NAVIGATING THE ROLE OF TAXATION IN PROMOTING CORPORATE SOCIAL RESPONSIBILITY IN NIGERIA AND THE INHERENT CHALLENGES

Lukman Lambo Akanbi, Ph.D *

ABSTRACT

The relationship between taxation and corporate social responsibility (CSR) in Nigeria has undergone significant transformation, particularly with the enactment of the Nigeria Tax Act 2025, which repositions taxation as both a fiscal and regulatory tool within commercial governance. The evolving framework challenges the traditional perception of CSR as voluntary corporate philanthropy and instead situates tax compliance as a core element of responsible corporate conduct. The aim of the paper was to establish that taxation constitutes a foundational dimension of CSR within Nigerian law and to evaluate the extent to which recent tax reforms align corporate fiscal obligations with broader social responsibility objectives. A doctrinal and comparative methodology is adopted. The analysis draws on key statutory provisions, including the Nigeria Tax Act 2025 and the Petroleum Industry Act 2021, supported by judicial authorities and academic commentary. Comparative insights from jurisdictions such as the United Kingdom, India, and South Africa are incorporated to situate Nigeria's approach within a broader legal context. The findings indicated that the Nigeria Tax Act 2025 strengthens the role of taxation in promoting responsible corporate behaviour through enhanced anti-avoidance provisions, transfer pricing rules, and structured deductibility regimes. Notwithstanding these developments, CSR remains conceptually confined within the framework of charitable donations, and significant challenges persist, including tensions between revenue protection and social investment, as well as uncertainties in the tax treatment of mandatory CSR obligations. The paper recommended a reconceptualisation of CSR as a form of regulated social investment, the adoption of differentiated and targeted tax incentives, clearer statutory guidance on the interaction between tax and sectoral obligations, and improved institutional coordination and transparency to enhance accountability

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Keywords: *Corporate Taxation Legal Regime; Corporate Social Responsibility; Nigeria Tax Act 2025; Fiscal Governance; Anti-Corporate Tax; Avoidance*

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* Department of Commercial and Property Law, College of Law, Crescent University Abeokuta, Ogun State Email: fasabitna75@gmail.com lukman.lambo-akanbi@cuab.edu.ng **08127810540, 08033560559**

1. Introduction

An important turning point in Nigeria's fiscal and commercial regulatory environment was the passage of the Nigeria Tax Act.[1] Designed to modernise tax administration, strengthen anti-avoidance enforcement and rationalise compliance procedures, the Act must be understood not merely as a revenue statute but as a regulatory instrument shaping corporate behaviour. When read alongside the (CITA)[2] and sector-specific legislation such as the Petroleum Industry Act (PIA) 2021, it becomes evident that taxation increasingly intersects with corporate governance and corporate social responsibility (CSR). CSR in Nigeria has historically been framed as voluntary corporate philanthropy. Oil and gas operators, financial institutions and multinational corporations frequently undertake community development projects, environmental remediation initiatives and educational sponsorship schemes. While such initiatives are socially beneficial, they often operate in conceptual isolation from fiscal responsibility. Yet corporations derive their legal personality, limited liability and market access from state recognition under commercial law.[3] In exchange, they assume regulatory obligations, foremost among which is taxation.

This reciprocal structure situates taxation at the core of responsible corporate conduct. Under CITA and now the Nigeria Tax Act 2025, companies are subject to income tax on profits derived from Nigeria.[4] The charging provision reflects a foundational principle of fiscal citizenship: economic participation in the Nigerian market entails contribution to public revenue. In developmental states such as Nigeria, corporate taxation finances infrastructure, healthcare, education and environmental regulation. Consequently, consistent tax compliance constitutes a systemic form of social contribution that often exceeds the scale of isolated philanthropic projects.

Recent global discourse has further complicated the CSR landscape. Scholars like Prem Sikka[5], Grant Richardson[6], Christoph Kovermann and Lars Velte[7], David Stephenson and Veselina

[1] Nigeria Tax Act 2025

[2] Companies Income Tax Act, Cap C21 Laws of the Federation of Nigeria 2004 (as amended).

[3] Companies and Allied Matters Act 2020, ss 42–44.

[4] Companies Income Tax Act, s 9; Nigeria Tax Act 2025, s 3.

[5] Prem Sikka, "Smoke and Mirrors: Corporate Social Responsibility and Tax Avoidance" (2010) 29 Accounting Forum 153–168

[6] Grant Richardson, Richard Lanis and Daniel Taylor, "Is Corporate Social Responsibility (CSR) Associated with Tax Avoidance?" (2013) 88(6) The Accounting Review 2025–2059

[7] Christoph Kovermann and Lars Velte, "CSR and Tax Avoidance: A Review of Empirical Research" (2019) Corporate Ownership and Control Vol 16 Issue 2

Vracheva[8], and Sonia Mabrouk[9] argue increasingly criticise corporations that engage in conspicuous social investment while simultaneously pursuing aggressive tax planning. Such behaviour produces what has been described as the CSR–tax avoidance paradox.[10] A corporation may publicise community development initiatives while structuring transactions to minimise taxable profit through base erosion or profit shifting. In governance terms, this generates normative incoherence. The Nigeria Tax Act 2025 responds to this concern through strengthened anti-avoidance provisions, expanded transfer pricing rules and enhanced digital compliance mechanisms.[11] Although the Act does not expressly legislate CSR, its structure influences corporate decision-making by defining allowable deductions, regulating related-party transactions and empowering tax authorities to disregard artificial arrangements. Taxation therefore functions not merely as a fiscal extraction tool but as a behavioural regulator within the commercial sphere.

In the petroleum industry, the relationship between taxes and corporate social responsibility is very evident. The establishment of Host Community Development Trusts by the Petroleum Industry Act (PIA) 2021 mandates that petroleum corporations set aside a portion of their operational budgets for community development.[12] The distinction between required regulatory obligations and optional corporate social responsibility is blurred by these compulsory contributions. Important concerns about deductibility, fiscal incentives, and developmental accountability are raised by their tax status under the Nigeria Tax Act of 2025.

Against the above backdrop, this paper raises and attempts to answer three important questions, viz: Does taxation constitutes the most fundamental dimension of CSR within a commercial law framework? Does Nigeria's recent tax reforms signal a transition from discretionary philanthropy to structured fiscal citizenship. Are there significant challenges in aligning tax reform with CSR objectives?

Methodologically, the paper adopts a doctrinal and comparative approach to analyse statutory provisions, judicial authorities and scholarly commentary, situating Nigeria's framework within broader international developments. The aim is to demonstrate that taxation, when coherently

[8] David Stephenson and Veselina Vracheva, "Corporate Social Responsibility and Tax Avoidance: A Literature Review and Directions for Future Research" (2015) Journal of Accounting Literature

[9] Sonia Mabrouk, "Corporate Social Responsibility and Tax Avoidance: The Case of French Companies" (2022) Journal of Financial Crime Vol 29 I

[10] FF Irokwe and R John-Akamelu, 'Corporate Social Responsibility and Tax Avoidance: Empirical Evidence from Quoted Firms in Nigeria' [2023] (7) *Journal of Global Accounting* 67.

[11] Nigeria Tax Act 2025, s 191.

[12] Petroleum Industry Act 2021, ss 235–257

integrated into commercial governance, serves as a central pillar of responsible corporate conduct rather than a peripheral financial obligation.

2. Conceptual Foundations: Taxation, CSR and Commercial Governance

Tax may be defined as "a mandatory payment to the State's fund".[13] There are a few other mandatory contributions to state finances that are not considered taxes, therefore this definition is very broad. Penalties and fines levied against defaulters, for instance, are not taxable. In *Shell Petroleum Development Co. Ltd v FBIR,*[14] it was held that: "Taxes ought to be considered a debt owed to the government." Also, in the Australian case of *Mathews v Chicory Marketing Board*[15] according to the court, tax is "a public authority's mandatory expenditure of funds for public purposes or the collection of funds for governmental purposes through private donations." Accordingly, taxation is the imposition of such mandatory levies, referred to as taxes, on individuals or entities for public purposes by a public body. Although they have other uses, taxes are imposed in practically every nation in the world, mostly to generate money for government spending. The primary source of funding for governments in contemporary democracies is taxes.

The moral duty of businesses conducting their legal operations in a society to advance sustainable societal values for the creation of a peaceful environment within that society is known as corporate social responsibility. For Helg,[16] "The ongoing commitment made by businesses to act morally and promote economic growth while enhancing the standard of living for employees and their families, as well as for the local community and society at large, is known as corporate social responsibility". An implicit agreement between commercial organizations and the community they operate in, whereby the community allows the firm to operate within its borders to generate employment opportunities for its citizens and tax income, is frequently referred to as corporate social responsibility. Additionally, the community expects

[13] J Law and E A Martin (eds), *Oxford Dictionary of Law,* (7th edn, Oxford: Oxford University Press 2009) 541.
[14] [2004] FWLR (Pt 859) 46.
[15] [1938] CLR (Pt 263) 279.
[16] A Helg, 'Corporate Social Responsibility from a Nigerian Perspective' <gupea.ub.gu.se/bitstream/2077/4713/1/07-23.pdf> accessed 23 February 2026.

the company to protect the environment and, via charitable endeavors, improve the community as a place to live and work.[17]

The relationship between taxation and CSR must first be located within commercial law theory. A corporation is an artificial legal person created by statute, endowed with separate personality and limited liability.[18] These privileges are granted by the state in exchange for compliance with regulatory obligations, including taxation. Taxation is therefore intrinsic to the corporate form, not incidental to it. In this sense, lawful tax compliance is not peripheral to CSR; it is structurally embedded within it. However, in practice CSR has frequently been equated with philanthropy. Nigerian corporations often emphasise community projects and social investment initiatives as markers of responsible conduct. While commendable, such initiatives may obscure underlying fiscal behaviour. Where corporations aggressively minimise tax liability while maintaining visible CSR programmes, a normative contradiction emerges.[19]

Tax doctrine reinforces this conceptual tension. Under section 24 of CITA, deductible expenses must be 'wholly, reasonably, exclusively and necessarily incurred' in the production of profits. The Nigeria Tax Act 2025 retains this nexus-based formulation.[20] Purely philanthropic expenditure lacking commercial connection may therefore fail deductibility unless falling within regulated donation provisions.[21] This constraint prevents corporations from substituting discretionary benevolence for structured fiscal contribution. Judicial interpretation has consistently emphasised the commercial nexus requirement. In *Shell Petroleum Development Company of Nigeria Ltd v Federal Board of Inland Revenue*,[22] the Supreme Court underscored that deductibility depends on genuine connection with income generation. Similarly, in *Federal Board of Inland Revenue v Halliburton (WA) Ltd*,[23] the Court of Appeal affirmed the authority of tax administrators to recharacterise artificial arrangements lacking commercial substance. These authorities illustrate that fiscal compliance is grounded in substance rather than form.

[17] N Hurst, 'Corporate Ethics, Governance and Social Responsibility: Comparing European Business Practices to those in the United States' <www.scu.edu/ethics/hurst/comparitive_study.pdf> accessed 23 February 2026.
[18] Companies and Allied Matters Act 2020, s 42.
[19] AB Carroll, 'A Three-Dimensional Conceptual Model of Corporate Performance' [1979] (4) *Academy of Management Review* 497.
[20] NTA 2025, s 20
[21] ibid, s 164
[22] (1976) 1 NCLR 345 (SC).
[23] (2016) LPELR-40976(CA).

Modern fiscal governance expands this conceptual terrain through anti-avoidance and transfer pricing frameworks. An enhanced General Anti-Avoidance Rule (GAAR) is introduced in Section 191 of the Nigeria Tax Act 2025, giving tax authorities the authority to ignore transactions that are principally intended to acquire a tax advantage. Such provisions reflect global convergence with OECD standards on base erosion and profit shifting.[24] Within CSR discourse, these mechanisms reinforce the principle that responsible corporate behaviour includes fair contribution to public revenue.

3. The Nigerian Legal and Policy Framework

The effectiveness of taxation as a mechanism for promoting corporate social responsibility (CSR) in Nigeria depends fundamentally on the structure, coherence and enforceability of the governing legal framework. The transition from the (CITA) to the new tax law represents a significant shift, reflecting a broader reorientation of tax law from a purely revenue-generating instrument to a tool of regulatory governance.

From CITA to the Nigeria Tax Act 2025: Structural Transformation

CITA, which levied taxes on income made in, derived from, brought into, or received in Nigeria, dominated corporate taxation in Nigeria for many years. While CITA established the foundational principles of corporate taxation, including profit computation, deductibility rules and enforcement mechanisms, it operated within a fragmented fiscal environment characterised by multiple amendments through Finance Acts and overlapping sectoral legislation. The enactment of the Nigeria Tax Act (NTA) 2025 consolidates these disparate provisions into a unified statutory framework. Section 3 of the NTA reaffirms the charging principle, imposing tax on corporate profits derived from Nigeria. However, the significance of the reform lies not merely in consolidation but in modernisation. The Act incorporates enhanced anti-avoidance provisions, digital compliance mechanisms and expanded reporting obligations, thereby aligning Nigeria's tax regime with global standards.

[24] OECD, *Addressing Base Erosion and Profit Shifting* (OECD Publishing 2013); G B Adeyeye, 'Corporate Governance and Tax Compliance in Nigeria' [2021] (10) *Nigerian Journal of Risk and Insurance* 44; J A Schumpeter, 'The Crisis of the Tax State' in R Swedberg (ed), *The Economics and Sociology of Capitalism* (Princeton University Press 1991); M Moore, 'Taxation and Accountability in Developing Countries' (IDS Working Paper 280, 2008).

The computation of taxable profits remains central to the operation of corporate taxation. Under both CITA and the Nigeria Tax Act 2025, the concept of "profits" encompasses gains or income derived from trade, business or other economic activity.[25] The determination of allowable deductions is governed by the principle that expenses must be 'wholly, reasonably, exclusively and necessarily incurred' in order to produce taxable revenue.[4] This provision performs a critical gatekeeping function in the tax–CSR nexus. It delineates the boundary between legitimate business expenditure and discretionary corporate spending. CSR-related expenditure, particularly philanthropic initiatives, often falls outside this strict commercial nexus unless it can be demonstrated that such expenditure contributes directly to business operations. Judicial authority reinforces this interpretation. In *Shell Petroleum Development Company of Nigeria Ltd v Federal Board of Inland Revenue*,[26] the Supreme Court held that for an expense to be deductible, it must bear a clear and proximate relationship to the production of income. This principle continues to guide the interpretation of deductibility under the Nigeria Tax Act 2025. The Act also regulates donations through specific provisions (now reflected in section 164), permitting deductions only for contributions to approved bodies and subject to statutory limits.[27] This controlled approach ensures that CSR expenditure does not unduly erode the tax base while still allowing structured social contributions.

The Nigeria Tax Act 2025's bolstering of anti-avoidance provisions is among its most important changes. A comprehensive General Anti-Avoidance Rule (GAAR) is introduced in Section 191, giving tax authorities the authority to reject or reclassify transactions that have no business substance or are principally intended to acquire tax benefits. This provision reflects a shift towards substance-based taxation. It brings Nigerian law into compliance with international norms, especially those established by the Base Erosion and Profit Shifting (BEPS) framework of the OECD.[28] The emphasis on economic substance ensures that corporate tax liability reflects genuine economic activity rather than artificial structuring. Judicial precedent under the previous regime provides interpretative guidance. In *Federal Board of Inland Revenue v Halliburton (WA) Ltd*,[29] the Court of Appeal affirmed the authority of tax authorities to examine the substance of

[25] Nigeria Tax Act 2025, s 4; Companies Income Tax Act, s 24
[26] (1976) 1 NCLR 345 (SC).
[27] NTA 2025, s 164
[28] OECD, *Addressing Base Erosion and Profit Shifting* (OECD Publishing 2013)
[29] (2016) LPELR-40976(CA).

transactions and disregard arrangements designed to minimise tax liability artificially. The ruling emphasizes how important it is for the courts to support budgetary accountability.

By mandating that related-party transactions be carried out at arm's length and backed by sufficient paperwork, the NTA significantly tightens transfer pricing regulations.[30] These provisions enhance transparency and reduce opportunities for profit shifting, particularly among multinational enterprises. From a CSR perspective, anti-avoidance and transfer pricing rules play a crucial role in promoting responsible corporate behaviour. By limiting aggressive tax planning, they ensure that corporations contribute fairly to public revenue. In this sense, fiscal compliance becomes an integral component of corporate social responsibility.

Interaction with Sectoral Regulation: The Petroleum Industry Act

Sector-specific law further complicates the relationship between taxes and corporate social responsibility. Through the creation of Host Community Development Trusts, it presents an organized framework for corporate social responsibility in the petroleum industry.[31] Petroleum companies must set aside a portion of their operating expenses for host community development in accordance with sections 235 to 257 of the PIA. This obligation transforms CSR from a voluntary activity into a statutory requirement. It reflects a policy shift towards embedding social responsibility within the operational framework of corporations.[32]

The interaction between these provisions and the Nigeria Tax Act 2025 raises important questions. Specifically, whether contributions to Host Community Development Trusts qualify as deductible expenses under section 20 of the NTA or are treated as separate regulatory levies has significant fiscal implications. If fully deductible, the state effectively shares the financial burden of CSR through reduced tax revenue. If not, corporations bear the cost independently, reinforcing the mandatory nature of the obligation. The absence of explicit statutory clarification creates uncertainty, which may affect corporate planning and compliance.

4. Taxation as a Mechanism for Promoting Corporate Social Responsibility in Nigeria

Taxation in Nigeria operates not merely as a fiscal instrument but as a regulatory mechanism capable of shaping corporate behaviour within the broader framework of commercial

[30] NTA 2025, s 192
[31] Petroleum Industry Act 2021, ss 235–257.
[32] FO Emovon and others, 'Culture and Sustainable Tax Compliance in Nigeria' [2024] (9) *Journal of Interdisciplinary Research in Accounting and Finance* 77.

governance. One of the primary ways in which taxation influences CSR is through the regulation of deductible expenditure. Under the Nigeria Tax Act 2025, expenses are deductible only where they are 'wholly, reasonably, exclusively and necessarily incurred' to produce taxable earnings.[33] This provision performs a regulatory function beyond mere computation of tax liability. By defining which expenditures qualify for deduction, the law effectively shapes corporate decision-making. Corporations are incentivised to structure their activities, including CSR initiatives, in ways that align with statutory requirements.

The deductibility of donations under section 164 of the Act further illustrates this mechanism. Donations to approved bodies are permitted within prescribed limits, thereby encouraging structured philanthropy while preventing abuse of the tax base. This controlled incentive model ensures that CSR expenditure is channelled towards recognised social objectives rather than arbitrary corporate discretion. However, the incentive structure is deliberately limited. Purely philanthropic activities lacking commercial nexus may not qualify for deduction. This reflects a policy choice: CSR should complement, rather than substitute for, corporate tax contributions. From a commercial governance perspective, this framework encourages corporations to integrate CSR into operational strategy rather than treating it as external philanthropy. CSR initiatives linked to operational efficiency, environmental sustainability or community stability are more likely to satisfy the deductibility test.

Beyond incentives, taxation intersects with CSR through mandatory contribution regimes embedded in sectoral legislation. The most prominent example is found in the PIA, which establishes Host Community Development Trusts under sections 235 to 257. Petroleum corporations must set aside a portion of their operational budgets for community development under this system. This obligation transforms CSR from a voluntary undertaking into a statutory requirement. Although not classified as a tax, the contribution functions similarly to a hypothecated fiscal obligation directed towards specific social outcomes. This dual structure illustrates how taxation and regulatory law operate together to promote CSR. While tax law provides incentives and enforcement mechanisms, sectoral legislation imposes direct social obligations tailored to specific industries.

[33] NTA 2025, s 20

Perhaps the most significant mechanism through which taxation promotes CSR is the enforcement of responsible fiscal behaviour. Section 191 of the Nigeria Tax Act 2025 introduces a strengthened General Anti-Avoidance Rule (GAAR), empowering tax authorities to disregard artificial transactions. This provision reflects a substantive shift in tax governance. By prioritising economic substance over legal form, the law seeks to prevent corporations from artificially reducing their tax liability through complex structuring. This is in line with global norms, especially those established under the Base Erosion and Profit Shifting (BEPS) framework of the OECD.[34] From a CSR perspective, anti-avoidance provisions serve as enforcement tools that align corporate behaviour with societal expectations. Modern CSR discourse increasingly recognises that aggressive tax avoidance undermines corporate legitimacy.[35] By strengthening enforcement mechanisms, the Nigeria Tax Act 2025 embeds this normative expectation within the legal framework. Thus, CSR is no longer limited to visible social initiatives. It extends to internal corporate practices, including tax planning and financial structuring. Responsible corporate behaviour requires not only social investment but also fair participation in the tax system.

4.1 Challenges in Aligning Tax Reforms with Corporate Social Responsibility Objectives

Notwithstanding the structural advances introduced by the NTA, significant challenges persist in aligning Nigeria's tax reforms with corporate social responsibility (CSR) objectives.

Revenue Protection versus Social Investment

A central challenge lies in reconciling the revenue-generating function of taxation with the promotion of socially beneficial corporate expenditure. The charging provision under the Nigeria Tax Act 2025 imposes tax on corporate profits derived from Nigeria, reinforcing the primacy of revenue mobilisation.[36] However, CSR discourse encourages corporations to undertake social investment beyond statutory obligations. The difficulty arises where tax law limits the deductibility of such expenditure. Under section 40 of the Act, expenses must be 'wholly, exclusively and necessarily incurred' in the production of income. This formulation excludes purely philanthropic CSR initiatives lacking immediate commercial nexus.

[34] OECD, *Addressing Base Erosion and Profit Shifting* (OECD Publishing 2013).
[35] P Sikka, 'Smoke and Mirrors: Corporate Social Responsibility and Tax Avoidance' [2010] (23) *Accounting Forum* 153.
[36] NTA 2025, s 3

While this approach preserves the integrity of the tax base, it may discourage long-term investments in social infrastructure, environmental sustainability and community development. Nigerian scholarship has observed that strict deductibility rules may constrain the capacity of corporations to engage meaningfully in developmental activities beyond profit-driven considerations.[37] The tension is therefore structural: expanding deductibility risks revenue erosion, whereas restricting it may limit socially beneficial corporate engagement.

Anti-Avoidance Enforcement and Regulatory Overreach

The strengthened General Anti-Avoidance Rule (GAAR) under section 191 of the Nigeria Tax Act 2025 enhances the power of tax authorities to disregard artificial transactions. While this is essential for combating aggressive tax planning, it introduces potential risks of overreach. Judicial precedent illustrates the balance required in applying anti-avoidance provisions. In *Shell Petroleum Development Company of Nigeria Ltd v Federal Board of Inland Revenue*, the Supreme Court emphasised the importance of interpreting tax provisions in accordance with their commercial substance. Similarly, in *Federal Board of Inland Revenue v Halliburton (WA) Ltd*, the Court of Appeal affirmed that tax authorities may recharacterise transactions lacking genuine economic purpose. However, broad administrative discretion may create uncertainty for corporations seeking to structure legitimate CSR-related investments. Where the boundary between acceptable tax planning and impermissible avoidance is unclear, corporations may adopt overly conservative strategies, thereby limiting innovative approaches to social investment. Thus, while anti-avoidance provisions strengthen fiscal integrity, their application must be balanced with clear guidance to avoid stifling legitimate corporate activity.

Transparency Requirements and Reputational Risk

The Nigeria Tax Act 2025 introduces enhanced transparency through digital filing and reporting systems. While transparency aligns with CSR principles, it also exposes corporations to increased reputational risk. Tax disputes, audits and enforcement actions may become publicly visible, potentially affecting corporate image even before resolution. In *Vodacom Business Nigeria Ltd v*

[37] A Okoye, 'Exploring the relationship between corporate social responsibility, law and development in an African context' [2012] 54(5) *International Journal of Law and Management* 15.

Federal Inland Revenue Service,[38] the Supreme Court underscored the importance of strict statutory compliance, reinforcing the legal consequences of non-compliance. Corporations increasingly view tax compliance as part of reputational capital.[39] However, where enforcement is perceived as inconsistent or arbitrary, transparency may generate defensive compliance behaviour rather than genuine accountability. The challenge therefore lies in ensuring that transparency mechanisms are accompanied by procedural fairness and institutional credibility.

Governance Deficits and Public Trust

A fundamental challenge lies in the relationship between taxation and public trust. The legitimacy of tax-based CSR depends on the perception that tax revenues are effectively utilised for public benefit. Taxation is central to the social contract between the state and economic actors. Where tax revenues are transparently deployed to provide public goods, corporations are more likely to internalise tax compliance as a form of social responsibility. However, where governance deficits exist, manifested in misallocation of resources, lack of transparency or weak accountability, corporations may prioritise visible CSR projects over faithful tax compliance. This creates a substitution effect, whereby philanthropy replaces systemic fiscal contribution.

5. Comparative Insights

India: Mandatory CSR Expenditure Model

The country with the most straightforward legislative approach to CSR is India. Qualifying businesses must invest at least 2% of their average net income in CSR initiatives, according to Section 135 of the law.[40] This obligation is enforceable and supported by detailed reporting requirements. Notably, CSR expenditure is generally not deductible under the unless it independently satisfies business expenditure criteria.[41] This separation preserves the tax base while maintaining CSR as a parallel regulatory obligation. The Indian model provides clarity and enforceability. However, it has been criticised for encouraging formal compliance rather than

[38] (2019) 8 NWLR (Pt 1674) 413.
[39] Adeyeye (n 20).
[40] Companies Act 2013 (India), s 135.
[41] Income-tax Act 1961 (India), s 37

substantive social impact.[42] Companies may treat CSR as a statutory cost rather than an integrated governance responsibility. For Nigeria, this model highlights the advantages of legal certainty but also the risks of rigid regulatory imposition.

South Africa: Governance and Integrated Reporting

South Africa adopts a governance-oriented approach, emphasising transparency and stakeholder accountability. By mandating that businesses reveal their financial, social, and environmental performance in a single framework, the King IV Report on Corporate Governance encourages integrated reporting.[43] Although the does not mandate CSR expenditure, robust anti-avoidance provisions and reporting standards ensure high levels of tax transparency.[44] Tax behaviour is increasingly treated as part of corporate governance and ESG evaluation.

This model demonstrates that CSR can be effectively promoted through disclosure and accountability rather than mandatory expenditure. For Nigeria, it underscores the importance of integrating tax governance within broader corporate reporting frameworks.

United Kingdom: Tax Transparency and Responsible Tax Conduct

The United Kingdom adopts a disclosure-based approach linking taxation to corporate governance. The requires large companies to publish tax strategy statements outlining their approach to tax risk, planning and compliance.[45] In addition, the UK's General Anti-Abuse Rule strengthens enforcement against aggressive tax avoidance.[46] Corporate tax behaviour is subject to significant public scrutiny, and reputational considerations play a key role in shaping compliance. Scholarly analysis suggests that transparency requirements enhance corporate accountability by aligning tax practices with CSR expectations.[47] This approach avoids the rigidity of mandatory CSR expenditure while promoting responsible fiscal behaviour. For Nigeria, the UK model illustrates how tax transparency can complement statutory compliance mechanisms.

[42] A Karnani, 'Mandatory CSR in India: A Bad Idea' (Stanford Social Innovation Review 2013).
[43] Institute of Directors in Southern Africa, *King IV Report on Corporate Governance for South Africa 2016* (Institute of Directors in Southern Africa 2016).
[44] Income Tax Act 1962 (South Africa), ss 80A–80L.
[45] Finance Act 2016 (UK), sch 19
[46] Finance Act 2013 (UK), pt 5.
[47] Sikka (n 20).

OECD Framework and Global Standards

At the international level, the OECD's Base Erosion and Profit Shifting (BEPS) framework has reshaped global tax governance.[48] Measures such as country-by-country reporting, transfer pricing documentation and anti-avoidance standards promote transparency and fairness in multinational taxation.

Nigeria's adoption of enhanced transfer pricing rules and anti-avoidance provisions under the Nigeria Tax Act 2025 reflects alignment with these global standards. However, effective implementation remains contingent on institutional capacity.

8. Reforming the Tax–CSR Nexus in Nigeria

The enactment of the Nigeria Tax Act 2025 (NTA 2025), together with the Nigeria Tax Administration Act and the Nigeria Revenue Service (Establishment) Act, represents a decisive legislative turning point in the structuring of the tax–CSR nexus in Nigeria. The reform fundamentally alters the doctrinal position that previously confined CSR within the narrow limits of section 25 of the Companies Income Tax Act (CITA). It reconfigured CSR-related expenditure within a broader, codified regime of deductible donations, tax incentives, and quasi-public investment mechanisms. At the centre of this transformation is section 164 of the Nigeria Tax Act 2025, which replaces the earlier donation regime under CITA and introduces a more expansive, yet still carefully regulated, framework for the deductibility of CSR-related expenditure. Under this provision, donations made by companies to qualifying institutions are deductible up to 10% of profit before tax, thereby retaining the quantitative limitation characteristic of the earlier regime. However, the shift lies in the explicit recognition that such donations may be "of a revenue or capital nature", thereby overturning the long-standing exclusion of capital donations under CITA.

This development has profound implications for the legal characterisation of CSR within Nigerian tax law. Under the pre-2025 framework, CSR was treated as a form of charitable expenditure that only qualified for deduction where it conformed strictly to the statutory list of approved institutions and was revenue in nature. The exclusion of capital donations, such as the construction of schools, hospitals, or infrastructure, created an artificial distinction that

[48] OECD, *Addressing Base Erosion and Profit Shifting* (OECD Publishing 2013).

undermined the developmental potential of CSR. The NTA 2025 eliminates this distinction, thereby aligning the legal treatment of CSR with its practical manifestations, particularly in sectors where infrastructure provision constitutes the primary form of corporate social engagement. Notwithstanding this expansion, the NTA 2025 preserves the formalistic structure of the deductibility regime. The Act imposes strict conditions regarding the identity of qualifying recipients, which must include public funds, statutory bodies, and registered charitable, educational, or scientific institutions established in Nigeria. Donations to informal or unregistered entities remain non-deductible, thereby continuing the exclusionary logic of the earlier CITA framework. This reflects a persistent tension between legal certainty and social responsiveness: while the requirement of registration enhances accountability, it simultaneously marginalises community-based initiatives that operate outside formal institutional structures.

The Act further introduces detailed rules on valuation and documentation. Non-cash donations are to be valued at the lower of their market value or acquisition cost, and deductions are contingent upon proper documentation, including receipts and evidence of utilisation for public benefit.[49] These provisions reflect a broader shift towards compliance-driven tax administration, reinforced by the digitalisation mandate of the Nigeria Revenue Service. From a doctrinal standpoint, this signals a movement away from discretionary administrative practice towards a more rule-based system, although questions of enforcement and consistency remain.

The introduction of the NTA 2025[50] also situates CSR within a wider ecosystem of fiscal incentives. While section 164 governs donations, section 165 provides enhanced deductions for research and development (R&D), including a super-deduction of up to 150% of qualifying expenditure. This juxtaposition is significant, as it reflects an emerging policy orientation that places CSR and innovation within a unified framework of developmental taxation. The implication is that corporate contributions to social welfare and technological advancement are no longer treated as peripheral activities but as integral components of national economic policy.

Yet, despite these advancements, the NTA 2025 retains structural limitations that perpetuate doctrinal ambiguities. The 10% cap on deductible donations, now expressly tied to profit before

[49] Nigeria Tax Act 2025, s 164
[50] Ibid. S 164 and 165

tax, continues to constrain the scale of CSR engagement.[51] While the cap serves an anti-avoidance function, preventing excessive erosion of the tax base, it also raises questions about proportionality and constitutional validity. Scholarly critiques have argued that such caps may unduly restrict corporate autonomy and potentially infringe on property rights and freedom of association, particularly where CSR is framed as an expression of corporate citizenship.

Moreover, the Act does not fully resolve the doctrinal tension between sections governing general deductibility and those governing specific allowances. The continued requirement that donations must satisfy overarching deductibility principles, albeit "without prejudice" to specific provisions, creates interpretive uncertainty. In practice, this means that CSR expenditure may still be scrutinised under general anti-avoidance rules, particularly where there is suspicion that such expenditure is being used as a vehicle for tax minimisation.

The judicial dimension of the tax–CSR nexus in Nigeria, although underdeveloped, provides important interpretive guidance. Nigerian courts have always taken a rigorous stance on interpreting tax laws, placing a strong emphasis on the need of unambiguous legislative language. In *Shell Petroleum Development Company v Federal Board of Inland Revenue*[52], the court underscored that deductions must be expressly authorised by statute and cannot be inferred from general principles. This decision reflects the orthodox position that tax reliefs are matters of legislative grace rather than inherent rights.

Similarly, in *Nigerian Breweries Plc v Federal Inland Revenue Service*[53], the Tax Appeal Tribunal reaffirmed the principle that taxpayers must bring themselves squarely within the provisions of the statute to claim deductions. The Tribunal rejected expansive interpretations of deductible expenses, thereby reinforcing the restrictive approach that has historically characterised Nigerian tax jurisprudence. These authorities remain relevant under the NTA 2025, as they underscore the necessity of strict compliance with statutory conditions for CSR-related deductions.

Comparative jurisprudence offers additional insights into the evolving treatment of CSR within tax law. In the United Kingdom, the courts have grappled with the deductibility of socially

[51] ibid, s 164(5).
[52] (1996)8 NWLR,PT.466,256
[53] Appeal No. TAT/LZ/VAT/020/2016

motivated expenditure under the "wholly and exclusively" rule. In *Vodafone Cellular Ltd v Shaw*,[54] the court recognised that expenditure may serve both commercial and non-commercial purposes, and that the presence of a business motive can justify deductibility even where social considerations are involved. This more flexible approach contrasts with the rigidity of Nigerian jurisprudence and suggests a possible direction for reform.

In India, the interaction between CSR and taxation has been addressed more directly through statutory intervention. The Companies Act 2013 imposes a mandatory CSR obligation on certain companies, while the Income Tax Act governs the deductibility of CSR expenditure. Indian courts have held that CSR expenditure mandated by statute does not qualify as a business expense, thereby excluding it from general deductibility while allowing specific incentives under designated provisions. This bifurcated approach highlights the importance of clearly distinguishing between mandatory obligations and voluntary expenditures within the tax framework.

South African jurisprudence also provides a useful comparator. In *Commissioner for the South African Revenue Service v Pick n Pay Employee Share Purchase Trust*,[55] when interpreting tax laws, the court took a purposeful approach, taking into account the broader economic and social context. This contrasts with the literalist approach prevalent in Nigeria and underscores the potential for a more context-sensitive interpretation of CSR-related tax provisions.

The Nigerian position, even under the NTA 2025, remains anchored in formalism. The emphasis on statutory lists, quantitative caps, and strict documentation requirements reflects a legal culture that prioritises certainty over flexibility. While this approach has advantages in terms of administrative efficiency and revenue protection, additionally, it can restrict the tax system's ability to adapt to changing social and economic conditions.

A coherent reform of the tax–CSR nexus in Nigeria must proceed from a clear normative foundation that reconciles three competing imperatives: (i) the constitutional primacy of taxation as the legitimate mechanism for financing public goods; (ii) the economic and social utility of CSR as a complementary, private-sector-driven development tool; and (iii) the rule of law requirement that fiscal incentives be grounded in clarity, equity, and accountability. The current

[54] [1997] STC 734 (C.A.).
[55] [1992] ZASCA 84

framework, now partially modernised by the Nigeria Tax Act 2025 (NTA 2025), does not fully achieve this balance. It continues to treat CSR as an appendage to charitable giving, rather than as a distinct legal category with hybrid public–private characteristics.

At the constitutional level, the starting point is the allocation of fiscal responsibility under the Constitution of the Federal Republic of Nigeria 1999 (as amended). Sections relating to public revenue and fiscal powers establish taxation as a core attribute of state sovereignty, with the implicit expectation that tax revenue will fund infrastructure, welfare, and development.[1] From this perspective, CSR cannot be allowed to displace taxation without undermining constitutional structure. The increasing reliance on corporate-funded infrastructure and community projects, now further incentivised under section 164 of the NTA 2025, risks creating a parallel system of quasi-public finance that operates outside democratic control.

A first proposal is the reclassification of CSR within Nigerian tax law as a distinct category of "regulated social investment", rather than subsuming it under charitable donations. The current approach under section 164 of the NTA 2025 treats CSR as a subset of philanthropy, thereby subjecting it to uniform caps and formalistic requirements. This fails to distinguish between different types of CSR activities, particularly those that generate measurable public benefits. A reclassification would allow the law to differentiate between (i) purely charitable donations, (ii) community-based CSR, and (iii) infrastructure or development-oriented investments. Each category could then be subject to tailored fiscal treatment, reflecting its social value and economic impact. Such a framework finds support in comparative jurisprudence. In *Vodafone Cellular Ltd v Shaw*, the UK courts adopted a more flexible interpretation of business expenditure, recognising that socially motivated spending may still satisfy commercial objectives. Similarly, South African courts *in Commissioner for the South African Revenue Service v Pick n Pay Employee Share Purchase Trust* have embraced a purposive approach to tax interpretation, considering broader economic and social considerations. These authorities suggest that a rigid dichotomy between profit-driven and socially driven expenditure is doctrinally unsustainable.

The quantitative cap on CSR deductions under section 164 of the NTA 2025 should be restructured into a tiered or variable system. The current 10% cap, while administratively convenient, is a bit crude. It treats all CSR expenditure as equivalent, regardless of its scale, impact, or alignment with national priorities. A more sophisticated approach would link the level of tax relief to the nature of the CSR activity. For instance, investments in critical infrastructure or underserved regions could attract enhanced deductions or credits, while purely reputational or low-impact activities would remain subject to stricter limits. This approach is consistent with principles of tax equity and efficiency. From an equity perspective, it ensures that tax incentives are distributed in a manner that reflects social need rather than corporate capacity. From an efficiency perspective, it aligns private incentives with public policy objectives, thereby maximising the developmental impact of CSR.

There is a need to strengthen institutional coordination and regulatory coherence. The current fragmentation of the tax–CSR nexus, spread across the NTA 2025, sectoral regulations, and administrative guidelines, creates uncertainty and inefficiency. A unified regulatory framework, possibly through a dedicated CSR Commission or an inter-agency coordinating body, could harmonise standards, monitor compliance, and align CSR activities with national development plans. The Nigeria Revenue Service, established under the 2025 reforms, is well positioned to play a central role in this process, particularly in integrating CSR incentives within the broader tax system.

9. Conclusion and Recommendations

The paper finds that Nigerian position on taxation and corporate social responsibility reflects a legal system in transition, one that is increasingly conscious of the need to align corporate conduct with broader societal expectations yet still constrained by doctrinal rigidity and structural fragmentation. The paper finds further that Nigeria Tax Act 2025 marks an important shift in this regard. It recognises, more clearly than previous legislation, that corporate engagement with society cannot be treated as an afterthought. Yet, the law stops short of fully integrating CSR into the core logic of fiscal governance. What emerges is a framework that acknowledges the value of corporate social investment but continues to treat it through the narrow lens of charitable giving. This approach does not adequately capture how corporations interact with their host communities. The paper also finds that in practice, CSR often involves long-term commitments - building infrastructure, supporting local economies, and stabilising operating environments. These are not merely acts of generosity; they are part of how businesses sustain themselves within society. By maintaining a rigid distinction between profit-driven expenditure and socially oriented investment, the law risks overlooking this reality.

The findings in the paper reflect that the strengthened anti-avoidance provisions under the Nigeria Tax Act 2025 introduce a more substantive understanding of corporate responsibility. They signal that responsible behaviour is not limited to visible social projects but extends to how corporations structure their financial affairs. This is an important development. A business that engages in aggressive taxation that denies the state revenue cannot claim to be socially responsible. In this sense, the law rightly brings tax compliance to the centre of CSR discourse. Yet, challenges remain. There are areas of uncertainty that impact both compliance and responsibility when tax law and sector-specific requirements interact, especially under the Petroleum Industry Act. The absence of clear guidance on the treatment of mandatory CSR contributions creates room for inconsistency. More broadly, the system still operates without a unified vision. Tax rules, corporate governance standards, and sectoral regulations continue to evolve in parallel rather than in coordination.

The paper finds further that vide comparative experience that other jurisdictions have addressed similar tensions by adopting clearer and more integrated approaches. Some have imposed mandatory CSR obligations, others have relied on disclosure and governance frameworks, and many have strengthened the link between tax behaviour and corporate accountability. Nigeria has begun to move in this direction, but the process is not yet complete.

Nigeria Tax Act (NTA) have significant implications for stakeholders including policy makers, tax professionals, corporate organizations, and government agencies. The provisions strengthen tax enforcement, compliance, transparency, and regulatory coordination, thereby requiring policy makers to formulate clearer fiscal guidelines and review existing tax frameworks. For tax experts and practitioners, the sections increase advisory, compliance, and dispute resolution responsibilities, while corporate entities may face stricter reporting, disclosure, and record-keeping obligations necessitating stronger internal tax governance systems. Government and revenue authorities are likely to benefit from improved tax administration and revenue generation, although effective implementation may require institutional reforms and technological investment. Overall, while the provisions may enhance fiscal sustainability and accountability, improper or rigid enforcement could increase compliance costs and affect the investment climate, thereby necessitating balanced implementation and policy recommendations.

By way of recommendations, there is a need to redefine CSR within Nigerian law in a way that reflects its practical reality. Rather than treating all CSR activities as charitable donations, the law should recognise different forms of corporate social engagement. This would allow for a more accurate and fair treatment of activities such as infrastructure development, environmental remediation, and community-based investments.

Clear rules are needed to ensure that CSR does not replace the responsibilities of the state. A structured framework for public–private collaboration would help in this regard, particularly for projects that fall within essential public services. This would allow corporations to contribute meaningfully without undermining the role of government.

Transparency should be strengthened. Companies that benefit from CSR-related tax relief should be expected to provide clear and detailed information about their activities and their impact. This would improve accountability and allow for a more informed assessment of whether such incentives are achieving their intended purpose.

There is also a need for better coordination among regulatory bodies. Tax authorities, corporate regulators, and sector-specific agencies should work within a more integrated system, ensuring that rules are consistent and that corporate obligations are clearly understood.