

AN APPRAISAL OF THE STATUTORY TAX OBLIGATIONS OF NON-PROFIT ORGANISATIONS IN NIGERIA****

Abstract

The Non-Profit Organisations also known as Non-Governmental Organisations (NGOs) are an important part of the Nigerian society as they are quite impactful in many areas of our daily lives. NGOs are usually not profit-making organisations and there have been some ambiguity in the legislation governing the taxation of NGOs, especially with regard to the definition of the term 'public character.' Pursuant to changes introduced to the tax regime under the Finance Act 2020, the Federal Inland Revenue Service recently issued two Information Circulars, both dated 31st March, 2021 the Circulars detailed the rules that will, henceforth, guide its tax treatment of non-governmental organisations in Nigeria. There are different challenges faced by the Government tax agencies with respect to accessing tax for Non-Profit Organisations in Nigeria. To tackle these challenges, the Federal Inland Revenue Service created tax obligations of Non-Profit Organisations in Nigeria. The aim of this paper is to appraise the various statutory tax obligations of Non-Profit Organisations in Nigeria and also provide recommendations for an effective and efficient taxation of income of non-profit organisations in Nigeria. The researchers adopted doctrinal legal research methodology using analytical approach with the aid of statutes, case law, textbooks, and journal article and internet materials. At the end the researchers found among other things that taxation of NGOs in Nigeria is indeed surrounded with uncertainties ranging from non-direct recognition of NGOs by the relevant corporate and Tax laws to plethora of other tax challenges discussed in this work. The researchers concluded inter alia that Non-Profit Organisations (NGOs) are vital to addressing various social, economic, and environmental challenges in Nigeria. It is also concluded that the dynamic nature of their activities necessitates a clear cut tax legal framework that is both adaptable and specifically tailored to their unique needs. The researchers recommended among others that there is need for periodic review and amendment of Tax Legislation for NGOs and the Strengthening of the legal and institutional frameworks for effective taxation of NGOs in Nigeria.

Keywords: Taxation, Non-Profit Organisations, Statutory Tax Obligations of Non-Profit Organizations, Nigeria.

1. Introduction

Taxation provides a consistent source of funding for governments in Nigeria and worldwide. This is especially important for Nigeria, considering the current economic downturn caused by the global drop in crude oil prices. Additionally, Nigeria needs to focus internally as some of its crude oil export destinations are embracing alternative energy sources due to environmental concerns and the increasing urgency of addressing global warming. The question as to 'what is tax' looks simple, but in the real sense of it, it is complex and confusing. In fact, in the whole of the Nigerian tax statutes, there is no

* **UMENWEKE, Meshach N., PhD, FICM,ACTI,BL**, Professor of Law and Former Dean, Faculty of Law, Nnamdi Azikiwe University, Awka, Anambra State. E-mail: mn.umenweke@unizik.edu.ng Tel: 08037090048

** **ANUSHIEM, Matthew Izuchukwu, LLB (Hons), BL (Hons), LL.M, PhD**, is a Senior Lecturer in the Department of Human Rights Law, Faculty of Law, Nnamdi Azikiwe University, Awka Anambra State Nigeria, 08032641757, mi.anushiem@unizik.edu.ng

*** **ANUSHIEM, Uchenna MaryJane, BA (Hons), LL.B (Hons), BL, LL.M, PhD**, is a Lecturer 1, Department of Commercial and Property Law, Chukwuemeka Odumegwu Ojukwu University, Igbariam Campus, Anambra State Nigeria. E-mail: um.anushiem@coou.edu.ng Tel: 08062139786.

**** **EGWUATU Chinaza Michael, LLB, BL, LL.M, PhD** in view is a Doctoral student at the Faculty of Law, Nnamdi Azikiwe University, Awka, Nigeria, E-mail: c.gwuatu23@gmail.com , Phone number: 08039178491.

UMENWEKE, ANUSHIEM, ANUSHIEM & EGWUATU: *An Appraisal of the Statutory Tax Obligations of Non-Profit Organisations in Nigeria*

portion where tax is defined, instead it is merely described. Similarly, the definitions outlined in the Nigerian National Tax Policy are more of definitional compilation or compendium of tax concepts rather than the definite definition of tax.¹ Tax is defined as a monetary charge imposed by the government on persons, corporate bodies, transactions or property to yield public revenue.² It is obligatory fee payable by members of a state from his income, property and or business, to the government of the state for various state uses. It is mandatory; it is based on residency and not citizenship.³

Case law definitions of tax are not all encompassing as to educate a taxpayer to understand what tax is. Some of the case law definitions of tax are:

- i. That tax is compulsory extraction of money by a public authority for public purpose. This was stated in *Mathew Chicory Marketing Board (Vict.)*⁴
- ii. That tax is an exaction for the support of government.⁵
- iii. That tax is not a voluntary donation but an enforced/compulsory contribution exacted pursuant to legislative authority.⁶
- iv. That tax is a debt to government.⁷
- v. That tax is a compulsory contribution imposed by sovereign authority on the citizens.⁸

Non-Governmental Organizations are pivotal in addressing social, economic, and environmental challenges in Nigeria. They play a crucial role in providing services, advocating for policy changes, and supporting community development. Despite their significant contributions, the taxation of NGOs in Nigeria presents numerous legal and institutional challenges that hinder their operational effectiveness and financial stability. An NGO is an association of persons registered under Section 590 of the Companies and Allied Matters Act (CAMA) 2020 as incorporated trustees or under Section 26 of CAMA as a company limited by guarantee. An incorporated trustee is to be registered under S.590 of CAMA for the advancement of any religious, educational, literary, scientific, social development, cultural, sporting or charitable purpose. Meanwhile, under S.26 of CAMA, an NGO can be registered as a company limited by guarantee for promoting commerce, art, science, religion, sports, culture, education, research, charity or other similar objects. An NGO incorporated by guarantee is not allowed to carry on business for the purpose of making profits for distribution to members. While the above two forms of incorporation are common for an NGO, nothing precludes an NGO from being incorporated as a company limited by shares.⁹

NGO has been defined as a “*not-for-profit association of persons incorporated as a company limited by guarantee under PART B of the Companies and Allied Matters Act (CAMA) 2020 (as amended) or under any other law in force in Nigeria, or registered under the laws of a foreign jurisdiction and*

¹SM Olokooba, *Nigerian Taxation Law, Practice and Procedures Simplified* (Ilorin, Springer Nature Singapore Pte Ltd. 2018) 2019.

²AM Sani A. M., ‘An Appraisal of the Legal Framework for Taxation in Nigeria in Nigeria’ [2015] (34) *Journal of Law, Policy and Globalization*, p.82.

³IU Ibe, ‘An Appraisal of the Legal and Institutional Framework for Tax Administration in Nigeria’, Being a PhD thesis presented to the Faculty of Law, Nnamdi Azikiwe University, Awka on July 2021, 10.

⁴(1938) CLR 263 at 276

⁵ *United State v. Butter* 297 US 1 (1936) at 61 per Justice Robert. See further *R v. Barger* (1908)6 CLR 41

⁶ *Michigan Employment Sec Commission v. Patt*4 Mich-App 244 14 N.W 2nd 663. You can also see, *Moore v. The Commonwealth* (1951)82 C.L.R, 547

⁷*Shell v. FBIR* (2004) FNL R 859 at 46

⁸*Leake v. Commissioner of Taxation (State)* 36 WALR 66.

⁹Okoukoniv & S Onyiliofor, ‘Finance Act 2020 – Public Character & Impact on the Taxation of NGOs’, available at <https://www.mondaq.com/nigeria/withholding-tax/1073068/finance-act-2020-public-character-impact-on-the-taxation-of-ngos>, accessed on the 30th July, 2024 at 112:28 pm.

approved as such in Nigeria". Further, the FIRS noted that such organisations, institutions and companies shall not distribute or share its profit, whether in cash or kind, to members or promoters; and their incomes shall be wholly used for the objects of the institution or organisation in the interest of the public.¹⁰ Non-governmental Organization (NGO) is a voluntary group of individuals or organizations, usually not affiliated with any government that is formed to provide charitable, religious, cultural and other incidental services to the people.¹¹ These include organisations, institutions and companies that are engaged in ecclesiastical, charitable, benevolent, literary, scientific, social, cultural, sporting or educational activities of a public character as defined under Section 105 of CITA. They are independent from government and are typically non-profit entities, and many of them are active in humanitarian service. Non-governmental Organization is also known as civil society organizations. It is the collection of social organisations, formed voluntarily by citizens to advance shared goals or interest excluding political parties. Usually set up by ordinary citizens, NGOs may be funded by governments, foundations, businesses, or private persons. Some avoid formal funding altogether and are run primarily by volunteers. NGOS are highly diverse groups of organizations engaged in a wide range of activities, and take different forms in different parts of the world. Some may have charitable status, while others may be registered for tax exemption based on recognition for of social purposes. Others may be fronts for political, religious or other interest groups.¹² At local level, a non-governmental organization is seen as an association of persons registered under parts of Companies and Allied Matters Act (CAMA).¹³ Although this definition may be misleading as so many NGOs are not registered and may not register, this is because the constitution guarantees freedom of association and only requires registration of political parties and labour unions. The Federal Inland Revenue Service created tax obligations of Non-Profit Organizations in Nigeria.

This paper shall appraise the statutory tax obligations of non-organisations on Nigeria. The paper examined the context of tax and other ancillary matters thereto.

2. Taxation of Income of Non-Profit Organisations in Nigeria

Non-Governmental Organizations are voluntary associations of people or groups that are typically not connected to any government and are established to offer philanthropic, spiritual, cultural, and other incidental services to the public.¹⁴ They are usually non-profit organizations that operate independently of the government, and many of them engage in humanitarian work.¹⁵ No easy definition can adequately capture the diversity of NOGs. They have their main goals and are made up of numerous organizations and groupings that are wholly or partially autonomous of the government. Among these goals is raising awareness to affect policy at the federal level. The World Bank had this to say;

The diversity of NGOs strains any simple definition. They include many groups and institutions that are entirely or largely independent of government and that have primarily

¹⁰Wole Obayomi, KPMG NG Tax Alert: Issue No. 4.8 | April 2021, FIRS issues guidelines on the taxation of NGOs, available at <https://kpmg.com/ng/en/home/insights/2021/04/firs-issues-guidelines-on-the-taxation-of-ngos.html>, assessed on the 29th July, 20224 at 10:36pm.

¹¹Karns M. P, 'Non-Governmental Organization,' available at <https://www.britannic.com/topic/nongovernmental-organization> , accessed on the 29th July, 2024 at 10:54pm.

¹²Non-governmental organization. Wikipedia the free encyclopedia, available at https://en.wikipedia.org/wiki/Non-governmental_organization , accessed on the 31st July, 2024 at 12:28 pm.

¹³MK Mashi, Guidelines in Tax Exemption Status of Non-Governmental Organizations (NGOs) Nigerian Tribune 1st April 2014 p.32.

¹⁴Eti Herbert 'An Overview of the Assessment and Determination Employee Tax in Nigeria', (2019) (10) (1) *The Gravitas Review of Business & Property Law*, p.108.

¹⁵A Blinken, Non-Governmental Organization (NGOs) in the United States, available at <https://www.state.gov/non-governmental-organizations-ngos-in-the-united-states/> , assessed on 31st July, 2024 at 2:28 pm.

humanitarian or cooperative rather than commercial objectives. They are private agencies in industrial countries that support international development; indigenous groups organized regionally or nationally; and member-groups in villages. NGOs include charitable and religious associations that mobilize private funds for development, distribute food and family planning services and promote community organization. They also include independent cooperatives, community associations, water-user societies, women's groups and pastoral associations. Citizen Groups that raise awareness and influence policy are also NGOs.¹⁶

In essence, their policies include but not limited to creating awareness to change governmental policies and advocating for underrepresented or underprivileged groups of people. A portion of them originate from areas where certain individuals are subjected to inequality. They speak and act on behalf of those who lack a voice, such as those with limited resources, and they lend a voice to those who are less fortunate.¹⁷ Given the above, there is no doubt that NGOs play a crucial role in shaping the society at large but directly and also remotely. As a general provision in the Nigerian tax administration, Non-Governmental Organizations are not subject to taxation although with certain exceptions.¹⁸ Taxation significantly plays a crucial role in the overall economic growth of any country or society. In numerous countries globally, taxes serve as a primary revenue generation channel. Nigeria has over the years relied heavily on oil as a key revenue source. However, the declining global oil prices have substantially reduced the government's funds for infrastructure development, state distribution, and national economic activities. In light of this situation, there is a necessity to transition from oil-based revenue generation to non-oil sources, primarily through taxation. Therefore, it is essential for the Federal, State, and Local Government to begin generating sufficient income through tax revenue. This would obviously require a general overhaul of the tax system. In Nigeria, while NGOs are perceived as non-profit organizations, many of them actually participate in commercial and business activities, which is contrary to their mission and ultimately profiting from these business endeavours. This defeats the general idea of not taxing NGOs and the idea of not taxing NGOs is being ridiculed. Given the foregoing, it would be in issue whether or not NGOs should be taxed just like any other corporate entity.

3. An Appraisal of Statutory Tax Obligations of Non-Profit Organisations in Nigeria

The Federal Inland Revenue Service (FIRS) recently issued a Revised Information Circular on the Tax Treatment of Non-Governmental Organization (NGOs) published on 31st March 2021. This reiterates the tax-exemptions, and other obligations of NGOs. It also provides clarification on the application of the term public character to NGOs when evaluating their eligibility to enjoy the tax exemptions granted under the Companies Income Tax Act (CITA). It is noteworthy that the FIRS' clarification on the application of the term public character is issued following an inclusion of a definition of public character in the CITA by finance Act 2020.¹⁹

Despite the fact that CITA exempts from tax the profits of any company engaged in ecclesiastical charitable or educational activities of a public character in so far as such profits are not derived from a trade or business carried on by such company. In order words, if such company or organizations derives

¹⁶World Bank Definitions of an NGO, available at <https://www.gdrc.org/ngo/wb-define.html> , assessed on the 31st of July, 2023 at 2:32 pm.

¹⁷MI Anushiem, HO Obi and UMJ Anushiem, 'The Role of Civil Society Organizations in the Nigerian Electoral Process: A Legal Appraisal', (2021) (2) *Awka Capital Bar Journal (ACBJ)* 54.

¹⁸ Finance Act 2021, Section 7; Companies Income Tax (Amendment) Act 2011 Section 23.

¹⁹ I Moshood & T Balogun, 'A Re-Definition of the Term "Public Character" and Its Impact on the Taxability of Non-Governmental Organizations in Nigeria' *The Guardian Newspaper*, 27th April 2021, p. 38.

its profit from trade or business carried by such company or organization, such profit will be subjected to tax. A non-governmental organization is an association of persons registered under the Act²⁰ for the advancement of any religious, educational, literary, scientific, social development, cultural, sporting and charitable purpose. All NGOs operating in Nigeria are required to register with the Federal Inland Revenue Service and obtain a Tax Identification Number for purposes of payment of tax as soon as they are registered with the Corporate Affairs Commission.²¹ An NGO is expected to forward the following documents to FIRS for purpose of registration.

- i. A copy of registration certificate issued by Corporate Affairs Commission in Nigeria or other instruments of incorporation.
- ii. A Certified True Copy of memorandum and Articles of Association, constitution or rules and regulations governing the NGO;
- iii. List and profiles of the trustees/board members nominated; and
- iv. Other relevant documents (to be specified at registration point, if any);²²
- v. Copy of the current Tax Clearance Certificate (TCC) of each of the trustees and
- vi. Financial statement from the inception of operation.

It is mandatory for all NGOs operating in Nigeria upon registration with the Corporate Affairs Commission to also register with the Federal Inland Revenue Service (FIRS) for purposes of payment of tax. This is because not all the profit/income made by these NGOs are totally exempted from tax. However, when an NGO derived an income from any trade or business which is outside the object of such as organization such income or profit will be subjected to tax. This is because failure to register with FIRS within the specified time provided by the law will attract penalty of the sum of ₦10, 000 for the first month in which the failure occurs ₦5000 for the subsequent months in which the failure continues. If this persists, the premises where the business is carried out may be sealed. In line with Companies Income Tax Act,²³ it is mandatory for every NGO to file its tax return every year. The Act provides that every company including a company granted exemption from incorporation, shall whether or not a company is liable to pay tax under this Act for a year of assessment, with or without notice from the service (Federal Inland Revenue Service) file a self-assessment return with the service in the prescribed form at least once a year and such return shall contain – The audited accounts, a duly completed self-assessment form as may be prescribed by the service, and evidence of payment of the whole or part of the tax due into a bank designated for the collection of the tax.²⁴

From the above provision, every company including non-governmental organizations are liable to pay tax under the Companies Income Tax Act as amended. They are mandated to file their annual returns containing its audited account and profit.²⁵ A Non-governmental organization is under obligation to file its tax returns once annually. This is to enable the FIRS monitor the activities of the NGOs. If they engage in taxable activities the FIRS will determine the taxes due and payable by these NGOs. The Act provides that where a company fails to file its returns or file late to the service such company shall be liable to pay penalty for non-filing or late filing of the sum of ₦25,000 in the first month in which the

²⁰ Companies and Allied Matters Act, 2020.

²¹ ML Abubakar, 'Guidelines on the Tax Exemptions Status of Non-Governmental Organization (NGOs)' an FIRS information circular published on 31st March 2021, p. 1; Finance Act 2020, Section 43.

²² ML Abubakar., *ibid*.

²³ Companies Income Tax (Amendment) Act 2007, Section 55(1).

²⁴ Companies Income Tax (Amendment) Act 2007, Section 55(1); Finance Act. 2020, Section 16(a) & (c)

²⁵ *TSKJ II Constructors Internationals Social Dade Uniperssal LDA v Federal Inland Revenue Service* TAT/ABJ/APP/017/2010.

UMENWEKE, ANUSHIEM, ANUSHIEM & EGWUATU: *An Appraisal of the Statutory Tax Obligations of Non-Profit Organisations in Nigeria*

failure occurs and ₦5,000 for each subsequent month in which the failure continues.²⁶ More so a company that was unable to file its return within time as stipulated by the law may apply in writing to the service for an extension of the time within which the company can file its return and the company shall show good cause for its inability to comply with the provisions of the Act²⁷ If the service is satisfied with the cause shown in the application, the service shall in writing grant the extension of time to enable the company file its return.²⁸The service may give notice in writing to any company as often as it thinks necessary and for the purpose of obtaining full information of the profit made by the company requesting for filing of annual return or further return by the company.²⁹ In *Federal Board of Inland Revenue v. West African Pictures Co Ltd*³⁰ the court held that a taxpayer is bound to comply with the notices emanating from the tax authority and make the returns within the time stipulated on the notices. The court further held that the Companies Income Tax Act makes it clear that a company serviced with notice to file a return of profits was bound not only to comply with the request but also to submit the return in details as spelt out in the notice and the Act. That the request must be complied with whether or not a company thinks it is liable to pay tax or not. In *Federal Board of Inland Revenue v Wilmer Publicity Limited*.³¹ The court also held that where a taxpayer fails to render returns, the tax authority can validly make assessment on best of judgment basis.

In addition to its obligation to register with FIRS, and to file tax returns to the appropriate tax office as well as to pay taxes on non-exempt income, NGOs are statutorily required to maintain proper books of accounts. The Act provides that every company, including a company granted exemption from incorporation, shall whether or not the company is liable to pay tax under this Act, maintain books or records of account, containing sufficient information or data of all transactions.³² The books and records required to be maintained shall this section shall be in the English language and shall for the purposes of tax account, be consistent with the format that maybe prescribed by the service³³ where a record of a company is maintained in a language other than English language, the company shall, on demand by the service produce, at its own expense, a translation in English language, which shall be certified by a sworn translator.³⁴ More so, where in the opinion of the service, a company fails or refuses to maintain books or records of accounts that are consistent with the provisions of the Act for the purpose of tax, the service may, by notice in writing require it to maintain such records, books, and accounts as the service considers adequate in such form and language as maybe specified in the notice.³⁵ Any company that fails to provide any record or book prescribed under the Act, shall be liable to pay penalty of ₦100,000 in the first month in which the failure occurs and ₦50,000 for each subsequent month in which the failure continues.³⁶

Apart from keeping and maintaining books and records of accounts, NGOs are also required to maintain accurate record of its employees. In addition to its obligation to maintain proper books and records of accords, and maintain accurate record of employees, an NGO has other statutory obligation to deduct Pay-As-You Earn from employee's salary and remit same to the appropriate tax authority. They also

²⁶Companies Income tax (Amendment) Act 2007, Section 55(4); Finance Act 2020, Section 16(c).

²⁷ Companies Income Tax (Amendment) Act (2007, Section 59(1).

²⁸Ibid, Section 59(2).

²⁹Ibid, Section 58.

³⁰ (1974) FRC/L/8/73.

³¹ [1974] FRC/L/19/73.

³² Companies Income Tax (Amendment) Act 2007, Section 63(1).

³³Ibid, Section 63(2); Finance Act 2020, Section 17.

³⁴Ibid, Section 63(3); Finance Act 2020, Section 17.

³⁵Ibid, Section 63(5); Finance Act 2020, Section 17.

³⁶Ibid, Section 63(4); Finance Act 2020, Section 17.

have statutory obligation to pay Value Added Tax on goods and services consumed except those purchased exclusively for its humanitarian donor funded projects or activities to deduct withholding tax on payments made to its contractors/suppliers and remit same to appropriate tax authority in accordance with the laws, such remittance is to be accompanied with schedule of deduction and to pay tax as at when due on non-exempted activities. From the above provision, the act clearly stated that every company whether exempted from incorporation or not, including the NGOs to maintain an adequate books and records of accounts containing sufficient information on all the transactions carried out by the company. This books and records of account must be written in English language and when written in any other language it is expected that the company translate in English language which shall be certified by a sworn translator of the language and failure to maintain books and records of account attracts a penalty for the company. The reason for mandating companies including the NGOs to keep and maintain books and records of account is to enable the FIRS to monitor the transactions been carried on by these NGOS. These records will help the FIRS monitor the activities of NGOs to know if these NGOS are carrying on trade or business activities that would make them liable to pay tax.

4. Conclusion and Recommendations

Taxation of NGOs in Nigeria is indeed surrounded with uncertainties ranging from non-direct recognition of NGOs by the relevant corporate and Tax laws to a plethora of other tax challenges discussed in this work. Much as these uncertainties and challenges abound, there seems to be an obvious contemplation of the existence and taxation of NGOs by the relevant provisions of the Nigerian laws namely, the CAMA³⁷, the CITA³⁸ and the PITA.³⁹ These provisions, when diligently construed, present a position that considers NGOs pretty much like every other organization subject to tax laws in much the same manner with only one significant difference which is the income tax exemptions granted to NGOs in respect of their incomes not derived from transactions of a business nature. In other words, only incomes accruing to NGOs from donations, grants and gifts are exempted from taxation. There is no doubt that such other taxes as VAT, Stamp Duties, Capital Gains Tax and etc have exemptions too that could benefit NGOs, however, these exemptions are not exclusive to NGOs as they also apply to every other taxpayer that qualifies for the incentives either by purchasing the exempted goods and services, exporting zero rated goods or meeting any criteria as may have been prescribed by the relevant tax laws for such exemptions. However, when the NGOs pay adequate tax in Nigeria, it generates enough revenue for the Nigeria. This is because there is urgent need to move the Nigerian economy from an oil-based economy to a tax-based economy.

NGOs can improve their financial accountability through taxation. Paying taxes can also help build public trust and confidence in NGOs. When NGOs fulfil their tax obligations, it demonstrates their dedication to transparency and accountability, which fosters greater trust among donors, beneficiaries, and the general public. This increased trust can lead to higher donations and support. Taxation helps to create an even playing field between NGOs and for-profit organizations. Many NGOs participate in commercial activities to finance their operations. Imposing taxes on the income NGOs generate from these activities ensures they do not have an unfair advantage over fully taxed for-profit entities. In light of the above challenges hindering the easy and efficient administration of taxation of Non-Governmental Organizations, the following recommendations may come in handy to tackle these inefficiencies;

³⁷CAMA Sections 823, 830 and 838.

³⁸ Companies Income Tax Act (Amended), 2007, Section 23 (1) (a and c).

³⁹Third Schedule, Paragraph 13.

UMENWEKE, ANUSHIEM, ANUSHIEM & EGWUATU: *An Appraisal of the Statutory Tax Obligations of Non-Profit Organisations in Nigeria*

- i. Ensuring Clear and Specific Laws for Tax Obligations of Non-Governmental Organizations in Nigeria. NGOs are crucial for driving social and economic development in Nigeria, despite being non-profit organizations. However, the current tax system's ambiguity and complexity present considerable obstacles to their functioning. It is imperative to have well-defined laws that provide specific requirements of NGOs to guarantee transparency, accountability, and long-term viability in the field. Ambiguities and inconsistencies in tax enforcement arise due to the absence of clear definitions and guidelines. NGOs frequently face challenges in determining the taxable and exempt activities, potentially exposing them to legal and financial consequences. These laws should clearly outline which groups are considered NGOs, the range of their activities, and the incentives offered to these NGOs, as well as the level of these incentives. A Legislation that is well-defined will offer legal assurance, minimizing the potential for disagreements and legal action between NGOs and tax authorities. This clear legal framework will give NGOs the confidence to carry out their activities, assured that they are abiding by tax regulations. With this, NGOs can enhance their resource allocation by gaining a better grasp of their tax responsibilities. This understanding allows them to confidently strategize their activities and budgets, ensuring that their funds are dedicated to furthering their missions rather than addressing tax-related unknowns.
- ii. Periodic Review and Amendment of Tax Legislation for NGOs. While it is not in dispute that Non-Governmental Organizations (NGOs) are vital to addressing various social, economic, and environmental challenges, it is also conceded that the dynamic nature of their activities necessitates a tax framework that is both adaptable and specifically tailored to their unique needs. Additionally, a Periodic review and amendment of these tax laws can provide the necessary clarity and reduce ambiguities, facilitating NGOs' operations while ensuring compliance. NGOs often adapt their activities to address emerging social issues, technological advancements, and changes in donor priorities. Periodic review and amendment of tax laws ensure that the legal framework keeps pace with these changes. This adaptability is crucial for providing relevant and effective tax provisions that align with the current operational realities of NGOs. Tax laws that are not regularly reviewed and updated can become outdated, leading to ambiguities and inconsistencies in their application. These ambiguities can create challenges for NGOs in understanding their tax obligations, resulting in compliance difficulties and potential legal disputes. Regular amendments to the tax laws can clarify provisions, reduce interpretative discrepancies, and provide a more predictable legal environment for NGOs.
- iii. Improved Institutional Coordination for NGO Taxation in Nigeria. Improved institutional coordination among tax authorities can eliminate overlapping jurisdictions, reduce inefficiencies, and streamline processes. Establishing a central body to oversee NGO taxation could further ensure consistent enforcement of tax laws, enhancing transparency and accountability in the sector.
- iv. Enhancing Tax Education for NGOs in Nigeria. While Non-Governmental Organisations play a critical role in addressing social, economic, and environmental challenges in Nigeria, many NGOs face difficulties in understanding and complying with tax regulations due to a lack of awareness and knowledge. Enhancing tax education through government and tax authority initiatives is essential for improving compliance and operational efficiency. Regular workshops, seminars, and clear guidelines can significantly boost awareness and understanding of tax obligations among NGOs. Many NGOs, particularly smaller and newly established ones, lack awareness of their tax obligations and the benefits of compliance. This lack of awareness may cause them to unintentionally violate tax laws, leading to fines and financial difficulties. The intricacy of tax regulations and the lack of readily available information worsen this problem. NGOs often operate with limited resources, prioritizing their core missions over administrative functions. This resource constraint means that many NGOs do not have the capacity to hire tax experts or invest in comprehensive tax education for their staff. Consequently, they may struggle to navigate the tax

landscape effectively. Improving tax education is essential for boosting compliance and operational effectiveness within Nigerian NGOs. Providing regular training sessions, transparent instructions, and capacity-building initiatives will enable the government and tax authorities to empower NGOs with the expertise and capabilities needed to effectively negotiate the tax environment. These initiatives will not only reduce administrative burdens and legal risks for NGOs but also support their growth and sustainability, enabling them to make a greater impact on society.

- v. Discouraging Tax Evasion and Corruption amongst NGOs and Tax Institutions Alike. Tax evasion and corruption are widespread issues in Nigeria, affecting various sectors, including NGOs. These practices undermine the integrity of the tax system, leading to significant revenue losses for the government. Additionally, they diminish public trust in both NGOs and tax authorities, making it challenging to promote a culture of compliance and accountability. NGOs may engage in tax evasion due to a lack of understanding of tax laws, deliberate non-compliance, or exploitation of ambiguities in the legal framework. Corruption within tax authorities can further worsen these issues, with officials potentially accepting bribes in exchange for favourable treatment or turning a blind eye to non-compliance. This double dilemma creates a challenging environment for transparent and effective tax administration.⁴⁰ Discouraging tax evasion and corruption is essential for addressing the legal and institutional challenges in taxing NGOs in Nigeria. By strengthening legal frameworks, enhancing institutional capacity, promoting transparency and accountability, leveraging technology, and encouraging whistle blowing, the government can create a more robust and effective tax administration system. These strategies will not only improve compliance but also foster a culture of integrity and trust within the NGO sector, ultimately supporting its growth and sustainability.⁴¹
- vi. Strengthening Institutional Capacities for Effective Taxation of NGOs in Nigeria. Effective tax administration requires robust institutional capacities within tax authorities. In Nigeria, building the capacity of these authorities through training, resource allocation, and technological upgrades is crucial for managing the taxation of NGOs. Additionally, enhancing coordination between regulatory bodies and fostering inter-agency collaboration can further improve the efficiency and effectiveness of tax administration. Regular and specialized training programs for tax officials can enhance their understanding of NGO operations and tax obligations. Training should cover areas such as tax law, compliance auditing, fraud detection, and ethical standards. These programs can be conducted in collaboration with academic institutions, professional bodies, and international organizations. Establishing a culture of continuous professional development ensures that tax officials stay updated with the latest developments in tax laws and best practices. This can include attending seminars, workshops, and international conferences focused on NGO taxation and general tax administration.

⁴⁰Transparency International. (2023). "Corruption Perceptions Index." Accessed on <https://www.transparency.org/en/on> 18th July, 2024 at 10:30 am.

⁴¹Nigerian Economic Summit Group. (2022). "Tax Evasion in Nigeria: Issues and Remedies, available at <https://www.nesgroup.org/>, accessed on 18th July, 2024 at 10:45 am.