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CHURCHES AND TAX EXEMPTION IN NIGERIA: SEPARATING LEGAL MYTH FROM STATUTORY REALITY

Majebi Samuel Amune, Ph.D

LL.B. (University of Benin); LL.M., M.Phil., Ph.D (Obafemi Awolowo University)

Senior Lecturer, College of Law, Joseph Ayo Babalola University, Ilesa, Osun State, Nigeria &

Principal Partner, LawDigital Consult.

Corresponding Email: nobleheirs@yahoo.com

ABSTRACT

Talk about church taxation in Nigeria runs on a handful of confident assertions. Churches do not pay tax. Registration as incorporated trustees settles the exemption question once and for all. Offerings lie beyond the reach of any auditor. Clergy fall outside PAYE. An exempt body has no returns to file. Each of these claims deserves to be measured against what the Nigeria Tax Act 2025 and the Nigeria Tax Administration Act 2025 actually say, and that is what this article attempts. Nigerian law, on a fair reading of the text, exempts particular profits and gains arising from educational, religious or charitable activity of a public character, on condition that the profits or gains do not come from a trade or business. Exemption attaches to income of a certain kind. It does not attach to a religious body as such, covering everything the body happens to do. Registration and the bar on distributing surplus go to public character; they leave commercial income, employment remuneration, taxable supplies, dutiable instruments and deduction-at-source duties to be dealt with under the provisions that govern them. Working from that starting point, the article sets out a workable taxonomy of exempt receipts, taxable activities and continuing compliance duties, and explains why administrative scrutiny has to stay neutral and evidence-driven rather than drifting into theological assessment or unequal treatment. It closes with proposals for clearer official guidance, consistent accounting classification, properly documented related-party dealings and sector education able to displace inherited slogans with genuine statutory analysis.

Keywords: church taxation; tax exemption; religious organisations; public character; PAYE; Nigeria Tax Act 2025.

1. Introduction: The Power and Danger of a Legal Slogan

Hardly any proposition in Nigerian fiscal debate is asserted with more assurance than the claim that churches are tax-exempt, and it is not difficult to see why the claim appeals. Churches exist for something other than profit. What they receive, they receive as gifts, applied to worship and to welfare. Many of them run schools, clinics and relief programmes that the state would otherwise have to fund out of the public purse. The difficulty is that a serviceable shorthand hardens, over time, into a legal myth, and the myth is then stretched across every bank credit, every staff payment, every contract, every land transaction and every trading venture the organisation touches.

Nothing in the Nigeria Tax Act places a church, considered as an entity, outside the reach of tax law. The Act opens with charging provisions of wide application, and only later carves out the profits or gains of a person engaged in educational, religious or charitable activities of a public character, and then only where those profits or gains are not derived from trade or business. That is language which calls for classification of receipts. It is not language that responds to incantation.

What follows is an attempt to hold the most durable of these claims against the statutory text. The object is not to shrink a legitimate exemption. It is to save the exemption from the overstatement that endangers it, because an exemption worth defending is one that can be traced to a rule, evidenced by records, and told apart from unrelated commerce.

2. The Legal Meaning of Exemption

An exemption is a legislative conclusion, reached on the footing that a charge would otherwise bite. It is not an emanation of holiness, public esteem or social weight. That distinction has practical consequences: whoever claims the exemption must point to the rule relied upon and show that the facts sit inside it.

Section 163 speaks of profits and gains, and then attaches three requirements. The person must be engaged in one of the listed activities. The activity must be of a public character. And the profit or gain must not be derived from a trade or business. Section 202 supplies the content of public character, tying it to registration under the relevant Nigerian law and to the absence of any distribution of profit to members or promoters.

Two distinct enquiries are therefore embedded in the statute, one institutional and one concerned with source. The institutional enquiry asks whether the body is properly registered and genuinely bound by the non-distribution constraint. The source enquiry asks a different question altogether: where did this particular profit or gain come from? Satisfying the first does not dispense with the second.

The design is not peculiar to Nigeria, and it echoes a concern that has occupied nonprofit scholarship for decades. Henry Hansmann's account of the non-distribution constraint explains why donors and beneficiaries extend trust to organisations whose controllers cannot lawfully help themselves to residual profit. But tax exemption reaches beyond organisational form, and writers such as Bittker and Rahdert have cautioned against allowing it to operate as an unexamined subsidy for profitable activity simply because that activity is carried on within a nonprofit shell.

3. Myth One: "A Registered Church Is Exempt from Every Tax"

Registration under Part F of the Companies and Allied Matters Act confers corporate personality on incorporated trustees and lays down rules for the use of income and property. It matters a great deal to public character. What it does not do is repeal the charging chapters of the Nigeria Tax Act. A registered church can still make a taxable supply, execute a dutiable instrument, dispose of a commercial asset, take on employees or pay a contractor, and each of those events answers to its own provision.

Section 838 of CAMA forbids the distribution of profit, whether direct or indirect, while permitting reasonable remuneration for services actually rendered. Sections 845 to 848 lay down duties to prepare statements of affairs, keep accounts, preserve records and file annual returns. Provisions of that kind assist an exemption claim, since they evidence institutional discipline. They do not erect a general fiscal sanctuary around the organisation.

An illustration makes the point better than an abstraction. Consider a parish that takes voluntary offerings on Sunday, runs a bookshop open to the public six days a week, lets out an investment property and pays a staff payroll. The offering is a natural candidate for the religious exemption. The bookshop and the rental income have to be worked through under the business and property rules. The salaries belong to a different tax base entirely, that of the employees. Registration does not dissolve those categories into one another.

Part of what keeps the myth alive is the older habit of speaking about "ecclesiastical, charitable or educational activities" as though the phrase described the whole legal person rather than a class of activity. Under the unified structure of the 2025 legislation, the source-based limitation is considerably harder to overlook.

4. Myth Two: "All Money Paid to a Church Is a Donation"

What marks out a donation is donative intent coupled with the absence of any reciprocal consideration. An offering taken during worship ordinarily answers that description without difficulty, as does a grant made for relief work or a gift of land on which to build. But the word printed on the receipt settles nothing.

Once a fixed payment is required before a person may gain admission, occupy accommodation, receive tuition, take away merchandise, access media content or use a hall, that payment may well be consideration for a supply or income from a business. Even a "suggested contribution" can shade into a price where the benefit is withheld from anyone who declines to pay. Substance, not nomenclature, governs classification.

The general income provision of the Act says as much on its face: it sweeps in fees, dues, grants, awards, rents and gains. Value added tax, for its part, attaches to taxable supplies made for consideration. The exemption has therefore to be applied to the legal relationship that actually exists between the payer and the institution, not to the description the institution prefers.

The accounting response is straightforward enough. Receipts should be coded separately, distinguishing unrestricted offerings from restricted donations, grants, membership dues, tuition, sales, rent and investment income. Adopting such classifications concedes no liability whatever. It simply lays the factual groundwork on which liability, or its absence, can later be determined.

5. Myth Three: "Tithes and Offerings Can Never Be Examined"

Voluntary tithes and offerings received for religious activity by an institution of public character are strong candidates for exemption. It does not follow that the records behind them are immune from inspection. A tax authority may quite properly need to satisfy itself that sums described as offerings are not in truth business receipts, that restricted funds were applied as restricted, and that nothing found its way into private hands.

The Nigeria Tax Administration Act obliges every person, whether or not liable to tax, to keep books or records adequate to the purpose for a minimum of six years, and it requires annual returns from companies irrespective of whether tax is payable. Provisions of that sort draw a line between investigation and taxation. An authority may lawfully call for evidence and still arrive at the conclusion that no income tax is due.

Scrutiny must nevertheless stay within proportion. The state is entitled to fiscal facts. It is not entitled to confidential pastoral communications having nothing to do with tax. A request ought to specify the period, the category of transaction and the legal purpose it serves. An open-ended trawl through doctrine or membership rolls would raise questions under both the Constitution and the Nigeria Data Protection Act.

Churches, on the other side of the exchange, do themselves no favours by invoking spiritual language to resist ordinary financial controls. Counting sheets, bank reconciliations, records of donor restrictions and documented trustee approvals protect the institution quite as much as they protect the person in the pew.

6. Myth Four: "Commercial Profit Is Exempt If It Is Spent on Ministry"

This proposition runs directly into the source language of section 163. Exemption is withheld where the profits or gains derive from a trade or business carried on by the person claiming it. Applying those profits afterwards to worship or welfare may say a great deal about good faith. It says nothing about origin, and origin is what the section makes decisive.

The limitation exists to stop a religious body from sheltering an ordinary market enterprise merely by lodging it inside an incorporated trustee. A hotel, a property development arm, a retail operation of any size or a commercial event centre competes for the same customers as taxable businesses, and there is no principled reason why it should be assessed under different substantive rules.

Incidental activity is harder, and it would be dishonest to pretend otherwise. Cost-recovery charges for a retreat, the occasional sale of religious literature, a canteen operating for the duration of a conference: these may be tightly bound up with the mission itself. The Act creates no safe harbour for incidental trading and offers no threshold. In its absence, the sensible approach weighs frequency, scale, pricing, exposure to competition, operational independence and the closeness of the link to the religious object, and reaches a judgment on the whole picture.

Where a substantial commercial venture is genuinely intended, incorporating a separate taxable company is usually the cleaner course. The separation must be real, though, with its own books, contracts, employees and bank accounts. Arrangements that exist only on paper, and dealings struck otherwise than at arm's length, are exposed to adjustment under sections 191 and 192 of the Act.

7. Myth Five: "Clergy and Church Workers Do Not Pay PAYE"

Exempting the institution's religious income is one thing. Taxing an individual's remuneration is quite another, and the two operate on different planes. Section 4 brings in salaries, wages, fees, allowances, compensation, bonuses, benefits and other employment perquisites, while leaving out genuine expense payments from which the employee was never intended to profit.

A priest, pastor, imam, administrator, driver, musician or teacher may serve an unmistakably religious purpose and still receive employment income that is taxable in the ordinary way. The character of the employer does not transmute remuneration into an offering. Housing, vehicles and comparable benefits fall to be valued under the employment rules like any others.

Employers must file an annual return by 31 January setting out, for each employee, gross emoluments, allowances, benefits, deductions, net emoluments and tax deducted. For any

church that engages staff, PAYE compliance is therefore not a peripheral matter but a central and recurring obligation.

The real difficulty in practice lies in telling remuneration apart from reimbursement, welfare assistance and accountable ministry advances. Written policies, retained receipts and the proper retirement of advances are what make the distinction defensible. A flat monthly "reimbursement" that no expense ever supports is likely to be treated for what it is, namely remuneration.

8. Myth Six: "An Exempt Church Has Nothing to File"

Here the confusion is between payment and administration. Section 11 of the Administration Act requires an annual self-assessment return from every company, expressly including a company granted exemption from incorporation, whether or not any tax is payable. The return is the mechanism through which the Service can see, and if necessary test, the basis on which exemption is claimed.

Incorporated trustees carry a further and separate set of duties under CAMA: biannual statements of affairs, accounting records, preservation of those records and annual returns supported by audited accounts. Tax filings and corporate filings answer to different statutes and are not interchangeable, however tempting it may be to treat one as covering the other.

Tax identification numbers must be obtained and deployed as prescribed. Where a person who ought to apply fails to do so, the Administration Act empowers the authority to register that person, and it makes the Tax ID relevant to returns, transaction documents and government contracts alike.

The practical answer is a compliance calendar covering CAC filings, income-tax returns, employer returns, monthly PAYE remittances, deduction-at-source obligations, VAT where the organisation makes taxable supplies, and any fiscalisation requirement validly imposed.

9. Myth Seven: "Digital Administration Creates Unlimited Access"

The reform contemplates extensive use of technology, but a statutory power is still a bounded thing. Section 71 allows a relevant tax authority to deploy technology to automate assessment, collection, accounting and the gathering of information. Section 158 of the Nigeria Tax Act permits fiscalisation for electronic invoicing and data transfer. Those are the provisions; they are not a blank cheque.

They do not, of themselves, bring into existence a system under every name that circulates in commentary, and they displace neither notice nor relevance nor confidentiality nor

review. A religious organisation should comply with systems validly prescribed while insisting that any particular request be anchored to a legal provision.

Technology cuts both ways. Separate digital ledgers can sharpen classification considerably. They can also propagate error at speed: code an offering as sales revenue once, and automated systems will faithfully carry that mistake into returns and risk models across successive periods. Human review remains indispensable.

The constitutional answer is neutral administration. The state may demand the same fiscal data from comparable entities. What it should not do is construct a special régime of surveillance for an organisation because that organisation happens to be religious.

10. A Statutory Taxonomy for Churches

In place of the myths, a taxonomy in three parts does most of the work. The first category holds presumptively exempt religious receipts: genuine voluntary offerings, donations and grants tied to qualifying activity, subject always to public character and proper application. The second holds receipts that require business analysis before anything can be said about them, among them schools, hospitals, conferences, publishing, media, hall hire, rent and investment operations. The third holds obligations that survive income-tax exemption entirely, including PAYE, deduction at source, VAT on taxable supplies, stamp duties, record-keeping and returns.

The taxonomy has to be applied transaction by transaction, and reapplied year by year. Activities grow: what began as incidental becomes commercial. Property changes character, moving from worship use into investment use. A nominal fee creeps upward until it is indistinguishable from a market price. Periodic review is worth more than a label fixed once and thereafter assumed to hold.

Advance rulings and published guidance can take a good deal of heat out of the disagreement. The Administration Act provides an advance-ruling framework, and religious organisations would do well to use it for large or novel projects instead of waiting to see what an assessment brings.

The same discipline pays dividends in internal governance. Trustees can approve commercial risk as a discrete decision, keep related-party dealings under observation, and account for financial results to members without burying mission funds in an undifferentiated total.

11. Findings and Recommendations

The pattern that emerges is a consistent one. Almost every popular myth rests on a fragment of truth that has been inflated well past its legal limit. Churches do enjoy a real and substantial income-tax exemption, but it comes with conditions attached. Offerings are ordinarily exempt, yet the records behind them remain open to examination. Commercial profits may fund ministry, but their source stays taxable. Clergy discharge sacred functions, and their remuneration is still personal income. An institution may owe not a naira in income tax and remain subject to an extensive schedule of filings.

Several things would help. Revenue authorities should publish a short, plainly written circular, something along the lines of "Religious Organisations: Exemption and Continuing Obligations", worked through with examples. Denominations should retire the undifferentiated cashbook in favour of receipt classifications and separate cost centres. Trustees should adopt a written policy covering donations, restricted funds, compensation, reimbursements, related parties and commercial ventures. Digital requests for information should come supported by statutory notices, with data minimisation and secure access controls as standard. And public education, on all sides, should abandon both "churches pay tax" and "churches do not pay tax" unless the speaker is prepared to say which transaction is meant.

12. Why the Myths Persist

Ignorance alone does not account for these myths. They grow out of the interaction between theology, institutional memory, a fragmented body of former statutes and enforcement that has been anything but uniform. A congregation that has never in its history received an assessment may reasonably infer that the law confers total immunity, when the truer explanation is that its income has always been donative, its trading trivial, or the local enforcement effort thin.

Vocabulary carries some of the blame. "Tax-exempt organisation" is standard usage in comparative writing, whereas Nigerian legislation speaks with more precision about exempt profits or gains arising from qualifying activities. Import the comparative label without importing its limitations and entity-wide assumptions follow almost automatically.

Institutional incentives push in the same direction. A leader may fear that conceding the existence of any taxable stream will be read as surrendering the sacred character of the church. An official, met with non-cooperation, may reach for the sweeping declaration that churches are taxable. Between them, a question of classification is converted into a symbolic contest that neither side can win.

Professional advisers contribute their share by repeating old provisions without pausing to check repeal, commencement or renumbering. A penalty table lifted from a slide deck can circulate through article after article long after the underlying section has been amended out of existence. What the 2025 regime demands is the discipline of returning to the gazetted text and identifying the period in which each provision actually operated.

Cash-based administration generates myths of its own. Where offerings, sales, rent and salaries are recorded as nothing more than money in and money out, the accounts are structurally incapable of showing the legal differences between them. The resulting fog is then described as exemption when it is more accurately described as an absence of evidence.

Dispelling the myths therefore takes more than lectures on the law. It takes accounting systems, sector guidance, credible enforcement, and leadership prepared to say aloud that complying with a tax statute concedes no government authority over doctrine.

13. Eight Practical Tests for Common Transactions

Voluntariness comes first. Was the payment freely given, or was it the price of a defined benefit? A freely given payment points strongly towards donative treatment, though even a voluntary payment can require analysis where it is bound up with a commercial arrangement.

Consideration is the second question: what did the payer get back? A sermon open to anyone who walks in is not the same as exclusive access to a paid digital course. Regularity is the third. An annual fundraising dinner sits at some distance from a catering operation running every week of the year.

Fourth is market presentation. Advertising aimed at the general public, commercial branding, published price lists and head-to-head competition with ordinary firms all point towards business. Fifth is scale and organisation: dedicated staff, inventory, premises and a business plan describe an activity capable of standing on its own.

Sixth is integration with mission. An activity may be genuinely inseparable from worship or welfare, or it may simply generate money. Integration counts for something, but it cannot override the express business language of the statute. Seventh is private benefit, since payments to founders, relatives or members can corrode public character and may signal distribution by another name.

Eighth, and in practice often decisive, is evidence. Contracts, receipts, bank narrations, minutes, costings and beneficiary records should support whatever classification has been adopted. A legal conclusion unsupported by contemporaneous documents is exposed even when it happens to be right.

Taken together, these tests resist mechanical outcomes, which is their virtue. A church book sale confined to congregants after a programme and priced at cost looks incidental. The identical titles distributed through outlets nationwide with a marketing budget behind them look like a business. The product has not changed at all; the legal context has changed entirely.

14. Professional Responsibility and the Role of Advisers

Lawyers, accountants and tax practitioners advising religious bodies owe duties considerably wider than securing the lowest immediate tax figure. They are obliged to flag uncertainty, to keep law distinct from administrative practice, and to decline to certify accounts resting on records that do not exist. Idowu Akinloye's work on the constitutionality and enforceability of tax regulation against Nigerian religious organisations is a useful corrective here, precisely because it treats the questions as legal rather than rhetorical.

Legal personality is the place to start. Denominations frequently operate through several incorporated trustees, a company or two and a number of unincorporated congregations. Advice addressed to "the church", with no further identification, may be of no use to anyone. Bank accounts, employees, property and contracts each need to be matched to the entity that actually holds them.

From there, the adviser should build two schedules: one of income by source, the other of transaction-based obligations. The first resolves exemption or taxability. The second captures PAYE, deductions, VAT, stamp duties and filing duties that persist regardless of exemption. Read together, they stop a correct income-tax answer from concealing an obligation arising elsewhere.

Written advice should state its assumptions openly. If a retreat fee is being treated as cost recovery, the cost data and the restriction on participants belong on the file. If a subsidiary is to be respected as separate, the governance arrangements and contracts that sustain the separation should be identified. Advice that conceals its assumptions is advice waiting to be misused.

Conflicts require disclosure, particularly where the adviser acts for the church, its founder and the related companies at the same time. A payment that is perfectly reasonable from one client's standpoint may be adverse to another's. Compensation, royalties, property leases and loans are the arrangements most in need of genuinely independent review.

Where something cannot be verified, leaving it out beats making it up. The credibility of legal scholarship and of professional advice rests on accurate sections, real authorities and

correct dates. A confident citation that turns out to be false does more damage than a frank acknowledgment that guidance on the point has not yet been issued.

15. Public Trust, Stewardship and Communication

The taxation of churches is politically charged because it sits where faith, wealth and public services intersect. Handled clumsily in public, a routine compliance question turns into an allegation of persecution or, from the other direction, into a campaign for punitive taxation.

Religious leaders can do a great deal by explaining to their members that exemption is not secrecy. Annual reporting, independent audit and the separate presentation of commercial income all show respect for the people whose money it is. Members are entitled to know whether offerings are financing ministry, servicing debt, funding investment or supporting related enterprises.

Government communication deserves the same care, and Chioma Nwabachili's argument for placing the taxation of religious institutions, private schools and NGOs on an openly reasoned footing is worth attending to for that reason. Officials should not announce that all churches will be taxed without explaining the line between religious and commercial income, nor suggest that exemption is a favour extended at discretion to cooperative denominations. It is a statutory rule applied to facts that either qualify or do not.

Transparency lowers the temperature. Aggregated sector guidance, anonymised case studies and published service standards let the public see how the law works in practice without exposing individual donors or pastoral detail.

Stewardship supplies a serviceable internal ethic for all of this. Accurate payroll protects employees. Timely deductions protect contractors. Keeping private and institutional expenditure apart protects the congregation. Paying commercial tax that is lawfully due supports the public goods on which everyone, including the congregation, depends. None of this is mere bureaucracy.

The state carries obligations of its own, and must earn trust through confidentiality, consistency and visible accountability for what it collects. Voluntary compliance is a great deal to expect from institutions that believe their tax data will leak, that rules will shift informally, or that politically connected bodies will simply be left alone.

What the statute describes is thus also a social compact: religious bodies accept fiscal obligations grounded in evidence, and government respects protected worship while applying neutral rules. Myths corrode both halves of that bargain.

16. Donations, Consideration and the Problem of Mixed Receipts

Most exemption disputes begin with a single word: donation. In ordinary speech it covers any money voluntarily handed over to a religious body. Tax law has to work harder, separating a gratuitous transfer from payment for a supply or service. The dividing line runs through obligation, expectation and exchange. A receipt looks like a donation where the payer was free to give or withhold, where the amount bore no relation to any benefit, and where the organisation took on no enforceable duty to provide one.

A thanksgiving offering remains voluntary even though worshippers are publicly invited to take part, because social expectation and legal consideration are different things. The analysis shifts once a stated payment secures a reserved seat, an exhibition stand, an advertising package, accommodation, a certificate, tuition or the hire of a facility. Describing that payment as a seed leaves the reciprocal benefit exactly where it was.

Membership dues call for attention to both the constitution and the actual practice of the organisation. A modest contribution that sustains common worship sits close to the religious association itself. A compulsory fee purchasing defined commercial privileges may well contain a taxable element. Accounts should not compress every species of membership receipt into a single line when the underlying arrangements differ materially.

Fundraising dinners, concerts and conferences routinely generate mixed receipts, part of the ticket price covering a meal or entertainment and part representing an outright gift. The components should be disclosed before payment and accounted for consistently afterwards. Recharacterising the whole price as a donation once the event is over does nothing for the credibility of the record.

Sponsorship is seldom the same thing as donation. A corporate sponsor typically receives logo placement, media mentions, speaking slots, hospitality or access to participants, and the value and regularity of those benefits determine whether what has been received is advertising or another form of commercial supply. A brief acknowledgment of generosity need not turn a gift into trade. Substantial promotional obligations usually do.

Restricted grants are identified by purpose rather than by consideration. A donor may require reports, audits and the repayment of misapplied funds without buying any service for itself, and conditions of that sort are entirely compatible with a grant. The position alters where the payer is commissioning research, training or deliverables primarily for its own business, at which point the relationship looks contractual.

Non-cash contributions need records too. Land, vehicles, equipment, food and professional services may all support religious or charitable work. What the organisation should capture is the description, the date, any donor restriction, the custody arrangements and the

eventual use, while resisting the temptation to invent a valuation. A reliable asset register is worth more than a photograph of the handover ceremony.

Refundability often illuminates character. A deposit returnable if a hall goes unused belongs to a commercial arrangement. A gift repayable only if its charitable purpose becomes impossible remains a restricted donation. The terms should be retained rather than the institution assuming that every conditional payment must be business income.

Surplus is relevant without being decisive. A cost-recovery event can end in a modest surplus simply because more people came than expected, while a carefully priced recurring programme may be a business even in a year when it loses money. Intention, organisation and pattern are steadier guides than a single accounting outcome.

The practical answer is a receipt matrix. For each stream the church records payer class, voluntariness, consideration, restriction, frequency, pricing, any related entity, the legal provision relied on and the supporting evidence. A matrix of that kind replaces slogans with facts and allows consistent treatment from the moment of invoice or receipt through to the annual return.

17. Correcting Myths through Governance and Public Explanation

One reason legal myths survive is that internal reports are pitched at too high a level of generality. Financial statements lump offerings, school fees, rent and media income together under a heading such as "ministry receipts". That may serve devotional reporting perfectly well, but it answers none of the questions the statute asks. Management accounts can keep the language that means something to members while adding, alongside it, the legal classifications that tax and audit require.

Before approving any significant activity, trustees should receive a short paper explaining it. The paper needs to identify the legal entity, the purpose, expected income, pricing, contracts, staffing, assets, tax treatment and risks. A business should not come into existence merely because a department has secured pastoral permission; corporate and tax authority have to be clear as well.

Minutes are an undervalued source of evidence. They should record why an item of expenditure advances the objects, how a conflict of interest was handled and on what conditions a related-party arrangement was approved. Nobody expects minutes to read as legal essays, but they should be specific enough to demonstrate that trustees exercised judgment rather than ratified a transaction already completed.

Public communication should steer clear of absolutes. Telling members that the church pays no tax is misleading, and conspicuously so where PAYE is being deducted from their colleagues' salaries or where a commercial subsidiary files its own returns. The accurate

account is that qualifying religious income is exempt while employment, commercial and administrative obligations continue. Accuracy strengthens the legitimacy of the exemption; it does not weaken it.

Clergy compensation can be discussed without moralising in either direction. Ministers may lawfully receive reasonable remuneration for services genuinely rendered. The compliance question is simply whether the package was authorised, recorded, valued and put through the applicable payroll rules. Hiding compensation behind a series of informal gifts damages the minister, the institution and the credibility of the accounts together.

External auditors and tax advisers should insist on source documents and qualify their conclusions where information is missing. Professional courtesy towards religious leaders is not a reason to issue a favourable opinion that the facts do not support. The converse holds equally: advisers should not infer impropriety from scale, from wealth or from unfamiliar worship practice. Independence means following the evidence in both directions.

Revenue authorities add to the stock of myths whenever public statements oversimplify the law or announce systems before the legal basis for them has been published. Sector education should cite the exact section, the commencement date and the scope of the obligation, and frequently asked questions should distinguish legislation from regulation, administrative guidance and proposals not yet implemented. The Federal Inland Revenue Service circular on the tax treatment of non-governmental organisations illustrates both the value of guidance and its limits, since guidance issued under a repealed regime cannot be transplanted uncritically into the new one.

Disputes call for careful handling. A notice of assessment is not proof of wrongdoing, and an objection is not defiance of government. Institutions should explain material disputes to trustees and auditors, provide for liabilities that appear probable, and resist the urge to mobilise congregants against officials before the legal remedies have been tried.

Training works best when it is role-specific. Cash counters need controls over receipts. Programme leaders need rules on fees and sponsorship. Human-resource officers need payroll classification. Procurement officers need deduction-at-source procedures. Trustees need oversight tools. And clergy need enough grasp of the framework to avoid promising from the pulpit what the accounts cannot lawfully deliver.

In the end, the strongest answer to the exemption myth is demonstrable stewardship. An organisation able to say where its money came from, why it was received, how it was applied and which obligations were discharged has little need for sweeping assertions about its status. The records tell the legal story on its behalf.

18. A Practical Exemption Review Protocol

A periodic exemption review starts with the legal person, not the public name. The reviewer should obtain the certificate of incorporation, the constitution, the current list of trustees and particulars of every controlled entity. This one step heads off the most common error in the field, which is assuming that every unit trading under a denominational name shares a single exemption position.

Public character is tested next. Registration and the prohibition on distribution must appear both in the governing documents and in actual conduct. Trustee remuneration, loans, use of assets and related-party payments all warrant examination for private benefit, because an impeccably drafted constitution cannot cure a settled pattern of disguised distribution.

The third step is an inventory of income by source, with offerings, grants, fees, tuition, sales, rent, advertising, investments and asset disposals each shown separately. The reviewer should work from contracts, receipts and operating facts rather than accepting the headings in the audited accounts at face value.

Fourth, trade or business indicators are identified for each recurring stream: frequency, pricing, staffing, marketing, stock, customer base, dedicated premises. Where the factors pull in different directions, the reviewer should set out the judgment reached and name the evidence that would change it.

Fifth comes expenditure and the application of funds. Exempt receipts ought to be traceable to the objects of the institution, and shared expenditure allocated on some rational basis. Personal costs, unsupported cash withdrawals and unexplained transfers call for investigation without delay.

Sixth, attention turns to the taxes that owe nothing to income exemption. Payroll, deduction at source, VAT on taxable supplies, transaction documentation and local property obligations each need separate checking, since a clean income-tax conclusion is not a complete compliance opinion.

The seventh step reconciles filings against public statements. Tax returns, CAC returns, audited accounts, donor reports and internal management figures should tell one coherent story, and any differences should be explained in a reconciliation kept with the return.

Finally, the review produces a written conclusion for trustee approval, listing qualifying income, taxable streams, unresolved matters, corrective action and the person responsible for each. The exercise earns its cost only if its findings change records, contracts or behaviour before the year closes.

19. Resolving Uncertain Classification before an Audit

Some receipts stay uncertain however carefully they are reviewed. Forcing certainty by selecting a convenient label is not the answer. Management should set out the competing interpretations, quantify what each would cost, and preserve the facts on which each depends.

Anything material should go to a qualified adviser together with the complete documents. An opinion resting on a verbal summary tends to reproduce the organisation's preferred conclusion rather than test it. The instruction should disclose pricing, contracts, related parties, the use made of any surplus and how the item was treated previously.

Where the statutory procedure allows it, an advance ruling reduces risk on a proposed transaction. The request must precede implementation, state all the relevant facts, and avoid the kind of advocacy that quietly buries the commercial features. A ruling obtained on incomplete facts is worth very little when it is needed.

For an activity already under way, the organisation can adopt a reasonable treatment and disclose it transparently in the return or the accompanying computation. Disclosure concedes nothing. What it shows is that the position was considered rather than concealed.

Financial statements should recognise the uncertainty in accordance with the applicable accounting standards. Trustees need to understand the possible exposure, interest and compliance costs included, before they commit exempt funds to expansion or to any form of distribution.

Once the authority has responded, the institution should use the objection and appeal framework, and use it within time. Public controversy is a poor substitute for documentary engagement. A focused dispute about one income stream is far easier to resolve than a general quarrel over whether churches pay tax at all.

20. Myth Eight: "Non-Distribution Makes Every Receipt Exempt"

The non-distribution rule is indispensable. It is not, however, a complete tax rule. Section 202 deploys non-distribution in defining public character, while section 163 separately excludes profits derived from trade or business. A church can therefore satisfy CAMA scrupulously, retaining every last naira of surplus, and still earn taxable business profit. The familiar argument that nobody took the money home establishes good governance on one issue. It decides nothing about the source of the income.

The point becomes obvious when two entities do the same thing. A proprietary events company hires out a hall, arranges security and catering, and charges its customers. A church may offer an identical package and route the surplus to a mission account. The

destination of the profit differs; the activity presented to the customer may be commercial in both cases. What the statutory business limitation prevents is organisational form becoming a competitive advantage unconnected with the religious activity itself, a concern Michael Rushton has pressed in asking why nonprofits should be relieved of corporate income tax on earnings that look indistinguishable from anyone else's.

The converse deserves equal emphasis. A modest surplus does not establish a business. A retreat, a conference or a counselling programme may charge a fee that recovers costs and builds a small reserve against future expenses. The enquiry should still turn on regularity, pricing, marketing, customer expectations, scale and the connection to the religious object. Treating the presence of surplus as conclusive would penalise prudent budgeting and drive every programme towards an artificial loss.

Non-distribution matters most where a receipt already falls within a qualifying activity and the organisation must show that those in control cannot appropriate its value. It matters again where remuneration, loans, asset use or related-party contracts threaten to move surplus out by indirect means. The legal narrative is cumulative, in other words: public character, qualifying activity, source of the receipt, absence of private distribution, and evidence of application.

Trustees should resist reducing non-distribution to a slogan in correspondence with the revenue. A stronger reply identifies the precise stream, explains why it is or is not business, produces the supporting records, and separately confirms compliance with the prohibition on private benefit. Precision persuades. A broad assurance that all funds remain within the church does not.

21. Myth Nine: "The Founder's Religious Status Replaces Governance"

Founder-led institutions are often built on personal sacrifice, charisma and hard-won trust, and that history goes a long way towards explaining why members tolerate informal decision-making. It does not displace the duties of an incorporated trustee. Once assets and income belong to the institution, the founder is not their beneficial owner, and decisions about remuneration, housing, vehicles, travel, intellectual property and related companies must be capable of being explained as institutional decisions.

The myth shows itself in subtle forms. A payment is called a seed, an honour, a love gift or support, though it is regular, expected and tied to services rendered. A residence is described as a parsonage while family members treat it as their own without restriction. A publishing company builds its catalogue on sermons developed with church resources and pays the institution no royalty. Labels drawn from religious culture cannot rearrange the economic facts underneath them. As John Witte's work on church property exemption

suggests, the historical pedigree of an exemption does not settle how far it should extend to arrangements of this kind.

CAMA permits reasonable remuneration for services actually rendered, and section 838(2) is the protection for genuine compensation. It is not authority for distributions in disguise. Where a founder or trustee stands to benefit, independent approval becomes essential, and the approving body needs reliable information, disclosed conflicts, comparators and a recorded explanation of how the arrangement advances the objects of the organisation.

Succession is where personality-based governance usually fails. An arrangement everyone accepted while a revered founder was alive can become bitterly contested among family, trustees and congregants after incapacity or death. Clear ownership records, written contracts and settled policies protect the founder's reputation and the institution's continuity alike. Tax compliance is one benefit of a governance discipline that would be worth having even if no tax statute existed.

Officials should avoid the mirror-image error of presuming misconduct because an institution is founder-led. The proper approach is evidential. A founder may be paid at market value, may have assigned intellectual property to the church, may occupy accommodation genuinely required for ministry. Scrutiny should be firm wherever interests conflict and neutral as to the religious or organisational model adopted.

For advisers, a founder's influence makes candour more important, not less. Advice delivered only to management may never reach independent trustees at all. Material related-party issues belong before the body legally responsible for the organisation, together with a clear statement of the scope of the adviser's work and its limitations. Silence out of deference to status is how a manageable governance problem becomes an institutional liability.

22. Myth Ten: "Tax Compliance Is Religious Persecution"

A tax demand can certainly be unlawful, discriminatory or oppressive. It does not follow that every demand touching a church is persecution. Sections 10 and 38 of the Constitution protect state neutrality and religious freedom; neither places religious actors beyond laws of general application. The constitutional questions concern competence, equality, burden and safeguards, not the bare existence of a fiscal obligation. Edward Zelinsky's study of church taxation makes the further point that exemption itself can entangle the state with religion quite as much as taxation does, since deciding what counts as religious activity is unavoidably an act of official classification.

The persecution narrative has identifiable roots in historical distrust of government, poor public services and selective enforcement, and those grievances deserve to be taken

seriously. They also need to be translated into legal objections to be of any use. Was the tax authorised? Was a comparable secular organisation treated differently? Did the authority seek doctrinal or membership information unrelated to tax? Was the enforcement step disproportionate to the sum at stake? Specific questions of that kind can be reviewed. A general accusation tends to bury whatever the strongest point was.

Authorities carry a responsibility to avoid language that sounds hostile to faith. An announcement that churches will "finally be taxed" suggests that worship or donations are the target, when the statute in fact separates qualifying activity from business. Guidance ought to explain the transaction in issue, the statutory basis for the position taken and the rights of objection available. Neutral administration is not merely a constitutional aspiration; it improves voluntary compliance.

Religious leaders shape public understanding just as powerfully. Presenting every payroll deduction, vendor withholding or annual return as an assault teaches members to regard civic obligations as optional. Leaders remain free to criticise laws they consider unjust while modelling the lawful way to challenge them. Filing an objection, seeking a ruling and going to court where necessary are not acts of submission. They are the means by which constitutional government is tested.

Hard cases will arise. Closing worship premises over a disputed procedural debt, publishing donor data, or singling out a minority faith may impose a burden well beyond ordinary taxation. The response in such a case should be proportionate and legally focused, with urgent relief sought where the harm would be irreversible. Keeping those cases distinct from routine compliance is precisely what preserves the moral force of genuine religious-freedom claims.

The defensible public position is therefore neither that churches lie beyond taxation nor that religion is beside the point. Religious freedom matters, and it operates inside a legal order entitled to tax employment, commerce, property and consumption through neutral rules. Both sides do better by identifying the taxable incident first and assessing the constitutional limits second.

23. Building a Reliable Legal Narrative

A reliable legal narrative begins with dates. The adviser has to fix the accounting period, the commencement of the relevant Act, the transitional rules and the law governing each transaction. Mixing pre-reform and post-reform provisions can yield a conclusion that is wrong under both regimes at once. The file should preserve the versions of the statutes and guidance actually relied upon.

Identifying the taxpayer comes next. A denomination may encompass a national trustee, diocesan trustees, schools, companies, foundations and informal branches. Similarity of name creates no single legal person. Bank accounts, contracts, payroll and title documents must each be matched to the entity that received the income or incurred the obligation.

The third discipline is to state the transaction without smuggling in the conclusion. "The church received a donation" has already decided the question. A neutral description might run: a participant paid a fixed amount, advertised as the price of accommodation and teaching materials, for a programme that runs three times a year. Strip out the labels and the classification can be tested honestly.

Fourth, the legal rule should be quoted, or accurately paraphrased, from the enacted text, with every condition addressed in turn. Secondary commentary is valuable for context and cannot substitute for the statute. Where a source cannot be verified, it should not be used to conjure a penalty, a threshold, a certificate or a procedural requirement out of nothing.

Fifth, contrary arguments belong in the file. A good opinion explains why a receipt might be seen as donative, as incidental or as commercial, and pinpoints the fact that would tip the balance. Set out that way, management can improve the documentation or adjust the proposed arrangement before any dispute arises.

Last, the conclusion should be calibrated to what the evidence supports. Some outcomes are clear. Others are no better than more likely than not. Some genuinely require an advance ruling or further factual investigation. False certainty is comforting when the advice is given and damaging when the audit begins; a carefully expressed limitation is a mark of reliability rather than weakness.

The method improves public communication as well. When leaders can explain that offerings remain protected while a particular event business or payroll obligation is governed by different provisions, members understand the law without having to swallow the myth of blanket exemption. The religious identity of the institution is untouched, because the analysis is addressed to transactions and not to doctrine.

24. Myth Eleven: "A Certificate or Clearance Settles Every Future Question"

Administrative certificates and tax clearances are frequently treated as permanent declarations of status. In reality they usually speak to specified periods, filings or liabilities, and to the information available when they were issued. They do not convert a later commercial receipt into exempt income, validate an undisclosed related-party payment, or bar a lawful review where the statutory conditions were never met.

The appeal of the myth is that a single document appears to replace continuing judgment. A church displays a clearance certificate to a bank, a donor or a contractor and assumes

that every internal unit is covered by it. Yet a denomination may contain several legal persons, each with its own returns and obligations. The name on the document, the period, the tax type and the assumptions all need checking before anyone relies on it.

A certificate should therefore be filed alongside the returns and correspondence that produced it. Management should record what information was supplied, whether any issue was left open and when renewal or further filing falls due. Detached from its underlying file, the document is easily misread by new officers and by external advisers who were not there at the time.

Revenue authorities can help by not drafting certificates in language that invites overstatement, since clear limitations protect both sides. A document confirming that no tax was outstanding as at a given date should not be publicised as recognition that the organisation can never be taxed. One confirming exempt treatment of a particular activity should say which activity.

Due diligence by lenders, grant makers and commercial partners should be proportionate too. A clearance certificate is relevant evidence and no substitute for examining legal identity, governance, accounts and the transaction proposed. Third parties who rely on a broad institutional reputation sometimes discover afterwards that they contracted with the wrong branch, or that the transaction itself generated obligations nobody had considered.

Trustees should convey the same caution internally. After a certificate issues, the finance office still classifies income, still operates payroll, still makes deductions. Compliance is a cycle rather than an award, and the document sits inside that cycle as evidence, not outside it as an exemption from future law.

Where an authority proposes to depart from its own earlier written position, fairness requires reasons and some regard for legitimate reliance, particularly where transactions have already been completed. That principle protects nobody who concealed material facts, and it does not bind an authority to a picture that was incomplete. The organisation's task is to preserve the earlier ruling, show that everything material was disclosed, and distinguish a change in the law from a change of administrative opinion.

25. Myth Twelve: "Good Works Cure Defective Records"

Public benefit does not dispense with proof. A church may genuinely feed thousands, support hospitals and mount disaster relief, and still be unable to show which funds paid for any of it, or whether a disputed receipt arose from business. Section 31 of the Administration Act makes record-keeping part of the legal framework for the simple reason that tax treatment depends on facts, and facts must be capable of verification.

The moral weight of good works can make financial questions feel like an insult, and trustees sometimes respond to an audit with photographs, testimonies and programme reports. Material of that sort helps to demonstrate that the activity happened. It does not stand in for bank reconciliations, grant agreements, invoices, payroll records and evidence of ownership. What a credible file does is connect the social outcome to the financial transaction that produced it.

Weak records hurt beneficiaries as well. Restricted donations get diverted without anyone intending it, payments are duplicated, and programmes come to depend on surpluses that were never there. Record discipline is not bureaucracy imposed at the expense of charity. It is part of protecting the resources on which charity runs.

Authorities, for their part, should weigh the evidence fairly. Smaller bodies keep simple ledgers rather than licensing sophisticated software, and the legal question is whether the records are sufficient, reliable and retrievable, not whether the institution bought an expensive system. Where older records are incomplete and nothing suggests fraud, reconstruction and corroboration may be the sensible route.

The lesson, then, is that benevolent purpose and administrative competence have to coexist. Good works support the claim to public character; records establish the source and application of funds. Neither can safely be asked to do the other's work.

26. Correcting an Earlier Misclassification

An organisation that uncovers an earlier error should preserve the original records first and reconstruct the treatment year by year second. Then it must distinguish a genuine change of legal interpretation from something quite different: income that went unrecorded, an accounting error, or a business stream nobody disclosed. That distinction shapes both the technical response and the explanation trustees are entitled to receive. Nduka Ikeyi's reappraisal of the taxation of companies engaged in not-for-profit activities is instructive on how easily the underlying rules have been misread even by careful advisers.

Current compliance should be put right at once. Persisting with a doubtful classification while historical advice is sought increases the exposure and undermines any later claim of good faith. Management can open a suspense category for new receipts, hold back the possible tax, and refrain from further distributions or commitments until the position is settled.

The historical computation needs to identify income, allowable expenses, deductions already made, taxes paid by related entities and any risk of duplicate assessment. A voluntary correction should not inflate the liability in order to look cooperative. It should

be accurate, documented, and approved by people who understand what it means financially.

Communication with the authority should be timed and framed with professional advice. The organisation should state the material facts, the legal basis of its revised position and the steps taken to stop the problem recurring. A candid correction can attract proportionate treatment, though it should not volunteer admissions about matters nobody has yet investigated.

Where the amount is material, members and donors will need an explanation too. The message should acknowledge the control weakness without implying that all religious income turned out to be taxable. Explaining the specific stream and the remediation preserves trust considerably better than either silence or a dramatic announcement that the institution has lost its exemption.

27. A Final Caution on Legal Language

The vocabulary used in minutes, accounts and public statements should track the facts rather than attempt to settle the law by choice of label. Offering, honorarium, mission support, partnership: each may be entirely accurate, and each can equally conceal a price, a salary, a grant or a commercial contract. Finance officers should record transactions in neutral terms and keep the document that explains what happened. Where the legal classification is genuinely unclear, the right move is to escalate the uncertainty, not to resolve it by reaching for the most religious-sounding description available. That modest discipline keeps myths out of the books, where they would otherwise sit for years looking like contemporaneous evidence of an analysis nobody ever performed.

28. Conclusion

The most accurate account of Nigerian law is neither that churches are taxable nor that churches are exempt. It is that qualifying religious profits and gains of a public character are exempt unless derived from trade or business, and that other taxes and administrative duties continue to apply according to their own provisions.

That formulation will never compete with a slogan for memorability, but it is a great deal more useful than one. It lets a church defend its offerings without extending the shelter to unrelated commerce, and it lets government tax business without taxing belief. Statutory reality, properly understood, is no enemy of religious freedom. It is the discipline that keeps exemption principled, equal and worth having.

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