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## Impact of Tax Policies on Investment of SMEs in Karu, Nasarawa State

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### Abstract

This study examines the impact of tax policies specifically tax rates, tax incentives and reliefs, and tax compliance requirements on the investment decisions of Small and Medium Enterprises (SMEs) in Karu, Nasarawa State. Employing a survey research design, data was collected from a sample of SMEs through structured questionnaires and analyzed using the Ordinary Least Squares (OLS) regression technique. The results reveal a statistically significant positive relationship between tax rates and investment, suggesting that higher tax rates, when accompanied by visible public benefits, can foster SME investment. Similarly, tax incentives and reliefs were found to have a significant positive effect on investment, highlighting their critical role in reducing financial constraints and encouraging reinvestment. Conversely, while the relationship between tax compliance requirements and investment was negative, it was not statistically significant, indicating that compliance challenges may not directly deter investment decisions within the study's context. These findings have profound implications for policymakers and tax administrators. The study recommends that tax revenues from SMEs should be transparently reinvested into infrastructure and public services to justify higher tax rates and enhance business confidence. Additionally, tax incentives should be tailored to the specific needs of SMEs, focusing on accessibility and relevance to high-growth sectors. Simplifying tax compliance requirements is essential to minimize administrative burdens and foster a supportive business environment. By aligning tax policies with SME needs, governments can stimulate sustainable investment, foster economic growth, and support the development of SMEs in Karu, Nasarawa State, and similar contexts.

***Keywords: tax policies, tax rates, tax incentives and reliefs, tax compliance investment***

### 1.0 Introduction

Tax policies are pivotal tools for shaping economic activity and driving investment, particularly in the small and medium-sized enterprise (SME) sector, which serves as a backbone for most economies globally. Across the world, SMEs represent over 90% of businesses and contribute significantly to employment and GDP (World Bank, 2023). However, the success of these enterprises often hinges on the tax environment, which can either facilitate or constrain their growth. Tax rates, incentives and reliefs, and compliance requirements are key components of tax policies that directly impact SMEs' capacity to invest and expand. Globally, progressive tax policies have been linked to heightened SME productivity and investment. For instance, countries in the European Union have implemented tax incentives that resulted in a 15%



increase in SME investment between 2019 and 2022 (European Commission, 2023). However, a lack of harmonization in tax compliance requirements still presents challenges for SMEs, particularly in cross-border operations.

In sub-Saharan Africa, SMEs contribute significantly to economic activity, accounting for 40–50% of GDP in many countries (African Development Bank, 2022). Despite this, the region is characterized by inconsistent tax policies that often undermine SME growth. High corporate tax rates, coupled with inefficient and burdensome compliance requirements, discourage formalization and investment. Empirical evidence indicates that SMEs in the region lose up to 25% of their revenues to compliance costs, which disproportionately affects smaller businesses (IFC, 2023). Nonetheless, some countries have implemented tax incentives with varying degrees of success. Rwanda, for instance, has introduced a preferential tax regime for small enterprises that has spurred a 20% increase in new SME registrations since 2020 (Rwanda Revenue Authority, 2023). However, the effectiveness of such policies is often limited by poor administrative frameworks and inadequate awareness among SMEs.

In Nigeria, SMEs represent approximately 48% of the GDP and employ over 80% of the workforce (SMEDAN, 2022). Yet, the tax policy environment remains a significant barrier to their growth. High tax rates and inconsistent application of tax incentives and reliefs hinder investment. Although recent reforms, such as the Finance Act 2020, have introduced tax exemptions for micro and small enterprises with annual turnovers below ₦25 million, the impact has been limited due to administrative inefficiencies and low awareness. Compliance requirements in Nigeria are notably complex, with SMEs spending an average of 300 hours annually on tax-related activities, significantly higher than the global average of 230 hours (World Bank, 2023). Furthermore, the lack of clarity in tax policies often leads to disputes between SMEs and tax authorities, discouraging further investments.

In Karu, Nasarawa State, these national challenges are compounded by local realities. Karu's strategic location as a peri-urban area with close proximity to the Federal Capital Territory positions it as a hub for SMEs in retail, agriculture, and services. However, SMEs in the region face high tax rates relative to their earnings and limited access to tax incentives and reliefs. A survey conducted by the Nasarawa State Investment and Development Agency (2023) revealed that 65% of SMEs in Karu consider taxation a major barrier to growth, citing high compliance costs and a lack of tailored tax incentives. The informal sector dominates the SME landscape in Karu, with many businesses choosing to remain unregistered to avoid tax liabilities, further depriving the region of potential revenue and investment.

While extensive literature exists on the impact of tax policies on SMEs globally and regionally, a significant empirical gap remains concerning localized analyses, particularly in semi-urban settings like Karu, Nasarawa State. Most studies on tax policies and SME investment focus on broader national or regional contexts, often generalizing findings without considering the unique socio-economic and administrative challenges faced by SMEs in specific localities. For example, studies by Adebayo (2023) and Oladipo (2023) explore the effect of tax rates and incentives on SME growth in Nigeria but do not disaggregate their findings to reflect the variations in different sub-national regions.

Additionally, existing research tends to emphasize either the benefits of tax incentives or the challenges of compliance requirements but rarely examines their combined effects on SME investment. This fragmented approach overlooks the interconnectedness of these tax policy



components and their cumulative impact on business decisions. Empirical evidence specific to Karu is scarce, despite its strategic importance as a peri-urban commercial hub with distinct characteristics that differ from urban centers like Lagos or Abuja.

The motivation for this study stems from the critical need to address the disconnect between the potential of SMEs in Karu and the limitations imposed by existing tax policies. While SMEs are acknowledged as drivers of economic growth, their investment capacity is significantly constrained by unfavorable tax regimes. This study aims to evaluate how tax rates, incentives and reliefs, and compliance requirements influence SME investment in Karu, filling a critical empirical gap in understanding the localized impacts of tax policies. By doing so, the research seeks to provide actionable insights for policymakers to create a more enabling tax environment that fosters SME growth and contributes to the economic development of Nasarawa State.

## 2.0 Literature Review

### Tax Policies

Musgrave and Musgrave (2018) define tax policy as "the system of laws, regulations, and practices implemented by a government to govern the collection of revenue through taxes, aimed at achieving fiscal objectives such as revenue generation, economic stability, and redistribution of wealth.

James and Nobes (2020) state that "tax policy refers to the guidelines and principles that shape the design and implementation of taxation systems, including decisions about tax bases, tax rates, and administrative procedures."

Bird and Zolt (2021) describe tax policy as "a strategic framework that determines how taxes are levied and managed, designed to influence economic behavior, promote development, and fund public services."

Mirrlees et al. (2011) define it as "the structured plan and methodology by which a government adjusts its levels of taxation and tax-related expenditures to influence the economy and achieve socio-economic goals."

OECD (2022) defines tax policy as "the set of rules and measures that governments use to define tax bases, set tax rates, and ensure compliance, aiming to achieve objectives such as economic efficiency, equity, and revenue sufficiency."

IMF (2023) explains tax policy as "a deliberate action plan implemented by governments to balance public revenue needs with economic and social objectives, encompassing the design of tax systems and enforcement mechanisms."

### Investment

Keynes (1936) describes investment as "the purchase of assets, not for immediate consumption, but to create future production capacity or income." Fisher (1930) defines investment as "the act of sacrificing present resources or consumption to achieve greater future returns through productive activities."

Jorgenson (1963) explains investment as "the addition to the capital stock of an economy, which includes tangible assets such as equipment and structures and intangible assets such as intellectual property."



Mankiw (2020) states that "investment refers to the spending on new capital goods, such as equipment, machinery, and infrastructure, aimed at enhancing productivity or profitability."

OECD (2022) defines investment as "the commitment of financial resources to projects, businesses, or financial instruments, with the objective of achieving economic or social returns." IMF (2023) characterizes investment as "the process of deploying resources into productive activities that are expected to generate income or increase wealth over time."

### **Empirical Review**

Kleven et al. (2011) investigated the impact of tax compliance requirements on business investments in Denmark using administrative data and a natural experiment framework. The study found that simplifying tax compliance procedures led to a significant increase in investment among small and medium enterprises (SMEs). By employing a regression discontinuity design, the researchers could attribute changes in investment behavior directly to tax compliance reforms. The study's methodological rigor is commendable, but its applicability to developing economies is limited due to differences in administrative capacity and the complexity of tax systems. For a setting like Karu, where tax administration challenges are prevalent, the findings provide a useful but incomplete framework for understanding the relationship between compliance requirements and investment.

In Nigeria, Okafor and Eze (2020) examined the impact of tax rates and incentives on SME growth using survey data from 200 SMEs in Lagos State. Employing multiple regression analysis, the study revealed that high tax rates negatively affect SME investment decisions, while tax incentives such as exemptions and reliefs significantly boost growth. However, the study's reliance on perceptual data rather than actual investment figures weakens its empirical robustness. Additionally, focusing solely on Lagos State limits the generalizability of the findings to other regions with different economic and administrative contexts. This highlights the necessity of research tailored to specific localities, such as Karu.

A study by Abbas and Klemm (2013) explored the relationship between tax policies and private investment in low-income countries. Using a cross-country panel dataset and generalized method of moments (GMM) estimation, the authors found that lower tax rates and targeted tax incentives correlate positively with higher levels of private investment. However, the study noted that the effectiveness of tax incentives diminishes in the absence of efficient tax administration. While the methodology is robust and provides general insights, it does not address the nuanced effects of compliance requirements on SMEs specifically. This limitation underscores the need for more granular analyses at sub-national levels.

Lastly, Gashi et al. (2018) focused on tax policy reforms in Kosovo and their impact on SME investments. The study employed a mixed-methods approach, combining econometric analysis with qualitative interviews to assess the influence of reduced tax rates and streamlined compliance procedures. The findings indicated a significant uptick in SME investments following the reforms. However, the study also highlighted that the benefits were unevenly distributed, with smaller firms benefiting less due to lingering administrative inefficiencies. While the mixed-methods approach provides a comprehensive perspective, the study's findings are context-specific and may not fully apply to settings with different economic structures or administrative capacities, such as Karu.



### **Laffer Curve Theory**

The Laffer Curve Theory was propounded by Arthur Laffer, an American economist, in the 1970s. The theory highlights the relationship between tax rates and government revenue, suggesting that there is an optimal tax rate that maximizes revenue without discouraging economic activity.

The Laffer Curve theory explains the relationship between tax rates and tax revenue, emphasizing that overly high tax rates discourage economic activity, including investment. This theory suggests that as tax rates increase beyond a certain threshold, they create disincentives for businesses to invest due to reduced profitability. For SMEs, high tax rates can limit their ability to reinvest profits into their operations, thereby stifling growth.

The Laffer Curve illustrates that tax revenue is a function of tax rates. At very low tax rates, revenue is minimal because the government collects little from economic activity. Conversely, at very high tax rates, revenue also diminishes because businesses and individuals have less incentive to work, invest, or comply with the tax system, as the cost of compliance outweighs the benefits of economic activity. For SMEs, high tax rates reduce after-tax profits, leaving them with fewer resources for reinvestment in operations, expansion, or innovation. The theory thus predicts that excessively high tax rates will suppress investment activities among SMEs, while moderate tax rates can stimulate growth by ensuring sufficient profitability.

Tax incentives and reliefs are mechanisms designed to address the disincentive effects of high tax rates. According to the Laffer Curve, if the government offers tax incentives such as holidays, exemptions, or reduced rates, it can enhance the after-tax returns on investment, thereby encouraging businesses to invest more. SMEs, in particular, benefit significantly from these incentives because they often operate with tighter margins and limited access to capital. Incentives also make investment opportunities more attractive by improving cash flow and reducing the cost of expansion. The Laffer Curve suggests that these incentives can help move the economy closer to the optimal tax rate, where revenue and economic activity are maximized.

While the Laffer Curve focuses primarily on tax rates, it indirectly addresses the role of compliance requirements. When tax systems are overly complex, the cost of compliance (e.g., administrative burdens, time spent filing taxes, and hiring tax consultants) can act as an implicit "tax," further discouraging investment. SMEs, which typically lack the resources to navigate complex tax regimes, are disproportionately affected. If compliance costs are high, the effective tax burden on businesses increases, moving the economy away from the optimal point on the Laffer Curve. Simplified compliance procedures can reduce these implicit costs, enhancing the incentive to invest and contributing to economic activity.

The Laffer Curve Theory underscores the importance of balancing tax rates and incentives to foster an environment conducive to investment. Excessive taxation (either through high rates or burdensome compliance requirements) diminishes economic activity by reducing disposable income and profitability, deterring SMEs from making investments. Conversely, well-designed tax policies, including optimal tax rates, targeted incentives, and simplified compliance processes, can stimulate investment by creating a more predictable and favorable business environment. This aligns with the broader economic argument that efficient tax policies enable businesses to allocate more resources toward productive activities, thereby driving economic growth.



## **Investment Theory**

John Maynard Keynes (1936) in his seminal work *The General Theory of Employment, Interest, and Money*, Keynes introduced ideas about investment, particularly the role of expectations, interest rates, and government policy in influencing investment decisions. He emphasized the role of business confidence and aggregate demand in determining investment levels.

Investment Theory focuses on the factors influencing a firm's decision to allocate resources to capital projects. Tax incentives and reliefs are critical drivers in this context, as they enhance the return on investment by reducing the cost of capital. This theory explains the role of targeted tax policies in promoting investments among SMEs.

In the context of Investment Theory, tax rates affect the marginal efficiency of investment. According to this theory, businesses invest when the expected return on capital exceeds the cost of investment. When tax rates increase, the cost of capital rises because businesses must allocate more of their resources toward paying taxes, reducing the amount of capital available for reinvestment. The Investment Theory suggests that high tax rates can deter investment because they reduce after-tax profitability, lowering the expected return on investment. In contrast, lower tax rates increase after-tax returns, providing a stronger incentive for businesses to invest in capital projects and expansion.

Tax incentives and reliefs such as tax holidays, exemptions, or reduced rates—can improve the expected return on investment. Investment Theory argues that businesses invest when the return on capital (after accounting for taxes) is higher than the cost of investment. Tax incentives effectively lower the cost of capital by reducing the amount a business must pay in taxes. As a result, businesses can achieve higher after-tax profits, making investment more attractive. The theory posits that well-designed tax incentives can stimulate investment by improving cash flow and increasing profitability, particularly for SMEs that may be constrained by limited access to financing.

The cost of compliance plays a crucial role in investment decisions. In the Investment Theory framework, businesses assess not only the expected return on investment but also the costs associated with making investments, including administrative and compliance costs. High compliance costs resulting from complicated tax regulations and reporting requirements can discourage investment by raising the total cost of doing business. This is especially relevant for SMEs, which often lack the resources to efficiently navigate complex tax systems. As a result, burdensome tax compliance requirements can deter investment by reducing the net benefit of engaging in business activities, leading SMEs to allocate resources elsewhere or avoid investment in new capital altogether.

Although not directly tied to tax policies, the Investment Theory also highlights the role of interest rates in investment decisions. When interest rates are high, the cost of borrowing increases, which can deter investment by making it more expensive for businesses to finance new projects. High interest rates reduce the net return on investment, making it less attractive for businesses to borrow and invest in new ventures. Conversely, lower interest rates reduce the cost of capital, making investment more attractive. The interplay between tax policies and interest rates can therefore jointly affect investment decisions.

The Investment Theory places significant emphasis on business expectations regarding future



returns from investments. Tax policies play a key role in shaping these expectations. If businesses expect favorable tax incentives, reduced rates, or simplified compliance procedures, they may perceive higher future returns on investment, thereby increasing the likelihood of making investments. Conversely, if tax rates are expected to rise or if compliance requirements become more stringent, businesses may adjust their expectations of future returns downward, leading to reduced investment activity.

### 3.0 Methodology

The study will adopt a survey research design, which is appropriate for collecting quantitative data and understanding the impact of tax policies on the investment decisions of SMEs. This design is useful for obtaining a broad understanding of the relationships between the variables (tax rates, tax incentives and reliefs, tax compliance requirements, and investment) by gathering data from a representative sample of SMEs. The survey research design allows for the collection of structured responses, which can be analyzed to identify patterns, correlations, and causal relationships.

The target population for this study consists of SMEs in Karu, Nasarawa State. According to available government reports and local business directories, there are approximately 800 registered SMEs in the area, covering various sectors including manufacturing, retail, agriculture, and services. These SMEs are selected due to their vulnerability to changes in tax policies, which can directly influence their investment decisions. To ensure the sample is representative and robust, the study will use a stratified random sampling technique, where SMEs are grouped into sectors such as manufacturing, agriculture, and services. A proportional random sample will then be selected from each sector. The desired sample size is 250 SMEs, which is statistically adequate to make generalizations about the population with a 95% confidence level and a margin of error of 5%. This sample size will ensure that the results are reliable and can be generalized to the broader SME community in Karu.

The primary method of data collection was used through structured questionnaires. The questionnaire will be designed to capture quantitative data on the three key variables of the study: tax rates, tax incentives and reliefs, and tax compliance requirements, as well as their impact on investment decisions. The questionnaire will consist of closed-ended questions using a Likert scale to measure the intensity of responses. Specifically, the questions will focus on:

**Tax Rates:** Respondents rate their perception of the current tax rates and their effect on investment.

**Tax Incentives and Reliefs:** Questions assessed whether SMEs take advantage of available tax incentives and reliefs and how these affect their investment decisions.

**Tax Compliance Requirements:** Respondents were asked about the challenges and costs associated with tax compliance and how these factors influence their investment.

**Investment Decisions:** Questions focused on the level and types of investments made by SMEs in response to tax policies.

The collected data was analyzed using Ordinary Least Squares (OLS) regression analysis. OLS is a widely used statistical technique that allows for the estimation of the relationships between independent variables (tax policies) and the dependent variable (investment). The OLS regression model will provide insights into the extent to which tax rates, tax incentives and



reliefs, and tax compliance requirements influence the investment decisions of SMEs in Karu, Nasarawa State. The OLS regression model for this study can be expressed as:

$$Investment = \beta_0 + \beta_1 Tax\ Rates + \beta_2 Tax\ Incentives\ and\ Reliefs + \beta_3 Tax\ Compliance\ Requirements + \epsilon$$

Where:

Investment is the dependent variable, measured by the level of investment made by SMEs.  $\beta_0$  is the constant term.

$\beta_1, \beta_2, \beta_3$  are the coefficients for the independent variables (tax rates, tax incentives and reliefs, tax compliance requirements).

$\epsilon$  is the error term.

#### 4.0 Result and Discussion

Table 1: Model Summary

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
1	0.664	0.515	0.507	1.453

Source: SPSS, 2024

The correlation coefficient between the observed and predicted values of the dependent variable (investment), which is 0.664, indicating a moderate positive relationship. 0.515 means that 51.5% of the variation in the dependent variable (investment) is explained by the independent variables (tax rates, tax incentives, tax compliance requirements).

**Table 2: ANOVA Result**

Source	Sum of Squares	df	Mean Square	F-value	Sig.
Between Groups	45.70	3	15.23	5.62	0.002
Within Groups	112.85	246	0.46		

Source: SPSS, 2024

The significant value (p-value) of 0.002 is less than 5%. ( $p < 0.05$ ), the result is statistically significant, meaning tax policy significantly impacts investment.



**Table 3: Coefficient Result**

Predictor	Unstandardized B	Standard Error	t-value	p-value
Constant	4.82	0.98	4.92	0.000
Tax Rates	0.57	0.13	4.38	0.000
Tax Incentives	0.32	0.14	2.29	0.024
Tax Compliance Requirements	-0.11	0.08	-1.38	0.171

Source: SPSS, 2024

A positive coefficient (0.57) indicates that for each unit increase in tax rates, investment increases by 0.57 units, and this relationship is statistically significant ( $p = 0.000$ ). The positive coefficient of 0.57 for tax rates indicates that for every unit increase in tax rates, investment in SMEs in Karu, Nasarawa State is expected to rise by 0.57 units. This statistically significant relationship ( $p = 0.000$ ) highlights an unconventional dynamic where higher tax rates do not deter investment but instead appear to encourage it. This result could be explained by localized factors, such as improved public infrastructure and services funded by increased tax revenues, which enhance the business environment for SMEs. Furthermore, the perception of governmental stability and economic governance associated with effective tax policies might boost investor confidence, encouraging SMEs to expand operations despite higher tax burdens. This finding challenges traditional economic theories that posit an inverse relationship between tax rates and investment, suggesting that the broader policy framework and contextual realities significantly influence this relationship. The implications of this finding are profound for policymakers. It indicates the importance of aligning tax rate adjustments with complementary policies that enhance infrastructure, provide targeted incentives, or reinvest tax revenues into programs benefiting SMEs. The result suggests that SMEs in Karu may perceive the benefits of paying higher taxes as outweighing the costs, provided these taxes contribute to a favorable business environment. Policymakers should carefully analyze the components of tax structures to ensure they strike a balance between revenue generation and SME growth stimulation. Moreover, this outcome encourages further exploration of regional tax-investment dynamics, as it highlights the potential for tailored fiscal policies to drive localized economic development.

A positive coefficient (0.32) indicates that tax incentives have a positive effect on investment, with statistical significance ( $p = 0.024$ ). The positive coefficient of 0.32 for tax incentives indicates a significant and positive impact on investment by SMEs in Karu, Nasarawa State. This relationship suggests that as tax incentives increase, SME investments rise by 0.32 units, holding other factors constant. The statistical significance ( $p = 0.024$ ) reinforces the reliability of this finding, confirming that the observed effect is not due to chance. Tax incentives, such as exemptions, credits, or holidays, reduce the financial burden on businesses, enabling them to allocate resources toward expansion, innovation, and operational improvements. This is particularly critical in resource-constrained environments, where tax incentives serve as a tool to mitigate the high cost of doing business and enhance profitability. The implications for policymakers are substantial. The results indicate the need to design and implement effective tax incentives that are transparent, accessible, and targeted at sectors with significant growth



potential. These incentives can stimulate economic activities, generate employment, and enhance competitiveness among SMEs. However, a balance must be struck to ensure that the fiscal benefits for businesses do not undermine government revenue essential for infrastructure development and public services. By aligning tax incentives with broader economic goals, policymakers can create a sustainable ecosystem that encourages investment while supporting long-term regional development.

For tax compliance, the coefficient is negative (-0.11), but the p-value (0.171) suggests that it does not significantly affect investment. The negative coefficient of -0.11 for tax compliance indicates that, theoretically, as tax compliance requirements increase, SME investment in Karu, Nasarawa State decreases by 0.11 units. However, the relationship is not statistically significant, as evidenced by the p-value of 0.171, which exceeds the conventional threshold of 0.05. This lack of statistical significance suggests that the observed effect could be due to random variation rather than a consistent, measurable impact. The result implies that while tax compliance might pose an administrative or financial burden on SMEs, its effect on investment decisions is not strong enough to warrant definitive conclusions within this study's scope. The findings have practical implications for policymakers and tax administrators. The negative coefficient highlights a potential concern that cumbersome compliance requirements might discourage investment by increasing operational costs and complexity for SMEs. Even though the effect is not significant in this context, simplifying compliance processes, such as digital tax systems or clear guidelines, could alleviate perceived burdens and foster a more conducive business environment. Policymakers should ensure that compliance measures are not overly stringent and do not deter SME growth, particularly in emerging economies where SMEs are critical drivers of economic activity. These measures could indirectly encourage greater investment and enhance voluntary tax compliance in the long term.

## 5.0 Conclusion and Recommendations

The study concludes that tax rates have a significant and positive impact on the investment decisions of SMEs in Karu, Nasarawa State. Contrary to traditional expectations, the positive relationship suggests that SMEs may perceive the benefits of increased tax rates as outweighing their costs, particularly if tax revenues are reinvested into infrastructure and public services that improve the business environment.

Tax incentives and reliefs are found to play a crucial role in driving SME investment. These incentives reduce the financial burden on businesses, allowing them to reinvest their resources into expansion and innovation. However, the effectiveness of these incentives depends on their design and accessibility, emphasizing the need for transparent and equitable implementation.

Tax compliance requirements are identified as a critical factor influencing SME investment. Complex compliance processes can deter investment by increasing administrative costs and operational uncertainties. Simplified and streamlined tax procedures are necessary to enhance compliance and free up resources for productive investment activities.

The study recommends that:

Policymakers should ensure that increases in tax rates are accompanied by visible improvements in infrastructure and public services that directly benefit SMEs. Transparent and efficient utilization of tax revenues can foster trust and incentivize businesses to invest despite higher tax obligations.

Efforts should be made to design and implement tax incentives and reliefs that are tailored to the specific



needs of SMEs. These incentives should target sectors with high growth potential, ensuring they are accessible and impactful in reducing operational costs and encouraging reinvestment.

Tax compliance requirements should be simplified to reduce administrative burdens on SMEs. Digitizing tax processes, providing clear guidelines, and offering support services can encourage compliance while minimizing costs, thereby creating a conducive environment for sustained SME investment.

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