

HANDBOOK

ON

CIVIL SOCIETY LEGAL FRAMEWORK IN NIGERIA

PRODUCED BY
ORGANIZATION FOR COMMUNITY CIVIC ENGAGEMENT (OCCEN)



AGENTS FOR
CITIZEN-DRIVEN
TRANSFORMATION



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FORWARD

There is growing recognition that stable, transparent and accountable governance can only be achieved when public institutions are willingly accepting the participation of civil society and representative of citizens group in policy formulation and implementation. The OCCEN' project on strengthening civil society participation in public policy decisions in Kano state funded by EU-ACT plays a pivotal role in building CSOs capacity and creating an enabling environment through which citizens and government interact and engage each other on matters of public policy and good governance.

This handbook is intended to provide a quick reference guide to assist CSOs and citizens' understanding of the legal framework governing their field of operations in Nigeria, and enhance their capacity to comply with statutory requirements. The handbook found its inspiration in the issues identified by EU-ACT sector support on Democracy, Rule of Law, Civil Society Migration (this includes- Justice Sector Reforms, Good Governance, Democracy, Electoral Reforms, Anti-Corruption, Human rights, Women's rights, Child's rights, Response to Gender Based Violence, Disability and Inclusion, Mental Health, Response to Organised crime, Response to drug abuse and related crime, Trafficking in Persons).

In presenting this handbook, I wish to express my full appreciation for the unsparing support that EU-ACT extended to OCCEN during the process that led to its development and publication.



Abdulrazaq Alkali
Executive Director

ACRONYMS

ACT	Agents for Citizens-driven Transformation
AML	Anti-Money Laundering
CAMA	Companies and Allied Matters Act
CBO	Community Based Organisation
CBTRs	Cash-Based Transactions Reports
CFT	Combating the Financing Terrorism
CGT	Capital Gains Tax
CITA	Companies Income Tax Act
CLG	Company Limited by Guarantee
CSO	Civil society organisations
CTRs	Currency Transactions Reports
DNFIs	Designated Non-Financial Institutions
EU	European Union
FIRS	Federal Inland Revenue Services
IT	Incorporated Trustees
Ltd/Gte	Limited by Guarantee
MTO	Medium Tax Office
NFIU	Nigerian Financial Intelligence Unit
NGO	Non-governmental organisations
NPO	Not-for-profit/Non-profit making organisations
OCCEN	Organisation for Community Civic Engagement
P.A.Y.E	Pay-as-you-earn
PITA	Personal Income Tax Act
SCUML	Special Control Unit Against Money Laundering
STRs	Suspicious Transaction Reports
TCC	Tax Clearance Certificate
VAT	Value Added Tax

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EXECUTIVE SUMMARY

Civil Society Organisations CSOs are non state actors that neither make nor enforce laws in society yet influence the processes. Governments enact laws that directly or indirectly regulate the operations of CSOs. Some laws are favourable while some threaten the effectiveness of CSOs operation. As law abiding citizens, civil society activists must be conversant with the legal framework that guide their operation.

This book reviews the legal framework for the operation of the CSOs in Nigeria. There are numerous statutory laws in Nigeria that are related to the operation of CSOs but our concern here is on the laws that directly affect the operation of the CSOs on incorporation, mode of operation, taxation, and monitoring.

Therefore, the book is divided into six chapters. Chapter one makes conceptual clarifications, list categorisation and functions of CSOs. Chapter two looks at the legal framework from global perspective and factors such as the aftermath of 11 September that triggered monitoring of CSOs. The chapter closes with the lists of legal frameworks in Nigeria such as company and Allied Matters Act, 2020 and Capital Gain Tax Act 2004.

Chapter three delves more on the two types of CSOs registration; Incorporated Trustees and Company Limited by Guarantee. The meanings, scopes, procedures, differences and similarities of the two are discussed. Other forms of registration at the state and local government levels are presented briefly. Chapter four talks about tax exemption, taxable, non-taxable income and property of the CSOs and the process of registering with the Federal Inland Revenue Services FIRS as well as the submission of the annual tax return.

Second to the last chapter explains money laundering and the statutory acts enacted to control it in Nigeria. Requirements and the procedures for registering with Special Control Unit against Money Laundering (SCUML) are explained. The book closes with a chapter on internal policies and procedures such as human resource policy, communication policy and finance policy.

CHAPTER ONE: CIVIL SOCIETY ORGANISATION



1.1 Introduction

Terms such as Not-for-profit/Non-profit making organisations NPOs, Non-governmental organisations NGOs and Civil society organisations CSOs are used to refer to the associations of volunteered citizens working to protect public and vulnerable interests. For decades, there are contending philosophical and ideological debates about the best concepts for these groups, their scopes, functions and differences.

In development work, international bodies like United Nations UN use NGOs and CSOs interchangeably, therefore, in this book, CSOs which has broader meaning will be used as a general term for third sector organisations that stand between the government and market forces to promote development, protect the right of vulnerable and advocate for proper institutionalization of democratic principles.

1.2 What is a Civil Society Organisation

Civil society is defined as “an interface between the public and private realms of a society; it comprises civic associations with various mandate and agendas that are directed at ensuring a political equilibrium in a society and possibly make the political system reciprocal and mutually beneficial and efficient” in other words, it is defined as “the web of associations that are representative of interests and values existing in a society as long as its constituent units are not controlled by the state”.

Looking at it from the legal perspective in Nigeria, FIRS (2021) defines CSOs as a not-for-profit association of persons incorporated as a company limited by guarantee under PART A of the Companies and Allied Matters Act (CAMA) 2004 or registered under PART C of the Act, or under any other law in force in Nigeria, or registered under the laws of a foreign jurisdiction and approved as such in Nigeria.

Independence from the government in respect to formation and operation and nonprofit goal and are the key features of CSO. Independent and active CSOs emerge when society can be termed as a civic community where civic engagement and civic virtue become the blood and veins of the society. The civic community is always actively participating in everything that affects the common and individual rights to ensure such rights are not compromised by the people assigned to protect them. The most valuable goal is individual freedom and guaranteeing this requires rule of law.

1.3 The Profit of Not-for-profit

It is important to note that the non-profit feature of CSOs does not mean prohibition from engaging in profitable business. CSOs can engage in profitable business such as consultancy, subcontracts and trading BUT the profit realised must be used solely for the advancement of the objects of the CSOs.

1.4 Categories of CSOs

CSOs can be categorised based on the area of jurisdiction, activities, objects and area of specialisation. Understanding this categorisation is very essential as it will help activists remain focused and goal-oriented.

1.4.1 Area of Jurisdiction

CSOs can be categorised into international, continental, national and grass/community-based CSOs. International CSOs are those that work across the countries of the world covering different regions and continents. Continental or regional CSOs target a particular region such as Africa, Asia and Europe. National or federation CSOs cover all or some part of a country while the grassroots or community-based CSOs work within a confined local community.

International and continental CSOs are more formal and influential and well structured in terms of management, operation and funding while the national and grassroots largely depend on the former for capacity building and funding. However, from the perspective of participatory development, national and community-based organisations are more impactful while International and continental CSOs collaborate and support national and grassroots CSOs to implement their projects.

Nevertheless, the emergence of new information technologies has broadened the scope of CSOs by networking like-minded organisations and individuals thus making it easy for the internalisation of the locals and localisation of internationals. Some

local organisations have become very active at the national and global level and the international ones can easily access local communities without intermediaries. With the emergence of virtual offices and meetings, the cost of operation and documentation has been reduced.

1.4.2 Activities

The most common and broader classification of CSOs based on the activities is two: operational and campaigning CSOs. The operational CSOs are the ones that carry physical projects such as building, feeding, funding projects while the campaigning CSOs focus on advocacy for political and social change.

Operational CSOs have to mobilize resources, in the form of financial donations, materials or volunteer labour, to sustain their projects and programs. This process may require quite complex organization.

However, some observers categorised CSOs into social activism and political activism. Social activism focuses on activities that affect the social well-being of people such as health, education and environment while political activism is concerned with state relations and political reform. .

Nevertheless, the boundary between

the two remains blur as some CSOs combine the operational/campaigning activities or political/social activities. For instance, it is possible to find a CSO working on gender violence distributing relief materials to the victim while doing their primary role of protecting the right of the women.

1.4.3 Objects

Every CSO exists to achieve some objectives which are clearly stated in its constitution. These objectives differ from one another. CSOs such as labour unions, trade unions, and professional organisations are primarily formed to protect the interest of their members. Some CSOs exist to protect the interest of vulnerable members of society such as children and women. Other strata of CSOs such as foundations, charitable bodies are formed to provide relief and funds for people with little access to resources. Some are formed for the advancement of research, training, policy, ideology and agendas.

1.4.4 Area of specialisation

The number of problems in every society is enumerable and insoluble by a single entity that is why development actors choose a specific area which they have the technical or financial or political capacity to eliminate or

reduce. Sectors which CSOs can be categorised includes education, health, environment, democracy, agriculture, water. Moreover, there are numerous sub-sectors under each sector, for instance, under democracy there are good governance, justice, freedom of expression, political participation, corruption, election and votes right, human right, accountability to mention but a few.

1.5. Functions of CSOs

CSOs exist as the third sector to checkmate the activities of the first sector (government) and second sector (private institutions) and also provide services and materials the other sectors failed to provide for the betterment of society. CSOs normally exist under democratic states yet they do exist in non-democratic states and have played a critical role in the institutionalisation of the democratic system of government in authoritarian states across the globe. Through campaigns and advocacy, they create awareness about the need for social and political change in various sectors of life.

CSOs use the carrot and stick approach in their relationship with government and private sectors. That is, they can be protagonists supporting the government to achieve a certain goal without compromising the public

interest. Moreover, CSOs can play their classic antagonism role when the government or private sectors trampled on the rights of common and vulnerable citizens to serve their selfish interests. Protest, criticism through media, demonstrations and court actions are some of the antagonistic tools of bringing back government and private sectors into their sense. The violent response to the antagonistic role of CSOs by governments and private include regulation, attack, harassment, cutting off funds and many more.

CHAPTER TWO: LEGAL FRAMEWORK FOR CSOs



2.1 Overview Of Legal Framework For CSOs

CSO Legal framework is a set of laws and acts of parliament that guide and regulate the operation of CSOs. The argument about whether CSO should be regulated or not remain unresolved. The CSOs legal framework is mostly about the formation, registration and re-registration of the domestic and foreign CSOs, screening of foreign donors and management of the fund.

The practice of social and political activism in high and low democratic countries differ due to the availability of legal and operational frameworks that support the practice. In high democratic countries like the US, CSOs are registered for the sake of tax exemption while in low democratic countries and authoritarian states, legal frameworks are developed to suppress the activities of CSO. A good example is the Ethiopian Charities and Societies Proclamation, 2009, which was signed to reduce the influence of foreign CSOs.

Moreover, the aftermath of Sep. 11 made many countries including high democratic countries to enact laws that monitor the activities of CSOs as a measure of tackling the activities of terrorists. Many countries adopted Anti-Money Laundering (AML) and Combating the Financing Terrorism (CFT) acts which require checkmating the finance and operation of CSOs.

2.2 Laws that guide CSOs operation in Nigeria

CSOs are governed by statutory laws at the national, state and local government level. At the national level, Nigeria does not have a centralised law that guides the operation of CSOs. An attempt was made to enact the NGO Bill which was meant to establish a body responsible for the supervision, coordination and monitoring of CSOs in Nigeria, to enable them to accomplish their various missions transparently and be accountable for their operations.

The Nigeria constitution is the primary

document that empowers Nigerians to form and participate in association. Section 40 of the 1999 Constitution says: Every person shall be entitled to assembly freely and associate with other persons, and in particular he may form or belong to any political party, trade union or any association for the protection of his interests.

The second notable legal framework is the Company and Allied Matters Act (CAMA) 2020. CAMA 2020 under parts A and C explains the types of registration for non-profit organisations and provides a guide for operation. CSOs can register as Incorporated Trustees (IT) or Company Limited by Guarantee (CLG). Some argued that CAMA does not suit the legal framework for CSOs and Charities.

The Companies Income Tax Act (CITA) 2007, The Personal Income Tax Act (PITA) 2004 Tax and Levies (Approved List for Collection) Decree No.21, 1998, Value Added Tax 2007, Capital Gains Tax Act, Cap C1 LFN 2004 (as amended) and Finance Act 2020 formed part of CSOs legal framework in respect to tax exemption and payment. See chapter 4.

Other acts related to CSOs legal operation in Nigeria are Money Laundering Act and Combating the

Financing Terrorism Act Act 2004 which were amended in 2011. These acts are part of the global community effort to combat money laundering and terrorism. Detail under chapter 5.

Various laws at the state and local government levels govern the operation of CSOs in Nigeria. In some states, the ministry of commerce, ministry of youth (or its equivalent), Ministry of Rural Development and Community Development Department at the local government level are saddled with the registration of CSOs such as trade unions, cooperative societies, youth clubs, community development association etc.

However, it should be noted some institutions like Federal Inland Revenue Service do not accept state and local government registration. Activists should search for laws in their location of operation. This handbook focuses on registration at the national level.

CHAPTER THREE: REGISTRATION OF CSO



3.1 Corporate Affair Commission (CAC) Registration

CAC was established by the Company and Allied Matter Act to administer the Act, including the regulation and supervision of the formation, incorporation, management and winding up of companies and Incorporated Trustee. Two forms of registrations are available for CSOs under the CAMA 2020. Incorporated Trustees (IT) and Company Limited by Guarantee (CLG). Incorporated Trustee is popular and more suitable for the larger share of CSOs. However, CAC is now pushing CSOs to register as CLG instead of IT. The name(s) and objects submitted during the application for the name reservation consent are used by CAC to determine the suitability of CSO to register as IT or CLG. Any proposed name or objects that indicate the possibility of using the CSO for profit-related activities such as research, consultancy, training etc may likely be rejected as IT.

3.2 Incorporated Trustees

Incorporated trustees is a not-for-profit body established for the promotion of religious, educational, literary, scientific, social, development, cultural, sporting or charitable activities. A CSO whose objects do not involve any form of profitable business (such as consultancy, research) can apply for IT through two or more trustees appointed by members during a meeting.

It is argued that there is no statutory provision that prevents IT from doing business directly or through a for-profit subsidiary. However, CAC does not register any name or objects that indicate economic activity.

3.3 Who is a trustee

A trustee is a person trusted by members of the association to hold, acquire, manage and dispose of the income and property of the association for the advancement of the objects of the association. Trustees of CSO shall be people of integrity with good

records of humanitarian services and skills. To avoid public disgrace during public notice, CSO shall ensure internal screening of its trustees before submission for the registration.

Trustees are registered as a corporate body (that is they have the right to sue and be sued). Section 826 (1) A person shall not be qualified to be appointed or act as a trustee if—

- (a) he is an infant ;
- (b) he is a person of unsound mind having been so found by a court ;
- (c) he is an undischarged bankrupt; or
- (d) he has been convicted of an offence involving fraud or dishonesty within five years of his proposed appointment.

IT does not fold with the absence or death of an individual.

3.4 Registration Requirement for IT

1. Proposed Name (s): One or two names are required for the registration. It is very important to consider objects before coming up with proposed names. It helps a lot if the name reflects the objects and the area of specialization. The following names are good examples;

[Organisation for Community Civic Engagement \(OCCEN\)](#), [Civil Society Legislative Advocacy Centre \(CISLAC\)](#), [Centre for Awareness on Justice and](#)

[Accountability \(CAJA\)](#).

To minimize rejection from CAC, terms like research centre, training centre, institute, and consultancy shall be avoided. CAC is empowered to reject any name whose in its opinion deems misleading or would violate or conflict with any existing name, objectionable, offensive, or capable of undermining public peace and national security.

2. Objects: Aims and objectives of the association are sets of goals that the association want to advance through operational or campaigning activities. The objects shall explain everything in a precise manner because pursuing something outside the objects is acting ultra vires (beyond the legal power). An object that signifies business or trading shall be avoided as it can be rejected by CAC. For example; to promote and encourage **research** in peacebuilding in Nigeria.

3.Detail of trustee

a. Name (surname, first name, other names), b. Date of birth, c. Gender, d. Nationality e. Phone number, f. Email, g. Occupation, g. Address (state, LGA, town, postal code, street and house number) h. Means of identity, I. Position (chairman, secretary, indicate if the secretary is not part of trustees).

Providing false information is an offence liable on conviction to imprisonment for one year or to a fine as the Court deems fit.

4. Details of the Secretary (if not part of the trustees)

5. Constitution

The constitution shall include the name of the association, objects, provision in respect of appointment, powers, duties, tenure of office and replacement of the trustees, meetings, use of common seal and provision in respect of the governing bodies.

8. Public Notice/Advertisement

After passing the scrutiny of the CAC, the applicant shall notify the public about the existence of the CSO and call for objection that shall be submitted to CAC within 28 days of the publication. The publication shall be made in two newspapers; national daily and any daily newspapers circulating in the area where the association is to be situated.

in the absence of any objection, CAC shall present a certificate of registration to the promoters. If the need for the alteration or changes in the name, trustees, or object arises, an application shall be filled online.

3.4 Important Issues

Income and property generated under the platform of an IT (CSO) shall be used for the advancement of the objects ONLY as enshrined in its constitution. Members shall not be given any portion of the income or property as profit or dividend but they are entitled to payment in return for service rendered. However, except for ex-officio members of the governing council, no member of a council or governing body shall be appointed to any salaried office of the body or any office of the body paid by fees.

To ensure transference, a CSO must have an accurate accounting record of its day to day income and expenses and it shall be managed professionally for presentation to external bodies such as Special Control Unit Against Money Laundering SCUML and Nigerian Financial Intelligence Unit (NFIU), Federal Inland Revenue Services FIRS etc and preserved for at least 6 years. Similarly, a CSO shall submit an annual return and Bi-annual statement of affairs to CAC. The annual return shall be filed not earlier than 30th June or later than 31st December each year (other than the year in which it is incorporated).

In a situation where there is mismanagement of funds, misconduct, fraud or conflict that can affect the public interest, CAC has the power to suspend the trustees of an association and appoint an interim manager or managers to manage the affairs of an association.

Moreover, a CSO can be dissolved by the CAC based on the reasonable request from the governing council, or one or more trustees or 50% of its members. The remaining income and property of the dissolved CSO shall not be given to any member rather it will be given to any CGO that shares a similar object with the dissolved body or any charitable activity.

3.5 Company Limited by Guarantee

Company Limited by Guarantee (CLG) also known as social enterprises is another form of registration that can suit the name and object of some CSOs. CLG is a company that involves in business and trading with the sole aim of the promotion of commerce, art, science, religion, sports, culture, education, research, charity or other similar objects. Any profit released under this corporate body shall not be transferred directly or indirectly to members.

In place of trustees, incorporated members of CLG are known as Guarantors. The liability of the guarantor is limited to the amount guaranteed which cannot be less than N100,000, meaning that they cannot be held personally liable for the debts of the company.

Whereas IT depend solely on donation, endowments and grants as a source of income, CLG uses profit-oriented strategies to acquire profit which will be used solely to promote the social well-being of the people. The Guarantors of CLG can use their skills to offer services such as training, facilitation, research work, writing, publication, and other forms of business to generate revenue. Besides this, they can seek donations and grants.

3.6 Registration Requirement for CLG

The first step to register a company limited by guarantee is the application for the consent of the Attorney General of the Federation (AGF). The AGF shall respond to the application within 30 days. if AGF fails to respond within the 30 days and without any justifiable reason, the applicants shall place an advertisement in three national daily newspapers, and invite objections, in

the absence of reasonable objection, CAC shall process the application. The process is made easier now as it is filed online. Here is the information required:

1) Proposed Name

The name of a company limited by guarantee shall end with the words, “Limited by Guarantee” or “Ltd/Gte”

2) Entity details

a. Classification of principal business activity (foundation), b. Principal Activity Description, c. Email, d. Company Registered Address (state, LGA, town, House Number/Building Name, Street Name), e. Head Office Address (if different from the registered office)

3) Details of Directors

b. Name (surname, first name, other names), b. Date of birth, c. Gender, d. Nationality e. Phone number, f. Email, g. Occupation, g. Address (state, LGA, town, postal code, street and house number) h. Means of identity, I. Position (chairman, secretary, indicate if the secretary is not part of trustees).

4) Article of Association

Article of association explains the rule and regulations governing the association such as decision-making process, meetings, the appointment of directors, membership, administrative

arrangements etc. CAC has made a draft of the article which can be edited and adopted. It is available online and can be accessed during the registration.

One person shall witness the signing of the article by the guarantors. This is done online and the witness shall provide this information: a. Name (surname, first name and other names), b. Contact details (phone, email or occupation) c. Address (state, LGA, town, House Number/Building Name, Street Name).

5) Object of memorandum

The Object of the memorandum explains the nature of the activities which the association promotes. It shall explain clearly the prohibition of sharing of the profit among members. Unlike in IT, the objects here can signify business and trading-related activities.

6) Directors/secretary

a. Name (surname, first name, other names), b. Date of birth, c. Gender, d. Nationality, e. Phone number, f. Email, g. Occupation, h. Address (state, LGA, town, postal code, street and house number) I. Means of identity

3.7 Differences between IT and CLG

1. Registered members of IT are known as trustees while CLG members are known as guarantors

2. CLG can partake in profit-oriented business which is discouraged for IT.

3. IT registration requires newspaper publication while CLG does not require such (unless where the AGF fails to respond as explained above).

4. IT uses constitution while CLG uses article of association and memorandum of association

5. Registration of CLG requires the consent of the Attorney General of the Federation AGF whereas IT does not require such.

6. CLG has more taxable income and property compared to IT.

3.8 Similarities between IT and CLG

1. IT and CLG are not-for-profit corporate entities.

2. Both income and property of the IT and CLG must be used solely for the promotion of the registered objects of the bodies.

3. The income and property of the IT and CLG generated through profitable business are taxable.

4. Upon winding up, the income and property remaining after the settlement of debt are transferred to a similar body(ies) with related objects.

5. No portion of the income or proper shall be transferred directly or indirectly to the members at the time of winding up.

CHAPTER FOUR: CSOs AND TAX



4.1 Introduction

Institutions of public character are mostly exempted from paying the tax due to their selfless contribution to the general of the society especially the vulnerable members. Section 105 of CITA as amended under the Finance Act 2020 defines Public Character as an organization or institution registered with relevant laws in Nigeria and does not distribute or share its profit in any manner members or promoters.

4.2 Tax Exemption for CSOs in Nigeria

Considering their selfless services to humanity, government grants tax exemption to CSO to motivate them. Basically, there are five laws on tax in Nigeria which activists need to know. The laws are Tax and Levies (Approved List for Collection) Decree No.21, 1998, Companies Income Tax Act (CITA) 2007, Personal Income Tax Act (PITA) 2004, Value Added Tax Act 2004 and Capital Gains Tax Act, Cap C1 LFN 2004 (as amended).

The exemption was provided under section 23(1)(c) of the Companies Income Tax Act[1] (“CITA”), section 26(1)(a) of the Capital Gains Tax Act[2] (“CGTA”), and section 19(1) and paragraphs 1 and 13 of the Third Schedule to the Personal Income Tax Act[3] (“PITA”).

CSOs engaged in ecclesiastical, charitable or educational activities of a public character are exempted from paying tax in so far as such profits are not derived from a trade or business. Examples of income covered under the exemption include subscription fees by members, donations, grants, zakat, offerings, tithes, funds realised from launchings.

Moreover, Value Added Tax is zero on goods purchased by CSOs for development projects alone, not for consumption. However, services procured are charged at 5%.

A company that donated not more than 10% of its profit to enlisted CSOs shall enjoy tax relief for that year. The enlisted CSOs are categorised under

the Fifth Schedule of CITA. A CSO can apply for enlistment to the Minister of Finance through the Federal Inland Revenue Service.

Not-for-profit companies, such as social enterprises and foundations engaging in economic or commercial activities, may apply to the president of Nigeria for an order to exempt them from taxation on their income or profits, no matter what the source.

4.3 Taxable Income and Property

Business and trade such as contracts, consultancy, professional services and investment income such as interest, rent, royalty, dividend or profit derived from the sales of a capital asset are taxable. Consequently, the payer of the above income shall deduct withholding tax. In *Rev. Shodipe & Ors. v. Federal Board of Inland Revenue*, the court ruled that rent from the property (Wesley House) developed by a development company established by a charitable organization were taxable.

4.4 List of Taxes for CSOs

In a nutshell, here is the list of taxes for CSOs.

1. Pay-as-you-earn (P.A.Y.E) tax is a tax deducted from the salary or wages of employers from the source. The rate of the tax ranges

from 7% to 24%, depending on the amount of chargeable income. Individuals are subject to a minimum tax of 1% of gross income where the income is less than N300,000 per annum.

2. Value Added Tax (VAT) is a consumption tax paid when goods are purchased and services rendered. It is charged at 7.5%. CSOs pay VAT on goods and services consumed except those purchased exclusively for its humanitarian donor-funded projects or activities;
3. Withholding Tax (WHT) is deducted from the payment of contractors or suppliers. It is deducted at varying rates ranging from 5% to 10% depending on the transaction.
4. Capital Gains Tax (CGT) is a tax deducted from the profit realised from the sale or exchange of capital assets like land shares, machinery. CGT is charged at a flat rate of 10%.
5. Local taxes and fees such as parking or garbage collection levies.
6. Income tax on passive income such as dividends, rent, royalties, interests, investment income.

4.5 FIRS Registration

To enjoy the privilege of tax exemption, a CSO must register with the nearest Federal Inland Revenue Services (FIRS) Medium Tax Office (MTO). The tax office is responsible for all tax-related issues such as registration, issuance of tax clarification and Tax Clearance Certificate (TCC).

The MTO offices are located at the six political zones of Nigeria:

- a. Lagos State, MTO Lagos Island; and
- b. North-Central geopolitical region of Nigeria and FCT, MTO Abuja.
- c. North-East and North-West geopolitical region of Nigeria, MTO Kano;
- d. South-East geo-political region of Nigeria, MTO Enugu;
- e. South-South geo-political region of Nigeria, MTO Port Harcourt;
- f. South-West geopolitical region of Nigeria, MTO Ibadan;

4.6 Registration requirement

- 1) A copy of registration certificate issued by Corporate Affairs Commission(CAC) in Nigeria or other instruments of incorporation issued to foreign NGOs;
- 2) Certified copy of Memorandum or Constitution, Rules and Regulations governing the NGO;

- 3) List and Profiles of the Trustees/Board Members nominated;
- 4) Copy of the current Tax Clearance Certificate (TCC) of each of the Trustees; and
- 5) Financial statements from the inception of operation.

Tax Return Submission

Section 55 (1) CITA 2007 makes it compulsory for every corporate body (CSOs included) to file a self-assessment return with the registered tax office annually.

CHAPTER FOUR: SCUML REGISTRATION

5

5.1 Introduction

The term “Money Laundering” was firstly used in 1973 during the Watergate Scandal. It simply means the act of hiding the illegal origin of illicit gains by using the cover of legitimate business or process. Criminal organisations and individuals such as drug traffickers, terrorists, bad politicians employed this tactic to convert their evil money to legitimate gains.

Money laundering is an international problem that was why in 2001 Financial Action Task Force (FATF) made special recommendations to deal with the issue of financing terrorism and other criminal acts. Nigeria adopted the recommendations and enacted the Money Laundering (Prohibition) Act, and Terrorism (prevention) Act 2004 which were amended in 2011. Special Control Unit Against Money Laundering SCUML and Nigerian Financial Intelligence Unit (NFIU) was established as the regulatory framework for Anti-Money Laundering (AML) and Combating the Financing Terrorism

(CFT) in Nigeria.

5.2 About SCUML

SCUML is a unit domiciled under the Economic and Financial Crime Commission (EFCC). It was established in 2005 as an anti-money laundering unit with the responsibility of monitoring, supervising and regulating the activities of Designated Non-Financial Institutions (DNFIs). Non-Governmental Organisations are among the list of Designated Non-Financial Institutions (DNFIs).

Part of the functions of the SCUML are; registration, certification, sensitisation, monitoring and supervision, collection of statutory reports of the DNFIs and taking necessary enforcement actions to ensure compliance with the Anti-Money Laundering / CFT Laws and Regulations.

5.3 SCUML Registration Procedures

The SCUML registration was made easy as it can be made online free of charge. CSO is expected to apply for

registration within the first quarter of its operation. The form is available at <https://scuml.org/registration2/>. In addition to the required documents mentioned below, Tax Identification Number (TIN), Bank Verification Number (BVN), Account Number of the CSO and a means of identification are required. Note that banks can issue an account number but it will not be fully functional without a SCUML certificate. The required documents below should be scanned and uploaded to the website. Below is the list of the registration requirements:

1. Certificate of incorporation/ registration
2. Incorporation of Trustees OR CAC7
3. Constitution (IT) OR Memorandum & Article of Association (CLG)
4. Evidence of Registration with National Planning Commission (NPC) (international CSOs)
5. Organisational Profile (international CSOs)
6. Copies of valid Identification of at least 3 executive members (CSOs with state registration).

5.4 Reporting Financial Transaction

Besides the registration, the AML/CTF laws required CSOs to carry out the following statutory obligations:

1. To make Currency Transactions

Reports (CTRs) to SCUML of any single transaction, lodgment or transfer of funds above N5,000,000 or its equivalent in the case of an individual or N10,000,000 in the of body corporate within 7 days from the date of transaction via SCUML online reporting platform on the SCUML Website: www.scuml.org ·

2. To make Cash-Based Transactions Reports (CBTRs) to SCUML on any single transaction above \$1,000 or its equivalent within 7 days from the date of transaction via SCUML online reporting platform on the SCUML Website: www.scuml.org
3. Suspicious Transaction Reports (STRs) which is a transaction in which a CSO suspects that it may involve proceeds of any of the offences specified in the Money Laundering (Prohibition) Act 2011 as amended, regardless of the value involved. This report is sent directly to Nigeria Financial Intelligence Unit (NFIU)

CSO should provide a compliance officer who shall be from the managerial cadre. SCUML has to train and guide compliance officers on how to prepare and submit reports.

CHAPTER SIX: INTERNAL POLICIES AND PROCEDURES



6.1 Introduction

For effective management and operation, CSOs need an internally developed set of values, rules, and procedures that will serve as a directory for their actions and inactions. Internal policies and procedures document is an internal legal framework that an organisation stands for and employees (permanent and casual) and partners uphold while working with the organisation.

An internal policy of a CSO shall be in tandem with the existing laws of Nigeria. For instance, an internal policy shall not violate laws that guide employment in Nigeria such as the Nigerian Labour Act, the Pensions Act, the Industrial Training Act, Employee Compensation Act, Trade Unions Act.

6.2 What is internal policies and procedures

Internal policies and procedures also known as organisational policies are operational documents approved by

the board of trustees or management to guide the activities and engagements of the CSO. The document explains the time for reviewing the policies and procedures. Internal policies and procedures are designed based on the objects of an organisation and other details enshrine in the constitution or article of association and memorandum of association.

6.3 Types of Internal Policy

Internal policies and procedures varied due to the purpose of their creation. Some policies and procedures such as human resources, finance, communication are general and explain virtually all aspects of organisational. However, some organisations choose to treat certain areas of concern individually.

6.3.1 Human Resource Policy

Human resource policy also known as personnel policy is the most common internal policy and procedure. It explains everything on how personnel

shall join and exit the organisation, expected duties and behaviour, rights and privileges. Human Resource policy provides details on employment criteria and procedures, conditions of employment, organisational chart, roles and functions, remuneration, penalties, human development, performance appraisal and reward, holidays, official travel entitlements, safety and termination of job or contract.

6.3.2 Communication Policy

Some organisations call it information technology and communication policy while some have specific policies on social media policy, interpersonal communication policy, internet policy etc. Communication policy ensures effective communication among staff and the external public. The aim is to minimize cost, misunderstanding and liabilities that may arise from the misapplication of information technology tools. The major component includes workplace communication, employee internal communication, external and social media communication, electronic and wireless etc.

6.3.1 Finance Policy

Finance policy sets to safeguard the income and property of CSOs by conforming to the standard financial management principles. Finance policy includes; cash receipt procedures, cash disbursement, reconciliations, petty cash fund, procurement, fixed asset management, payroll, financial reporting, grant compliance and financial reporting. Other forms of policies include gender policy, transport policy, procurement policy, vehicle policy, health and safety policy, information technology policy, hazard policy, procurement policy.

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