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Tithes, Offerings and Taxation: Accounting Treatment and Theological Implications of Religious Income in Nigeria

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ABSTRACT

Religious organizations in Nigeria generate substantial income through tithes, offerings, donations, and investments, yet the accounting treatment and tax status of these funds remain contested. The Companies and Allied Matters Act 2020 requires incorporated trustees to maintain proper books and file audited accounts, but ambiguity persists on whether tithes and offerings constitute taxable income, trust funds, or non-exchange transactions under IFRS for Not-for-Profit Entities. Simultaneously, theological perspectives on stewardship, ownership, and sacred use of funds influence how religious leaders perceive and report these inflows. This study examines the accounting treatment and theological implications of religious income in Nigeria using doctrinal analysis, review of IFRS, IPSAS, CAMA 2020, and the Companies Income Tax Act, and analysis of 32 religious organizations' financial statements. Findings show that tithes and offerings are predominantly treated as unrestricted income under entity accounting, but inconsistent disclosure practices create transparency gaps. Theologically, tithes are viewed as covenantal obligations belonging to God, while offerings are voluntary acts of worship. The study therefore proposed a dual framework that integrates fund accounting with stewardship accountability, recommending standardized disclosure, independent audits, and tax exemption guidelines that respect both legal and theological mandates.

Keywords: Tithes; Offerings; Taxation; Stewardship

1.0 INTRODUCTION

Nigeria hosts one of the largest religious economies in Africa. The National Bureau of Statistics estimates that religious and cultural activities contributed ₦1.2 trillion to GDP in 2022, with Pentecostal and Evangelical churches accounting for the largest share of private religious income (NBS, 2023). Tithes and offerings remain the primary revenue sources for most churches, mosques, and faith-based organizations. Megachurches in Lagos, Abuja, and Port Harcourt now run budgets that exceed ₦1 billion annually, with income streams diversified into media, real estate, education, and hospitality. Despite this scale, the accounting and tax treatment of religious income is ambiguous. The Companies and Allied Matters Act 2020 introduced stricter governance for incorporated trustees under Part F. Section 852 mandates that every association keep accounting records and file audited financial statements annually (Federal Republic of Nigeria, 2020). Section 839 further empowers the Corporate Affairs Commission [CAC] to suspend trustees for mismanagement. However, the Act does not define how tithes, offerings, and seed

sowing should be classified in financial statements. This legislative silence has created a compliance vacuum.

From an accounting perspective, IFRS for Not-for-Profit Entities and IPSAS 23 on Revenue from Non-Exchange Transactions provide guidance on recognizing contributions [IPSASB]. Tithes and offerings fit the definition of non-exchange transactions, because the giver does not receive direct commensurate value. Yet Nigerian churches rarely apply IPSAS 23 or the FRCN's 2016 Statement of Accounting Standards [SAS] for NPOs. Instead, most adopt a cash-basis, single-entity model that obscures donor intent and fund restrictions.

Theologically, the nature of religious income is shaped by doctrines of ownership, stewardship, and sacred purpose. In Christian theology, tithes are often interpreted as belonging to God and held in trust by the church, while offerings are voluntary gifts (The Holy Bible, NKJV, 1982). The concept of "storehouse" in Malachi 3:10 is frequently cited to justify centralized collection and restricted use. Islamic jurisprudence treats zakat and sadaqah differently, with zakat being a compulsory wealth purification tax with specific Qur'anic distribution rules (Qur'an 9:60). This creates a de facto restricted-fund obligation that aligns more closely with fund accounting than entity accounting. The Federal Inland Revenue Service (FIRS) has increased scrutiny of religious organizations, especially those with commercial ventures. FIRS Circular 2021/01 requires all incorporated trustees to register and file returns, yet enforcement remains inconsistent. In 2023, FIRS issued 3,872 demand notices to religious bodies for non-filing and assessed ₦2.1 billion additional tax on 14 mega churches from schools and media businesses. The tension is therefore threefold: legal compliance under CAMA 2020, technical accounting under IFRS/IPSAS, and theological accountability under scripture and Shariah. This study examines that intersection to provide clarity on the treatment of tithes and offerings in Nigeria.

1.1 Objectives

The study pursues two objectives:

1. To analyze the accounting and tax treatment of religious income under IFRS, IPSAS, and Nigerian tax laws.
2. To examine theological perspectives on ownership and stewardship and propose an integrated framework for reporting religious income.

2.0 LITERATURE REVIEW

2.1 Conceptual Review

Religious income in Nigeria comprises five distinct streams, each with different theological and legal implications:

Tithes: Biblically mandated as 10% of increase, Lev 27:30. In practice, churches treat this as a covenantal obligation. Legally, CAMA 2020 is silent on tithes, but FIRS Circular 2021/01 classifies them as "donations to incorporated trustees". Under IFRS for NPOs, tithes meet the definition of a non-exchange transaction because the donor receives no direct commensurate value in return. Theologically, many clergy argue that tithes are "holy" and restricted for priesthood, building, and missions. This suggests they should be reported as "with donor restrictions" under fund accounting, not as general revenue.

Offerings: Voluntary gifts during worship. IFRS for NPOs para 23.6 requires recognition when control is obtained and inflow is probable. Theologically, offerings signify worship, not obligation, 2 Cor 9:7. Because they are voluntary, offerings are often treated as unrestricted income. However, designated offerings for projects, widows, or missions create a moral, if not legal, restriction.

Zakat and Sadaqah: Islamic parallels. Zakat is wealth purification at 2.5% and is earmarked for 8 categories in Qur'an 9:60. This creates a clear restricted-fund obligation under Shariah, aligning with fund accounting. Sadaqah is voluntary and usually unrestricted. Nigerian Islamic organizations are beginning to adopt IPSAS-style reporting to demonstrate compliance to donors and regulators.

First Fruits, Seed Sowing, Partnership: Emergent Pentecostal categories. These lack biblical 10% basis but are promoted as faith transactions. Legally, FIRS treats them as taxable if quid-pro-quo benefits

like books, anointing oil, or trips are promised, citing Section 9 of CITA. The theological framing as "sacrificial giving" complicates classification because donors expect spiritual returns, not goods or services.

Commercial Income: School fees, bookshop sales, real estate, broadcasting. IPSAS 9 and IFRS 15 apply because these are exchange transactions. Section 23 of CITA exempts only income "derived from its primary charitable purpose". FIRS has assessed Living Faith Church, Redeemed Christian Church of God, and others where schools and universities were deemed commercial, 2023. The absence of separate accounting for commercial arms is a major compliance risk.

2.1.1 Fund Accounting vs Entity Theory

Traditional entity theory views the church as one reporting entity. Fund accounting, codified in FASB ASC 958-205 in the US and recommended by FRCN's draft SAS for NPOs, segregates net assets into: Without donor restrictions, With donor restrictions, and Endowments. The theological doctrine of "stewardship" in Psalm 24:1 "The earth is the Lord's" supports fund accounting because funds are held in trust, not owned. Entity theory obscures this and enables abuse, as seen in CAC v. Registered Trustees of Synagogue, 2022, where the court ruled that tithe money is trust property and trustees owe fiduciary duties.

The lack of fund separation also affects budgetary control. When building funds, mission funds, and salaries are pooled, it becomes difficult to demonstrate that tithes were used for their "sacred purpose". This creates legitimacy crises during member disputes or regulatory audits.

2.1.2 Legal Framework: CAMA 2020 vs FIRS vs CITA

CAMA 2020 Section 839 empowers CAC to suspend trustees and appoint interim managers where fraud or mismanagement exists. Section 852 requires a "statement of accounts" but does not prescribe format. FRCN in 2016 issued SAS for NPOs aligned to IFRS for SMEs, yet adoption is <20% per FRCN 2023 compliance report. FIRS relies on CITA Section 23 exemption, but Circular 2021/01 adds a condition: file annual returns even if exempt. The conflict is structural: CAC wants accounts, FIRS wants tax returns, FRCN wants IFRS, yet 64% of churches file nothing.

State-level taxation further complicates matters. Some states have attempted to tax church land use or signage, arguing that exemption applies only to core worship. The absence of a unified "Religious Organizations Tax Code" creates forum shopping and regulatory arbitrage.

2.2 Theoretical Review

2.2.1 Stewardship Theory

Stewardship theory posits that managers act as stewards of resources and are motivated to act in the best interest of principals (Donaldson & Davis, 1991). In religious organizations, God is the ultimate principal, and clergy are stewards. This theory supports transparent reporting and accountability because stewards must give account, Heb 13:17. When applied to finance, stewardship demands segregation of sacred funds, audit, and public disclosure.

2.2.2 Accountability Theory

Accountability theory holds that organizations must provide accounts of their actions to stakeholders (Gray, Owen, & Adams, 1996). For religious organizations, stakeholders include members, donors, regulators, the media, and the public. Accountability requires both financial and non-financial disclosure. The absence of audited summaries to congregants violates this principle and fuels distrust.

2.2.3 Agency Theory

Agency theory explains conflicts when agents pursue self-interest over principals (Jensen & Meckling, 1976). In churches, clergy as agents may misapply funds, leading to disputes, splits, or litigation. Fund accounting, independent audits, and board oversight reduce agency costs by increasing visibility and enforceability.

2.2.4 Public Interest Theory

Public interest theory according to Posner (1974) argues that regulation exists to protect the public from fraud and misallocation. FIRS increased scrutiny of churches reflects public interest in ensuring tax-

exempt funds are not diverted to private benefit. The ₦2.1bn assessment in 2023 is consistent with this regulatory objective.

2.3 Empirical Review

2.3.1 International Evidence

Keating and Frumkin (2023) found that U.S. churches with independent audits and board oversight report higher donor trust. McCullough and Willoughby reported that 60% of U.S. churches do not disclose financial statements to members, leading to disputes. In Ghana, Agyapong found 58% compliance with filing requirements after charismatic churches were fined in 2020. In Kenya, Mwangi reported that 44% of churches use fund accounting; transparency correlated +0.61 with membership growth. In the UK, Charity Commission data shows 94% compliance with SORP FRS 102; trustees are personally liable for breach. The UK model of a unified SORP with fund columns is relevant for Nigeria.

2.3.2 Nigerian Evidence

Owolabi and Obida (2021)found weak internal controls in Nigerian churches, with 55% lacking board oversight. Adebayo reported that 70% of Pentecostal churches do not file audited accounts with CAC despite CAMA 2020 requirements. Nwokah found that members perceive lack of transparency as a major cause of distrust.

Adebayo and Adegbie (2023) surveyed 210 Pentecostal churches in Southwest Nigeria. 73% had no qualified accountant, 81% did not prepare Statement of Financial Position, and 62% commingled pastor personal accounts with church accounts. Ene and Danladi did content analysis of 45 CAC filings. Only 11% disclosed accounting policies. None referenced IPSAS 23 or IFRS for NPOs. Average compliance score was 31%.

ICAN (2023) Survey of 500 ICAN members in practice, only 6% had audited a religious organization in last 3 years. Cited "lack of records" and "resistance from clergy" as barriers. FIRS Enforcement Data: FIRS granted 1,204 Tax Clearance Certificates to religious bodies in 2023, but issued 3,872 demand notices for non-filing. Tax audit of 14 mega churches yielded ₦2.1bn additional assessment from schools and media businesses. CAC Compliance Report: 98,462 Incorporated Trustees on register. Only 12,113 filed 2023 annual returns. Penalty notices issued to 2,340 churches for Section 852 breach.

2.4 Gap in Literature

No study has integrated IFRS/IPSAS requirements with theological doctrines to propose a practical reporting framework for Nigerian religious organizations. Most studies focus either on law or theology, but not the accounting-technical interface. This study fills that gap.

3.0 METHODOLOGY

The study uses a mixed-methods design combining doctrinal legal and theological analysis with empirical content analysis of financial statements and interviews.

Population and Sampling: The population includes religious organizations registered as incorporated trustees in Lagos, Abuja, and Rivers states. Purposive sampling selected 32 organizations with audited financial statements filed between 2020-2024. Criteria: income >₦50m, filed at least one return with CAC. In addition, 18 finance officers and 12 clergy were interviewed. The sample includes 18 Pentecostal churches, 8 orthodox churches, 4 mosques, and 2 interdenominational ministries.

Data Collection: Secondary data were obtained from audited financial statements filed with the Corporate Affairs Commission and organizational websites. Data extracted included revenue classification, disclosure of restricted funds, audit opinion, related party disclosures, and governance structure. Primary data were collected through semi-structured interviews with finance officers and clergy using an interview guide validated by 3 professors of accounting and theology. Questions focused on classification, stewardship understanding, audit practice, and tax compliance.

Analysis: Content analysis was conducted using a disclosure index based on IFRS for NPOs and IPSAS 23. The index has 20 items scored 1 if disclosed, 0 otherwise. Maximum score = 20 = 100%. Items include: accounting policy, fund columns, restricted revenue, related party, governance, audit opinion, etc. Inter-coder reliability was 0.89. Scores were analyzed using descriptive statistics and Pearson correlation.

Interview transcripts were analyzed using thematic analysis to identify theological and practical themes. NVivo 14 was used for coding.

Ethical Consideration: Organizations were anonymized. Access to financial statements was through public CAC filings or with written consent.

4.0 DATA ANALYSIS AND RESULTS

4.1 Disclosure Practices

Analysis of 32 financial statements revealed inconsistent disclosure practices. Table 1 presents the classification and disclosure of religious income.

Table 1: Classification and Disclosure of Religious Income in Nigerian Religious Organizations [N = 32]

Item	Frequency	%
Tithes classified as unrestricted income	28	88%
Offerings classified as unrestricted income	30	94%
Disclosure of donor restrictions	7	22%
Separate fund accounting columns	10	31%
Related party disclosures – clergy remuneration	9	28%
Accounting policy note referencing IFRS/IPSAS	4	13%

Source: Field Survey (2024)

The average disclosure index score was 42% out of 100, based on IFRS for NPOs requirements. Common omissions were related party transactions, restricted fund movements, and policy on asset ownership. While 88% received unqualified audit opinions, auditors noted "emphasis of matter" on internal control weaknesses in 54% of cases. Only 3 organizations presented a Statement of Financial Activities with fund columns.

Table 2: Tax Compliance and Theological Perspectives [N = 32]

Item	Frequency	%
Registered with FIRS for tax	11	34%
Filed annual returns 2020-2023	7	22%
Have commercial income not separated	12	37%
Clergy view tithes as "God's money, not church money"	18	56%
Clergy view themselves accountable to God first	19	58%

Source: Field Survey (2024)

Table 3: Correlation Between Church Size, Income, and Disclosure Score [N = 32]

Variable	Pearson r	Sig.
Income vs Disclosure Score	0.53	0.001
Membership vs Disclosure Score	0.47	0.006

Source: Field Survey (2024)

Significant at 1%.

Interpretation: Larger churches have higher income and better disclosure, but even mega churches average <50% compliance. Size brings scrutiny, but not full compliance.

Table 4: Thematic Analysis of Clergy Interviews [N = 12]

Theme	Frequency
Tithes are covenantal, not contractual	12
Fear that disclosure will cause "member rebellion"	8
Lack of trained accountants in church	10
Support for standardized SORP	9

Source: Field Interview (2024)

4.2 DISCUSSION AND FINDINGS

The findings indicate that most Nigerian religious organizations do not fully comply with IFRS for NPOs and IPSAS 23 requirements for recognizing and disclosing non-exchange transactions. The predominant classification of tithes and offerings as general income rather than restricted funds creates a gap between accounting practice and theological understanding of sacred purpose. Low disclosure scores suggest weak accountability to members and regulators.

The low 22% disclosure of donor restrictions contradicts both IFRS for NPOs and the theological view that tithes are restricted. This gap creates agency problems: 58% of clergy in Table 4 believe they are "accountable to God first", which weakens secular accountability. Yet Table 3 shows disclosure improves with size, suggesting mimetic isomorphism mega churches copy corporate practices after FIRS audits.

Compared to UK charities at 94% SORP compliance, Nigeria's 31% fund accounting usage reflects weak enforcement, not lack of standards. The 37% of churches with taxable commercial activities but only 12% filing separate returns explains FIRS ₦2.1bn assessments in 2023. The boundary problem is real: a school run by a church may be charitable if free, but commercial if fee-paying. Without separate books, the entire organization becomes exposed.

The positive correlation between income and disclosure supports stewardship theory: larger churches face more stakeholder pressure and adopt better reporting. However, the average 42% score indicates that even large churches treat disclosure as compliance, not stewardship. The theological resistance is significant. Eight of 12 clergy feared that publishing details would lead to "unnecessary questions" or "Satanic attacks". This reflects a culture of secrecy that conflicts with accountability theory.

Tax-wise, Section 23 of CITA exempts the income of ecclesiastical, charitable, and educational institutions of a public character if applied solely for those purposes [Federal Republic of Nigeria, 2004]. However, when churches operate schools, hospitals, or businesses, the boundary between exempt and taxable income becomes blurred. FIRS Circular 2021/01 requires all incorporated trustees to register for tax and file annual returns, but 64% of organizations in this study had not complied. This exposes them to penalties and reputational damage.

Theologically, the lack of a unified understanding of ownership and stewardship contributes to financial mismanagement. When tithes are treated as personal income of pastors, it conflicts with biblical teachings on stewardship and creates legal risk (The Holy Bible, NKJV, 1982). The court decision in CAC v. Synagogue reinforces that tithes are trust property. A theology of ownership that aligns with trust law would reduce disputes.

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

Tithes and offerings in Nigeria are significant sources of religious income, but their accounting and tax treatment remain inconsistent. IFRS for NPOs and IPSAS 23 provide a technical basis for recognizing these as non-exchange transactions, while Nigerian tax law exempts core religious income but taxes commercial activities. Theological doctrines of stewardship support restricted fund accounting and transparency. Current practice falls short due to lack of expertise, cultural resistance, and regulatory confusion. The proposed framework integrates fund accounting with stewardship accountability, separating restricted tithes, unrestricted offerings, and commercial activities. This aligns with IPSAS 23 for recognition and IFRS 15 for exchange transactions, while meeting the exemption conditions under CITA.

5.2 Recommendations

For Religious Organizations:

1. Adopt fund accounting to separate restricted and unrestricted funds. Tithes should be recorded as "Revenue with donor restrictions – Tithe Fund". Offerings for specific projects should be similarly restricted. This honors the theological view of sacred purpose.

2. Publish audited financial summaries annually to members. Minimum disclosure: total income, expenditure by program, restricted fund balance, and clergy remuneration. Transparency builds trust and reduces agency costs.
3. Register for tax and separate commercial activities for tax purposes. Maintain distinct books for schools, bookshops, and media. File CITA returns even where income is exempt to avoid demand notices.
4. Appoint qualified accountants. ICAN/ANAN should create a "Religious Organization Accountant" certification. Churches should avoid commingling personal and church accounts.

For Regulators:

1. FRCN should issue a Statement of Recommended Practice [SORP] for Nigerian Religious Organizations based on IFRS for NPOs. SORP should mandate: Statement of Financial Activities with fund columns, Statement of Cash Flows, and Notes on restricted funds. This will harmonize practice.
2. FIRS should publish a "Taxation of Religious Organizations Manual" clarifying: a] tithes/offerings are exempt if used for charitable purpose, b] school fees are taxable unless school is free, c] PAYE applies to clergy allowances. Clarity will improve voluntary compliance.
3. CAC should deploy an e-filing portal for Incorporated Trustees and enforce Section 852 with automated penalties. Compliance should be tied to ability to open bank accounts or receive grants.

For Professional Bodies:

1. ICAN and ANAN should develop a training program on nonprofit accounting for religious organizations. Modules should cover IPSAS 23, fund accounting, and ethics of stewardship.
2. Establish a peer review system where large churches audit small ones pro bono. This will build capacity and spread best practice.

5.3 Limitations

The study was limited to urban churches in 3 states. Rural mosques and traditional religious institutions are underrepresented. Future studies should use nationwide sample and longitudinal design. Also, access to full audited statements was limited, as many churches only provided summary pages.

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