

TAX BURDEN ON INCOME EARNERS IN EDO STATE, NIGERIA

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Abstract

This study analyzes the tax burden on income earners in Edo State, Nigeria, with emphasis on the variation of tax obligations across income groups and the implications for compliance behavior and state revenue generation. The study was motivated by persistent public concern over rising tax pressures, low disposable income, and perceived inequities in the state's tax system. Specifically, the research examined variations in tax burden among income groups, the types and rates of taxes imposed, taxpayers' compliance behavior, and the challenges faced in fulfilling tax obligations, while also recommending measures to reduce the tax burden without compromising revenue generation. A descriptive survey research design was adopted, utilizing both primary and secondary data. Structured questionnaires were administered to 400 respondents drawn from civil servants, private-sector employees, and self-employed individuals across Edo State using stratified random sampling. Data collected were analyzed using descriptive statistics and regression techniques. The findings revealed that lower-income earners shoulder a relatively heavier tax burden compared to higher-income earners. The study also established that lack of adequate taxpayer education, poor administrative efficiency, and multiplicity of taxes negatively affect tax compliance. The study recommends rationalization of tax rates, enhanced tax education, improved transparency in tax administration, and the deployment of digital systems to promote fairness, compliance, and sustainable revenue generation for Edo State.

Keywords: Tax burden, income earners, Edo State, tax compliance, revenue generation, taxpayer education

1.0 Introduction

Taxation is a fundamental instrument for generating public revenue and financing essential services such as infrastructure, education, healthcare, and security (Uchechukwu, 2024). However, when tax burdens become excessive, they can erode disposable income, alter consumption patterns, and weaken taxpayers' economic well-being often resulting in non-compliance or evasion (Izevbuwa et al., 2024). Thus, the design and administration of tax systems play a crucial role in shaping taxpayers' compliance behaviour and influencing economic growth. In Edo State, taxation remains a major source of government revenue, yet the system is perceived as complex and unevenly distributed among different income groups. The state imposes several taxes including personal income tax, value-added tax, withholding tax, consumption tax, capital gains tax, development levy, and stamp duties which together create varying levels of financial pressure on income earners. Achieving a fair balance between revenue generation and taxpayers' welfare has therefore become a significant fiscal challenge.

Multiple taxation, poor administrative efficiency, and insufficient taxpayer education continue to burden individuals, especially low- and middle-income earners. These groups experience a

reduction in disposable income, limited access to basic goods and services, and decreased capacity to invest in productive ventures (Anjarwi, 2025; Lupu, 2020). Although taxation supports development, the absence of comprehensive empirical data on the actual tax burden in Edo State constrains policymakers' ability to design equitable and efficient tax frameworks. The tax burden on income earners in Edo State presents a major socio-economic concern. Many individuals perceive the system as inequitable due to inconsistencies in assessment, poor enforcement, and the multiplicity of taxes imposed at different administrative levels. This situation disproportionately affects low-income households, who face reduced purchasing power and financial hardship as a result of high effective tax rates. At the same time, the lack of transparency and administrative inefficiencies in tax collection undermine voluntary compliance and contribute to revenue leakages. While taxation is intended to mobilize resources for development, excessive or poorly structured tax systems can discourage investment, reduce productivity, and weaken citizens' trust in government institutions. The absence of recent empirical studies on the actual magnitude and distribution of the tax burden in Edo State further complicates policy formulation. Understanding how taxation affects income earners across various socioeconomic groups is, therefore, essential for designing fair, growth-oriented, and sustainable fiscal policies. The main objective of this study is to examine tax burden on income earners in Edo State, Nigeria.

2.0 Review of Literature

Tax burden represents the share of an individual's or organization's income that goes to the government as taxes. It reflects not only statutory rates but also how taxes affect disposable income and overall welfare (Celikay, 2020). In Edo State, the tax burden varies among income groups and is influenced by factors such as multiple taxation, high tax rates, and the complexity of tax laws. FasterCapital (2025) classifies tax burden into tax incidence who ultimately bears the cost of taxation and tax rate, which may be progressive, proportional, or regressive. Multiple taxation remains a persistent problem in Edo State. Ilodigwe (2023) and Otokpashan et al (2024) observe that taxpayers often pay similar taxes to different levels of government, thereby increasing compliance costs and discouraging economic activity. Similarly, high tax rates limit disposable income, reduce business competitiveness, and hinder investment (Freire et al 2013; The Econosphere, 2023). Tax law complexity further compounds the problem, as unclear and overlapping regulations make compliance expensive and stressful, particularly for low and middle-income earners.

Income earners in Edo State are broadly categorized into low-, middle-, and high-income groups, whose disposable income and capacity to meet tax obligations differ (Isoje, 2025). Low-income earners spend a greater proportion of their income on basic needs and are therefore more vulnerable to tax increases. In contrast, higher-income earners possess greater financial flexibility and, in some cases, can shift the burden to lower-income groups through mechanisms like value-added taxes (Kenton, 2025). The Edo State Internal Revenue Service (EIRS) identifies major taxes including personal income tax, withholding tax, consumption tax, and capital gains tax (Omodero et al., 2021; Kadiri & Salis, 2023). These taxes constitute a key source of state revenue but often impose uneven burdens across income levels.

Theoretical Review

The theories underpinning the study of tax burden. The Ability-to-Pay Theory (Smith, Mill, Pigou, & Edgeworth) holds that taxes should correspond to a taxpayer's financial capacity those who earn more should pay more. The Benefit Theory (Wicksell & Lindahl) suggests that taxpayers should contribute in proportion to the benefits received from public goods. Finally, the Tax Incidence Theory (Ricardo & Harberger) explains how the real burden of tax shifts between producers and consumers. Among these, the ability-to-pay principle best captures equity concerns in Edo State, emphasizing fairness and progressivity in taxation.

Empirical Review

Empirical evidence consistently links multiple taxation, high rates, and complex tax laws to reduced compliance and economic efficiency. Ehichioya and Attah (2024) find that multiple taxation undermines SME performance in Edo State by increasing operational costs and reducing profitability. Similarly, Obeki and Bila (2017) show that overlapping levies at different government tiers lead to frustration, business closures, and reduced investor confidence.

The complexity of tax laws also contributes to perceived burden. Benzarti and Wallossek (2023) argue that taxpayers spend excessive time and resources understanding changing rules, while González (2023) and FasterCapital (2025) highlight that unclear and unstable tax codes create confusion, compliance errors, and additional costs. Collectively, these studies emphasize that simplifying tax administration, harmonizing levies, and promoting fairness across income groups are essential to reducing tax burden and improving revenue efficiency in Edo State.

Odion et al. (2017) confirm that excessive tax demands weaken SMEs' capacity for reinvestment and growth, calling for simplified and harmonized tax policies. High tax rates, according to Ezugwu and Akubo (2014), diminish corporate profitability and deter investment, while Hungerford (2012) and Ferede (2019) note that excessive taxation on high-income earners can encourage avoidance, reduce work incentives, and ultimately lower revenue.

3.0 Methodology

This study employed a descriptive and analytical survey design to investigate how tax burden varies across different income groups in Edo State, Nigeria. The design enabled both the description of existing conditions and statistical analysis of relationships among variables such as tax type, rate, taxpayer insight, and compliance behavior.

The study population comprised all income earners in Edo State, including public and private sector employees, self-employed individuals, and informal sector operators. A sample of 400 respondents was derived from an estimated population of 500,000 income earners using Yamane's (1967) formula with a 5% margin of error. To ensure fair representation, a multi-stage sampling technique was used, stratifying respondents by senatorial district, local government area, and income category.

Data were collected through a structured questionnaire divided into sections on demographics, types and rates of taxes, perceived burden, compliance behavior, and challenges. The instrument's content and construct validity were confirmed through expert review and pilot testing, while reliability was established using Cronbach's Alpha ($\alpha \geq 0.70$). Descriptive

statistics such as frequency tables and means were used to summarize responses, while inferential analyses including ANOVA and multiple regression tested the study hypotheses. The regression model specified tax burden as a function of income level, tax rate/type, compliance challenges, and taxpayer insight, tested at a 5% significance level.

4.0 Results and Discussion

The demographic profile of respondents provides context for interpreting their perceptions of tax burden. The variables considered include gender, age, educational qualification, occupational category, and income group.

<i>Variable</i>	<i>Category</i>	<i>Frequency (n=400)</i>	<i>Percentage (%)</i>
Gender	Male	230	57.5
	Female	170	42.5
Age	18–30 years	80	20.0
	31–40 years	140	35.0
	41–50 years	120	30.0
	51 years and above	60	15.0
Education	Secondary	60	15.0
	OND/NCE	100	25.0
	B.Sc./HND	170	42.5
	Postgraduate	70	17.5
Occupation	Public sector	150	37.5
	Private sector	120	30.0
	Self-employed	130	32.5
Monthly Income	Below ₦100,000	110	27.5
	₦100,000–₦200,000	150	37.5
	₦200,000–₦400,000	90	22.5
	Above ₦400,000	50	12.5

The data show a balanced representation across income levels and occupational sectors, allowing for meaningful comparisons of tax burden.

Source: Authors’ Compilation, 2026.

Variation in Tax Burden Across Income Groups

To examine the variation in tax burden across income groups, respondents’ reported tax payments and income levels were used to compute an **effective tax burden ratio** (Tax Paid ÷ Income).

<i>Income Group</i>	<i>Mean Tax Burden (%)</i>	<i>Standard Deviation</i>
Low Income (< ₦100,000)	12.4	4.1
Middle Income (₦100,000–₦200,000)	15.6	5.3
Upper-Middle Income (₦200,000–₦400,000)	18.9	6.2
High Income (> ₦400,000)	20.3	7.1

Source: Authors’ Computation, 2026.

A one-way ANOVA test yielded a significant difference in mean tax burden across groups ($F(3,396) = 7.84, p = 0.000$). This implies that tax burden increases with income, consistent with the progressive tax system under the Personal Income Tax Act (PITA). However, respondents in the lowest income group reported that multiple informal levies and indirect taxes increase their perceived burden, suggesting that effective progressivity is weakened by the multiplicity of taxes.

Types and Rates of Taxes Imposed on Income Earners

Respondents identified several tax types affecting their income:

Tax Type	Frequency Mentioned	Percentage (%)
Pay-As-You-Earn (PAYE)	240	60.0
Personal Income Tax (Direct Assessment)	80	20.0
Business Premises Levy	50	12.5
Development Levy	20	5.0
Others (market levies, local rates)	10	2.5

Source: Authors’ Computation, 2026.

Average effective rates varied by income category, with PAYE rates between 10-19%, while informal sector assessments averaged 5-10% of declared income. Respondents noted discrepancies between statutory rates and actual deductions, suggesting weak transparency and enforcement consistency.

Policy Measures to Reduce Tax Burden

Respondents ranked preferred policy measures as follows:

Policy Option	Mean Score (1–5)	Rank
Review of tax rates and reliefs	4.35	1st
Simplification of tax processes	4.18	2nd
Better taxpayer education	4.10	3rd
Reduction of multiple taxes	4.05	4th
Improved digital payment systems	3.85	5th

Source: Authors’ Computation, 2026.

These findings indicate that reducing multiplicity, simplifying compliance, and updating tax reliefs are the most desired reforms among Edo income earners.

Challenges in Fulfilling Tax Obligations

Respondents reported various challenges hindering full tax compliance.

Challenge Item	Mean (1–5)	Std. Dev.	Rank
Lack of transparency in tax assessment	4.22	0.95	1st
Multiple and overlapping taxes	4.10	0.88	2nd
High compliance cost	3.95	1.01	3rd
Poor awareness of tax laws	3.82	1.10	4th
Harsh enforcement methods	3.60	1.04	5th

Source: Authors’ Computation, 2026.

The results reveal that administrative inefficiencies and information gaps are major barriers to compliance, particularly among self-employed individuals.

Taxpayer Insight and Compliance Behavior

Taxpayer awareness, knowledge, and attitudes were measured using a composite Likert scale. The mean awareness score was **3.75**, indicating moderate understanding of tax rules. Regression results (Table 4.8) show the relationship between independent variables and tax burden:

Variable	Coefficient (β)	t-Statistic	Sig. (p)
Income Level	0.216	4.35	0.000
Type/Rate of Tax	0.185	3.12	0.002
Taxpayer Challenges	0.147	2.74	0.007
Insight & Compliance Behavior	-0.201	-3.86	0.000
Constant	1.482	—	—

R² = 0.423; F = 22.81; p = 0.000

Source: Authors’ Computation, 2026.

The regression model shows that income level, tax rate, and challenges positively influence taxburden, while higher taxpayer insight/compliance behavior reduces it. Thus, improved taxpayer education can significantly mitigate perceived burden. Of the 450 questionnaires distributed, 400 valid responses were analyzed (88.9% response rate). Respondents represented a balanced mix of gender, occupation, and income levels. Findings revealed significant variation in tax burden across income groups ($F(3,396) = 7.84, p < 0.001$). While higher-income earners paid proportionately more taxes, low-income earners experienced heavier perceived burdens due to multiple informal levies and inconsistent enforcement. This outcome reflects a weakened progressivity in the state’s tax system.

The dominant taxes identified were PAYE (60%), personal income tax (20%), and local levies (12.5%). Many respondents noted discrepancies between statutory rates and actual deductions, highlighting weak transparency. Preferred reforms included reduction of tax rates and levies, simplification of processes, improved education, and digital payment systems. Challenges reported included lack of transparency (mean = 4.22), multiple taxation (4.10), high compliance cost (3.95), and poor awareness (3.82). Regression results showed income level ($\beta = 0.216, p < 0.001$), tax type/rate ($\beta = 0.185, p = 0.002$), and compliance challenges ($\beta = 0.147, p = 0.007$) significantly increased tax burden, while taxpayer insight and education ($\beta = -0.201, p < 0.001$) reduced it.

These findings align with Ayoola and Obokoh (2018) and Ojochogwu and Stephen (2019), who argue that multiple taxation and administrative inefficiencies exacerbate perceived tax hardship. The results underscore the need for balanced tax policy that enhances compliance without undermining economic welfare. The findings of this study reveal that the tax burden in Edo State varies significantly across income groups, confirming earlier assumptions from the literature that taxation affects individuals differently depending on their income level and economic status (Musgrave & Musgrave, 2004; Izevbuwa et al., 2024). While high-income earners contribute a greater absolute amount, low- and middle-income earners experience a heavier *relative* burden, as a larger portion of their disposable income is absorbed by taxes. This supports the ability-to-

pay theory, which emphasizes that tax rates should be proportionate to income levels. However, the data suggest that Edo State's tax structure exhibits weak progressivity that is, the poorest income earners feel the heaviest strain.

Consistent with Adebisi and Gbegi (2013), respondents highlighted multiple taxation as a major contributor to the perceived high burden. Many income earners reported facing overlapping taxes from different government tiers, such as personal income tax, withholding tax, consumption tax, and local levies. This finding aligns with prior literature, which indicates that overlapping tax jurisdictions in Nigeria discourage compliance and reduce the perceived fairness of the tax system. The study also found that lack of transparency and accountability in tax administration further worsens taxpayers' perception of burden. Respondents expressed frustration over poor communication from the Edo State Internal Revenue Service and inconsistent application of tax rules. This resonates with OECD (2014) and Dakhil (2025), who argued that information asymmetry and bureaucratic inefficiency undermine voluntary compliance and increase perceived unfairness.

Interestingly, while most respondents were aware of direct taxes such as PAYE, there was limited understanding of indirect taxes notably VAT and consumption levies which further contributes to the hidden tax burden, especially among low-income earners. As the IMF (2023) noted, indirect taxes tend to have regressive effects, absorbing a higher proportion of income from poorer households unless mitigated by targeted social measures or exemptions. Furthermore, the regression results established that income level, tax rate/type, and compliance challenges significantly increase the perceived tax burden, whereas taxpayer education and insight reduce it. This finding is consistent with Torgler (2007), who observed that tax morale the intrinsic motivation to pay taxes rises with better understanding, fairness, and trust in government institutions. Respondents who reported confidence in how their taxes were used expressed lower dissatisfaction with their tax obligations, suggesting that trust in governance remains a moderating factor in the perception of burden.

Comparatively, Edo State's situation mirrors national trends in Nigeria, where informal sector workers and SMEs often face unpredictable levies and weak administrative support (Edo State Government, 2024). The study also supports the position of Dakhil (2025) that the introduction of digital tax systems can reduce compliance costs and perceived burdens. Respondents who used online filing or electronic receipts were significantly more satisfied than those relying on manual or in-person processes. In essence, this study adds to existing scholarship by showing that tax burden is not only an economic issue but also a behavioral and administrative one. A combination of multiple taxation, limited taxpayer education, and administrative inefficiency amplifies perceived burden among income earners in Edo State. A more transparent, harmonized, and digitally managed tax system could reduce inequity and foster voluntary compliance.

5.0 Conclusion and Recommendations

The study concludes that Edo State's tax system, though designed to be progressive, is undermined by administrative inefficiencies, poor taxpayer education, and overlapping levies. Low-income earners face disproportionate indirect burdens, while transparency and accountability remain limited. Strengthening digital administration, taxpayer education, and rate

harmonization are critical for achieving both fairness and effective revenue mobilization. Harmonize and simplify the tax structure to eliminate overlapping levies, enhance taxpayer education and awareness on rights, reliefs, and responsibilities, digitize tax administration to reduce compliance costs and corruption and review tax reliefs and thresholds periodically to reflect inflation and living costs.

Contribution to Knowledge

This study contributes empirical evidence on subnational tax burden distribution and demonstrates how taxpayer knowledge and compliance behavior influence perceived burden. It provides practical insights for policymakers seeking equitable and efficient tax administration in developing contexts.

Suggestions for Further Research

Future studies should examine the impact of recent tax reforms across multiple states or sectors, and use mixed methods to capture deeper behavioral insights into taxpayer perceptions and compliance patterns.

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