



African Tax Administration Paper 15

Small Business Owners and Corporate Tax Responsibility in Nigeria: An Exploratory Study

Kenneth Amaeshi, Bongo Adi and Godson Ikiebey

September 2019

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Summary

This study explores how small business owners talk about their tax responsibility, especially in non-enabling institutional contexts. It identifies two main types of tax responsibility discourses amongst these business owners: (1) duty-based and (2) rights-based. The duty-based talks see taxation primarily as the citizens' responsibility to governments, which should always be fulfilled unconditionally, while rights-based talks see taxation primarily as the government's responsibility to citizens, which should be fulfilled first, in order for the government to earn the trust of citizens for higher tax compliance. Further analyses reveal that these talks are anchored on four common discursive themes – i.e. socio-economic development, legal, moral, and philanthropic themes, which business owners respond to in different ways. The paper argues that understanding these diverse responses will help tax regulators respond to taxpayers' attitudes effectively.

Keywords: tax responsibility, small business owners' social responsibility, weak institutional contexts.

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Acronyms

CIT	Company income tax
CSR	Corporate social responsibility
CTR	Corporate tax responsibility
GDP	Gross domestic product
MDAs	Ministries, departments and agencies
MNC	Multinational corporation
PIT	Personal income tax
SBSR	Small business social responsibility
SDGs	Sustainable Development Goals
SME	Small and medium enterprises
VAT	Value added tax

Introduction

Corporate tax responsibility (CTR), an aspect of corporate social responsibility (CSR), has become prominent in recent times following corporate tax scandals and the growing emphasis on tax avoidance and evasion by large firms who can afford to do so at the expense of society (Bird and Davis-Nozemack 2018). The Panama Papers, which ‘...show the myriad ways in which the rich can exploit secretive offshore tax regimes’ (Harding 2016), remain one of the quintessential dark revelations of tax avoidance and evasion in recent times. Embedded in this prevalent tax responsibility discourse is the problematisation of taxation and tax compliance as moral challenges (Whait, Christ, Ortas, and Burritt 2018), which fits the contemporary growing demand for CSR and responsible business practices – i.e. the voluntary decisions of firms to create positive externalities (Crouch 2006) and do no harm (Campbell 2007). However, leadership plays a critical role in the achievement of responsible practices (including tax compliance) in organisations. Hence, the growing call for responsible and ethical leadership across economic, political, and social spheres. As such, tax non-compliance is frowned at as a social harm (Sikka 2010), while tax compliance is seen as an expected responsibility of firms to demonstrate their contributions to society (Jenkins and Newell 2013; Preuss 2012). This applies to both large and small firms.

Small businesses are critical in most societies. They “...make up over 90 per cent of businesses worldwide and account for between 50 and 60 per cent of employment, making them very important in the development process” (Raynard and Forstater 2002, cited in Amaeshi, Adegbite, Ogbechie, Idemudia, Kan, Issa and Anakwue 2016: 387). They also hold great potential for tax revenues. As such, the ownership and leadership of these organisations, and especially what they think of their tax responsibilities, matter. However, the literature on small businesses and taxation has often failed to problematise it as a responsible ownership/leadership agenda. The emphasis has rather been on the economic and administrative factors that either mitigate against small businesses’ tax compliance or their ability to pay tax, or those that enable them, such as technical difficulties, multiple taxation, tax administration burden etc. (Ali, Fjeldstad, and Sjursen 2014). The other approach to corporate taxation, CSR, and tax compliance is the assumption of taxation occurring within a strong institutional context, where the formal and informal governance mechanisms are robust enough to curtail corporate excesses. This is typical of studies in and from developed economies and markets (e.g. Sikka 2010). Where the emphasis is on developing economies, it is usually in relation to how businesses – especially the multinational corporations (MNCs) – take advantage of such contexts either for aggressive tax avoidance or pure tax evasion (e.g. Muller and Kolk 2015; West 2017).

While acknowledging the relevance of these previous areas of enquiry, we extend the literature by exploring how small business owners frame their tax responsibilities and the possible implications of these frames, especially in weak institutional contexts like Nigeria. We draw loosely from the social anthropological tradition that recognises frames as strategic language resources with real life impacts and implications (Larsen 2018; Boll 2014), as well as Carroll’s CSR framework (1979), to interpret how business owners talk about their tax responsibility. Based on an extensive engagement with small business owners in Nigeria, we found that they frame their tax obligations along economic, legal, ethical, and philanthropic responsibilities. This finding is in line with Carroll’s postulations. However, they differ on how they make sense of this responsibility depending on their attitudes towards tax.

The paper starts with an overview of taxation, small business owners and tax responsibility in Nigeria. It then explores the empirical context of the study, presents the methodology, and then the findings. It finally discusses these findings, their links to the extant literature and areas for further research.

1 Taxation, small business owners, and tax responsibility in Nigeria: an overview

The structures and foundation for a tax-paying democracy were duly established during the colonial period. The preponderance of natural resources, the arrival of the oil economy and its attendant Dutch disease,¹ and the fiscal regime imposed at the end of the Nigeria civil war in 1973, arguably, dismantled the foundation laid during the colonial era to create a rentier state (Duggan 2009). Until the recent crash of the natural resources economy, the Nigerian government did not draw the bulk of its revenues from economic activities in the country and therefore had no incentives to grow the non-oil sector (Guyer 1992; Meagher 2018). The government's interest was rather on devising new ways of redistributing oil rents, which included expanding the army as well as the civil service and public works, as employment programmes, and also as ways to distribute favours, consolidate power, and exert total control over oil revenues. Such a neopatrimonial system did not offer citizens incentives to demand accountability and transparency from the government nor 'the incentive to pay taxes to a corrupt government flush with oil money' (Duggan 2009: 5). As the Governor of the Central Bank of Nigeria put it in 2007, 'the umbilical cord that ties government and the private sector in most economies... got broken... government in Nigeria did not need the private sector for revenue, and because of government's expansive nature, it depended very little on the private sector for job-creation'.² Obafemi Awolowo, one of the architects of Nigeria's independence, had warned about this dilemma the country faced:

...there is that broad, smooth road, with promises of no-taxation, and efforts to get money from other places, leading nowhere but to perdition, poverty, disease and economic enslavement; and there is the other road – people who go therein pay tax. They also have to apply self-help and self-sacrifice to get where they want. But this road... leads to success. (Awolowo 1954)³

It is clear that Nigeria has travelled on the former road for much of its history until its precariousness and unsustainability forced the current rethink. There is no doubt that the government's ability to mobilise revenue, especially non-oil tax revenue in the case of Nigeria, since the unreliability of oil revenue has become apparent, is critical for public goods provisioning to meet the Sustainable Development Goals (SDGs). This is even more imperative given the growing demand for public goods, huge infrastructure deficits – amounting to about US\$10 billion per year – aid fatigue, population pressure and high rates of urbanisation.

Nigeria's tax structure is composed of import and excise duties, education tax and customs levies, federal government independent revenue, states and local government independent revenue, company income tax (CIT), and value added tax (VAT). Amongst these, CIT makes the largest contribution to total non-oil revenue and if we add education tax and VAT, we obtain a corporate tax level that holds the potential for expanding government revenue (Oana 2018). For Nigeria's government to provide the enabling infrastructural anchors to lift its economy from its current low levels, where population growth dwarfs the economic growth rate at 3.3 per cent and 2.0 per cent respectively (IMF 2018), there is no question that

¹ This refers to the dwindling of other sectors of the economy in response to a large influx of income from a natural resource, which invariably affects the economy negatively in the long term. Onder, H. (2014) 'How to Avoid the Dutch Disease', World Economic Forum, 13 Oct, <https://www.weforum.org/agenda/2014/11/how-to-avoid-the-dutch-disease/>

² Adi, B. (2019) 'A Delicate Fiscal Balance', *Business Day*, 8 May, <https://businessday.ng/columnist/article/a-delicate-fiscal-balance/>

³ Speech by Chief Obafemi Awolowo on the floor of the House of Representative, Lagos in 1954. Quoted by Babatunde Fashola, in his presentation of the year 2008 Lagos State budget, 'The Great Leap' on 17 December 2007 at the Lagos State House of Assembly, Ikeja.

internal revenue mobilisation through tax is imperative. Recent research points in the direction of a tax capacity and growth threshold where a minimum tax-to-GDP (gross domestic product) ratio of 12.75 per cent is correlated with growth and development acceleration and also induces tax citizenship (Gaspar, Jaramillo and Wingender 2016). Beyond revenue mobilisation, taxation consolidates the social contract between the government and citizens where the government provides services and citizens pay taxes – revenue for services provided (Meagher 2018; Guyer 1992). It is estimated that given Nigeria’s current economic structure and per capita income levels, a non-oil tax capacity of 16 to 18 per cent is optimal (Fenochietto and Carola 2013; IMF 2017). This implies that opportunity exists for an additional tax take of 12 per cent of GDP.

In the bid to expand the tax base and improve its fiscal position, the government of Nigeria embarked on a number of administrative improvements in the past three years. These activities include the deployment of ICT solutions such as online portals for assessment and payment of stamp duties (e-stamp), the electronic processing of tax clearance certificates (e-TCC), the automation of withholding tax remittances by ministries, departments and agencies (MDAs) and the Integrated Tax Administration System (ITAS) project, amongst other measures. It also introduced the Voluntary Assets and Income Declaration Scheme (VAIDS) in 2017 as a significant tax policy thrust. VAIDS was a time-limited initiative that allowed taxpayers to regularise their tax status relating to the six previous years’ tax assessment periods. In exchange for full declaration of previously undisclosed assets and income, taxpayers are forgiven overdue interest and penalties and receive assurance of immunity from criminal prosecution for tax offences and from tax investigations. Implemented by the national tax agency Federal Inland Revenue Service (FIRS) in collaboration with all States Internal Revenue Services (SIRS) including the FCT (Federal Capital Territory), the scheme commenced on 1 July 2017 and ran for a nine-month period until 31 March 2018. It was expected to generate up to US\$1 billion in tax revenue. VAIDS covers all federal and state taxes, including company income tax, personal income tax (PIT), petroleum profits tax, capital gains tax, withholding tax, stamp duties, and tertiary education tax and technology tax (NITDA – Nigerian Information Technology Development Agency – levy).

However, despite these new initiatives to improve the tax base and increase collection, tax compliance has remained extremely low. Over 530,000 new corporate registrations were made during the first quarter of 2016, representing a 67 per cent increase. However, this did not translate to increased tax revenue for the government (IMF 2018). Only about 35 per cent of registered corporations from the Corporate Affairs Commission – the bureau responsible for registering new businesses – could be linked to any sort of data available to the Federal Inland Revenue Services (Oana 2018). Only about 5 per cent of registered businesses filed VAT returns in 2016, which suggests an active taxpayer pool of just 5 per cent. For company income tax, which represents the bulk of the country’s non-oil tax, only 5.6 per cent of registered entities filed returns in 2016. For personal income tax the rate is just 2 per cent – see table below.

Table 1 Nigeria: registered taxpayers (2016)

Type of tax	No. of registered taxpayers	No. of active taxpayers	Per cent active
PIT	761,057	14,823	1.95
CIT	1,003,010	56,329	5.62
VAT	1,505,831	77,082	5.12

Source: International Survey on Revenue Administration (ISORA).

The recession of 2015 to 2017 forced the awakening that the only way for the country to avert volatile revenue and procyclical fiscal fortunes was to wean the revenue away from the export of a single natural resource. Fjeldstad (2014) and others link an effective tax system to sustainable development in its ability to mobilise the domestic revenue base as a key mechanism to escape from aid or dependence on a single natural resource. This informed

the new policy thrust released by the government in 2017, tagged the Economic Recovery and Growth Plan (ERGP), which purposes to raise the non-oil revenue to GDP ratio from its current 5.5 per cent to about 15 per cent through a series of tax administration initiatives centring on improving compliance and broadening the tax net.

Although it is difficult to isolate the actual tax contribution of small businesses from the data presented, the significance of small businesses in Nigeria cannot be overemphasised. According to PwC (2019),⁴ small businesses in Nigeria: ‘...contribute 48 per cent of national GDP, account for 96 per cent of businesses and 84 per cent of employment.... with a total number of about 17.4 million, they account for about 50 per cent of industrial jobs and nearly 90 per cent of the manufacturing sector, in terms of number of enterprises’. So, it is critical to understand how small business owners interpret their tax responsibility and the implications of these interpretations on their tax compliance.

The tension between tax compliance and non-compliance is at the heart of the tax responsibility debate, as an expression of corporate social responsibility (Whait *et al.* 2018), because corporations (large and small) are seen as citizens with rights and responsibilities including paying their fair share of tax (Crane, McWilliams, Matten, Moon, and Siegel 2008). This understanding of firms as citizens and social institutions has also informed the extensive literature on why corporations pay or avoid taxes in different countries (e.g. Muller and Kolk 2015; Dietsch 2011; Alm and Torgler 2011). According to Dietsch (2011), corporations have a dual responsibility to ensure that they pay their fair share of taxes as well as not undermining their fiscal responsibilities to third parties.

While CSR scholarship in Africa has burgeoned – especially as it relates to such issues as community relations (Muthuri, Moon and Chapple 2009; Idemudia 2014), philanthropy (Amaeshi, Adi, Ogbechie, and Amao 2006), institutional work (Amaeshi, Adegbite, Ogbechie, Idemudia, Kan, Issa and Anakwue 2016), environmental pollution (Yusuf and Omoteso 2015) and environmental attitude (Okereke, Vincent and Mordi 2018), conflict (Kolk and Lenfant 2009) etc. – very little is known about CSR and taxation in Africa, especially amongst small businesses. This is the obvious gap in the literature this paper seeks to fill by focusing on tax responsibility in Nigeria.

From all indications, poor corporate tax compliance appears to be the biggest impediment to revenue mobilisation in Nigeria (Bodea and Lebas 2014). Yet the demand on firms to be socially responsible is on the increase. Given this scenario, this paper explores how small business owners in Nigeria make sense of their tax responsibility, as a form of social responsibility, and the implications of that for tax compliance in a weak institutional context (Amaeshi, Adegbite and Rajwani 2016). The study is guided by this key question: *How do small business owners in Nigeria make sense of their tax responsibilities and what are the implications of this for tax regulation and governance?*

2 Methodology

Based on the purpose of the study, which focuses on in-depth understanding of small business owners’ perception of their tax responsibility in a weak institutional context such as Nigeria, we adopted a qualitative design. With this approach, taxpayers were able to tell their stories and relate to their experiences. The data for this study was generated from a mixture of focus group discussions, interviews, and online chats with participants across Nigeria. Please see the table and map below for further detail. The different data collection methods were used intermittently as the research progressed. In all, semi-structured questions and

⁴ PwC, Nigeria SME Survey, <https://www.pwc.com/ng/en/events/nigeria-sme-survey.html>

open-ended questions were used to understand the tax attitudes of the participants and their organisations. We started with five interviews of owner-managers at an SME conference organised by a media company in Lagos, and another five interviews with tax professionals and consultants. The idea was to use these preliminary interviews to test the relevance and problematisation of our research agenda, as well as the appropriateness and suitability of our interview questions. Once these were confirmed, we conducted general focus group discussions in Abuja (13 participants) and Lagos (15 participants) with participants drawn from SMEs, NGOs and tax regulators. The idea here was to get a general view of taxation and small businesses in Nigeria from a much broader audience compared to our preliminary interviews with owner-managers. We concluded that our data collection approaches and instruments were robust enough to elicit the sort of data that would be appropriate for our study. Following this confirmation, we focused subsequent focus group discussions specifically on small business owners. We explored 17 more focus group discussion sessions (see Table 2) where data was collected from 12 states across Nigeria. Guided by the National Bureau of Statistics (NBS) definition of firm size, which defines firms as: micro (1-10 employees); small (10-49); medium (50-199); large (200+), and because few firms exist with over ten employees in rural areas, for the purpose of the study small firms were defined as having between five and 49 employees, and therefore excluded firms with fewer than five employees or more than 49 employees. They also included both registered and unregistered firms.

Each focus group discussion session lasted about two hours and had between six and 17 participants. The focus group sessions enabled in-depth discussions on the challenges of tax compliance in Nigeria and the relationship between tax responsibility (as an aspect of business social responsibility) and tax compliance. In addition, we created an online platform (WhatsApp group) where we continued in-depth engagement on taxpayers' attitudes towards tax compliance. The WhatsApp group, which has 55 members and is still running, is a mix of participants from the focus group sessions, interviewees and industry experts. Given the sensitivity of the issue at hand, participants were all assured of anonymity and confidentiality. This assurance was very helpful even while the SMEs aired their views in the company of the NGOs and tax regulators. The online platform in particular provided an opportunity to contemporaneously discuss tax-related issues and news, as they unfold. It also offered a very safe environment to randomly and spontaneously raise questions, express opinions, share information, and challenge perspectives.

Figure 1 Nigeria's states and geo-political zones

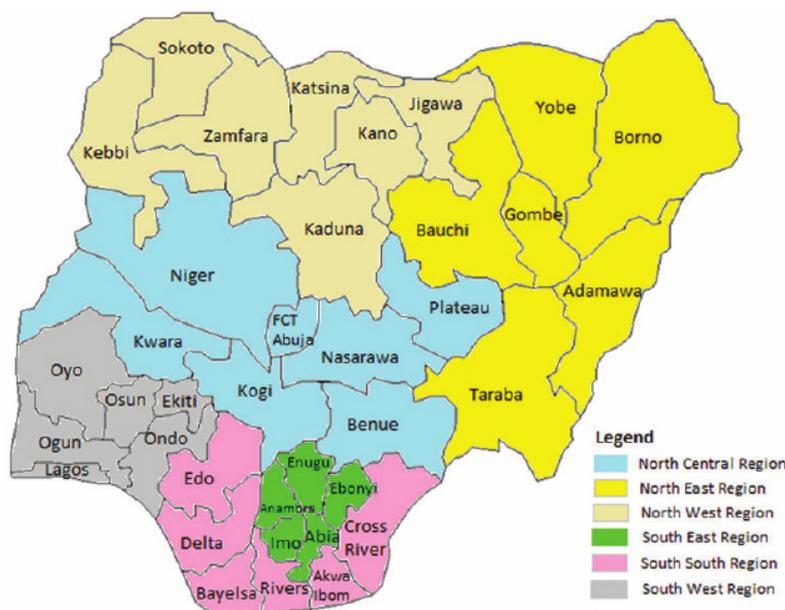
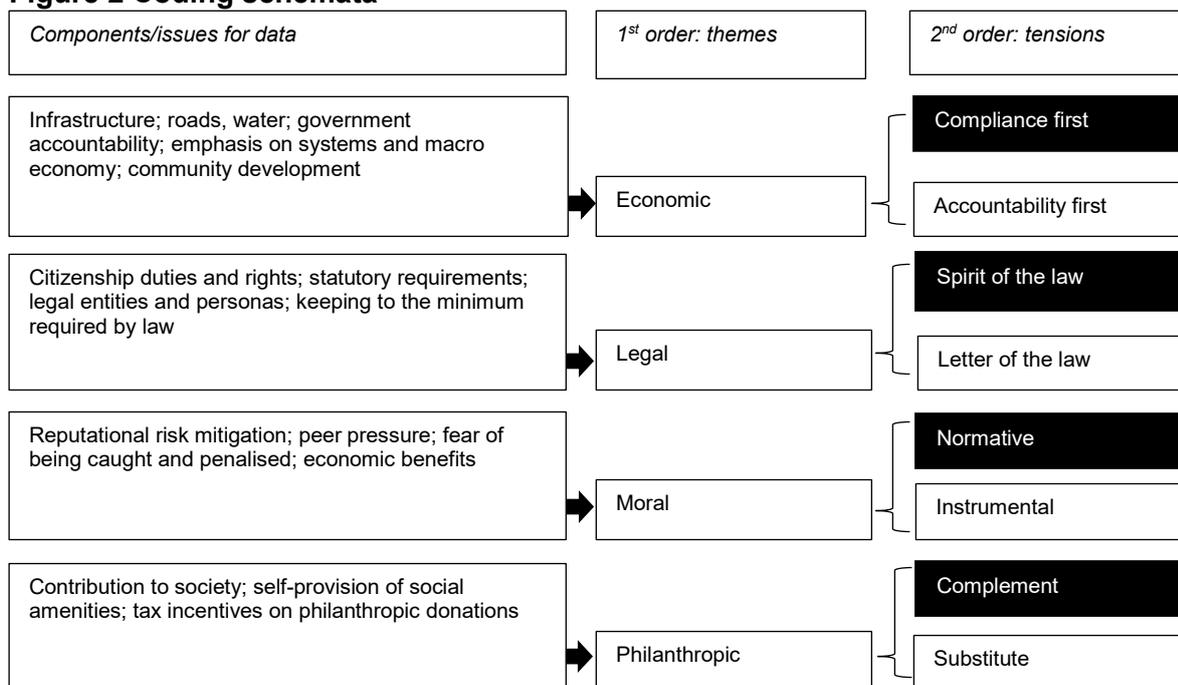


Table 2 Focus group discussions (FGDs) for SMEs

Geopolitical zones	States	FGDs (SMEs)	FGDs (general)	Interviews
South West	Ogun	1		
	Lagos	2	2	10
South East	Abia	1		
	Enugu	1		
South South	Rivers	2		
	Edo	1		
North East	Bauchi	1		
	Adamawa	2		
North West	Kano	1		
	Kaduna	2		
North Central	Nassarawa	1		
	Plateau	2		
	Abuja		1	
Total		17	3	10

The focus groups and interviews were transcribed and the transcripts were triangulated with the texts from the WhatsApp group. Given that the focus of the research is on enhancing tax compliance in a non-enabling institutional context (Amaeshi, Adegbite and Rajwani 2016; Amaeshi, Adegbite, Ogbechie, Idemudia, Kan, Issa and Anakwue 2016), the data was analysed using thematic analysis, regarded as the most widely used qualitative analysis method, which enables a systematic approach to extracting meaning from textual data (Braun and Clarke 2006). Carroll's CSR framework (1979) informed the analysis. It started with the 1st order coding which recognises economic, legal, moral, and philanthropic responsibilities or rights in the respondents' attitudes towards tax compliance. Through 2nd coding, we found that although the firms drew from common tax responsibility themes in the first order coding, they came to the narratives with different logics that embodied different tensions based on whether the respondents were positively predisposed to tax or less positively predisposed to tax. The 1st and 2nd order coding schemata is presented below.

Figure 2 Coding schemata



It is also pertinent to point out that the online platform was again useful to the researchers to simultaneously clarify and make sense of the emerging themes in the data analysis phase of the study. The virtual nature of the social media app, which ran 24/7, helped to foster open and frank responses in real time. On reflection, our use of WhatsApp as a data collection tool closely aligns with the use of online discussion forums by Onu and Oats (2018) in their study on understanding taxpayers' behaviour. Our findings are further explained below.

3 Findings

From the data analysis, either the small business owners talked about tax as a responsibility they owe to or as a right they expect from the government. These perceived responsibilities and rights, which tend to be dichotomous, are largely economic, legal, moral and philanthropic. We highlight these differences, as well as their underlying tensions, below.

3.1 Theme #1: *Tax as an economic duty and right* Tension: *Compliance before accountability vs. accountability before compliance*

The framing of tax as an expression of either economic duty or right is often discussed in the context of socio-economic development issues. These include such things as the provision of social amenities and infrastructure development (i.e. roads, water, electricity, hospitals, schools, etc.), as well as macro-economic issues such as government spending habits and tax accountability. Business owners who make duty-based arguments see it as their duty to pay tax in order to enable the government meet its socio-economic responsibilities.

'Paying tax or revenue help (*sic*) the state and the local government move ahead and bring positive changes to the community.' (SME, Plateau, urban, focus group)

'It [i.e. paying taxes – added] strengthens the economy of the country through the revenue that is being generated for development.' (SME, Plateau, urban, focus group)

'It matters to me based on the inflow of (our) firm ..., because we know that there is no how [no way] the local and federal government can carry out infrastructure without it, so it matters to me.' (SME, Rivers, urban, focus group)

They do this with a clear understanding that the government may not necessarily reciprocate the obligation. However, they still see it as their citizenship obligation, irrespective of what the government does with tax revenues. This was captured succinctly in the statement below:

'What are they using the money for? We don't have water system, you have to dig borehole or well by yourself... we are not getting anything, and (we pay tax because...) *we are just trying to fulfil all righteousness to be good citizens.*' [emphasis added by authors] (SME, Ogun, urban, focus group)

Nonetheless, this does not imply a complete blind trust devoid of any sense of accountability expectations. The small business owners in this category do expect some tax benefits and accountability from the government. From the quote above, they want to see their taxes work for them, as reiterated by a business owner based in Enugu State, and an interviewee.

'...in the health sector, they are timely in giving the vaccines to our children; if this is the only reason to pay tax, I will definitely pay tax.' (SME; Enugu, urban, focus group)

'The right approach is for taxpayers to comply and seek for accountability.'
(Interviewee)

We describe this approach to tax as *compliance before accountability*. In this case, taxpayers see taxation as an obligation/responsibility they need to fulfil first in order to activate their rights to make demands of the government.

On the contrary, the rights-based narratives are more inclined to see the benefits for taxation, based on the reciprocal relationship between the government and the citizens, to start first from the government side of things. In other words, they ask for their rights, which include the provision of socio-economic amenities and infrastructure, as a precondition for fulfilling their tax obligations and responsibility:

'...because government are not responsible for the amenities they ought to provide... there is no point paying tax...' (SME, Enugu, urban, focus group)

'Government must be accountable, responsible and communicate to enable the taxpayer [to] feel a sense of responsibility in the payment of taxes... government must fulfil its social contract with the people by providing infrastructures. Taxpayers are concerned about how their tax payment is used... they want to be able to connect to what they perceive as investment.' (Online chat group)

'It is an exchange thing: you wash my hand, and I wash yours... people will be willing to pay when they [i.e. the government] are doing the right thing.' (SME, Lagos, urban, focus group)

'If the government is doing their role, firms are willing to pay their tax.' (SME, Lagos, urban, focus group)

The emphasis here is not limited to hard infrastructure like roads, electricity, hospitals, and schools alone. It also extends to soft infrastructure such as good governance, tax accountability (especially in terms of how the tax revenues are used and spent), and the overall trustworthiness of the tax system:

'That is why some people don't want to pay tax, because they believe they will embezzle the money.' (SME, Ogun, urban, focus group)

'But why will I support tax payment in an environment where such funds will end up in politicians' pockets without any consequences? Have we not seen disappearance of pension funds contributed by workers without any consequences? Citizens pick up their medical bills or die when they are unable to. They pay exorbitant school fees without any alternatives. Is there really any government looking after the welfare of citizens? So, what is the tax being advocated meant for? To enrich politicians, or what?' (Online chat group)

'...if for example you have more than enough from the crude oil why should the citizen pay tax? For what, when you have more than enough?' (SME, Bauchi, urban, focus group)

'...most people are not happy paying it [i.e. taxes], because at the end of the day, we are not even seeing what they are using the money for; most of the roads are getting spoilt.' (SME, Enugu, urban, focus group)

We describe this approach to tax as demand for *accountability before compliance*.

3.2 Theme #2: *Tax as a legal duty and right* Tension: *Spirit of the law vs. letter of the law*

The discussions on taxation as an expression of legal duty and right by this group of small business owners in Nigeria usually focused on such issues as citizenship duties and rights, the viability of their firms as legal entities with separate legal personas, and the demands of the tax laws. Underpinning these discussions was the constant tension between the proverbial *spirit of the law* and the *letter of the law*. Although some legal scholars argue that there is no difference between the two, the argument is ongoing and beyond the scope of this study. However, we look at how small business owners talk about their tax responsibilities and rights from a legal perspective. The duty-based talks see it as a mandatory legal duty, which should be fulfilled by focusing on keeping closely to the spirit of the law (i.e. what lawmakers intend the law to achieve). For them, *the spirit of the law matters most*. This is succinctly encapsulated in a chat between focus group discussion participants in Plateau State:

Participant 1:	'Whether they believe or not you must pay, it is not a voluntary thing. It is mandatory, so their belief does not affect their payment.'
Participant 2:	'It is already a law.'
Participant 1:	'Whether you are seeing the development or not, you have to pay tax.'

(SME, Plateau, urban, focus group)

These views were also reinforced by other participants:

'Tax is a creation of the law and must be paid no matter the situation.' (Interviewee)

'Tax is compulsory, and the law is the law.'
(General, Lagos, focus group)

'As a citizen you have to pay tax, whether the government is using it right or not, as long as you have a business doing [operating].' (SME, Rivers, urban, focus group)

'Firms don't trust government – we just pay because it is statutory, because they don't deliver on their promises.' (SME, Rivers, urban, focus group)

'To help the government develop the community or the state, *it is our duty to pay tax*.'
(SME, Plateau, urban, focus group)

'Well, in an ideal situation, your opinion is not supposed to matter when the government say: "Pay this." You pay, because tax is a compulsory payment from that company's income.' (SME, Bauchi, urban, focus group)

Business owners with rights-based views approach it more from the *letter of the law* perspective and appear willing to take advantage of any loopholes in the system. In this regard, taxation for them is a game between the government and the citizens in terms of who can get or keep the maximum resources available in the economy.

'There are circumstances where you can avoid tax, tax avoidance is legal: it is only evasion that is illegal...' (SME, Enugu, urban, focus group)

'It is the responsibility of the government to put infrastructure in place; I will pay more but that shouldn't be the reason why I am paying more, because it is not my responsible (*sic*).' (SME, Rivers, urban, focus group)

'Generally, all citizens are tax evaders in nature – only few has patriotism of whether to pay but naturally people don't want to pay.' (SME. Bauchi, urban, focus group)

3.3 Theme #3: Tax as a moral duty and right **Tension: Right thing irrespective of benefits vs. right thing with benefits**

The discussions here mainly focused on the rationale for tax compliance – i.e. is it a good in itself, the right thing to do? Or is it only right and good to do when it has some benefits (gains or risk management)? Tax compliance as the right thing to do, irrespective of the benefits, is founded on normative rationality, while tax compliance as the right thing to do as long as it has benefits is founded on instrumental rationality (Amaeshi and Adi 2007). We find that duty-based talks focused on taxation as '*the right thing to do irrespective of benefits*'.

'I pay my taxes. I pay because it is moral and a civic responsibility.' (Interviewee)

'Tax is normal, you have to pay.' (SME, Ogun, urban, focus group)

'In my company we are doing the needful, and I believe every other company should pay their tax as well.' (SME, Ogun, urban, focus group)

'Firms should pay their tax.' (SME, Enugu, urban, focus group)

On the contrary, rights-based talks drew from instrumental rationality to frame their compliance and pointed to some gains or risks on which their compliance is founded. For them: *it is the right thing to do only if it comes with benefits*.

'People have to know why they are doing it and they need to see the benefit of paying it.' (SME, Ogun, urban, focus group)

'How do I feel a sense of belonging when I part with my tax money?' (General, Lagos, focus group)

'My business is not encouraged to pay tax. If I have my way, I will not pay tax. I am paying because of the implications.' (General, Abuja, focus group)

3.4 Theme #4: Tax and philanthropic duty and right **Tension: Philanthropy complements vs. philanthropy substitutes**

The discussion on tax responsibility and philanthropy also provided a dichotomy between the groups. On one hand, the duty-based talks saw tax responsibility and philanthropy as *complements*:

'I don't think that issue [i.e. philanthropy as substitute for tax] will be necessary because [at] every point in time, corporations feel socially responsible to do things: we give gifts, we see bad situations and we intervene, we improve it. That is the whole

body of thinking about CSR, and if you check the genesis of CSR, you cannot see it as a substitute to taxation.’ (General, Lagos, focus group)

‘If government would do more, most especially having constant light in Nigeria, and then we are being taxed, *we can pay more because what you will be spending on the fuel can be added to pay tax, it will get balanced.*’ (SME, Rivers, urban, focus group)

On the other hand, the rights-based talks saw tax responsibility and philanthropy as *substitutes*:

‘I will support philanthropy rather than pay tax.’ (General, Lagos, focus group)

‘CSR serves as a substitute to tax payment and it is still the prerogative of the government to say that as a result of your CSR and your contribution back to your community, we have decided to give you [a tax break] or to negotiate your tax rate. That is why we see government will say, “We are doing tax free investment and all.” So, it’s the prerogative of the government and not the prerogative of the payee to decide when to substitute it.’ (General; Abuja, focus group)

This is consistent with Avi-Yonah (2014) who argues that businesses in developing countries may turn to substitute philanthropy rather than pay taxes due to corruption.

Table 3 Summary of findings

Small business owners’ views of taxation in Nigeria		
Themes	Duty-based views	Rights-based views
Economic	<i>Compliance before accountability</i>	<i>Accountability before compliance</i>
Legal	<i>The spirit of law matters most</i>	<i>The letter of law matters most</i>
Moral	<i>Right thing to do (normative reasoning)</i>	<i>Right thing to do only when it pays (instrumental reasoning)</i>
Philanthropic	<i>Philanthropy complements</i>	<i>Philanthropy substitutes</i>

4 Discussion and conclusion

The study has sought to decipher how small business owners talk about their tax responsibility in non-enabling institutional contexts (Amaeshi, Adegbite and Rajwani 2016). We found that although the small businesses drew from common themes, they used different logics/rationales to express their tax responsibility. This is pertinent given that the literature on small business social responsibility (SBSR) has been overly silent on the tax responsibility of small firms. A recent work by Spence (2016), suggests that small businesses are less focused on their economic responsibilities to external stakeholders (which will include tax regulators). However, our findings suggest that this may not be completely the case. At least, small businesses are very aware of their tax responsibilities and, whether they are keen to pay them or not, they take them seriously, talking about them as a concern. To the best of our knowledge, this could be the first paper to explore tax responsibility amongst small businesses. We see this opening a new frontier in taxation and SBSR literature.

The other intriguing storyline is that despite the weak institutional context, we found that some small business owners are still willing to do the right thing and see tax responsibility as part of their social licence to operate. This is antithetical to the dominant position in the literature, which tends to argue for the impossibility of responsible business practices in weak institutional contexts (e.g. Campbell 2007; Sikka 2010). However, scholars who focus on CSR in developing economies have continued to provide evidence to suggest that CSR is

possible in these contexts, albeit driven by other factors such as personal values, religion, culture, communitarian worldviews, etc. (see Amaeshi, Adegbite, Ogbechie, Idemudia, Kan, Issa and Anakwue 2016; Amaeshi *et al.* 2006; Visser 2008). We see the findings of this paper as a further contribution to both the literature on CSR in developing countries, which often have weak institutions, and the SBSR and taxation literature.

It particularly opens a space to extend the current developing CSR discourse and practice in Nigeria to responsible tax behaviour. Though CSR in Nigeria is still largely within the domain of philanthropy, there is, however, a gradual attempt to integrate CSR into the business activities and operations of companies. In addition, this study contributes to the discursive approach to understanding tax attitudes, especially amongst small business owners in emerging economies. Though Onu and Oats (2018) focused on taxpayers' discussions on tax compliance, their study shows that most taxpayers are motivated to be compliant and are more interested in *how* to comply than *whether* to comply. Our findings reveal that although small business owners express different attitudes towards tax compliance, they however frame these different attitudinal narratives under the same discursive themes. For example, those who frame their tax morale as 'compliance before accountability' and 'accountability before compliance' explore their narratives using the development discourse. Those who frame their narrative on 'the spirit of the law' and on 'the letter of the law' use the legal discourse. Those whose frame is centred on 'the right thing to do' and 'the right thing to do as long as there is a benefit' use the moral discourse. This is a departure from Onu and Oats (2018). We consider this as a valuable contribution to the literature.

The literature on tax and taxation tends to focus mainly on tax compliance and non-compliance as major categories for analytical purposes. While this is helpful, it tends to occlude the differences and dichotomies within the different groups. Obviously, the tax compliance category, for instance, does not imply a homogenous group. Some are forced to comply, while some do so voluntarily. Even within the voluntary compliance segment, there are also those who are more positively predisposed to tax than others, based on their talks, as revealed in this study. In this regard, tax communication should be nuanced to reflect the different groups of taxpayers, as the groups are likely to bring different interpretations to the messages in line with their mental frames and tax morale. This finding is particularly important for tax regulators and any actor interested in communicating with taxpayers.

There is a growing interest in applying the findings of behavioural sciences to complex policies and regulations. Taxation is a complex practice and frames are behavioural nudging devices (Cohen 2013). Research evidence also suggests that deliberate frames of communication contribute to eliciting expected positive behavioural adaptations (Punam and Lehmann 2008). The findings of this research will, therefore, help tax regulators to understand the imperative of framing tax compliance as a social responsibility issue with consequences of negative impact on society due to non-compliance. They will also help tax regulators understand how a more robust engagement with tax practitioners, corporations and individuals could enhance tax compliance and increase tax revenue – for example working with practitioners, corporations and individuals to develop a set of sustainability practices/a framework on taxation. This would particularly be important in ensuring that corporations (*especially multinational corporations, who often avoid tax and substitute it with token corporate philanthropy*) and individuals pay the right tax henceforth, and are committed to responsible tax behaviour, which would enable Nigeria meet its sustainable development goals and position the country on the path of good governance, transparency and accountability.

In summary, our findings will help shape, inform, and improve the communication between tax regulators and corporate taxpayers in Nigeria in order to minimise tax leakages through avoidance and evasion, and increase government tax revenues. However, we are aware that attitudes do not necessarily translate to behaviours (Ajzen 1991). It will be interesting to see

how tax attitudes shape actual tax behaviours in small businesses in weak institutional contexts. This is another possible area of future studies – probably through experimental studies and/or any other relevant methodologies.

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