.74 to 0.89 across the six thematic sections of the instrument, all exceeding the conventional 0.70 threshold (Amirrudin et al., 2020; Barbera et al., 2021). Data were analysed using both descriptive statistics (means and standard deviations) and simple linear regression, with five separate models estimated, one for each objective, so that the distinct effect of each dimension of the tax burden could be isolated and interpreted on its own terms (Odion et al., 2022; Mbazulike et al., 2023). All hypotheses were tested at the 5% level of significance using IBM SPSS Statistics Version 26.

Model Specification

$$\text{Model I: PROF} = \beta_0 + \beta_1 \text{TM} + \varepsilon \dots\dots\dots (1)$$

$$\text{Model II: INV} = \beta_0 + \beta_1 \text{MTR} + \varepsilon \dots\dots\dots (2)$$

$$\text{Model III: OC} = \beta_0 + \beta_1 \text{TAC} + \varepsilon \dots\dots\dots (3)$$

$$\text{Model IV: SR} = \beta_0 + \beta_1 \text{LGL} + \varepsilon \dots\dots\dots (4)$$

$$\text{Model V: SR} = \beta_0 + \beta_1 \text{TRA} + \varepsilon \dots\dots\dots (5)$$

Where: PROF = Profitability; INV = Investment Capacity and Expansion Decision; OC = Operational Continuity; SR = Survival Rate; TM = Tax Multiplicity; MTR = Multiple Tax Rate; TAC = Tax Administrative Cost; LGL = Local Government Levies and Informal Taxation; TRA = Nigeria Tax Reform Acts 2025; β_0 = constant; β_1 = coefficient of the explanatory variable; ε = error term.

RESULTS AND DISCUSSION

Respondents' Profile

Of the 370 questionnaires administered, all were correctly completed and returned. Male respondents constituted 53.2% of the sample and females 46.8%, indicating a fairly balanced representation of SME operators in Lagos State. The majority of respondents (76.5%) held at least an OND/NCE qualification, suggesting that respondents were well positioned to understand and respond meaningfully to the taxation issues raised. Almost two-thirds of the sampled SMEs had operated for more than five years, lending credibility to their assessment of how multiple taxation has shaped survival outcomes over time. Trading/retail (30.5%) and services (27.3%) businesses formed the largest sectoral groups, while micro and small enterprises, employing fewer than 50 staff, accounted for 74.6% of the sample, consistent with the structure of Nigeria's SME sector, in which micro and small businesses vastly outnumber medium-sized firms.

Descriptive Statistics

Table 2 presents the grand mean and standard deviation of respondents' assessment of each study construct. All six constructs recorded grand means above the midpoint of the five-point scale, indicating general agreement that tax multiplicity, tax rate burden, tax administrative cost and informal local levies constitute a significant threat to business survival, tempered by cautious optimism regarding the Nigeria Tax Reform Acts 2025.

Table 2: Descriptive Statistics of Study Constructs (N = 370)

Construct	Grand Mean	Std. Dev.	Remark
Tax Multiplicity (TM)	4.02	1.10	Agreed
Multiple Tax Rate Burden (MTR)	4.00	1.11	Agreed
Tax Administrative Cost (TAC)	4.03	1.09	Agreed
Local Govt. Levies & Informal Taxation (LGL)	3.98	1.11	Agreed
Nigeria Tax Reform Acts 2025 (TRA)	3.94	1.13	Agreed
Business Survival (BS)	3.84	1.17	Agreed

Source: Field Survey, 2026.

Among the tax multiplicity items, respondents most strongly agreed that their business pays taxes or levies to more than one government authority at the same time (Mean = 4.03) and that different agencies impose similar taxes for the same activity (Mean = 4.03). For tax rate burden, the perception that the total amount of tax paid is too high relative to income recorded the highest agreement (Mean = 4.07). For tax administrative cost, respondents most strongly agreed that the complexity of tax registration and filing increases the financial burden on their business (Mean = 4.06). On local government levies and informal taxation, the regular collection of levies such as market tolls and tenement rates recorded the highest mean (Mean = 4.10), while awareness of the Nigeria Tax Reform Acts 2025 recorded the highest mean among reform-related items (Mean = 4.12), though translation of that awareness into a felt reduction in the number of taxes paid was comparatively weaker (Mean = 3.77). On business survival, confidence that the business would survive the

next two to three years recorded the highest mean (Mean = 4.01), while realised profitability and capital investment over the preceding three years recorded the lowest means (Mean = 3.70 and 3.67 respectively), reflecting a gap between forward-looking optimism and backward-looking performance.

Test of Hypotheses

Hypothesis One: H01 — Tax multiplicity does not have a significant effect on the profitability of SMEs in Lagos State, Nigeria.

R	R ²	F	β	t	Sig.
0.734	0.539	429.498	-0.701	-20.724	0.000

Source: Field Survey, 2026.

The correlation coefficient ($R = 0.734$) indicates a strong relationship between tax multiplicity and profitability, with tax multiplicity explaining 53.9% of the variation in profitability ($R^2 = 0.539$). The regression is statistically significant ($F = 429.498$, $p < 0.01$; $\beta = -0.701$, $t = -20.724$, $p = 0.000 < 0.05$), indicating that an increase in tax multiplicity is associated with a significant decrease in profitability. The null hypothesis is therefore rejected: tax multiplicity has a negative and statistically significant effect on the profitability of SMEs in Lagos State.

Hypothesis Two: H02 — The burden of multiple tax rate does not significantly influence the investment capacity and expansion decisions of SMEs in Lagos State.

R	R ²	F	β	t	Sig.
0.769	0.654	176.111	-0.431	-13.271	0.000

Source: Field Survey, 2026.

The correlation coefficient ($R = 0.769$) indicates a strong relationship between multiple tax rate and investment capacity, with multiple tax rate explaining 65.4% of the variation in investment capacity and expansion decision ($R^2 = 0.654$). The regression is statistically significant ($F = 176.111$, $p < 0.01$; $\beta = -0.431$, $t = -13.271$, $p = 0.000 < 0.05$). The null hypothesis is therefore rejected: multiple tax rate has a negative and statistically significant effect on the investment capacity and expansion decisions of SMEs in Lagos State.

Hypothesis Three: H03 — Tax administrative costs do not significantly affect the operational continuity of SMEs in Lagos State.

R	R ²	F	β	t	Sig.
0.657	0.553	11.190	-0.138	-5.111	0.000

Source: Field Survey, 2026.

The correlation coefficient ($R = 0.657$) indicates a moderate-to-strong relationship between tax administrative cost and operational continuity, with tax administrative cost explaining 55.3% of the variation in operational continuity ($R^2 = 0.553$). The regression is statistically significant ($F = 11.190$, $p < 0.01$; $\beta = -0.138$, $t = -5.111$, $p = 0.000 < 0.05$). Although the magnitude of this effect is comparatively modest relative to tax multiplicity and multiple tax rate, the null hypothesis is rejected: tax administrative cost has a negative and statistically significant effect on the operational continuity of SMEs in Lagos State.

Hypothesis Four: H04 — Local government levies and informal taxation practices do not have a significant effect on the survival rate of SMEs in Lagos State.

R	R ²	F	β	t	Sig.
0.615	0.599	40.458	-0.570	-6.361	0.000

Source: Field Survey, 2026.

The correlation coefficient ($R = 0.615$) indicates a moderate relationship between local government levies/informal taxation and survival rate, with the construct explaining 59.9% of the variation in survival rate ($R^2 = 0.599$). The regression is statistically significant ($F = 40.458$, $p < 0.01$; $\beta = -0.570$, $t = -6.361$, $p = 0.000 < 0.05$). The null hypothesis is therefore rejected: local government levies and informal taxation have a negative and statistically significant effect on the survival rate of SMEs in Lagos State.

Hypothesis Five: H05 — The Nigeria Tax Reform Acts 2025 have not significantly influenced the survival prospects of SMEs in Lagos State.

R	R ²	F	β	t	Sig.
0.887	0.787	63.186	0.744	36.921	0.000

Source: Field Survey, 2026.

The correlation coefficient ($R = 0.887$) indicates a very strong relationship between the Nigeria Tax Reform Acts 2025 and survival rate, the strongest of the five models, with the reform explaining 78.7% of the variation in survival rate ($R^2 = 0.787$). The regression is statistically significant ($F = 63.186$, $p < 0.01$; $\beta = 0.744$, $t = 36.921$, $p = 0.000 < 0.05$), indicating that higher scores on the reform measure are associated with a significant increase in survival rate. The null hypothesis is therefore rejected: the Nigeria Tax Reform Acts 2025 have a positive and statistically significant effect on the survival rate of SMEs in Lagos State.

DISCUSSION OF FINDINGS

The finding that tax multiplicity negatively and significantly predicts profitability ($\beta = -0.701$, $p < 0.05$) is consistent with Adewara et al. (2023), who found that multiple tax burdens and multiple tax administration had a significant negative relationship with SME financial performance in Ekiti State, and with Mbazulike et al. (2023), who found that multiple taxation had a negative effect on the survival of SMEs in Katsina State. Both studies, like the present one, support the view that overlapping tax obligations imposed by different tiers of government erode the profit margins that SMEs would otherwise retain for reinvestment.

The finding that multiple tax rate negatively and significantly predicts investment capacity and expansion decisions ($\beta = -0.431$, $p < 0.05$) aligns with Ilodigwe (2023), who found that multiple taxation reduces SME profitability, efficiency and production capacity, and with Odion et al. (2022), who found that tax multiplicity had a significant negative effect on SME growth in Nigeria. This suggests that high cumulative tax rates, over and above the mere number of taxing authorities, independently discourage SME owners from committing additional capital to expanding operations.

The finding that tax administrative cost negatively and significantly predicts operational continuity ($\beta = -0.138$, $p < 0.05$), though with a comparatively modest magnitude, is consistent with Lavic (2023) and Bruce-Twum (2023), who found that compliance costs constitute a real, if secondary, drag on SME performance in Bosnia and Herzegovina and Ghana respectively. This implies that simplifying compliance procedures alone, without addressing the underlying multiplicity and rate of taxation, is unlikely to substantially improve SME survival on its own.

The finding that local government levies and informal taxation negatively and significantly predict survival rate ($\beta = -0.570$, $p < 0.05$) corroborates Karim (2024) and Bariki et al. (2025), who found that informal and locally administered charges significantly threaten SME survival and vulnerability. This confirms that charges collected by local government agents, together with unofficial charges collected by touts and community

agents, constitute a distinct and serious threat to SME survival, over and above the burden already imposed by federal and state-level taxation.

Finally, the finding that the Nigeria Tax Reform Acts 2025 positively and significantly predict survival rate ($\beta = 0.744$, $p < 0.05$), the strongest relationship among the five models, is consistent with the improved revenue mobilisation and fiscal sustainability reported by Eteng et al. (2026), and with the expanded exemptions and reliefs for small companies documented by KPMG Nigeria (2025) and PwC Nigeria (2025). At the same time, the comparatively weaker agreement recorded for the felt reduction in the number of taxes paid (Table 2) echoes Udoh (2025), who cautioned that digital compliance requirements and cost-push inflation could erode some of the reform's intended equity gains. Taken together, these results suggest that while the pre-existing burdens of tax multiplicity, multiple tax rate, administration cost and informal levies have significantly constrained SME survival in Lagos State, the newly enacted reform is perceived, at least in its early implementation, as a genuine step toward improving the long-term survival prospects of these businesses.

CONCLUSION AND RECOMMENDATIONS

Conclusion

This study concludes that SME survival in Lagos State is shaped by a multidimensional tax burden in which tax multiplicity, multiple tax rate, tax administrative cost and local government/informal levies each operate as distinct, independently damaging forces rather than as a single undifferentiated problem: the sheer number of taxing authorities erodes retained profit, while the cumulative rate of taxation separately discourages expansion, tax administrative cost drains working capital and attention from daily operations, and informal local levies pose a further and largely unregulated threat to survival. In contrast, the Nigeria Tax Reform Acts 2025 exert the strongest and only positive effect among the constructs examined, indicating that a well-implemented, harmonising tax reform offers a genuine, though still incomplete, counterweight to the pre-existing multiple taxation burden. Tax authorities and policymakers should therefore not treat “the tax burden” as one uniform issue to be addressed through a single intervention, but should recognise that harmonising the number of collecting authorities, moderating the cumulative tax rate, simplifying compliance procedures and formally regulating local government and informal levies are distinct problems, each requiring its own remedy alongside the continued implementation of the reform.

Recommendations

1. The Federal Inland Revenue Service, State Boards of Internal Revenue and local government revenue authorities in Lagos State should establish a single harmonised tax collection window for SMEs, by fully operationalising the Joint Revenue Board and issuing SMEs a single consolidated tax identification and payment platform, given that tax multiplicity was found to significantly erode profitability.
2. The Lagos State Government should moderate and clearly publish the cumulative tax rate applicable to SMEs across all government levels, so that operators can accurately anticipate their total tax liability and plan investment and expansion decisions with greater confidence.
3. Tax authorities should simplify tax registration and filing procedures and expand access to low-cost compliance support, including a single online portal for registration, filing and payment, given that tax administrative cost was found to significantly reduce operational continuity.
4. The Lagos State Government and local government authorities should formally regulate and consolidate locally collected levies by issuing a publicly available schedule of approved levies and authorised collecting agencies, and by equipping legitimate collectors with verifiable identification, given the significant threat that local government and informal levies pose to survival.

5. Relevant government agencies should intensify efforts to eliminate unauthorised revenue collectors and touts through joint enforcement task forces and public awareness campaigns informing SME operators which levies are legitimate.
6. The Nigeria Revenue Service and the Joint Revenue Board should intensify public awareness and sensitisation on the specific provisions of the Nigeria Tax Reform Acts 2025, such as the zero percent Company Income Tax threshold, given that awareness of the reform was high but its felt, near-term benefits remained comparatively limited.
7. Policymakers should extend the implementation of the Nigeria Tax Reform Acts 2025 to explicitly address local government levies and informal taxation, by incorporating local revenue harmonisation into the mandate of the Joint Revenue Board and setting measurable targets for reducing informal and unauthorised levies.

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