

# **THE IMPACT OF MULTIPLE TAXATION ON THE SURVIVAL AND SUSTAINABLE GROWTH OF SMALL AND MEDIUM TOURISM ENTERPRISES (SMTES) IN AFGHANISTAN**

**A Thesis**

**Submitted to the Master's Study Program of Political Science at the Faculty of  
Social Sciences in partial fulfillment of the requirements for the degree of**

**Master of Arts (M.A.)**



by:

**Hafizullah Oria**

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**UNIVERSITAS ISLAM INTERNASIONAL INDONESIA**

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## ABSTRACT

Hafizullah Oria

03222320011

Master of Sustainable Finance

Faculty of Economics and Business

University Islam International Indonesia

This study investigates *The Impact of Multiple Taxation on The Survival and Sustainable Growth of Small and Medium Tourism Enterprises (SMTEs) In Afghanistan*. These enterprises are vital to both developed and developing economies due to their contributions to production, innovation, employment, and competition. They promote entrepreneurial skills and economic dynamism. However, their operations are increasingly undermined by the burden of multiple and overlapping taxes. The research uses a mixed-methods approach, combining qualitative and quantitative data. Qualitative data, gathered through interviews and interpreted from a phenomenological perspective, captures the lived experiences and viewpoints of SMTE owners. Quantitative data, collected through structured questionnaires, is analysed using tables, charts, and SPSS software for clearer interpretation. The findings reveal that multiple taxation in Afghanistan is driven by several factors, including the government's efforts to boost tax revenues, conflicts between different tax authorities, poor tax policy design, attempts to recover public service costs, protection of local industries, and environmental recovery initiatives. As a result, SMTEs face numerous taxes, such as those on restaurants, hotels, tour operators, value-added tax (VAT), petroleum, stamp duties, local excise duties, and infrastructure levies. These taxes have significant negative consequences for SMTEs. They increase operational costs, restrict business growth, cause inflationary pressures, lead to inefficient use of time, discourage investment, and promote tax evasion. Many SMTEs struggle to stay in business, especially during their early years, due to limited cash flow and financial strain caused by high tax obligations. The study concludes that to ensure the sustainability of SMTEs, the Afghan government should minimize frequent changes in tax legislation and involve stakeholders in the policymaking process. Any legal or policy adjustments should be carefully planned and necessary, aiming to create a more stable and supportive environment for small and medium-sized tourism enterprises.

Keyword: *SMTEs; multiple taxation; tourism industry; Sustainable growth*

## **PREFACE**

This thesis, entitled “The Impact of Multiple Taxation on The Survival and Sustainable Growth of Small and Medium Tourism Enterprises (SMTEs) in Afghanistan,” is the result of a journey fueled by a strong desire to understand the challenges faced by SMTEs in Afghanistan and to contribute to the sustainable development of this important sector.

I would like to express my deepest gratitude to Universitas Islam Internasional Indonesia for providing the academic environment and resources that made this research possible. Special thanks go to Prof. Istiana Maftuchah for her invaluable guidance, support, and encouragement throughout the entire process. his work is dedicated to all small and medium enterprises striving to overcome obstacles and achieve growth amid complex economic conditions.

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## ABBREVIATION DIRECTORY

<b>SMTEs</b>	: <i>Small and Medium Tourism Enterprises</i>
<b>ARB</b>	: Afghanistan Revenue Board
<b>ARA</b>	: Afghanistan Revenue Authorities
<b>SPSS</b>	: Statistical Package for Social Sciences
<b>VAT</b>	: Value Added Tax
<b>AF</b>	: Afghani Rupee

## CHAPTER I

### INTRODUCTION

#### 1.1. Background of the study

Small and Medium Tourism Enterprises (SMTEs) are among the key players in the production sector across both developed and developing countries. It is widely recognized that the overall level of production significantly influences a nation's economic condition. According to Panitchpakdi (2006), SMTEs serve as vital sources of employment, competition, economic vitality, and innovation. They foster entrepreneurial spirit and facilitate the transfer of skills. Furthermore, the Organization for Economic Cooperation and Development (OECD, 2016) highlights that SMEs not only drive economic growth but also contribute to job creation, social cohesion, and local development.

Micro, Small, and Medium Enterprises (MSMEs) play a crucial role in the economic development of developing nations. They make substantial contributions to employment, economic expansion, and poverty reduction. Nevertheless, one of the major obstacles faced by MSMEs is the complexity and lack of clarity within the taxation system. As such, it is essential to gain a clear understanding of the various types of taxes imposed on MSMEs in these countries. Typically, MSMEs in developing nations are subject to multiple forms of taxation, including Income Tax (PPh), Value Added Tax (VAT or PPN), and various local taxes. Income Tax is levied on the profits generated by MSMEs, and in some countries, preferential tax rates are applied to encourage the growth of this sector. Additionally, VAT is charged on the sale of goods and services by MSMEs, although certain thresholds are in place to protect small businesses from being overburdened by tax obligations (Hanafi et al., 2022).

Nevertheless, multiple taxation is threatening the survival of the SMTEs. Bateman (2017) argues that, some SMEs really struggling to meet with high amount of tax rates, and so it makes them unsure to stay in the business, which then lead to the collapsing of many of the SMTEs. OECD, (2015) also agrees that for the young and SMTEs high-cost tax compliances can exacerbate the resources and cash flow at early stage of business. Oladele OP, (2013) confirms that, many SMTEs struggle to survive in the business for

more than five years after launching due to the numbers of the tax burden that need to be paid to various organizations for the same services.

Onyeukwu, (2010) likewise connotes that the multiple taxations not healthy for the development of the firm is the destroying the growth of TSMEs and also affect their corporate social responsibility to the host government. Furthermore, Raheem and Mkindi, (2010) comment that, the addition to multiple charges fees and taxes that are induced in the small medium enterprise are the reasons for the struggling and make their survival in the business so difficult.

In tourism, Jensen & Wanhill, (2002) identified that, once there are so many groups of taxes and fees relating to tourism business activities, it could be the reasons to reduce the performance of those tourism organizations. Most of those taxes are concern with the charging on travelling tickets, excise on alcohol, value added tax, road traffic, taxes on accommodation and games like casinos that all of them are paid in more than one authority. That, agreed by Lee and Gordon, (2005) as he claimed that, corporate tax rate has a large adverse impact on aggregate investment and entrepreneurial activity.

However, Johnny, (2021), found out that, onerous regulations and multiple taxes imposed in ASMEs are major obstacles to the growth of this sector, those multiple taxes force the small tour operators and local hotels to provide higher price in order to break even. Jensen and Wanhill, (2002) argued that, the environment for investing in tourism in Afghanistan is harsh, and the number of licenses required, taxes to be paid, and other regulatory burdens are extremely high. Fjeldstad and Semboja, (2001); Bank., (2010); Charles, (2019) they agreed that, one of the constraints of the ASMEs in Afghanistan is the institutional conflicts such as taxes, duties, bribes, and also the regulations.

The Small and Medium Tourism Enterprises (SMTEs) are ones among the leading businesses in the production sectors in both developed and developing countries, as it's well known that, the high average of the production is also the one that determine the economic condition of the country. Panitchpakdi (2006) affirms that Small and Medium Tourism Enterprises are the source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills. Organization Economic Corporation and Development (OECD, 2016) state that, SMEs contribute to not only economic growth but also employment, social cohesion as well as local development

Micro, Small and Medium Enterprises (MSMEs) play a vital role in the economies of developing countries. They contribute significantly to job creation, economic growth and poverty alleviation. However, one of the challenges faced by MSMEs is the complex and often confusing taxation system. Therefore, it is important to understand the various types of taxes imposed on MSMEs in developing countries. In many developing countries, MSMEs are usually subject to several types of taxes, including Income Tax (PPh), Value Added Tax (PPN) and local taxes. Income Tax is a tax imposed on the profits earned by MSMEs. In some countries, there are lower tax rates for MSMEs to encourage the growth of this sector. Meanwhile, VAT is imposed on goods and services sold by MSMEs, although there are certain limits for small businesses so as not to be burdened by excessive tax obligations (hanafi et al., 2022).

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Brun, Chambas and Laporte, (2010); Masare, (2016) affirmed that, a higher tax burden reduces the revenue of hotels and tourism, while an increase or decrease in the tax rate significantly influences the decision of tourists regarding their destination and the accommodation. Therefore, this study attempts to show the main effects of multiple taxes that threaten the survival of the ASMEs in Afghanistan.

The topic of this research, “*The Impact of Multiple Taxation on The Survival and Sustainable Growth of Small and Medium Tourism Enterprises (SMTEs) In Afghanistan,*” is closely connected to the concept of sustainable finance, particularly in the context of economic resilience and inclusive development.

Sustainable finance is broadly defined as financial activities that consider environmental, social, and governance (ESG) criteria to support long-term economic growth and development (OECD, 2020). A fundamental component of sustainable finance is economic sustainability, which includes ensuring that businesses—especially small and medium enterprises (SMEs) can operate efficiently, grow responsibly, and continue to contribute to job creation and social stability.

In Afghanistan, the tourism sector has significant potential for economic development, employment, and community engagement. However, multiple and burdensome taxation systems threaten the financial viability and long-term sustainability of small and medium tourism enterprises (SMTEs). Excessive tax obligations, overlapping tax authorities, and inconsistent fiscal policies often result in reduced profitability, discourage formalization, and lead to premature business closure particularly within the first five years of operation.

Such challenges directly undermine the goals of sustainable finance. According to the International Monetary Fund (2019), poorly structured taxation policies can disproportionately affect small businesses, limiting their ability to innovate, access

credit, and reinvest in sustainable practices. Furthermore, the World Bank (2021) emphasizes that ensuring financial sustainability for SMEs requires not only access to capital but also a fair, transparent, and enabling fiscal environment.

From this perspective, analyzing the impact of multiple taxation on SMTEs in Afghanistan contributes to the broader discourse on sustainable finance. By highlighting how taxation systems affect the survival and sustainable growth of small businesses in a developing economy, this study offers policy-relevant insights that can support more inclusive, growth-oriented fiscal reforms. Such reforms are essential to creating an economic environment where SMEs can thrive, contribute to national development, and align with sustainable development goals (SDGs), especially those related to decent work, economic growth, and reduced inequalities.

## **1.2. Research Problems**

In Afghanistan, small and medium tourism enterprises are significant sources of income for its economy, constituting the largest source of foreign exchange and employment. The Small Medium Enterprises (SMEs) have been dominant since the Revolutionary Government of Afghanistan in (2000). Afghanistan's tax landscape for Micro, Small, and Medium Enterprises (MSMEs) is shaped by various economic challenges and regulatory frameworks. Here's a summary of the current tax rates and considerations for Afghan MSMEs:

### **Tax Rates Overview**

- a) **Corporate Tax Rate:** The corporate tax rate in Afghanistan is set at 20% of net profits. However, there are provisions for tax holidays and other concessions that can benefit small businesses, particularly in certain sectors or regions.
- b) **Value Added Tax (VAT):** A VAT of 10% is applicable on goods and services, which can impact the pricing strategies of MSMEs.
- c) **Income Tax for Individuals:** The personal income tax rates vary from 0% to 20%, depending on the income level. This affects MSME owners and their ability to reinvest earnings into their businesses (World Bank, 2022).
- d) **Turnover Tax:** While specific turnover tax rates were not detailed in the search results, it is noted that an optimal turnover tax rate suggested in broader studies is around 2.7%, which could be relevant for MSMEs depending on their revenue structure (Wei & Wen, 2019).

## **Challenges Faced by MSMEs**

- a) **Economic Instability:** The business environment in Afghanistan has been severely affected by political instability and economic challenges, leading to a high percentage of informal businesses (over 80%) that operate outside the formal tax system.
- b) **Compliance Costs:** MSMEs often face higher compliance costs relative to larger firms due to limited resources, which can deter formalization and increase reliance on informal operations.
- c) **Access to Finance:** Limited access to financial services constrains the ability of MSMEs to manage taxes effectively and invest in growth opportunities. Only about 15% of the adult population has access to transaction accounts (World Bank, 2022).

The tax regime for Afghan MSMEs includes a corporate tax rate of 20%, a VAT of 10%, and varying personal income tax rates. However, the overall business climate remains challenging due to economic instability and high compliance costs, which disproportionately affect smaller enterprises. Addressing these issues is crucial for fostering a more conducive environment for MSME growth and formalization in Afghanistan.

World Bank (2010) commented that small and medium tourism businesses in Afghanistan, such as travel agents, tour operators, transporters, attraction developers, local hotels, and catering services, are pivotal for the development of Afghanistan's tourism sector. Although, SMTEs contribute to the Afghanistan economic development still they are faced by multiple taxes that threaten to the growth of those SMTEs (Salami, 2011).

Afghanistan Chamber of Commerce, (2013), affirmed that, complexity of Afghanistan's tax regime reduces the competitiveness of the business environment, including its vibrant tourist industry, this was agreed by the Raheem and Mkindi, (2010; Charles, (2019) in their debate as the institute comment that, the tax regime of Afghanistan should be easier on the small and medium tourism entities by giving them simple and fair taxes and by that they will be able to pay taxes at the same time the business environment will be much easier.

Afghanistan Chamber of Commerce, (2013); Charles, (2019); Johnny, (2021), affirmed that small and medium tourism enterprises of Afghanistan are in bad shape as

they face several constraints, especially the huge transaction cost that caused by the multiple taxes on the goods and services as well as several license fees, also Masare, (2016), confirmed that the unpredictable taxes of Afghanistan hurt the SMTEs as they concentrate more on the paying taxes rather than their own businesses.

A considerable amount of literature exists on the problems that Afghanistan's Small Medium Enterprises (ASMEs) faces so as to survive long in the tourism businesses in Afghanistan such as Revolution Government of Afghanistan, (2000); World Bank., (2010); Raheem and Mkindi, (2010); Afghanistan Chamber of Commerce, (2013), so from them, it is showing that, although they dig in on the constraints that make the ASMEs struggle but still there is a puzzled picture need to be cleaned like is why there are so many taxes burden on Afghanistan even though they threaten the growth of the SMTEs. Therefore, this study is undertaken to investigate the effects of multiple taxation to the survival of TSMEs of Afghanistan.

### **1.2.1. Research Questions**

- a) How has the tax system for MSMEs in Afghanistan changed since 2004, and what effect does it have on business survival?
- b) What kinds of taxes are applied to tourism SMEs, and how do they affect these businesses??
- c) What can be done to reduce the tax burden on tourism SMEs?
- d) How does paying multiple taxes affect the survival of small and medium tourism businesses in Afghanistan?
- e) How does multiple taxation affect the long-term growth of tourism SMEs in Afghanistan?
- f) What solutions can help reduce the negative impact of multiple taxes on tourism SMEs?

### **1.3.Objectives of the Study**

#### **1.3.1. General Objective**

The main objective of this study is to investigate the effects of multiple taxation to the survival of the Tourism Small Medium Enterprise in Afghanistan.

### **1.3.2. Specific Objective**

- a) To examine the changes in the tax system for MSMEs in Afghanistan since 2004 and analyze its impact on business survival
- b) To identify the types of taxes imposed on tourism SMEs and assess their effects on business operations
- c) To explore practical measures that can help reduce the tax burden on tourism SMEs in Afghanistan
- d) To explore the factors that influence the multiple taxes on Small and Medium Tourism Enterprises in Afghanistan
- e) To investigate how multiple taxation influences the sustainable growth of tourism SMEs in Afghanistan.
- f) To recommend mechanism to minimize the impacts of multiple taxes on tourism SMEs.

### **1.4. Significance of the study**

This study will be beneficial to the policy makers of Afghanistan the study will help both national and institutional level on making the suitable tax policies that will bring positivity to the small and medium tourism enterprise rather than hindering their efforts. Likewise, the study aims to be very helpful to other academicians who will be entrusted to conduct further researches and debate concern with the SMTEs taxes, so it will be very beneficial on the expanding on the knowledge of the taxation in Afghanistan.

The study also will be beneficial to the tax payers or SMTEs themselves as they will be able to understand the taxation, similarly the useful recommendation and suggestion would help the SMTs to deal with the challenges of taxes to their growth and survival. The study would serve as an important instrument for NGOs focused on providing capacity building and education on tourism taxation to small and medium enterprises.

#### **1.4.1. Theoretical Benefits**

This research uses the ability to pay taxation theory, developed by economists Knut Wicksell in 1896 and Erik Lindahl in 1919, and further extended by other authors. According to this theory, the state should levy taxes on individuals according to the benefits conferred on them; the more benefits a person or firm derives from state

activities, the more they should pay to the government. This theory has been practically applied, as it is often the poor who bear a heavy tax burden.

This theory is relevant to the study because it addresses why there is such a significant tax burden on small and medium tourism enterprises (SMTEs), indicating that these enterprises benefit substantially from government public services. Furthermore, understanding this relationship is essential for connecting the financial aspects of SMEs to the social dimensions of sustainability. By recognizing how tax policies impact SMTEs, we can explore their role in promoting social equity and community development, which are key components of sustainable finance.

The ability to pay taxation theory underscores the importance of aligning tax responsibilities with the benefits received by SMEs from government services. By examining this relationship through the lens of sustainability, we can better understand how equitable taxation contributes not only to economic growth but also to social equity and environmental stewardship. Addressing these aspects ensures that SMEs are not only compliant with tax regulations but also play a crucial role in fostering sustainable development within their communities. Thus, this study aims to highlight the importance of sustainable taxation practices that support both the economic viability of SMTEs and their contributions to social sustainability.

#### **1.4.2. Practical Benefits**

The study will cover small scale enterprises in Urban of Afghanistan especially the Capital (Kabul) of Afghanistan, due to the large number of small medium enterprise located in Kabul. Though it would have been logic to include other SMTEs found in other area of Afghanistan, so, hopefully, the result of this study will reflect the reality of all tourism SMEs found in Afghanistan.

#### **1.5. Structure of the Thesis**

Thesis will be organised into 5 sections/ chapters as follows;

- a) Chapter One (1) is the introductory section. It provides a detailed background of the research idea and its genesis. It also presents the research gap identified from

previous studies, the research problem, objectives, significance of the study, and limitations.

- b) Chapter two (2) contains the literature review, which explains the findings and methods used in previous studies from various journals and other relevant sources related to this research. This chapter also discusses the effect of multiple taxation on SME survival, presents a table of previous studies, and outlines the theoretical framework.
- c) Chapter Three (3) discusses in detail the research approach, population and samples, reliability and validity of the research, methods of data collection, and method of data analysis.
- d) Chapter Four (4) presents the data, provides descriptive analysis and findings, and discusses the results in relation to the data collected.
- e) Chapter Five (5) consists of a summary of the main findings, conclusions, and practical implications of the results for relevant stakeholders, with particular reference to Afghanistan.

## CHAPTER II

### LITERATURE REVIEW

#### 2.1. Theoretical Framework

The survival and sustainable growth of Small and Medium Tourism Enterprises (SMTEs) have been a subject of significant academic interest, particularly in the context of developing economies where taxation systems often impose complex challenges. Multiple taxation, defined as the imposition of more than one tax on the same entity or transaction by different tax authorities, has been shown to severely impact the operational viability of SMTEs (Karanja, 2017).

Several studies highlight the dual role of taxation in generating necessary government revenue and simultaneously acting as a financial burden on small businesses. According to Obeng and Agyei (2019), excessive and overlapping tax obligations reduce cash flow, forcing SMEs in Ghana to curtail investment and sometimes exit the market. Similarly, in a study conducted in Indonesia, Rahmawati and Susilo (2018) argue that the lack of clear tax regulations and coordination among authorities leads to inefficiencies and increased compliance costs for tourism SMEs.

Moreover, the survival theory of SMEs emphasizes the vulnerability of young enterprises to external shocks such as tax pressure (Churchill & Lewis, 1983). Several empirical investigations confirm that early-stage SMTEs in developing countries face disproportionate tax burdens compared to larger firms (Mwangi, 2020). This is particularly relevant in Afghanistan, where weak institutional frameworks amplify these challenges (Kakar & Saeed, 2021).

From a sustainable development perspective, multiple taxation limits the capacity of SMTEs to invest in social and environmental initiatives, undermining broader developmental goals (Sharpley & Telfer, 2015). Governments must therefore balance revenue generation with enabling policies that support business growth and sustainability (UNWTO, 2013).

## **2.1.1. Key Terms**

### **2.1.1.1. SMEs**

The Small Enterprises include establishments engaging between 5 and 19 employees or with total assets value from USD 1,667 to less than USD 8,333 or with annual turnover of between USD 4,167 to less than USD 20,833. The Medium Enterprises employ between 20 and 99 people or possess assets valuing from USD 8,333 to less than USD 93,750, with annual turnover of between USD 20,833 and less than USD 312,500 (Revolution Government of Afghanistan, 2000).

### **2.1.1.2. Taxation**

Taxation is defined as “a compulsory levy imposed by a public authority on the income, capital, and profit or wealth of an individual, family, community, estate, corporate or unincorporated body for the public purpose” (A.S, 2003).

### **2.1.1.3. Tax**

According to Salami, (2011), tax is a compulsory levy imposed by government on citizen income and consumption of goods and services.

#### **2.1.1.3.1. Multiple Taxation**

Omesi, I., Teerah, L., &Nzor, (2014) stated that multiple-taxation is the levying of tax by two or more jurisdictions on the same declared income, asset, or financial transaction. The author added that multiple-taxation is a situation in which the same earnings are taxed more than once to a different government department of tax.

#### **2.1.1.3.2. Tourism**

According to World Tourism Organisation, (1998) "Tourism comprises the activities of persons traveling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business, and other purposes," highlighting the broad scope of tourism. In recent years, there has been a growing recognition of the importance of incorporating social and sustainable aspects into tourism, including concepts such as ecotourism and sustainable tourism.

Ecotourism focuses on experiencing natural areas while promoting conservation efforts and benefiting local economies, encouraging travelers to engage with nature in environmentally sustainable and culturally sensitive ways. Sustainable tourism, a broader concept, encompasses practices aimed at minimizing tourism's negative impacts on the environment and society. It seeks to balance economic

growth with social equity and environmental protection through strategies such as supporting local businesses, preserving cultural heritage, and reducing carbon footprints (World Bank, 2022).

By integrating these social and sustainable dimensions, tourism can contribute positively to community development and environmental conservation, aligning with global sustainability goals. Emphasizing responsible tourism practices ensures that the benefits are shared equitably among stakeholders, including local residents.

### **2.1.2. Theoretical Literature Review**

The following theories show the relationship between the multiple tourism taxes and the survival of the small and medium tourism entities.

#### **2.1.2.1. The Ability to Pay Taxation Theory**

This research uses the ability to pay taxation theory, developed by economists Knut Wicksell in 1896 and Erik Lindahl in 1919, and further extended by other authors. According to this theory, the state should levy taxes on individuals according to the benefits conferred on them; the more benefits a person or firm derives from state activities, the more they should pay to the government. This theory has been practically applied, as it is often the poor who bear a heavy tax burden.

This theory is relevant to the study because it addresses why there is such a significant tax burden on small and medium tourism enterprises (SMTEs), indicating that these enterprises benefit substantially from government public services. Furthermore, understanding this relationship is essential for connecting the financial aspects of SMEs to the social dimensions of sustainability. By recognizing how tax policies impact SMTEs, we can explore their role in promoting social equity and community development, which are key components of sustainable finance.

The ability to pay taxation theory underscores the importance of aligning tax responsibilities with the benefits received by SMEs from government services. By examining this relationship through the lens of sustainability, we can better understand how equitable taxation contributes not only to economic growth but also to social equity and environmental stewardship. Addressing these aspects ensures that SMEs are not only compliant with tax regulations but also play a crucial role in fostering sustainable development within their communities. Thus, this study aims to highlight the importance

of sustainable taxation practices that support both the economic viability of SMTEs and their contributions to social sustainability

This theory is relevant to this study because it provides a suggestion to the government and all tax authorities, that they should set the tax to be paid by the firms according to their ability to pay those taxes and not let all firms pay same type of taxes even if other are not capable of paying them especially like small and medium tourism firms.

This theory was advanced by Swiss philosopher Jean (1712 - 1778) and the economist Mill from the England (1806 – 1873). The ability to pay taxation is a progressive taxation theory that state that, taxes should be levied according to a taxpayer's ability to pay, also this theory is the basic progressive of taxes as its shows the progression of the tax rate on the tax amount (Jensen & Wanhill, 2002). This progressive taxation approaches places an increased tax burden on the individual, partnerships, companies, corporations, trusts that has higher incomes.

#### **2.1.2.2. Theory of Comparative Advantage**

According to Gamage *et al.*, (2020) the theory of Comparative Advantage facilitates the distribution of resources to productive areas of the economy, the theory of comparative advantage may be utilized as a tool to modify the production system to competition. When a nation produces goods or services at a lower opportunity cost than other nations, it is said to have a comparative advantage. This helps a business boost sales margins by enabling it to offer goods and services at a cheaper cost than its rivals. In the context of the WTO trade regime, SMEs must move low-cost product items while taking into account other particular product attributes like price and quality in order to benefit from business internationalization and gain a competitive edge (Bruderl *et al.*, 1992; Gamage *et al.*, 2020).

The acronym SWOT, which stands for strengths, weaknesses, opportunities, and threats, is an analysis tool used by organizations to determine their internal and external environmental factors. Internal factors include strengths and weaknesses, while external factors include opportunities and threats. In the modern business world, before putting their corporate strategies into action, many organizations do a SWOT analysis for the organization as part of their strategic planning process (Bernroider, 2002; Gamage *et al.*, 2020). Culture, structure, resources, and functional areas all influence how well consumers' needs are met, and these factors are the focus of

the internal analysis (Hai, 2008). Organizations can identify business opportunities and threats in the environment with the aid of external analysis. According to the literature that is currently available, SMEs only have a cursory understanding of the SWOT analysis and the internal and external factors that affect their operations (Gamage et al., 2020). However, because the ultimate goal of strategic planning and SWOT analysis is to gain a sustainable competitive advantage, Small and Medium Tourism firms in Afghanistan face a grave danger on multiple taxation which threatens their demise.

According to Porter, M (1985) generic strategies aid in identifying an organization's strategic position so that it can obtain a competitive edge. Michael Porter identifies four general strategies cost leadership, differentiation, cost focus, and differentiation focus that are based on the type of market in which they compete (broad or narrow) and the source of competitive advantage (cost and differentiation). This is the competitive scope that the company chooses, and it sets it apart from competitors that target a specific narrow or wide industry segment. Small and medium-sized businesses (SMEs), in addition to larger companies, also need to assess their strategic positioning. Consequently, it's critical to determine the tactics these companies are using. Nevertheless according to Julita and Hasrudy, (2017), the best approach for SMEs is cost leadership because their expected goals are to increase profits by cutting expenses and setting prices in line with industry standards. Afghanistan's small and medium Tourism companies cannot gain market share by offering more low prices while still making a healthy profit from each sale of a good or service because multiple taxation they are charged from the government demand them to raise their service costs.

A strategic planning or marketing research tool called PESTEL (political, economic, social, technological, environmental, and legal factors) assists organizations in identifying the macro-environmental factors that have an impact on their business and in making more informed decisions. As stated by Yüksel, (2012), PESTEL serves two main purposes: it helps the business identify the environment in which it operates and gives it data and information to help it forecast future events. In order to make better decisions, all organizations need to be aware of PESTEL factors. Before drafting business, plans or making decisions, SMEs should conduct an external environment scan to look into the political, economic, social, technological, environmental, and legal influences on the company.

### **2.1.2.3. Pigovian Tax Theory: An Overview**

The Pigovian Tax Theory is a fundamental concept in public economics, developed by British economist Arthur Cecil Pigou in the early 20th century. According to Pigou (1920), when the production or consumption of a good results in externalities costs or benefits not reflected in market prices a government-imposed tax or subsidy can internalize these effects. In essence, Pigovian taxes are designed to correct market failures by discouraging negative externalities (like pollution) and promoting positive externalities (like public goods).

A Pigovian tax is therefore levied not simply to raise revenue, but to ensure that businesses account for the social costs of their activities. For example, taxing a factory for carbon emissions forces it to consider the environmental damage it causes aligning private incentives with social welfare (Tietenberg & Lewis, 2016).

#### **2.1.2.3.1. Relevance to the Tourism Sector**

Tourism has both positive and negative externalities. While it creates jobs and fosters cultural exchange, it can also result in environmental degradation, cultural commodification, and strain on local infrastructure (Sharpley, 2009). Pigovian taxes, when properly implemented, can be an effective tool in balancing economic growth and sustainability in the tourism sector. For instance, environmental taxes on tourism activities (e.g., hotel waste management, tourism-related emissions, and fuel use by tour operators) can incentivize more responsible business practices. These taxes can also fund public services like sanitation, infrastructure maintenance, and environmental conservation in tourism zones (Gooroochurn & Sinclair, 2005).

In Afghanistan, Small and Medium Tourism Enterprises (SMTEs) operate in a complex fiscal environment. While taxation is necessary to generate public revenue, multiple and overlapping taxes especially when not targeted at specific externalities can result in inefficiencies and business decline. Currently, many SMTEs are subject to a broad mix of taxes (e.g., value-added tax, infrastructure tax, local duties) that do not differentiate between economic sectors or externalities.

The absence of a clear Pigovian framework means that these taxes often act as revenue-maximizing tools, rather than instruments to correct environmental or social costs. This undermines the survival of SMTEs, which typically have limited capital and

cash flow, and discourages them from investing in sustainable practices (Kakar & Saeed, 2021).

#### **2.1.2.4. Resource-Based View (RBV)**

According to (Gamage et al., 2020) RBV suggests that a firm's unique bundle of resources and capabilities determines its ability to achieve a sustained competitive advantage and, ultimately, its survival in the market. there are several key factors that influence a firm's ability to survive:

- 1) **Valuable Resources:** The possession of valuable resources is essential for business survival. These resources can include physical assets, intellectual property, brand reputation, skilled employees, and access to capital. (Hai, 2008). Firms with valuable resources have a competitive advantage because they can use these resources to create value for customers and differentiate themselves from competitors.
- 2) **Rare Resources:** Resources that are rare or difficult to imitate provide firms with a competitive advantage. (Bruderl et al., 1992; Gamage et al., 2020). For example, a patented technology or a unique business process can give a firm a competitive edge because it is not readily available to competitors. Firms that possess rare resources are better positioned to withstand competitive threats and survive in the market.
- 3) **Inimitable Resources:** Inimitability refers to the difficulty of replicating or imitating a firm's resources by competitors. Resources that are unique, complex, or socially complex are often difficult for competitors to imitate. For example, a firm's culture, organizational structure, or tacit knowledge can be difficult for competitors to replicate. (Fjeldstad and Semboja, 2001; Jensen and Wanhill, 2002; Kirchler, 2007; Varela, 2011; Hayashi and Yoshida, 2019) Firms with inimitable resources have a sustainable competitive advantage and are more likely to survive in the long term.
- 4) **Non-Substitutable Resources:** Non-substitutable resources are resources that cannot be easily replaced by alternatives. These resources are critical for business survival because they provide a unique value proposition to customers. Bateman, (2017) For example, a firm's strong brand reputation or exclusive relationships with suppliers can be non-substitutable resources that differentiate the firm from competitors and contribute to its survival.

5) **Dynamic Capabilities:** In addition to possessing valuable, rare, and inimitable resources, firms must also have dynamic capabilities to adapt to changes in the market environment. Jensen and Wanhill, (2002). Dynamic capabilities refer to a firm's ability to sense changes in the market, seize new opportunities, and reconfigure its resources and capabilities accordingly. Firms with dynamic capabilities are more agile and resilient, allowing them to survive and thrive in the face of uncertainty and change.

#### **2.1.2.5. Sustainable Development Theory and Tourism's Local Role**

Sustainable Development Theory emerged prominently from the 1987 Brundtland Report by the World Commission on Environment and Development (WCED), which defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (WCED, 1987). The theory emphasizes a balanced integration of three core dimensions: economic development, social equity, and environmental protection. In practice, it calls for policies and strategies that ensure long-term prosperity while maintaining ecological integrity and promoting social inclusion.

In the context of tourism, sustainable development theory has been widely adopted as a guiding principle. The United Nations World Tourism Organization (UNWTO) recognizes sustainable tourism as one that “takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment, and host communities” (UNWTO, 2013). This makes tourism a powerful vehicle for sustainable development, particularly in countries with rich cultural and natural heritage like Afghanistan.

##### **2.1.2.5.1. The Role of SMTEs in Local Sustainable Development**

Small and medium-sized tourism enterprises (SMTEs) play a critical role in advancing the goals of sustainable development in local communities. These businesses often rely on local labor, materials, and cultural experiences, thereby creating jobs, stimulating micro-economies, and preserving indigenous practices. As Hall and Page (2014) suggest, SMTEs are more likely than large multinational firms to reinvest profits locally, support local suppliers, and engage with community needs, all of which are pillars of sustainable development.

In Afghanistan, where tourism has potential for economic revitalization, especially in historically rich regions like Bamyan, Herat, and Kabul, SMTEs can become catalysts for inclusive growth and stability. Many of these enterprises promote eco-tourism, cultural heritage tourism, and community-based tourism models that inherently align with sustainability principles (Sharpley & Telfer, 2015).

However, the findings of this study highlight a disconnect between the theory and practice of sustainable development in Afghanistan. Multiple and poorly coordinated taxes imposed on SMTEs such as local infrastructure taxes, service taxes, and tourism levies hinder their ability to grow and contribute to sustainability. Heavy taxation limits their financial capacity to invest in renewable energy, waste management, employee welfare, or cultural conservation, thereby contradicting the sustainability objectives that such businesses could otherwise fulfill.

Moreover, UNEP (2011) notes that for tourism to be a true driver of sustainable development, governments must create enabling environments that include appropriate regulation, support services, and fair taxation. Unfortunately, in Afghanistan, the absence of coordinated tax policy and business support for SMTEs represents a significant structural barrier.

Sustainable development theory suggests that taxation policies should not only aim at revenue generation but also support environmental and social objectives. For Afghanistan, this means shifting from a revenue-maximizing tax approach to a development enabling model that:

- a) Provides tax incentives for green investment in tourism;
- b) Reduces redundant taxation by streamlining tax agencies;
- c) Supports SMTEs through capacity-building programs; and
- d) Encourages reinvestment in local communities and environmental protection.

By aligning tax systems with the principles of sustainable development, the Afghan government can empower SMTEs to become long-term drivers of economic resilience, cultural preservation, and environmental care.

### **2.1.3. Empirical Review**

#### **2.1.3.1. The factors that influence the multiple taxes on SMTEs**

Multiple taxes are influenced by several factors (Fjeldstad & Semboja, 2001; Hayashi & Yoshida, 2019; Jensen & Wanhill, 2002; Kirchler, 2007; Varela, 2011), the following are some of them;

#### **2.1.3.2. Recover the cost of the public services**

It is well known that, SMTEs are one of the in front row sectors of using public services such as roads, health and other infrastructures, so, normally the taxes institution takes that as the debt that should be paid, and that why they increase and doubling the taxes as each of those institution have its own, so that really causing the services and the products to be paid in several institution (Varela, 2011).

#### **2.1.3.3. Revenue Generation**

It is well known that, tax is one of the main contributors of the economy of the country, so, through multiple taxes the revenue generation will surely further increase, this can be seen through the tax compliance of the small medium tourism enterprise Kirchler, (2007), so the multiple taxes really much influenced by the desire of the government to increase the national income through the revenue generation.

Similarly, Jensen and Wanhill, (2002) suspect that worldwide increases in both numbers and rates of multiple tourism taxes in country, the destinations' governments seem to consider tourism taxes as "easy money", giving them license to deviate from economic rationality.

#### **2.1.3.4. Protection of Domestic SMTEs**

Multiple taxes might be seen as the burden to the Small and Medium Tourism Enterprise, but at the same time this is the obstacle for the international tourism enterprise to enter in the domestic market, this is why some of the country use this system of multiple taxes to the different institution so as to prevent outside investors to enter in to this small and medium industry in tourism as they will win against those domestic enterprise, Oshionebo, (2020)

#### **2.1.3.5. Unstable tax Planning and Regulation.**

Planning is very important process in the development and success of any institutions in the country, it is showing that, many institutions do not have the proper planning on collecting the taxes as well as on how to influence the tax payers to not avoid

the taxes, also the frequency changes on the taxes regulation result the unpredictable taxes Yaobin, (2007). By that its lead them to establish many institutions that serve the same services, in this case SMTEs are affected as the tax institution do not have the proper plan to collect the taxes

#### **2.1.3.6. Restore Environmental Damage Caused by the SMTEs**

Small and Medium Tourism businesses are one of the industries that due its difference activities it contributes to the environmental destruction and degradation, and for that reasons there are some of the taxes that designed to pay back to the environment as known as the eco- tourism taxes, Bateman, (2017), some of those taxes petroleum taxes and also those who are collected by the Municipal of the countries.

#### **2.1.3.7. Tax Authorities Conflicts**

The institutional and regulatory environment is challenging for small and medium tourism businesses due to the multiplicity of taxes, levies and fees, which often overlap as they are collected by many different government entities at the local and national level. The complication resulting from the interacted responsibilities of all agencies which then causes the burden of taxes to the SMTEs (O, 2017; T, 2013).

#### **2.1.3.8. Identify Different Taxes and their Impacts on the SMTEs**

##### **2.1.3.8.1. General Taxes and Specific Taxes**

According to Afghanistan National Chamber of Commerce, Industry, and Agriculture Revolution Government of Afghanistan, (2000), there are two types of taxes that SMTEs are paying for, there is a general tax that is the type of taxes that all taxpayers pay to the tax institute such as Value Added Tax VAT, Petroleum Levy, Infrastructures tax, Stamp duty, Customs tax, Property taxes.

##### **2.1.3.8.2. Specific Taxes**

These are the particular tourism taxes that its taxpayers are only the one from the tourism industry, SMTEs pays those taxes as the part of the tourism industry, some of those taxes are Hotel Levy, Restaurants Levy and Tour Operator Levy Fjeldstad and Semboja, (2001); Hayashi and Yoshida, (2019), also Special tourism taxes are those imposed specifically on the tourism product or its components and service providers such as hotels and airlines (Gooroochurn & Sinclair, 2003).

#### **2.1.3.8.3. Impacts of the Different Taxes to the SMTEs**

Jensen and Wanhill, (2002), suggests that, both specific and general tax has a big impact to the Small and Medium Tourism Enterprise, also Jensen and Wanhill, (2002) investigate that those two taxes are harmful to the growth of the SMTEs

#### **2.1.3.8.4. Increase the Cost of Doing Business.**

In small and Medium Tourism Enterprise this can easily happen because more taxes in one business cost the enterprise, so as the enterprise like hotel pay hotel levy at the same time pay restaurants levy, and stump levy, those taxes become part of the operational cost and increase the amount to be used for business without the corresponding margin of profit (Salami, 2011). From these impacts, more can be seen like reduction of the profit of the business as well as the reduced wages and the employees, (Combs 2011).

This was supported by Charles, (2019) as he suggests that, the increasing numbers of the agencies that deals with the tax in the developing countries has been causing the unnecessary cost of doing business.

#### **2.1.3.8.5. Limit the Overall Growth of SMTEs**

Spray and Wolf, (2018) asserted that taxes for SMTEs have been more harmful than beneficial as they slow down growth of the business, due to the many unfair taxes in SMTEs has led to the limited growth of many of this enterprise as they fail to thrive and develop in the business, this was also agreed by Onyeukwu, (2010), as he affirmed that, the taxes are not only healthy to the development of the SMTEs but also disincentive for their growth.

Through his study on taxation behavior in five different countries (USA, Gambia, Nigeria, South Africa and Kenya), Yaobin, (2007) concluded that increased tax burden is a major threat on the overall growth of SMEs.

#### **2.1.3.8.6. Encourage the Price Inflation.**

Increasing number of the unfair and improper taxes to the SMTEs is the main source of the unstable price of the tourism good and services (TGS), the uncertainty of price will make harder to control and to have the particular price that will be beneficial to the SMTEs, by that there will be various price of the same TGS from the different company Jensen and Wanhill, (2002).

#### **2.1.3.8.7. Discourage Investment**

Once the supposing investors or companies like hotel, restaurants, curio shops and many others SMTEs are giving a tax burden or high tax that will definitely discourage them to invest in this industry, so that showing that the taxes either specific or general they are both a huge threats to the investment as it will result low investment and low future income which is SMTEs have been contribute a lot for the countries (Nwonkoro, 2017).

This was also agreed by Hyder and Lussier, (2016; Johnny, (2021). Hyder and Lussier, (2016) says that taxes are heavy burden that frustrates existing investors, and scares away prospective ones.

#### **2.1.3.8.8. Total Failure of the SMTEs**

Taxes has been the huge burden to the survival of the many SMTEs, some of enterprise and tourism companies are not capable of stabilizing themselves for long period of time because of big amount of money they pay to the tax institute for the goods and services they serve, Yaobin, (2007), confirmed that, the taxes are the one that endanger the sustainability of the SMTEs and lead their failure in the business. On the Africa Center of Economic Research and Development Abassi.S, (2003), suggested that SMTEs fail mainly because of the burden of the taxes.

#### **2.1.3.8.9. Tax Avoidance**

Tax avoidance refers to the legal means by which taxpayers can reduce their tax bill and is a legal utilization of the tax regime to one's own advantage. Tax avoidance is the legal utilization of the tax regime to one's own advantage, to reduce the amount of tax that is payable by means that are within the law. So, by having too many taxes the SMTEs will tend to avoid to pay taxes which then will become negative impacts in term of government revenue. (Hoover, 2000).

#### **2.1.3.8.10. Waste of Time**

In this impact it can easily see as once the country has the multiple tax system, so the SMTEs will have to use a lot of time to deal with tax authorities as they are paying them to the difference authorities who are located at difference areas. So, the time that local tourism entrepreneur required to use on operating the business use them on paying taxes (Raheem & Mkindi, 2010).

#### **2.1.4. Ways to Reduce the Impacts of Multiple Taxation to the SMTEs**

The following are some of the very useful ways that can adapt by both Tax authority and the SMTEs so as to adapt with the uncertainty changes of the taxes and to reduce its effects.

##### **2.1.4.1. Reduce the Rate of the Taxes**

In order for the SMTEs to be not much affected by the multiple taxation, the first step is to make sure that, those taxes are reduced in term of amount or figures, because once they pay a lot of taxes and those taxes are higher, that will cause problems and affect them dearly, Mohammad and Shahroodi, (2010), commented that, for the tax burden to be no worst, the Tax Authorities (TA) should consider lowering the amount that the SMTEs are paying to them.

Therefore, the small rate of taxes will be affordable to the many SMTEs and that will not affect much to their operational cost and it will be fair to them (Lee & Gordon, 2005).

##### **2.1.4.2. Specific Supportive Tourism Tax Policies**

Policies are the backbone of any matters, by having proper tourism taxation that will be a big help for the SMTEs, because the tax to be paid will be known and it will avoid paying taxes twice for one product and services, this is simply because the polices and the law are there protecting SMTEs, Lee and Gordon, (2005), the policies could go further by fighting against the corruption.

###### **a. Simplify the Tax System**

Streamline and unify tax laws to remove duplication and complexity across government levels. The government and tax authorities should establish comprehensive, well-structured tax strategies. Tax collection regulations must be streamlined to avoid overlapping responsibilities among various institutions. Additionally, tax policies should include clear definitions that assign specific tax collection duties to designated agencies. This will help reduce confusion, prevent redundancy, and eliminate the imposition of arbitrary or unexpected taxes.

*Estonia* introduced a flat tax and an e-tax system, making it one of the world's most business-friendly countries. Its simplicity reduced tax evasion and administrative burdens.

## **b. Promote Tax Awareness**

Launch national campaigns and workshops to educate SMTEs on their tax rights, obligations, and how taxes support public services. Tax authorities should introduce targeted educational programs to help SMTE entrepreneurs better understand the taxation system and its significance for national development. This can be achieved through workshops or seminars involving SMTE owners and managers, aimed at improving their knowledge of tax regulations and promoting greater compliance.

*Rwanda's (the country)*, Revenue Authority implemented intensive taxpayer education programs which significantly improved voluntary compliance among small businesses.

## **c. Introduce Tax Incentives for Sustainable Practices**

Provide tax holidays or reduced rates for new SMTEs or those investing in green, eco-friendly tourism.

*Costa Rica (the country)*, offers tax breaks for eco-lodges and sustainable tourism operators, helping to make it a global leader in eco-tourism.

## **d. Encourage Sustainable Tourism Through Green Taxation**

Implement Pigovian-style environmental taxes that are reinvested into conservation and community development.

*New Zealand (the country)*, applies environmental levies on tourism services to fund infrastructure and conservation projects.

## **e. Improve Inter-agency Coordination**

Establish a centralized tax authority or one-stop digital platform to eliminate overlapping taxes. Building a stronger relationship between tax institutions and SMTEs is crucial. Enhanced collaboration can promote higher compliance rates, reduce instances of tax avoidance, and close existing communication gaps. Many small businesses are often unaware of updated tax regulations due to limited outreach. Strengthening this relationship will help build trust and ensure that entrepreneurs are well-informed and better equipped to meet their tax obligations.

*Georgia (the country)*, created a unified Revenue Service to handle all taxes, reducing bureaucracy and corruption.

## **f. Enhance Transparency and Accessibility**

Make tax regulations and changes easy to access and understand. To support the sustainable growth of SMTEs, the government must ensure stability and predictability in its tax laws. Frequent and abrupt changes in tax regulations create uncertainty, hinder

long-term business planning, and reduce investor confidence. Therefore, tax legislation should be revised only when necessary, and such changes should follow a transparent and inclusive process.

*South Korea (the country)* uses an open online portal to publish real-time tax information and regulations, improving trust and reducing disputes. Also, In Sweden, regular consultations between tax authorities and business associations have resulted in stable tax policies that enjoy broad support and compliance among SMEs.

#### **g. Implement Digital Tax Services**

Digitize tax filing, payments, and records to increase efficiency and accountability.

*India's (the country)* GST Network is a fully digital system that allows SMEs to register, file, and pay taxes online—boosting ease of doing business

#### **h. Establish Feedback Mechanisms**

Form tax advisory councils or hold regular public consultations with SMTEs to shape tax policy collaboratively.

*The United Kingdom (the country)* has a Small Business Commissioner and consultative forums that ensure SME voices are included in policy reform.

#### **i. Effective Coordination Among Tourism Institutions**

Strong coordination is essential among all tourism-related organizations, ranging from grassroots groups such as the Afghanistan Association of Tourism Investors (AATI) to national bodies like the Afghanistan Commission for Tourism (ACT). Enhanced collaboration will promote a unified approach to tourism development and ensure that all stakeholders clearly understand their roles, rights, and responsibilities.

*Rwanda (the ountry)*, located in East Africa, has made significant progress in recent years in reforming its tax system and supporting small and medium enterprises (SMEs), including those in the tourism sector. The Rwanda Revenue Authority (RRA) introduced a simplified tax regime for small businesses and implemented an online tax filing system to improve efficiency and compliance.

#### **2.1.4.3. Intensive Taxation Training and Education**

The Tax Authorities from the government and private should come up with training for training managerial and technical courses for the small enterprise's entrepreneurs. The training and education will decrease the multiple taxation incidences

as well as it will reduce the tax avoidance, Olomi, (2009). Equally, there should be Business Information Centers (BIC), Terkper, (2007).

#### **2.1.4.4. Establishment of Effective and Efficiency Tax Authority.**

Most of the Tax Authorities are the one that causes the multiplication of taxes to the SMTEs, this is because they are not very effective and less efficiency, so, in order to reduce the impacts and effects of the taxes to the small businesses, they have to make sure that they are effective in their operations as well as their system in collecting the taxes (Salami, 2011).

#### **2.1.4.5. Establish One Tax Stop Center.**

Multiple taxes causing the SMTEs to use most of their time on the queue of Tax Authorities, so by having one stop center of all those types of tax, either general or specific tourism tax it will be much easier to deal with time that should not be wasted, (Mattis, 2010).

#### **2.1.4.6. The Role of Fiscal Policy in Sustainable SME Development**

The topic of this research, “The Effect of Multiple Taxation System on Survival of Small and Medium Tourism Business and Its Sustainable Growth in Afghanistan,” is closely connected to the concept of sustainable finance, particularly in the context of economic resilience and inclusive development.

Sustainable finance is broadly defined as financial activities that consider environmental, social, and governance (ESG) criteria to support long-term economic growth and development (OECD, 2020). A fundamental component of sustainable finance is economic sustainability, which includes ensuring that businesses especially small and medium enterprises (SMEs) can operate efficiently, grow responsibly, and continue to contribute to job creation and social stability.

In Afghanistan, the tourism sector has significant potential for economic development, employment, and community engagement. However, multiple and burdensome taxation systems threaten the financial viability and long-term sustainability of small and medium tourism enterprises (SMTEs). Excessive tax obligations, overlapping tax authorities, and inconsistent fiscal policies often result in reduced profitability, discourage formalization, and lead to premature business closure particularly within the first five years of operation.

Such challenges directly undermine the goals of sustainable finance. According to the International Monetary Fund (2019), poorly structured taxation policies can disproportionately affect small businesses, limiting their ability to innovate, access credit, and reinvest in sustainable practices. Furthermore, the World Bank (2021) emphasizes that ensuring financial sustainability for SMEs requires not only access to capital but also a fair, transparent, and enabling fiscal environment.

From this perspective, analyzing the impact of multiple taxation on SMTEs in Afghanistan contributes to the broader discourse on sustainable finance. By highlighting how taxation systems affect the survival and sustainable growth of small businesses in a developing economy, this study offers policy-relevant insights that can support more inclusive, growth-oriented fiscal reforms. Such reforms are essential to creating an economic environment where SMEs can thrive, contribute to national development, and align with sustainable development goals (SDGs), especially those related to decent work, economic growth, and reduced inequalities.

## 2.2.Previous Researches

This table summarizes previous studies that explore the relationship between taxation, small and medium-sized enterprises (SMEs), and the tourism sector across various countries. The studies provide valuable insights into how multiple taxation systems affect business survival, economic sustainability, and policy outcomes.

**Table 2.1: Summary of the Literature Review**

<b>Author(s)</b>	<b>Variables</b>	<b>Country</b>	<b>Year</b>	<b>Method</b>	<b>Conclusion</b>
Mubiru & Tumwebaze (2023)	Multiple Taxation, Business Survival	Uganda	2021	Qualitative Interviews	Multiple taxation burdens SMEs, leading to reduced profitability and business closure.
Kakar & Saeed (2022)	Fiscal Policy, Small Business Growth	Afghanistan	2021	Case Study	Complex tax systems in fragile economies discourage SME development.
Gooroochurn & Sinclair (2008)	Tourism Taxes, Economic Performance	Mauritius	2005	Quantitative Analysis	Well-structured tourism taxes can support public infrastructure without deterring growth.

Ocheni & Gemade (2019)	Taxation, SMEs Performance	Nigeria	2015	Survey Research	Overlapping taxes reduce competitiveness of SMEs.
Abiola & Asiweh (2015)	Tax Compliance, Business Environment	Nigeria	2012	Survey	Unclear tax policies lead to tax evasion and hinder SME success.
Muriithi (2018)	Taxation Systems, SME Sustainability	Kenya	2017	Mixed Methods	Simplified taxation improves SME sustainability.
Abdul-Rahman & Musah (2016)	Taxation, Tourism SME Growth	Ghana	2014	Quantitative	Heavy taxes limit tourism SME expansion.
Sharpley (2011)	Sustainable Tourism, Environmental Taxation	UK	2009	Theoretical	Environmental taxation can support sustainable tourism.
Keen & Mansour (2012)	Revenue Mobilization, Developing Countries	Global	2010	Policy Analysis	Broader tax bases with fewer distortions promote SME growth.
UNWTO	Tourism Policy, Fiscal Instruments	Global	2013	Review	Tourism taxation must balance revenue and sustainability goals.

## **2.3. Research Hypothesis**

These hypotheses are structured in both null and alternative forms for the purpose of statistical testing.

### **2.3.1. Primary Hypothesis**

**H<sub>01</sub>:** (Null Hypothesis)

Multiple taxation has no significant effect on the survival of small and medium tourism enterprises in Afghanistan.

**H<sub>11</sub>:** (Alternative Hypothesis)

Multiple taxation has a significant negative effect on the survival of small and medium tourism enterprises in Afghanistan.

**H<sub>02</sub>:** Multiple taxation does not significantly influence the sustainable growth of small and medium tourism enterprises in Afghanistan.

**H<sub>12</sub>:** Multiple taxation significantly affects the sustainable growth of small and medium tourism enterprises in Afghanistan.

### **2.3.2. Supporting Hypotheses**

**H<sub>03</sub>:** The complexity of the tax system in Afghanistan has no significant relationship with tax non-compliance among tourism SMEs.

**H<sub>13</sub>:** The complexity of the tax system in Afghanistan has a significant positive relationship with tax non-compliance among tourism SMEs.

**H<sub>04</sub>:** Overlapping tax obligations do not significantly increase the operational costs of tourism SMEs.

**H<sub>14</sub>:** Overlapping tax obligations significantly increase the operational costs of tourism SMEs.

**H<sub>05</sub>:** Lack of stakeholder consultation in tax policy development does not significantly influence SMEs' tax compliance behavior.

**H<sub>15</sub>:** Lack of stakeholder consultation in tax policy development significantly influences SMEs' tax compliance behavior.

**H<sub>06</sub>:** Pigouvian environmental taxes have no significant impact on the sustainability practices of tourism SMEs.

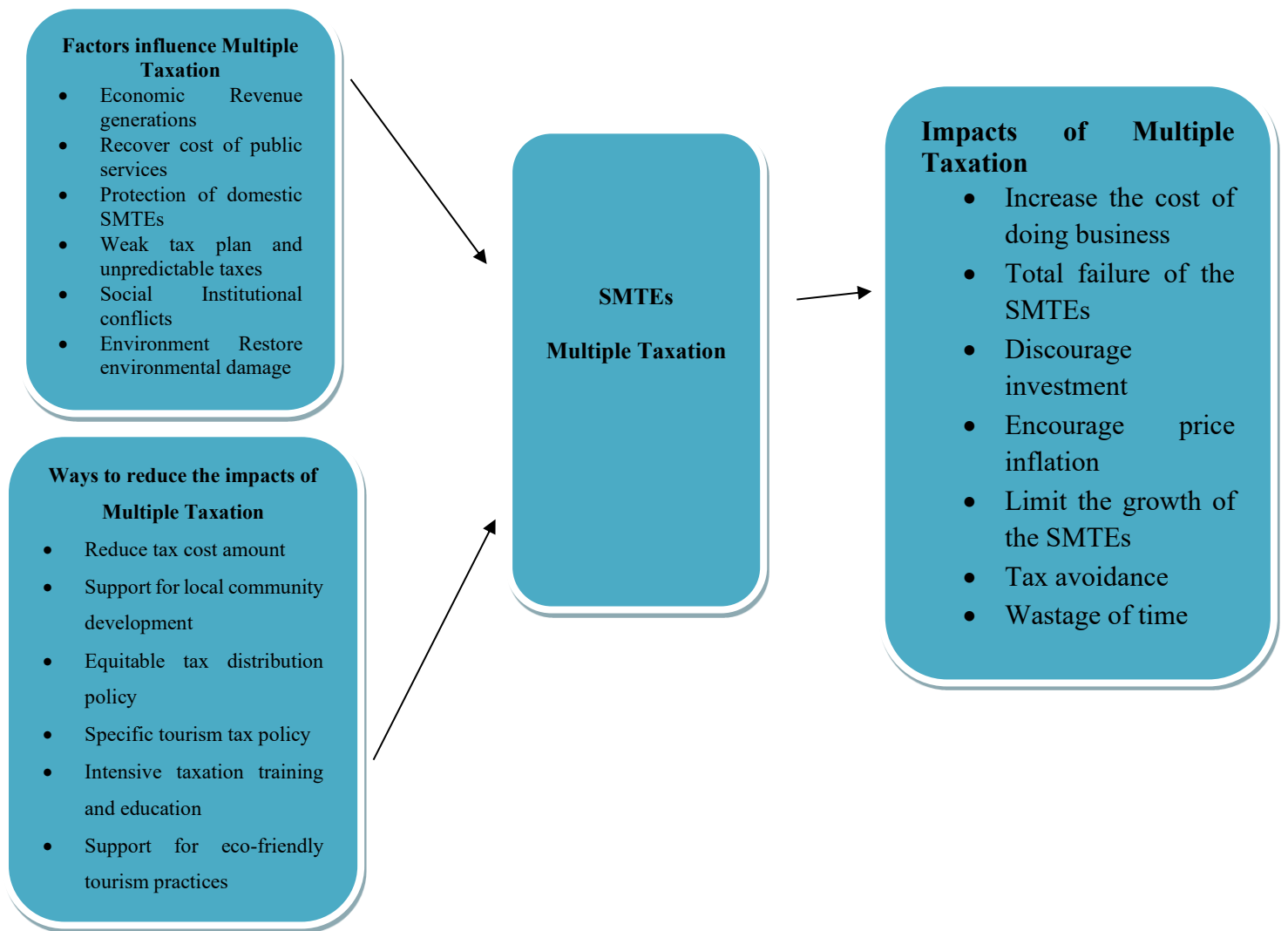
**H<sub>16</sub>:** Pigouvian environmental taxes have a significant positive impact on the sustainability practices of tourism SMEs.

#### **2.4. Research Gap**

Different scholars have written about the effects of the multiple taxes to the survival of the SMEs in the different part of the World like Australia, Russia and Kenya (Charles, 2019; Johnny, 2021; Kurian, 2015; Salami, 2011). However, there is no work has ever been done to investigate the effects of multiple taxes on the survival of Small medium Tourism enterprises SMTEs in Afghanistan. Therefore, there is a big gap to concern the effects of multiple taxes and that gap need to be filled. This study is first of its kind, there is a need to research in Afghanistan so as to get relevant information and to develop effective recommendation concerning the multiple taxes.

#### **2.5. Research Framework**

The conceptual framework normally showing the realistic of data to be collected. From this study which is to conducted by assuming that, the multiple taxes are the threaten factors to the survival of the SMTEs of Afghanistan, so this study tend to look on the factors that lead to the multiple taxes, type as well as impacts of multiple taxes and lastly the measure to be taken in order to minimize the impacts of this tax system.



**Figure 2.1: Conceptual Framework**

## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.1. Research Design**

To explore the effects of Multiple Taxation to the Survival of SMTEs, this study will apply Mixed methodology (both quantitative and qualitative approaches) in data analysis. In this approach the quantitative data which are closed questions will be technically analyzed by using various tables and charts and Statistically Package of Social Science (SPSS) so as to interpret the information and to be easily understood. Furthermore, the collected data will organize and analyze through the Microsoft Excel 2007. As for the qualitative data which will be collected through interview and open question will be analyzed through transcribing and coding them according to their themes. This study will take into account Creswell, (2009) and Creswell, (2007) claim that the qualitative approach primarily focuses on interpreting the definitions, meanings, attributes, metaphors, symbols, and descriptions of objects or human experience in exploring the effects of multiple taxation to the survival of SMTEs.

The primary data will be collected through interviews with SMTE stakeholders, while the secondary data will involve reviewing Afghanistan's small and medium business policies, publications on the impact of multiple taxation on SMTEs, and documents from the Ministry of Trade and Industrial Development's directives. According to Van Manen (2016), qualitative research studies use methods based on phenomenological perspectives to deeply explore research subjects from their own points of view.

#### **3.2. Types and Sources of Data**

This research will utilize both primary and secondary data, as well as published studies related to the effects of multiple taxation on the survival of SMTEs in Afghanistan. Primary data will be gathered through interviews with participants from SMTEs in Afghanistan, while secondary data will be obtained by reviewing various documents, including materials from the Afghanistan Ministry of Trade and Industrial Development website, policies, directives, and other relevant sources. This section will outline all the methods used to collect data according to the observation criteria.

### **3.2.1. Primary Data**

#### **3.2.1.1. Interview**

The interview method is another technique that will be used in this study. According to Sekaran (2016), an interview is a purposeful, guided conversation between two or more people. DiCicco-Bloom and Crabtree (2006) describe an interview as a technique designed to capture an accurate understanding of the participant's perspective on the research topic. Sekaran (2016) also notes that interviews can be conducted in person, by phone, online, or in groups, and may be either structured or unstructured. The data collected through interviews will complement responses from other research methods, such as media publications and news broadcasts, allowing the researcher to cross-check key research issues. Informants will have the opportunity to elaborate on their ideas, defend their opinions, and provide examples of practices within the educational system that perpetuate patriarchal culture.

#### **3.2.1.2. Secondary Data**

Secondary data refers to information that already exists and can be found in published reports, books, and on the internet (Vartanian, 2011). Researchers can use this data for their studies (Krishnaswamy, 2003). In this study, secondary data will be gathered from both published and unpublished documents obtained from libraries, offices, and websites. Published materials include textbooks, journal articles, research reports, and online resources. Unpublished materials consist of research reports and dissertation.

#### **3.2.1.3. Document Analysis**

Both printed and electronic sources can be reviewed or evaluated using this systematic process (Lai & To, 2015; Bowen, 2009). Similar to other research methods, document analysis is an independent research technique. However, to fully understand the meaning and gain empirical knowledge of the subject under study, document analysis like other methods requires repeated review, examination, and interpretation of the data (Frey, 2018; Marshall et al., 2013; Maxwell, 1992). The aim of this study is to analyze and assess a wide range of materials from various sources, such as books, journals, and online content, to explore how patriarchal culture creates obstacles for women leaders.

#### **3.2.1.4.Social media**

Social media will be used as part of the document analysis technique in this study. According to Jabbar (2017) and Lai & To (2015), social media has become an inseparable part of modern life, influencing people's intentions, behaviors, beliefs, values, and attitudes. This study will use social media platforms, including websites and television channels, to gather foundational information about women's rights and the patriarchal system, especially within organizations and, specifically, the education sector.

#### **3.2.1.5.Observation Method**

Sekaran (2016) defines observation as the deliberate process of watching, recording, analyzing, and interpreting behavior, actions, or events. There are four key aspects of observation: (i) Control whether observations occur in a natural or artificial environment; (ii) Participant versus non-participant observation whether the observer is part of the group being observed or not; (iii) Structure the extent to which the observation is focused, predetermined, systematic, and quantitative; and (iv) Concealment whether the members of the group being studied are aware they are being observed. One advantage of observation is that it allows researchers to study a particular group from whom it might be difficult to gather information by other means. This study will use observation to interpret behaviors, actions, or events occurring in managerial positions, which are predominantly held by men.

#### **3.2.2. Population and Sampling Techniques**

Population refers to the total number of units (all individuals or groups involved in the study) (Taherdoost, 2018). This study focuses on SMTEs operating in Afghanistan, with a total sample of 60 respondents (30 interviewed and 30 surveyed via questionnaire) in Kabul City. The respondents include owners and managers of small and medium tourism enterprises such as local hotels, local restaurants, curio shops, and other tourism stakeholders, mainly Afghanistan Tourism Investors (ATI). Kabul City is chosen as the specific focus of this study because of its high concentration of small and medium tourism businesses. This concentration makes it easier for the researcher to obtain a representative sample while saving time and resources. The study aims to examine the effect of multiple taxation on the survival of SMTEs in Afghanistan.

**Table 3.1: Targeted Population**

Local Business Manager	55
Government (Afghanistan Revenue Bureau)	5
<b>Total</b>	<b>60</b>

### 3.2.2.1. Sample Size

Sample size refers to the number of subjects or individuals selected from the study population (Kothari, 2000). In this study, the expected number of respondents is 60, including 14 local hotel managers, 15 curio shop owners, 14 local restaurant managers, 12 local tour operator managers, and 5 officers from the Afghanistan Revenue Bureau (ARB).

**Figure 3.1: Sample Size**



*Source: Researcher's analysis (2025)*

### 3.2.2.2. Sample Technique

According to Orodho (2005), sampling is a technique in which the researcher gathers knowledge or information about an entire population, objects, or events by studying a selected sample and then generalizing the findings to the whole population.

### 3.2.2.2.1. Purposive Sampling Technique

This involves the deliberate selection of specific units from the population to form a sample that represents the entire population (Kothari & Jain, 2002). This study will use this technique because it is not feasible to work with all firms, so it will select the most important ones to represent all SMTEs in Afghanistan.

Selecting 60 respondents for this research depends on several factors, including the research objectives, the population size, the desired level of precision, and the available resources (Krishnaswamy, 2003). Below are some reasons why the researcher has chosen this sample size:

- I. **Statistical Power:** With 60 respondents, the researcher can achieve a reasonable level of statistical power, increasing the likelihood of detecting real effects or differences if they exist within the population.
- II. **Representativeness:** Assuming the sample is randomly selected or properly stratified, 60 respondents can provide a representative snapshot of the population, especially if the population is not highly diverse.
- III. **Sufficient Precision:** Depending on the level of precision required for the research, 60 respondents may provide a satisfactory balance between accuracy and feasibility.

The sample criteria for selecting the 60 respondents depend on several considerations (Taherdoost, 2018). Here are some common factors taken into account:

- I. **Demographics:** According to Taherdoost (2018), demographic factors are used to determine which characteristics are relevant to the research objectives (e.g., age, gender, income, education level) and to ensure that the sample reflects the population's diversity based on these factors.
- II. **Geographic Location:** If your research involves geographic variations, consider selecting respondents from different regions or locations to ensure geographical diversity.
- III. **Inclusion/Exclusion Criteria:** Frey (2018) advises defining specific inclusion or exclusion criteria based on factors relevant to your research topic. For example, if your study focuses on a particular industry, you might only include respondents who work within that industry.

**IV. Random Sampling & Stratification:** Sekaran (2016) explains that, if possible, random sampling techniques should be used to ensure every member of the population has an equal chance of being selected as a respondent. If the population can be divided into distinct subgroups (e.g., age groups, income brackets), stratified sampling should be considered to ensure adequate representation from each subgroup.

### **3.2.3. Data Collection Techniques**

Data collection is the process of selecting participants and gathering information from them (Burns and Grove, 2001). This study will use a combination of research questions and interviews as methods of data collection. Data refers to facts and other relevant materials, both past and present, that serve as the basis for study and analysis (Krishnaswamy, 2003). This study will use both primary and secondary data. The data will be crucial for successfully completing the study efficiently and on time. This means that some data will require the researcher's direct involvement, while other data will be obtained through reviewing existing literature and past studies.

### **3.2.4. Data Analysis Technique**

According to Punch (2003), any research should conduct data cleaning before data analysis. This study will use both quantitative and qualitative approaches in data analysis. Quantitative data, which come from closed-ended questions, will be analyzed using various tables, charts, and the Statistical Package for the Social Sciences (SPSS) to interpret the information clearly and effectively. Additionally, the collected data will be organized and analyzed using Microsoft Excel 2007. Qualitative data, collected through interviews and open-ended questions, will be analyzed by transcribing and coding them according to their themes.

#### **3.2.4.1. Document Analysis Method**

This systematic approach to document review or evaluation can be applied to both printed and electronic sources (Lai & To, 2015; Researching et al., 2009). According to Bowen (2009), document analysis is an independent research method, similar to other research techniques. However, it is important to remember that, like other methods, document analysis requires repeated review, examination, and interpretation of data to accurately understand the meaning and empirical insights of the study's subject (Frey,

2018; Marshall et al., 2013). This study will review and analyze a variety of materials from different sources, including books, publications, and online content, to explore how they relate to the challenges faced by women leaders due to patriarchal culture.

## **CHAPTER IV**

### **RESEARCH RESULTS**

This chapter provides a summary and highlights the key findings of the study. It also includes several recommendations and suggestions based on the data collected from the study area.

#### **4.1. Overview of Research Settings**

This study is conducted in Kabul City, Afghanistan, a notable example of a historic Central Asian trade center. The city is home to a variety of architectural landmarks that showcase its rich and diverse cultural legacy, shaped over centuries by Afghan, Arab, British, Indian, and European influences. Despite the impact of modernization, Kabul has managed to retain much of its traditional urban structure and historical character.

Notable historical landmarks in Kabul City include the Old Fort, built on the site of a former British mosque; the House of Wonder, a magnificent ceremonial palace constructed by Sultan Amanullah Khan (also known as Darul Aman Palace); Shah Do Shamshera Mosque; Qargha Dam; and the Mazar-i-Sharif Mosque, which stands on the site of the last slave market and symbolizes the abolition of the slave trade. Other significant sites include the Jamat Khana, established for the Ismaili community, the Royal Cemetery, and several traditional Persian bathhouses. The city's landscape marked by large coastal-style mansions, open public areas, and a network of narrow, winding streets reflects the long-standing legacy of trade along the Asian coasts. Kabul holds particular historical significance as the city where the slave trade was ultimately brought to an end.

##### **4.1.1. Location**

Kabul City, situated in the eastern region of Afghanistan, is the country's capital and its most populous city. During both the British and Soviet eras, it remained a vital political and administrative hub. Historically, Kabul was the capital of the Afghan kingdom and played a significant role in the Indian Ocean slave trade and the spice trade.

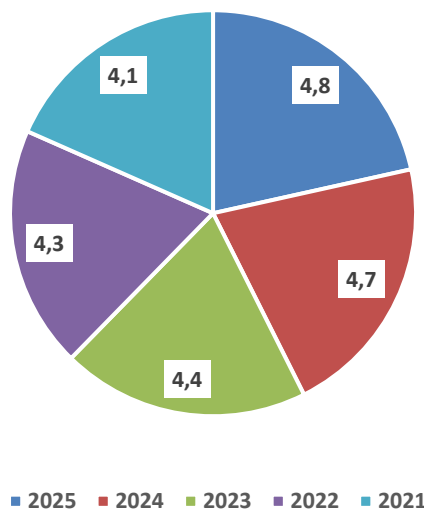
Afghanistan's strategic location and the influence of seasonal monsoon winds made it a key center for maritime trade, facilitating commerce between merchants from India, the Arab Peninsula, Asia, and Russia. Today, Kabul serves as the administrative center of its district and stands as the largest urban area in the nation. Located to the east of the broader metropolitan region that spans the Afghanistan Channel, Kabul is positioned on the western coast of Unguja, the principal island of the Afghanistan Archipelago. Additionally, it functions as the capital of the Afghanistan Urban/West Region.

#### 4.1.2. Population

Kabul City, the historic capital and oldest urban settlement in Afghanistan, is estimated to have a population of around 10 million. During its early urban development, the city thrived due to its tropical climate, fertile land, plentiful water resources, and easy access to construction materials all of which contributed to its steady growth.

**Figure 4.1: Population Data**

**Population data for Afghanistan’s metropolitan area**



*Sources: Afghanistan’s Population Authority (2024)*

Population data for Afghanistan’s metropolitan area from 1950 to 2024 is available in chart format, with future projections extending to 2035, based on United Nations estimates. By 2025, the metro population is expected to reach 4,877,000,

reflecting a 3.5% increase from 2024. In 2024, the population is estimated at 4,711,488, showing a 4.5% rise from the previous year. This follows a population of 4,499,470 in 2023, marking a 4.44% increase from 2022. In 2022, the metro area had 4,318,022 residents, a 4.22% growth from 2021. In 2021, the population stood at 4,135,801, representing a 4.26% increase from the prior year.

#### **4.1.3. Number of SMTEs in Kabul City**

In September 2010, a government survey revealed that approximately 3,162,886 small businesses were owned and operated by around 2,754,697 individuals in Afghanistan. Women accounted for about 24.3% of these business owners. While their vocational education levels were similar to those of the general population, women had slightly higher levels of primary and secondary education. The primary motivation for starting these businesses cited by 83% of owners was to support their families of the more than 3 million small businesses, approximately 1,758,896 were engaged in the trade sector, 964,235 in services, 430,381 in manufacturing, and 17,364 in other industries. Geographically, there were about 40,641 small businesses in Afghanistan’s major cities, 35,256 in other urban areas, and 5,385 in rural regions.

Of the more than 3 million small businesses in Afghanistan, approximately 1,758,896 operated within the trade, services, and manufacturing sectors, while the remaining 17,364 belonged to various other sectors. Around 40,641 of these businesses were located in the capital, 35,256 in other urban areas, and 5,385 in rural regions.

#### **4.1.4. Size of SMTEs**

The Small and Medium Enterprise Development Policy of the Afghan government defines the size categories of small businesses based on the number of employees and the amount of capital invested in machinery, as shown in the table.

<b>Business size</b>	<b>Number of employees</b>	<b>Capital investment</b>
Micro enterprise	1 to 4	Up to 500k (AF)
Small enterprise	5 to 49	Above 500k to 2 million (AF)
Medium enterprise	50 to 99	Above 2 million to 8 million (AF)

Large enterprise	100+	Above 8 million (AF)
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**Table 4.1: Government of Afghanistan’s categorization of business size**

*Source: Afghanistan’s Commerce Chamber (2024)*

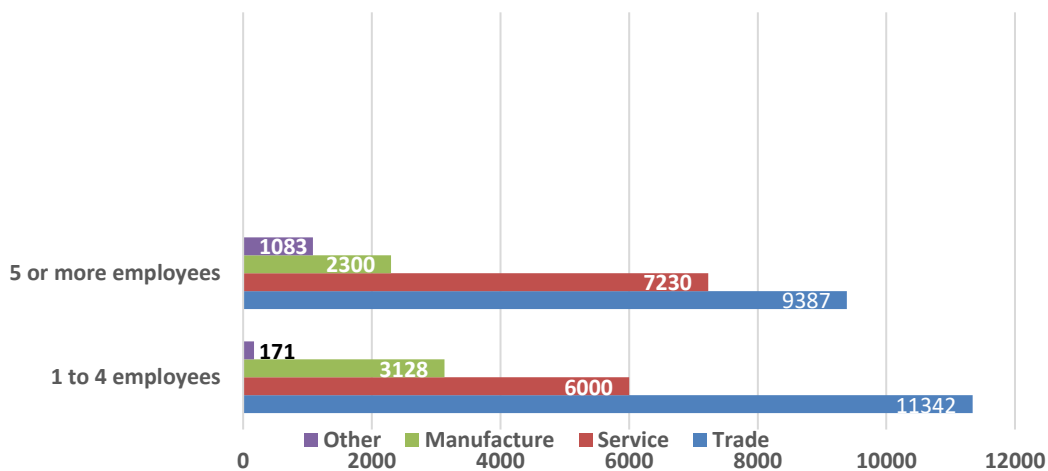
The owner and manager of the company are included in the workforce count. When an enterprise qualifies for more than one size category (for example, having only one employee but a capital investment exceeding 500,000 AF), the size category is determined based on the level of capital investment.

#### 4.1.5. SMTEs by size

The International Standard Industrial Classification (ISIC) categorizes small businesses into different sectors based on their main activities, primary goods and services, and primary location.

**Figure 4.2: SMTEs broad sector allocation by enterprise size**

SMTEs broad sector allocation by enterprise size



*Source: Afghanistan’s Commerce Chamber (2024)*

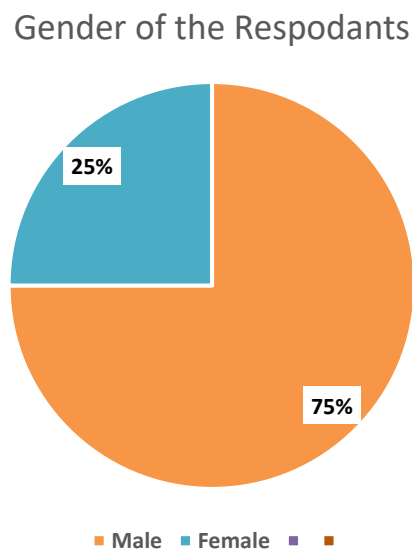
Figure 4.2 shows the number of businesses and their proportional share across the different ISIC categories. These categories were then grouped into the broad sectors of trade (T), services (S), manufacturing (M), and other (O) services.

## 4.2. DEMOGRAPHIC PROFILE OF THE RESPONDENTS

### 4.2.1. Gender of the respondents

The following data was collected to identify the gender of the managers and owners of the SMTEs, as well as the revenue officers of the Afghanistan Revenue Board (ARB).

**Figure 4.3: Gender of Respondents**



*Source: Researcher's analysis (2025)*

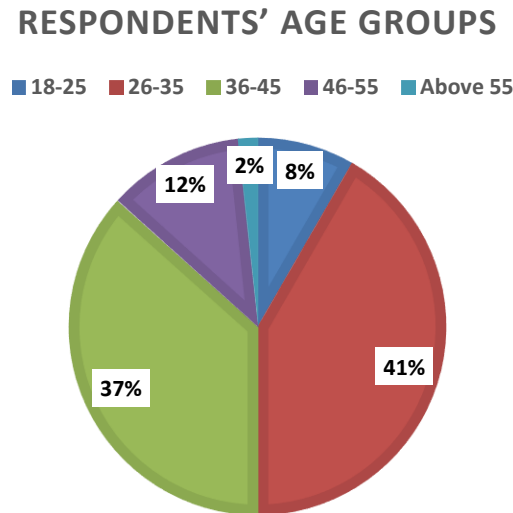
Figure 4.3 shows that 75% of the respondents were male, while 25% were female. This result indicates that the sample is representative, as most SMTEs in Afghanistan are managed and owned by men rather than women. This finding is supported by a study by Mwobobia (2011), which states that women are often burdened with family responsibilities alongside business matters, leaving them with insufficient time to manage their own businesses. This limits female participation in SMTEs.

Therefore, the results of this study indicate that men own the majority of small and medium tourism enterprises, as they generally have more time to manage the businesses. This reflects the situation in Afghanistan, where there are fewer female owners and managers of SMTEs due to the many challenges they face, primarily family responsibilities such as caring for their children and husbands.

#### 4.2.2. Respondents' Age Groups

The age of respondents was categorized into five special groups.

**Figure 4.4: Respondents' Age Groups**



*Source: Researcher's analysis, (2025)*

Figure 4.4 shows that 41.7% of the respondents were between 26 and 35 years old, 36.7% were between 36 and 45 years old, 11.7% were between 46 and 55 years old, 8.7% were between 18 and 25 years old, and 1.7% were over 55 years old. These results align with findings from CGAP (2011) and OECD (2015), which noted that there has been a recent increase in young entrepreneurs because they tend to be fresher, more innovative, and more responsive to new economic opportunities and trends compared to older entrepreneurs.

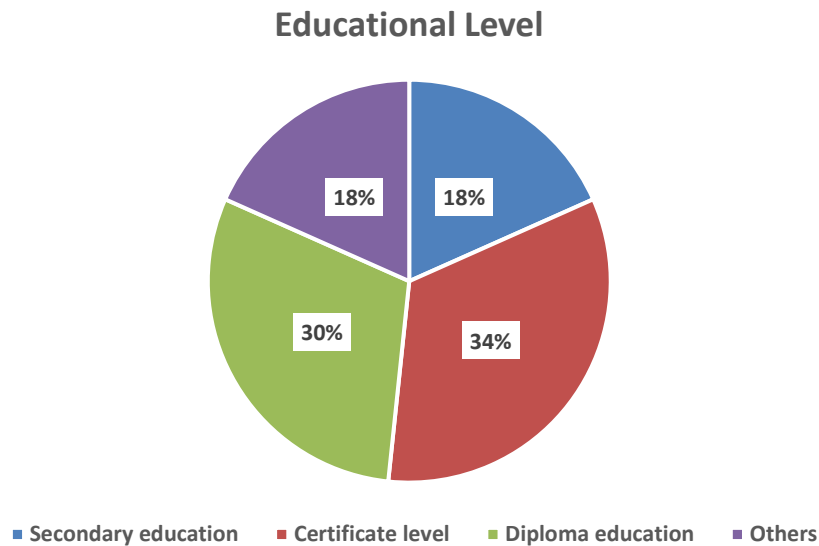
The results of this study show that younger people are highly involved in tourism entrepreneurship in the area. Most of them are self-employed in various types of businesses such as tour operators, hotels, restaurants, and curio shops.

#### 4.2.3. Distribution of Respondents by Educational Level

The researcher collected the following data to determine the education level of the managers and owners of various SMTEs in the area. The study aims to assess whether the

owners and managers of SMTEs have the skills necessary to run their businesses effectively.

**Figure 4.5: Educational Level**



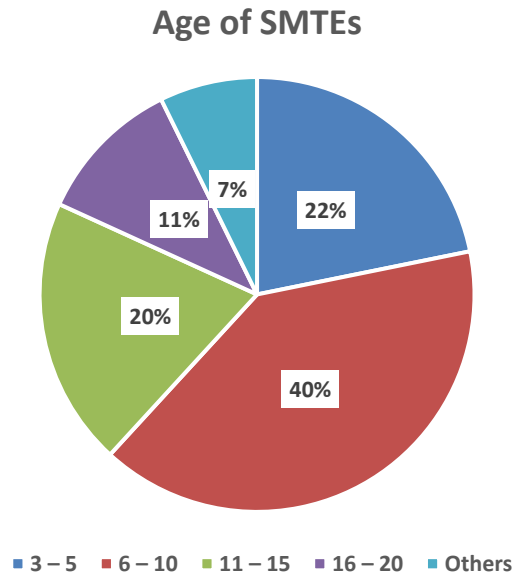
*Source: Researcher's analysis, (2025)*

Figure 4.5 shows that 33.3% of respondents have a certificate-level education, followed by 30% with a diploma, 18% with secondary education, and 18% with other degrees or master's qualifications. These findings are supported by Vartanian (2011), who stated that a higher level of education is linked to better business performance, increased firm survival rates, and a greater likelihood that small and medium tourism enterprise entrepreneurs will explore more business opportunities and remain motivated. The results of this study indicate that a large number of managers and owners of SMTEs in Afghanistan are skilled entrepreneurs, as most of them have a high level of education ranging from certificate to diploma. Additionally, many possess knowledge related to entrepreneurship.

#### 4.2.4. The age of the firm / Year it was established

The following data was collected to determine the age of the tourism enterprises.

**Figure 4.6 Age of SMTEs**



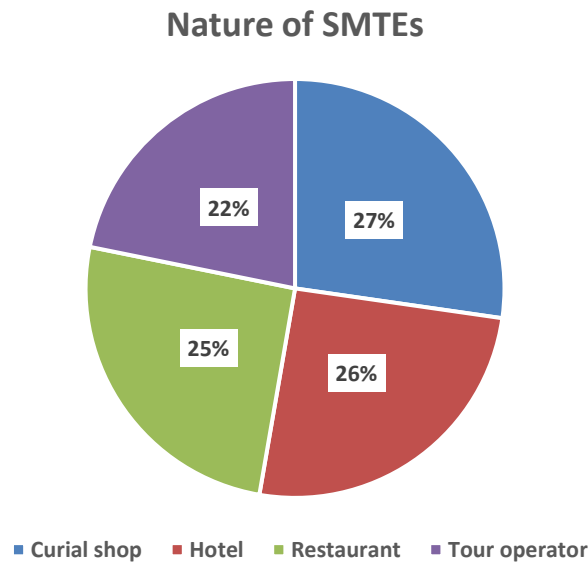
*Source: Researcher's analysis, (2025)*

Figure 4.6 shows that 40% of the respondents reported their firms have been operating for 6 to 10 years, 22% for 3 to 5 years, 20% for 11 to 15 years, 11% for 16 to 20 years, and 7% for less than three years. These findings are supported by studies from Jensen & Wanhill (2002) and Oshionebo (2020), which state that the age of an organization is a key factor in determining its size and growth assets. The results indicate that most SMTEs in the area have been established for a long time, suggesting that small and medium tourism enterprises can survive and even grow in the region, despite facing several challenges such as multiple taxes.

#### 4.2.5. The Nature of the SMTEs

SMTEs are divided in to the following groups:

**Figure 4.7: Nature of SMTEs**



*Source: Researcher's analysis, (2025)*

Figure 4.7 shows 27.3% of respondents from curio shops, 25.5% from hotels, 25.5% from local restaurants, and 21.8% from tour operators. These findings align with Fjeldstad & Semboja (2001), Jensen & Wanhill (2002), who noted increased interest in SMTEs due to global economic challenges. The study area's tourism SMEs are mainly dominated by these four types, with boutiques and other businesses also present.

### **4.3. DISCUSSION OF THE RESEARCH RESULTS**

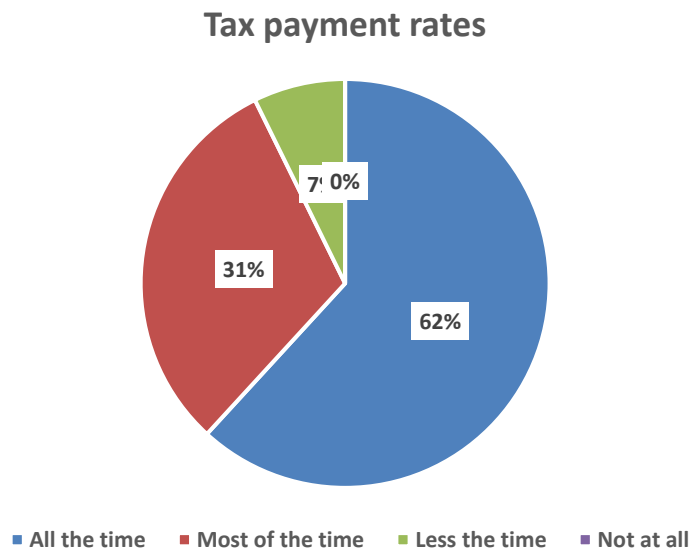
#### **4.3.1. Factors influence the multiple taxes to the Small and Medium Tourism Enterprise**

The following information was collected by the researchers to assess whether SMTEs are actually paying taxes, to evaluate the necessity of multiple taxation, and to identify the factors influencing multiple taxes on SMTEs in Afghanistan.

#### **4.3.2. SMTEs Tax payment rates in Afghanistan**

Most of the SMTEs in Afghanistan pay taxes, as shown in Table 4.1 below:

**Figure 4.8: SMTEs tax payment rates**



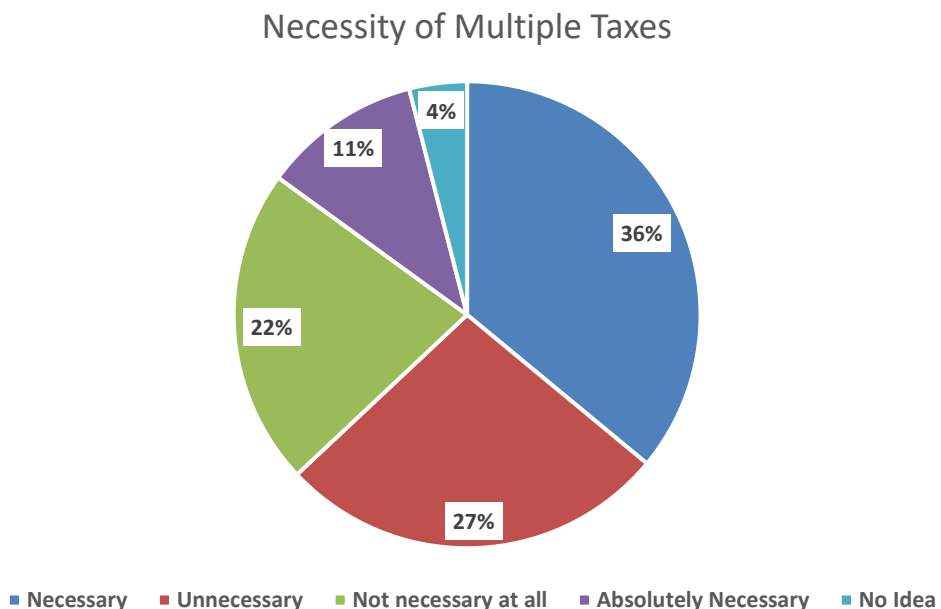
*Source: Researcher's analysis, (2025)*

According to Figure 4.8, 62% of respondents stated that their companies consistently pay taxes, 31% reported paying taxes most of the time, and 7% indicated they pay taxes occasionally. None of the respondents reported not paying taxes at all. These findings suggest that the majority of SMTEs in Afghanistan regularly fulfill their tax obligations, as demonstrated by the high percentage of consistent tax payers.

#### 4.3.3. Necessity of the multiple taxes

The following data was collected to understand the importance of taxes.

**Figure 4.9: Necessity of multiple taxes**



*Source: Researcher's analysis, (2025)*

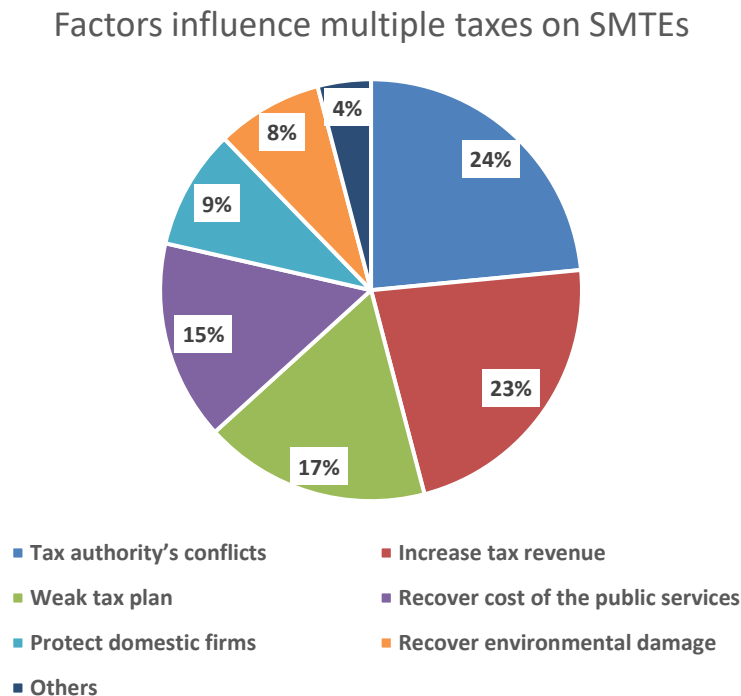
Figure 4.9 shows that 36% of respondents believe multiple taxes are necessary for Afghanistan's revenue, 27% said they are unnecessary, 22% said they are not necessary at all, 11% said they are absolutely necessary, and 4% had no opinion on the necessity of multiple taxes for SMTEs in Afghanistan. The results align with Michael (2014), who stated that governments should have various tax agencies to enforce mandatory levies for income and capital development.

These findings suggest that multiple taxes are considered necessary in Afghanistan, as taxation is a key instrument for national development.

#### 4.3.4. Factors influence Multiple Taxes

The following variables are important in this study as they highlight the factors influencing multiple taxation on small and medium tourism enterprises (SMTEs) in Afghanistan.

**Figure 4.10: Factors influence multiple taxes on SMTEs**



*Source: Researcher's analysis, (2025)*

Figure 4.10 shows that 23.4% of respondents cited "Tax authorities' conflicts," 22.5% mentioned "Increase in tax revenue," and 17.1% indicated a "Weak tax plan" as factors influencing multiple taxation. Additionally, 15.3% referred to "Recovery of public services," 9.9% to "Protection of domestic firms," 8.1% to "Recovery of environmental damage," and 3.6% to other issues such as corruption and limited methods of collecting tax revenue.

This study aligns with the findings of Spray and Wolf (2018), who confirmed that uncoordinated tax administration results in multiple taxes within a country. Similarly, Gooroochurn and Sinclair (2003), along with Jensen and Wanhill (2002), argued that taxing the tourism sector is an effective method for generating tax revenue.

According to respondent R I, *the factors contributing to multiple taxes include efforts to reduce dependency on donors. The government primarily relies on taxation to increase funding for social services in Afghanistan.*

Respondent R II explained that *there are multiple tax authorities collecting taxes because each operates under its own policies. However, having more tax institutions leads to increased tax collection, which is beneficial for the country's development.*

The results of this study indicate that the taxation system in the area is significantly affected by the presence of numerous tax agencies, which often experience institutional conflicts. However, in a developing country like Afghanistan, tax revenue is essential for national development, including infrastructure improvement and poverty reduction.

#### **4.3.5. Identify different taxes and their impacts on small and medium tourism enterprise**

The following information was gathered to understand the various taxes paid by small and medium tourism enterprises and their impacts.

##### **4.3.5.1. Taxes paid by the SMTEs**

The researcher collected the following information to identify the types of taxes paid by small and medium tourism enterprises (SMTEs) and the number of agencies to which these taxes are paid. This data was gathered through interviews. According to Respondent R1, *SMTEs are subject to various taxes such as restaurant levies, stamp duties, excise taxes, and infrastructure levies, depending on the tax*

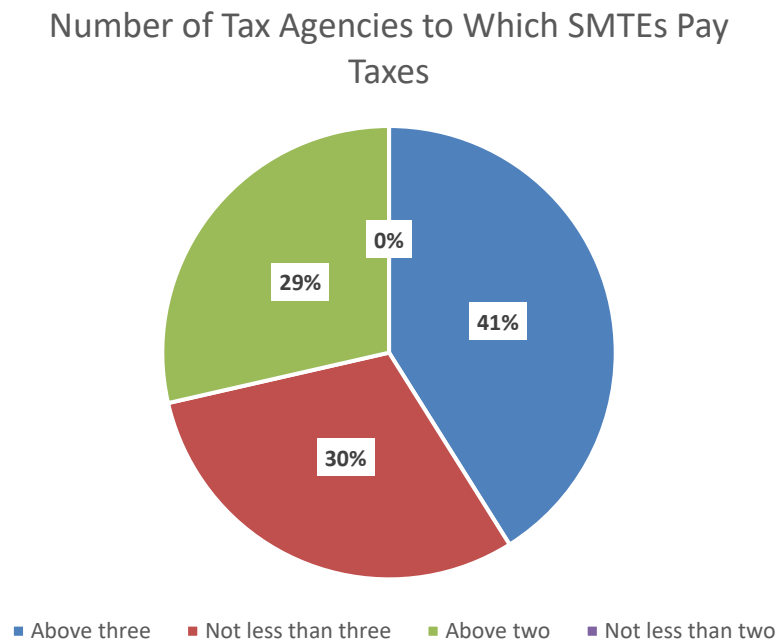
authorities involved. Respondent R2 mentioned specific taxes including hotel levies, restaurant levies, and tour operators' levies.

This finding is supported by Sheng (2017), who stated that tourism enterprises are typically subject to general taxes such as petroleum levies, infrastructure taxes, and value-added tax, as well as specific tourism taxes. The results show that small and medium tourism enterprises pay various taxes to different tax authorities. Some of these taxes are specific to the tourism sector such as hotel levies for hotels, restaurant levies for restaurants, and tour operation levies for tour operators while others are general taxes, including petroleum levies, revenue stamps, infrastructure taxes, and local excise duties.

#### 4.3.5.2. Number of the tax agencies those SMTEs paying taxes.

The following data was gathered to explore the presence of multiple tax agencies in Afghanistan.

**Figure 4.11: Number of Tax Agencies to Which SMTEs Pay Taxes**



*Source: Researcher's analysis, (2025)*

Figure 4.9 indicates that 41% of respondents reported paying taxes to more than three agencies, 30% said they pay to at least three agencies, and 29% indicated paying taxes to more than two agencies. No respondents reported paying taxes to fewer than two agencies.

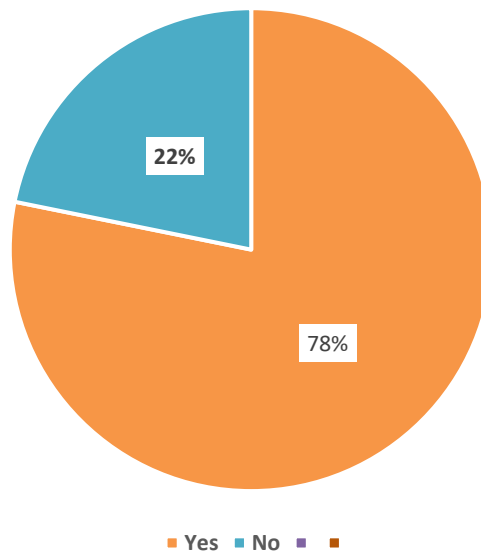
These results demonstrate that small and medium tourism enterprises (SMTEs) are taxed by more than three different agencies. This finding aligns with Awake (2003), who noted that small entrepreneurs in Asia often pay over 300 different taxes, which are collected by multiple authorities, complicating the tax system. In this area, the number of institutions collecting taxes from SMTEs is excessive relative to the size of these enterprises. Some agencies collect taxes based on sales, such as AFG and ARA, while others collect for environmental purposes, such as the Municipality of Kabul.

#### 4.3.5.3. Presence of Taxes Charged Twice on a Single Product

The following information was collected to determine whether products are taxed by multiple tax authorities.

**Figure 4.12: Presence of Taxes Charged Twice on a Single Product**

Presence of Taxes Charged Twice on a Single Product



*Source: Researcher's analysis, (2025)*

Figure 4.10 shows that 78% of respondents answered “yes,” while 22% answered “no” regarding whether products are subject to multiple taxes by different authorities. These findings align with those of Onyeaso, Igbokwe, and Ndivi (2009), who noted that in Lagos, entrepreneurs transporting goods to other regions are often required to pay additional levies, resulting in multiple taxes on the same products.

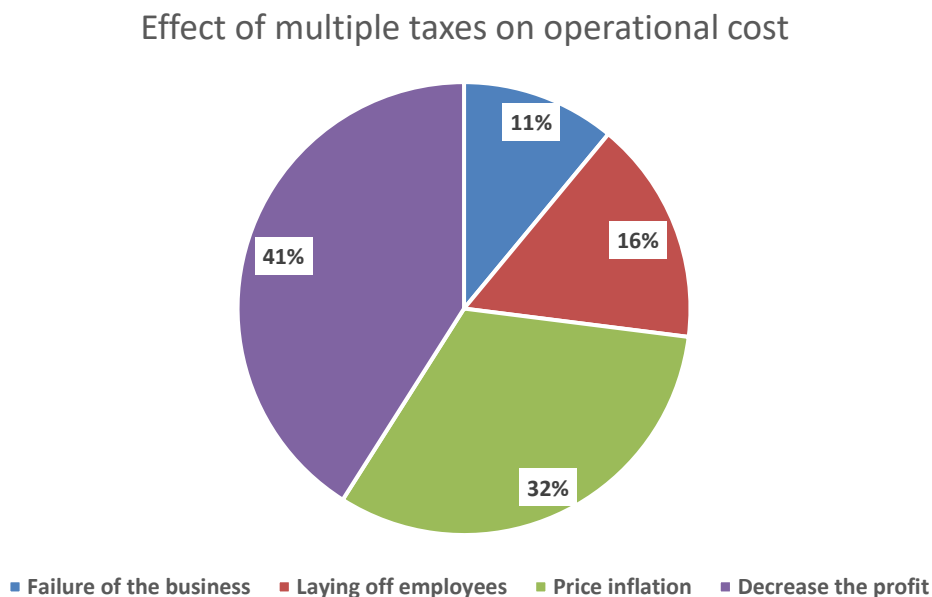
The results clearly indicate that some products and services offered by SMTEs are taxed twice by different agencies. Several respondents also mentioned that they frequently pay taxes twice when transferring their products for example, goods are taxed by Afghanistan Customs (AFG) at the port even after already being taxed by the Afghanistan Revenue Authority (ARA) within the mainland.

#### 4.4. The Impacts of multiple taxation to SMTEs

The researcher gathered the following information to understand whether the presence of multiple taxes impacts the survival of SMTEs.

##### 4.4.1. Impacts of Multiple Taxes on Operational cost of SMTEs

**Figure 4.13: Effect of multiple taxes on operational cost**



*Source: Researcher's analysis, (2025)*

The figure shows that 41.5% of respondents reported a decrease in profit, 31.9% cited price inflation, 16% mentioned employee layoffs, and 10.6% indicated business failure. These findings align with Rugimbana (2016), who stated that high costs force SMTEs to increase prices

to break even. Similarly, Sheng (2017) confirmed that the tax burden strains organizational finances, often leading to staff reductions due to increased operational costs.

Overall, the study indicates that multiple taxes negatively impact SMTE operations by reducing expected profits. Additionally, some SMTEs are compelled to lay off employees and maintain only the workforce they can afford to pay.

#### 4.4.2. Extent to Which SMTEs Are Affected by Multiple Taxes.

The researcher gathered the following data to assess the extent to which small and medium tourism enterprises are affected by multiple taxes, comparing the impact across different types of businesses such as local hotels, restaurants, tour operators, and curio shops.

##### 4.4.2.1. Local hotels

The figure below presents data from local hotels, showing the frequencies and percentages of responses.

**Table 4.14: Effect Rate of Multiple Taxes on Local hotels**

<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
Very affected	20	36.4%
Moderate	14	25.5%
Neutral	6	10.9%
Slightly	2	3.6%
Not affected	1	1.8%
Total	43	78.2%
System	12	21.8%
<b>Total</b>	<b>55</b>	<b>100.0</b>

*Source: Researcher's analysis, (2025)*

Table 4.11 indicates that 36.4% of respondents reported being very affected, 25.5% said moderately affected, 10.9% were neutral, 3.6% reported being slightly affected, and 1.8% said not affected. These findings illustrate that multiple taxes

significantly impact local hotels, as reflected by the 36.4% who reported being very affected.

#### 4.4.2.2. Local Restaurants

**Table 4.12: Effect Rate of Multiple Taxes on Restaurants**

	<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
	Very affected	14	25.5%
	Moderate	15	27.3%
	Neutral	7	12.7%
	Slightly	7	12.7%
	Not affected	1	1.8%
	Total	44	80.0%
<b>Missing</b>	System	11	20.0%
	<b>Total</b>	<b>55</b>	<b>100.0%</b>

*Source: Researcher's analysis, (2025)*

Table 4.12 shows that 27.3% of respondents reported being moderately affected, 25.5% said very affected, 12.7% were neutral, 12.7% reported being slightly affected, and 1.8% said not affected. The findings indicate that multiple taxes moderately impact local restaurants, as reflected by the 27.3% of respondents who reported moderate effects. This result aligns with Agbor (2013), who found that fast food outlets and restaurants in the South East are taxed under 21 different categories, leading to a significant tax burden.

Therefore, this finding suggests that local restaurants aiming to grow and succeed in the area are hindered by the burden of multiple taxes. In practice, this system creates significant challenges, preventing them from achieving their business objectives. Paying similar types of taxes to more than one agency places an excessive financial strain on these entrepreneurs and undermines their aspirations.

#### 4.4.2.3. Local Tour Operators

SMTEs are affected in different ways by government-imposed taxes; however, the impact of these taxes varies from one enterprise to another.

**Table 4.13: Effect Rate of Multiple Taxes on Local Tour Operators**

	<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
	Very affected	10	18.2%
	Moderate	16	29.1%
	Neutral	2	3.6%
	Slightly	11	20.0%
	Not affected	3	5.5%
	Total	42	76.4%
<b>Missing</b>	System	13	23.6%
	<b>Total</b>	<b>55</b>	<b>100.0%</b>

*Source: Researcher's analysis, (2025)*

Table 4.13 indicates that 29.1% of respondents reported being moderately affected, 20% said slightly affected, 18.2% reported being very affected, 5.5% said not affected, and 3.6% were neutral. The findings illustrate that local tour operators, as part of the SMTE sector, are affected by multiple taxes, though not severely, as most respondents indicated a moderate impact. This result aligns with Terkper (2007), who noted that tour operators paying taxes to multiple levels of government, while also managing staff salaries, face significant challenges to business growth.

Tour operators in the area pay taxes to AFG, ARA, and the Municipality of Kabul, with each agency collecting taxes from the same firms. Although this system is understandable from a revenue perspective, it threatens the survival of tour operators, who are also essential for the government's tourism sector.

#### 4.4.2.4. Gift and Curial shop

This sector is very much affected by taxing systems as shown on the results below:

**Table 4.14: Effect Rate of Multiple Taxes on Gift and Curial shop**

	<b>Responses</b>	<b>Frequency</b>	<b>Percentage</b>
	Very affected	26	47.3%
	Moderate	17	30.9%
	Neutral	4	7.3%
	Slightly	2	3.6%
	Not affected	1	1.8%
	Total	50	90.9%
<b>Missing</b>	System	5	9.1%
	<b>Total</b>	<b>55</b>	<b>100%</b>

*Source: Researcher's analysis, (2025)*

Table 4.14 indicates that 47.3% of respondents said curio and gift shops are very affected, 30.9% reported moderate impact, 7.3% were neutral, 3.6% said slightly affected, and 1.8% said not affected. These findings show that curio and gift shops are highly impacted by the multiple tax system, with nearly 47% of respondents indicating they are very affected. This result aligns with the findings of Johnny (2021), who reported that multiple taxes have a significantly negative effect on local shops and other small-scale businesses, particularly concerning their survival and growth.

Among all forms of SMTEs, curio and gift shops appear to be the most severely affected. This is primarily because they are often locally owned and operated with relatively small capital compared to other enterprises. As a result, the burden of multiple taxes becomes a significant obstacle, discouraging their motivation and hindering progress toward their goals and business objectives.

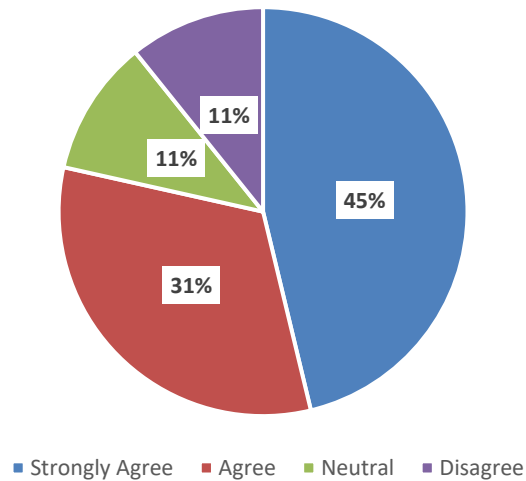
#### 4.5. Opinions on the Level of Agreement or Disagreement Regarding Multiple Taxes on SMTEs

##### 4.5.1. Multiple Taxation Discourage Investment in SMTEs

The researcher gathered the following information to determine whether multiple taxes are discouraging investment in small and medium tourism enterprises, as these taxes may act as significant bottlenecks to potential investors.

**Figure 4.18: Multiple taxes discourage investment on SMTEs**

#### Multiple taxes discourage investment on SMTEs

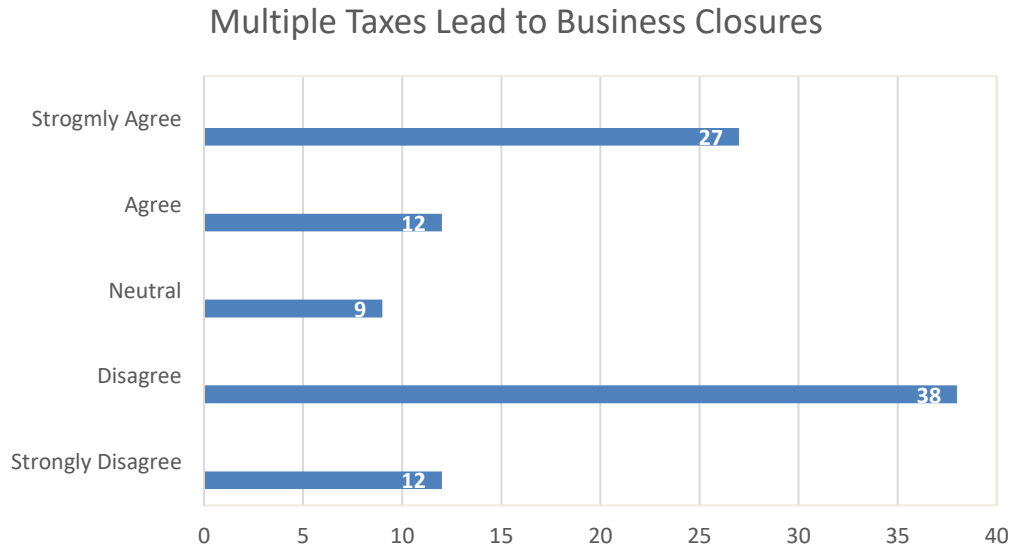


*Source: Researcher's analysis, (2025)*

Figure 4.18 shows that 45% of respondents agreed that multiple taxes discourage investment in SMTEs, while 31% strongly agreed. Meanwhile, 11% were neutral, another 11% disagreed, and 2% strongly disagreed. These findings align with the study by Hyder and Lussier (2016), who asserted that multiple taxes not only threaten existing investors but also deter potential investors from entering the SMTE sector. The results of this study suggest that multiple taxes have a detrimental effect on small and medium-sized tourism investments, as many investors are withdrawing or choosing not to invest due to the heavy tax burden.

#### 4.5.2. Multiple Taxes Lead to Business Closures

**Figure 4.19: Multiple Taxes Lead to Business Closures**



*Source: Researcher's analysis, (2025)*

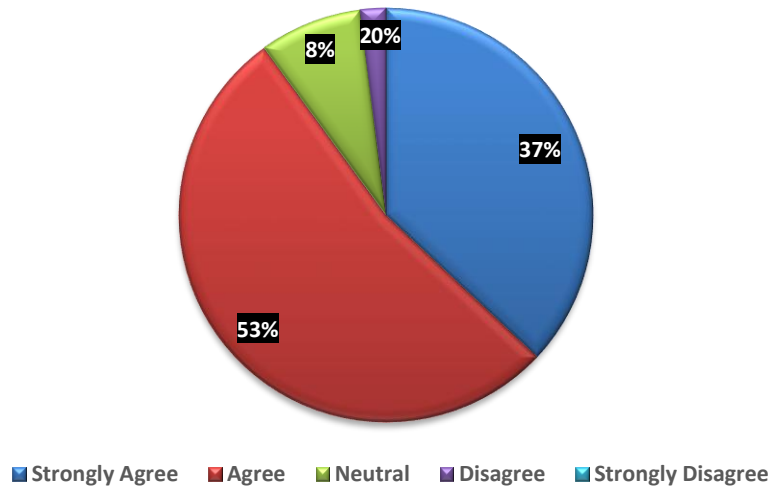
Figure 4.19 shows that 38.2% of respondents disagreed with the statement that multiple taxes result in business closures, while 27.3% agreed. Additionally, 12.7% strongly disagreed, another 12.7% strongly agreed, and 9.1% were neutral. The findings of this study do not align with those of Salami (2011), who found that tourism firms facing higher tax burdens and multiple levies are more likely to go bankrupt.

This result suggests that while multiple taxes remain a significant threat to SMTEs, many entrepreneurs maintain confidence in their entrepreneurial spirit. They believe they can manage both—meeting tax obligations across various agencies and continuing to grow their enterprises—without being forced to shut down or accept defeat.

#### 4.5.3. Increased Operational Costs for SMTEs as a Result of Multiple Taxes

**Figure 4.20: Increased Operational Costs for SMTEs as a Result of Multiple Taxes**

## Increased Operational Costs for SMTEs as a Result of Multiple Taxes



*Source: Researcher's analysis, (2025)*

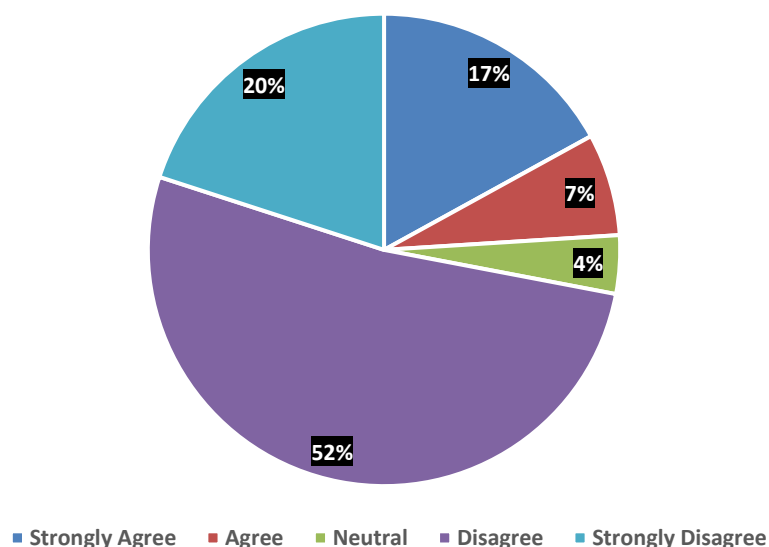
Figure 4.20 indicates that 53% of respondents agreed that multiple taxes increase the operational costs of SMTEs, while 37% strongly agreed. 8% were neutral, 2% disagreed, and none strongly disagreed. This finding is supported by Raheem and Mkindi (2010), who asserted in their study in Nigeria that multiple taxes significantly impact small and medium tourism enterprises by increasing compliance costs both at startup and during ongoing operations.

Therefore, multiple taxes significantly increase the operational costs for SMTEs. This cost increase is not only due to the number of agencies collecting taxes but also because of additional expenses like fuel consumption and tariffs. For example, when SMTEs pay taxes to agencies such as AFG or ARA located in different areas, they incur higher petrol costs and other related expenses. These extra costs are often unnecessary and place an additional burden on the enterprises.

### 4.5.4. SMTEs Avoid Paying Taxes Due to Multiple Tax Burden

**Figure 4.21: SMTEs Avoid Paying Taxes Due to Multiple Tax Burdens**

### SMTEs Avoid Paying Taxes Due to Multiple Tax Burdens



*Source: Researcher's analysis, (2025)*

Figure 4.21 shows that 52% of respondents disagreed with the statement that multiple taxes cause SMTEs to avoid paying taxes, while 20% strongly disagreed. On the other hand, 17% strongly agreed, 7% agreed, and 4% were neutral. These findings do not align with McMahon (1999), who observed that high tax rates and burdens reduce tax compliance among small and medium enterprises, leading to increased tax avoidance and evasion.

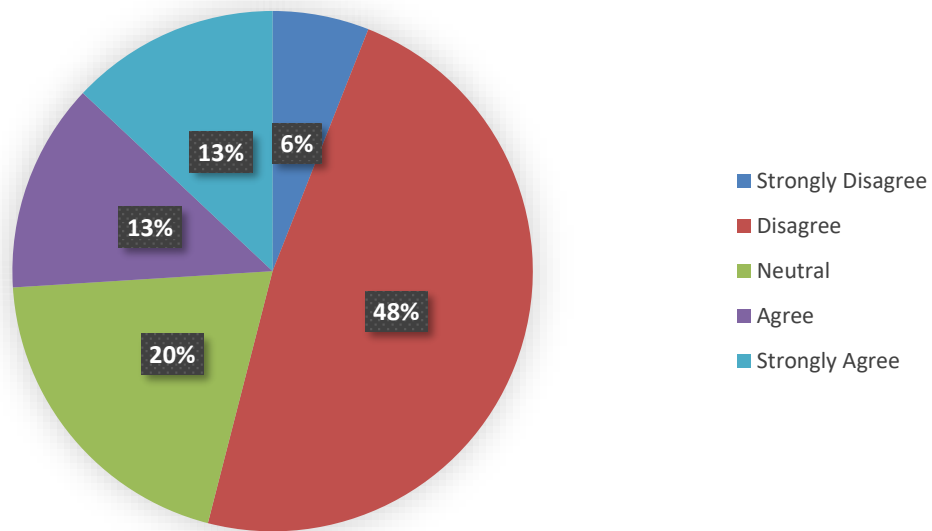
Therefore, the findings suggest that SMTEs generally do not avoid paying taxes due to multiple tax burdens, primarily because these firms are registered and have limited means to evade tax obligations. However, in Afghanistan, some SMTEs do engage in illegal practices to avoid taxes, such as underreporting their sales to reduce their tax liabilities.

#### 4.5.5. No Business Benefits from Multiple Taxes

The researcher collected the following data to understand the impact of multiple taxes on business benefits. Respondents were asked to indicate their level of agreement or disagreement regarding whether SMTEs experience a lack of benefits due to multiple taxation.

**Figure 4.22: No business benefit due to multiple taxes**

## No business benefit due to multiple taxes



*Source: Researcher's analysis, (2025)*

Figure 4.22 shows that 48% of respondents disagreed with the statement that multiple taxes cause SMTEs to lose profits or fail to benefit, while 20% were neutral. 13% agreed, another 13% strongly agreed, and 6% strongly disagreed. These findings contrast with Salami (2011), who asserted that the tax burden not only increases operational costs but also significantly reduces profit margins. According to this study, multiple taxes do not prevent owners and managers of SMTEs from earning profits, which remain vital for their survival. This result reflects the reality that, despite heavy tax burdens, SMTEs continue to operate and persist in the face of these challenges.

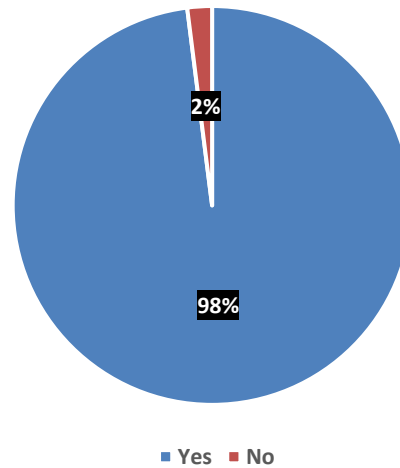
### 4.6. Mechanisms to Minimize the Impact of Multiple Taxation

The following information was gathered to identify suitable solutions, suggestions, and recommendations for minimizing the impact of multiple taxes on SMTEs.

#### 4.6.1. Opinions on Tax Reduction and Tax Reform

**Figure 4.23: Opinions on Tax Reduction and Tax Reform**

**Opinions on Tax Reduction and Tax Reform**



*Source: Researcher's analysis, (2025)*

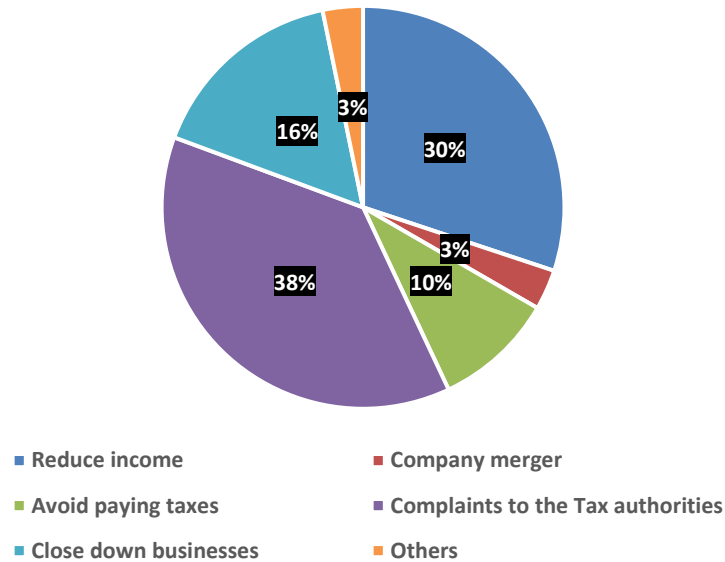
Figure 4.23 indicates that 98% of respondents believe that reducing taxes and tax rates would significantly help SMTEs, while only 2% disagreed. The findings show that most respondents feel that lowering the tax rate could alleviate their concerns. However, the World Economic Forum (2004) noted that reducing tax rates carries the risk of revenue loss if SMTEs do not comply with tax regulations.

Therefore, in this region, it is clear that the current tax rates are high, and a reduction would be beneficial. Currently, AFG allows SMTEs that have no sales, especially during low seasons, to submit a special letter exempting them from tax collection during those periods.

#### 4.6.2. Measures Taken by SMTEs to Address Multiple Taxation

Figure 4.24: Measures Taken by SMTEs to Address Multiple Taxation

Measures Taken by SMTEs to Address Multiple Taxation



*Source: Researcher's analysis, (2025)*

Figure 4.15 shows that 38% of respondents reported lodging complaints to tax authorities, expressing concern about the excessive number of taxes imposed on a single business. Thirty percent stated that they have reduced their invested income, while 16% indicated they had closed down their businesses. Additionally, 10% admitted to avoiding tax payments, 3% mentioned merging with other companies, and another 3% cited other strategies such as increasing the prices of their products.

This finding aligns with Sanni (2012), who observed that small tourism investors are often uncertain about how much of their income will be taxed, leading some to reduce their income voluntarily, and others to shut down their shops entirely.

Overall, the study reveals that when faced with the burden of multiple taxes, SMTEs adopt various survival strategies. Among these, lodging complaints with tax

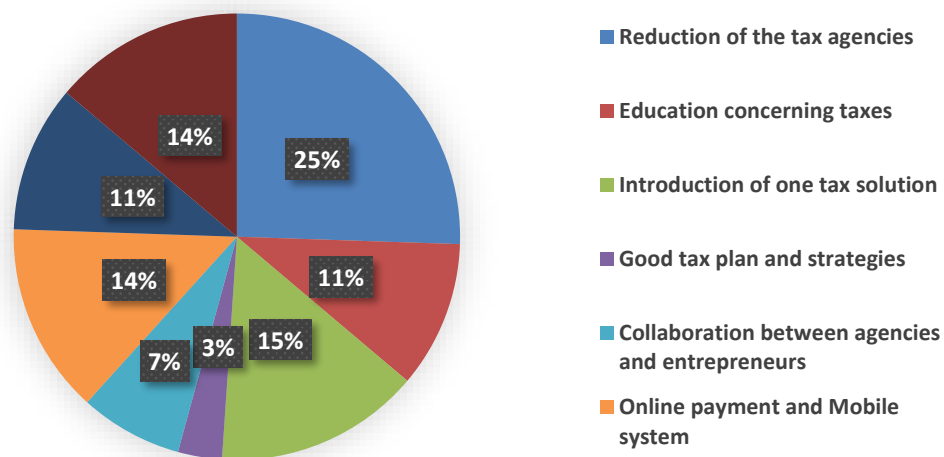
authorities appears to be the most common approach, driven by the hope that their concerns will eventually be heard and that the tax system will become more manageable.

#### 4.6.3. Recommended Measures for Reducing the Impact of Multiple Taxes on SMTEs

In this study, respondents were asked to recommend measures for reducing the impact of multiple taxes. These suggestions were gathered through open-ended questions in the questionnaire and interviews conducted with both managers and owners of small and medium tourism enterprises, as well as with government revenue officers. The following measures were proposed:

**Table 4.25: Suggestions the from Respondents**

#### Suggestions from the Respondents



*Source: Researcher's analysis, (2025)*

Figure 4.16 indicates that 25.5% of respondents recommended reducing the number of tax agencies as the main way to minimize the impact of multiple taxes on SMTEs. Other suggestions included establishing a one-stop tax center (14.9%), lowering tax rates during low seasons (13.8%), introducing an online payment system (13.5%), providing tax education (10.6%), enhancing collaboration between tax authorities and SMTEs (7.4%), and improving tax policies and strategies (3.4%).

These findings align with Moore and Schmitz (2008), who advocated for better tax regulation to reduce uncertainty, and Doner and Schneider (2000), who emphasized the importance of collaboration between the private sector and tax institutions to build trust.

The findings of this study suggest that the concept of multiple taxes, as a system of tax collection, is not inherently flawed. However, there is a clear need for improvement in its implementation. For this reason, some respondents recommended the introduction of a centralized tax payment center to reduce time wastage and long queues at tax offices such as AFG. Currently, these agencies are often overcrowded, leading to delays and inefficiencies in the payment process.

## CHAPTER V

### CONCLUSION, RECOMMENDATIONS & LIMITATIONS

This chapter provides a summary of the research's key findings. It also presents several recommendations based on the insights and data gathered during the study. Lastly, conclusions are drawn in accordance with these findings.

#### 5.1. Conclusion

In conclusion, the findings clearly demonstrate that Afghanistan's current multiple taxation system presents significant challenges to the viability and sustainable development of small and medium-sized tourism enterprises. While taxation is essential for revenue generation and public service delivery, its current structure is overly complex, duplicative, and lacks fairness. The result is reduced competitiveness, lower compliance, and increased informality in the tourism sector. This situation undermines not only the survival of tourism SMEs but also Afghanistan's broader efforts toward economic diversification and sustainable development. Effective tax reforms are urgently needed to create a supportive environment where SMEs can thrive, innovate, and contribute to national development.

1. This study has effectively highlighted the various impacts of multiple taxation on small and medium tourism enterprises (SMTEs). These include time inefficiencies, increased operational costs, price inflation, reduced profit margins, discouraged investment, and in some cases, business failure. To address these challenges, appropriate and targeted measures are essential. Based on the findings, the establishment of clear legislation governing tour operator levies, restaurant levies, and hotel levies is vital, as it would ensure legal clarity regarding tourism-specific taxes. Additionally, the introduction of a prior taxation contract as a binding agreement is recommended to provide entrepreneurs with greater certainty and transparency about their tax obligations before entering the tourism sector.
2. The primary objective of this study was to assess *The Impact of Multiple Taxation on The Survival and Sustainable Growth of Small and Medium Tourism Enterprises (SMTEs) In Afghanistan*. Specifically, it sought to investigate the factors contributing

to multiple taxation, identify the different types of taxes imposed on SMTEs and their effects, and recommend strategies to mitigate the negative impact of these taxes.

3. This study investigated the impact of multiple taxation on the survival and sustainable growth of Small and Medium Tourism Enterprises (SMTEs) in Afghanistan. Using both qualitative and quantitative methods, including interviews and surveys, the research explored how overlapping taxes affect operational costs, compliance, and long-term viability.
  - **High Tax Burden:** SMTEs in Afghanistan face a wide range of taxes including value-added tax (VAT), excise duties, petroleum levies, and infrastructure fees. These overlapping taxes place a heavy financial burden on businesses, especially in their early years.
  - **Business Survival Threatened:** The research found that excessive taxation contributes to reduced cash flow and increased risk of business closure, particularly within the first five years of operation.
  - **Sustainable Growth Hindered:** Multiple taxation discourages investment, expansion, and innovation key drivers of sustainable growth in the tourism sector.
  - **Weak Tax Governance:** Conflicts between tax authorities, lack of coordination, and absence of clear tax planning were reported as major challenges. Many entrepreneurs expressed frustration over redundant taxes collected by different agencies.
  - **Limited Stakeholder Consultation:** Most SMTE owners reported that tax policies are often imposed without proper consultation, resulting in regulations that are misaligned with business realities.
  - **Environmental Taxation (Pigovian Taxes):** The study examined Pigovian tax theory and found that while environmental taxes can promote sustainability, their impact in Afghanistan is limited due to weak implementation and lack of awareness among SMEs.
4. The study's findings reveal that multiple taxation in developing countries like Afghanistan is driven by several key factors. These include the government's need to generate revenue, inter-agency conflicts among tax authorities, inadequate tax planning, attempts to recover the cost of public services, efforts to protect local industries, and initiatives aimed at addressing environmental damage. Data gathered

from questionnaires and interviews show that small and medium tourism enterprises (SMTEs) in Afghanistan face a wide range of taxes. These include restaurant levies, hotel levies, tour operator levies, value-added tax (VAT), local excise duties, petroleum levies, stamp duties, and infrastructure taxes. The research also indicates that these taxes negatively affect SMTEs by raising operational costs, stifling business growth, increasing price inflation, causing time-related inefficiencies, discouraging potential investors, and in some cases, leading to tax avoidance.

5. Based on the study's findings, it is recommended that the number of tax agencies collecting revenue from SMTEs in Afghanistan be reduced. The study also advocates for tax institutions to educate small business owners on the role of taxation in supporting national development. Furthermore, the establishment of a one-stop tax payment center is proposed to simplify and streamline the tax process. This approach aims to support the growth of small and local entrepreneurs while enhancing the efficiency of tax revenue collection in Afghanistan.

## **5.2.Recommendations**

The findings of this study reveal several pressing issues that demand urgent attention. To promote the development and sustainability of small and medium tourism enterprises (SMTEs)—a key component of Afghanistan's tourism sector—the following recommendations are put forward:

### **5.2.1.Recommendations for Government and Tax Agencies (with Global Examples)**

#### **5.2.1.1. For the Government of Afghanistan**

##### **1. Simplify the Tax System**

Streamline and unify tax laws to remove duplication and complexity across government levels. The government and tax authorities should establish comprehensive, well-structured tax strategies. Tax collection regulations must be streamlined to avoid overlapping responsibilities among various institutions. Additionally, tax policies should include clear definitions that assign specific tax collection duties to designated agencies. This will help reduce confusion, prevent redundancy, and eliminate the imposition of arbitrary or unexpected taxes.

*Estonia* introduced a flat tax and an e-tax system, making it one of the world's most business-friendly countries. Its simplicity reduced tax evasion and administrative burdens.

## 2. Promote Tax Awareness

Launch national campaigns and workshops to educate SMTEs on their tax rights, obligations, and how taxes support public services. Tax authorities should introduce targeted educational programs to help SMTE entrepreneurs better understand the taxation system and its significance for national development. This can be achieved through workshops or seminars involving SMTE owners and managers, aimed at improving their knowledge of tax regulations and promoting greater compliance.

*Rwanda's* (the country), Revenue Authority implemented intensive taxpayer education programs which significantly improved voluntary compliance among small businesses.

## 3. Introduce Tax Incentives for Sustainable Practices

Provide tax holidays or reduced rates for new SMTEs or those investing in green, eco-friendly tourism.

*Costa Rica* (the country), offers tax breaks for eco-lodges and sustainable tourism operators, helping to make it a global leader in eco-tourism.

## 4. Encourage Sustainable Tourism Through Green Taxation

Implement Pigovian-style environmental taxes that are reinvested into conservation and community development.

*New Zealand* (the country), applies environmental levies on tourism services to fund infrastructure and conservation projects.

### 5.2.1.2. For Tax Authorities:

#### 1. Improve Inter-agency Coordination

Establish a centralized tax authority or one-stop digital platform to eliminate overlapping taxes. Building a stronger relationship between tax institutions and SMTEs is crucial. Enhanced collaboration can promote higher compliance rates, reduce instances of tax avoidance, and close existing communication gaps. Many small businesses are often unaware of updated tax regulations due to limited

outreach. Strengthening this relationship will help build trust and ensure that entrepreneurs are well-informed and better equipped to meet their tax obligations.

**Georgia** (the country), created a unified Revenue Service to handle all taxes, reducing bureaucracy and corruption.

## 2. Enhance Transparency and Accessibility

Make tax regulations and changes easy to access and understand. To support the sustainable growth of SMTEs, the government must ensure stability and predictability in its tax laws. Frequent and abrupt changes in tax regulations create uncertainty, hinder long-term business planning, and reduce investor confidence. Therefore, tax legislation should be revised only when necessary, and such changes should follow a transparent and inclusive process.

**South Korea** (the country) uses an open online portal to publish real-time tax information and regulations, improving trust and reducing disputes. Also, In Sweden, regular consultations between tax authorities and business associations have resulted in stable tax policies that enjoy broad support and compliance among SMEs.

## 3. Implement Digital Tax Services

Digitize tax filing, payments, and records to increase efficiency and accountability.

**India's** (the country) GST Network is a fully digital system that allows SMEs to register, file, and pay taxes online boosting ease of doing business

## 4. Establish Feedback Mechanisms

Form tax advisory councils or hold regular public consultations with SMTEs to shape tax policy collaboratively.

**The United Kingdom** (the country) has a Small Business Commissioner and consultative forums that ensure SME voices are included in policy reform.

## 5. Establishment of a One-Stop Tax Payment Center

To resolve concerns about time-consuming and inefficient tax payment processes, the establishment of a centralized one-stop tax payment center is recommended. This would allow SMTEs to meet all their tax obligations in one place, thereby saving time and minimizing bureaucratic hurdles.

## 6. Tax Rates Based on Business Size

The Afghanistan Revenue Board and other relevant tax authorities should adopt a tiered tax system that aligns tax rates with the size and financial capacity of

businesses. It is inequitable for small local enterprises to be taxed at the same rate as large international corporations. Implementing a fair, scalable tax structure will foster equity within the tax system and encourage the growth and sustainability of smaller businesses.

#### 7. Effective Coordination Among Tourism Institutions

Strong coordination is essential among all tourism-related organizations, ranging from grassroots groups such as the Afghanistan Association of Tourism Investors (AATI) to national bodies like the Afghanistan Commission for Tourism (ACT). Enhanced collaboration will promote a unified approach to tourism development and ensure that all stakeholders clearly understand their roles, rights, and responsibilities. *Rwanda* (the country), located in East Africa, has made significant progress in recent years in reforming its tax system and supporting small and medium enterprises (SMEs), including those in the tourism sector. The Rwanda Revenue Authority (RRA) introduced a simplified tax regime for small businesses and implemented an online tax filing system to improve efficiency and compliance.

### 5.3.Limitation and Future Research

Several challenges were encountered during the course of this research.

- a. **Geographical Scope:** The research is geographically limited to selected provinces or cities within Afghanistan. Due to security, accessibility, and logistical constraints, a nationwide assessment was not feasible. Thus, the findings may not fully represent the situation in all regions of the country, especially rural or conflict-affected areas.
- b. **Delayed Responses:** One of the major difficulties faced was the delay in responses from participants. Many respondents took more than two days to complete the questionnaires, which significantly slowed down the data collection process and delayed the subsequent stages of the research.
- c. **Respondent Reluctance:** The topic of this study is highly sensitive, as it directly relates to government taxation. As a result, some respondents were hesitant or fearful to provide detailed information, which affected the depth and quality of the data collected.

- d. **Lack of Financial Support:** Conducting this research involved various expenses, including transportation costs for traveling between different locations and costs for stationery such as printing and photocopying. However, there was limited financial support available to cover these needs, which posed a significant challenge.
- e. **Time Constraints:** Good research typically requires sufficient time for thorough investigation and analysis. However, since this was an academic research project, the time available was limited, which restricted the depth and scope of the study.

This study highlights *The Impact of Multiple Taxation on The Survival and Sustainable Growth of Small and Medium Tourism Enterprises (SMTEs in Afghanistan* and identifies several areas for further research. Future studies should expand geographically, especially into rural areas, and consider longitudinal designs to assess long-term effects. Comparing taxation's impact across sectors like manufacturing and agriculture could offer broader insights. Research on informal SMTEs, gender-specific taxation impacts, and the use of digital tax systems would enhance relevance. Including perspectives from tax authorities and analyzing the effectiveness of tax incentives are also recommended. Moreover, advanced statistical methods and mixed-method approaches can deepen the analysis and improve policy recommendations.

Furthermore, this study focused solely on the effects of multiple taxation on the survival of small and medium tourism enterprises (SMTEs) in Afghanistan, highlighting the influencing factors and their impacts. However, further research is needed in related areas, such as examining the role of collaboration between tourism institutions and tax authorities in reforming tax policies, as well as investigating the barriers to tax compliance faced by SMTEs in Afghanistan.

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## APPENDICES

### **Appendix 1. Subject: Request for Participation in Research Interview**

Dear [Recipient's Name],

My name is Hafizullah Oria, a Master's student in Sustainable Finance at Universitas Islam International Indonesia. I am currently conducting a research study entitled:

“An Investigation into the Effect of Multiple Taxation on the Survival of Small and Medium Tourism Businesses in Afghanistan.”

The purpose of this study is to explore the visible and invisible challenges posed by multiple taxation that hinder the sustainability and growth of small and medium-sized tourism enterprises (SMTEs) in Afghanistan. The findings aim to provide insight into the lived experiences of SMTEs and contribute to a broader global understanding of their struggles and resilience. Given your location and experience in Afghanistan, your perspective is crucial to the success of this study. I would like to request your participation as a respondent, following your informed consent. The interview will be conducted at a time that is convenient for you and will last no longer than one hour. It can be conducted via Google Meet, Zoom, or WhatsApp Call—whichever platform you prefer.

The interview will be recorded (with your permission) and transcribed for analysis. You will also have the opportunity to review the transcript for accuracy and to add any clarifications or additional information. Your participation is entirely voluntary, and you may withdraw at any time without consequence.

Upon receiving your consent, I will share the interview questions for your preparations. Should you have any questions or require further information, please feel free to contact me at +62 881 0115 81708. You may also contact my academic supervisor Rizky Wisnoentoro, Ph.D. at (+6281288639746) or Dr. Istiana Maftucha (+6282122050123) for matters related to your participation.

Thank you in advance for considering this request. I look forward to your kind response and participation in this study.

Warm regards,

Hafizullah Oria

Master's Student – Sustainable Finance

## **APPENDIX II. Interview Procedures & General Information**

### **Purpose of the Study**

You are kindly invited to participate in this study, which aims to examine the impact of multiple taxation on the survival of small and medium tourism enterprises in Afghanistan.

### **Participants**

This study seeks participants who are managers and officers working in local hotels, restaurants, curio and gift shops, local tour operations, as well as officials from the Afghanistan Revenue Authority.

### **Procedures**

Upon providing your consent to participate in this research, you will be asked to respond to the following:

1. You may choose your preferred interview format: Google Meet, Zoom Meeting, or WhatsApp Call.
2. Please select a convenient date and time for the interview.
3. Prior to the scheduled interview, you will receive the list of questions and a brief overview of the procedures.
4. A follow-up interview may be arranged if additional information is needed to complete the study.
5. The interview will be recorded and later transcribed. A copy of the transcript will be shared with you for verification and clarification purposes.
6. If you wish to remain anonymous, you may choose to use a pseudonym.
7. You will be informed of the final findings of this study.

### **Cost/Compensation**

This research is non-remunerative; therefore, no payment will be provided for participating in the study. The interview is expected to take approximately one hour to complete. Please note that any damage to devices (such as phones, tablets, laptops, or PCs) used during the interview will not be reimbursed by Universitas Islam International Indonesia (UIII). Additionally, should any participant experience injury of any kind during the interview process, UIII will not be held liable.

### **Confidentiality**

The information collected will be used solely for research purposes and will remain confidential. Participants will not be identified in any written or verbal references associated with this study.

### **Consent of a Participant**

I, \_\_\_\_\_, confirm that I have read and understood the requirements of this study. I am over 18 years of age and have received a copy of the interview guidelines and requirements.

I give my consent to be audio and/or video recorded during the interview

\_\_\_\_\_  
(Participant's signature)

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Participant's name)

## APPENDIX III. INTERVIEW GUIDE AND QUESTIONS

### PART A: MANAGER OF THE SMTEs

Please select the correct answer by placing a tick (✓) in the appropriate box.

6) What is your gender?

a. Male

b. Female

2) What is your age?

a. 18 – 25

b. 26 – 35

c. 36 – 45

d. 46 – 55

3) What is your level of education?

a. Primary education

b. Secondary education

c. Certificate level

d. Diploma education

Others, please specify .....

### THE FIRM ITSELF

4) How long the firm / company has been established?

a. 3 – 5

b. 6 – 10

c. 11 – 15

d. 16 - 20

Others, please specify.....

5) In which section your firms belong to?

a. Curial shop

b. Hotel

c. Restaurant

d. Tour Operator

Others, specify.....

6) Does your company pay tax?

a. All the time

b. Most of the time

c. Less the time

d. Not at all

7) How many agencies do you paying taxes to?

a. Above three

b. Not less than three

c. Above two

d. Not less than

8) Are there any instances where a single product is taxed more than once by different tax authorities?

YES,

please specify.....

NO

9) How would you rate the importance of multiple taxes to the Afghan government?

a. Absolutely necessary

b. Necessary

c. Unnecessary

d. Not necessary at all

e. No idea

10) Which of the following reasons are the causes of the multiple taxes?

You can tick more than one block

a. Increase tax revenue

b. Protect domestic firms

c. Tax authority's conflicts

d. Recover environmental damage

e. Weak tax plan

f. Recover cost of public services

g. Others (specify

.....

11) If multiple taxes increase the operational costs of SMTEs, how do these increased costs impact the growth and survival of the enterprises? (You can select more than one block)

a. Decrease the profit

b. Price inflation

c. Laying off employees

d. Failure of businesses

12) To what extent do you believe the following types of Small and Medium Tourism Enterprises (SMTEs) are affected by multiple taxation?

Forms of SMTEs	Very affected	Moderate	Neutral	Slightly	Not affected
Local Hotels					
Local restaurants					
Local tour operators					
Curial and gift shop					

13) Based on your experience, please indicate your level of agreement or disagreement with the following statements about SMTEs? Tick the box that best reflects your opinion.

Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Multiple taxes discourage the investment on the SMTEs.					
Multiple taxes lead to the business close down.					
Increase cost of operation of SMTEs is the result of multiple taxes					
SMTEs avoid to pay taxes due to the multiple taxes					
There is no business benefit due to the multiple taxes					

14) Do you think the reduction of the taxes and tax rate will be a big help to the SMTE?

YES

NO

15) Which of the following measures have tourism SMEs taken in response to the impacts of multiple taxes? (You may tick more than one option)

a. Reduce income

b. Company merger

c. Avoid paying taxes

c. Complaints to the Tax authorities

d. Close down businesses

e. Others (specify).....

16) What measures do you think should be taken to reduce the impact of multiple taxes on small and medium tourism businesses?

.....  
 .....

*Thank you*

**QUESTIONS FOR INTERVIEW WITH THE TAX INSTITUTE OF  
AFGHANISTAN  
AFGHANISTAN REVENUE BOARD (ARB).**

**INTERVIEWEE INFORMARTION:**

What is your gender?

.....

What is your age?

.....

What is your educational level

.....?

What is your job position?

.....

**QUESTION ONE:**

**What do you think are the main reasons for imposing multiple taxes on tourism SMEs?**

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

**QUESTION TWO:**

**To what extent do you think multiple taxation of tourism SMTEs is necessary in Afghanistan?**

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

**QUESTION THREE:**

**In your opinion, how do multiple taxes affect the survival of tourism SMEs?**

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

**QUESTION FOUR:**

**What are the best measures that should be undertaken to reduce the impact of multiple taxes on tourism SMEs?**

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

*Thank you*