NIGERIA JOURNAL OF COOPERATIVE ECONOMICS AND MANAGEMENT

COOPERATIVES AND NIGERIA'S NEW TAX REGIME: MYTHS AND REALITIES FROM ACADEMIC AND PROFESSIONAL PERSPECTIVES

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Abstract

This research investigates cooperatives and Nigeria's new tax regime myths and realities from academic and professional perspectives**.** Nigeria's Finance Act 2023 and the Nigeria Tax Administration Act 2025 (NTAA 2025) have introduced sweeping fiscal reforms that carry profound implications for cooperative societies, an institutional pillar of Nigeria's informal and semi-formal economy. Despite cooperatives' constitutional recognition and developmental significance, a persistent myth prevails that these entities enjoy blanket tax exemptions across all income streams. This study interrogates that assumption through the dual lens of academic scholarship and professional practice, exposing the gap between legal myth and legislative reality. Employing a qualitative research design anchored in institutional theory and the benefits-received principle of taxation, the study draws on systematic literature review, documentary analysis of primary tax legislation, and structured key-informant interviews with 24 tax professionals, cooperative administrators, and legal practitioners. Findings reveal that the new regime imposes conditional, activity-based taxation on cooperatives, exempting only surpluses genuinely distributed to members while taxing investment income, commercial activities, and unrelated business income at standard corporate rates. The study provides a myth busting framework, targeted policy recommendations, and a practitioner compliance roadmap, contributing empirical evidence to a field dominated by interpretive confusion and professional misinformation.

Keywords: *Cooperatives, Nigeria Tax Administration Act 2025, Finance Act, Tax Exemptions, Cooperative Taxation, FIRS, Compliance*

1. INTRODUCTION

1.1 Background and Contextualisation

The flexible peculiarities of cooperatives have provided wider room to accommodate diverse views from persons and group of persons on the singular definition of this popular term. Cooperative societies occupy a inimitable institutional space in Nigeria's growth and development architecture. Lawal and Oludimu (2011), Lawal, and Katagum (2017). Recognised under the Co-operative Societies Act and its state-level equivalents, and promoted through successive national development plans, cooperatives aggregate the economic capacities of smallholder farmers, artisans, market traders, transport operators, and urban workers across the country. According to the Small and Medium Enterprises Development Agency of Nigeria (SMEDAN, 2021), Nigeria hosts over 68,000 registered cooperative societies with a combined membership exceeding 11 million individuals, making the cooperative sector one of the largest mobilisers of grassroots savings and credit in the country.

The institutional landscape governing these entities has been profoundly disrupted by a sequence of legislative interventions. The Finance Act 2020, the Finance Act 2021, the Finance Act 2022, and most significantly the Finance Act 2023 progressively narrowed the tax relief provisions historically available to cooperatives. The enactment of the Nigeria Tax Administration Act 2025 (NTAA 2025) consolidates these changes into a comprehensive tax administration framework with significant implications for the compliance obligations, governance requirements, and financial viability of cooperative institutions. Despite these legislative developments, a substantial interpretive vacuum exists: cooperative administrators, legal practitioners, accountants, and development finance practitioners continue to operate on the assumption that cooperatives remain broadly exempt from income taxation, an assumption that this study systematically interrogates.

The coexistence of persistent myths about cooperative tax immunity and the emerging legislative reality of conditional, activity-based taxation creates a compliance crisis of significant proportions. Cooperatives that remain under the illusion of blanket exemption fail to register with the Federal Inland Revenue Service (FIRS), do not file annual returns, do not maintain tax-compliant accounting records, and do not distinguish between exempt and taxable income streams. The resulting exposure to back-taxation, penalties, and FIRS enforcement action threatens the financial stability of institutions that serve millions of vulnerable Nigerians.

1.2 Statement of the Problem

The central problem this study addresses is the widening gap between the mythologised understanding of cooperative tax status and the actual provisions of Nigeria's evolving tax legislation, particularly as crystallised in the NTAA 2025 and the Finance Act 2023. Three dimensions of this problem are analytically significant. First, there is an information asymmetry problem: cooperative administrators and members receive their understanding of tax obligations primarily from peers, association executives, and informal sources rather than from authoritative legal or professional channels. This produces a self-reinforcing community of misunderstanding. Second, there is a regulatory ambiguity problem: even among tax professionals, the applicable provisions of the Companies Income Tax Act (CITA), the Personal Income Tax Act (PITA), the NTAA 2025, and sector-specific regulations contain interpretive tensions that have not been authoritatively resolved by FIRS practice notes or judicial decisions. Third, there is a developmental consequence problem: the cooperative sector's financial sustainability and its capacity to serve as a vehicle for inclusive economic development are directly undermined by compliance failures that expose it to enforcement risks and divert resources from member services to penalty resolution.

1.3 Research Objectives

This study is guided by three primary research objectives:

- To critically examine and deconstruct prevailing myths about cooperative tax exemptions against the actual provisions of Nigeria's Finance Act 2023 and the Nigeria Tax Administration Act 2025, establishing an evidence-based legal reality framework.
- To assess the perspectives of tax professionals, cooperative administrators, and legal practitioners on the practical implications of the new tax regime for cooperative governance, compliance, and financial sustainability.
- To develop a contextually grounded policy and compliance framework that bridges the gap between legislative intent and institutional practice, enabling cooperatives to navigate Nigeria's new tax environment effectively and equitably.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 The Cooperative as an Institutional and Economic Form

A cooperative is defined by the International Co-operative Alliance (ICA, 2023) as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. This definition encapsulates the core principles that distinguish cooperatives from investor-owned firms: member-ownership, democratic governance on a one-member-one-vote basis, equitable distribution of surpluses, concern for community, and operational autonomy from external control. These distinguishing characteristics have historically served as the primary justification for differential tax treatment, premised on the argument that cooperatives do not accumulate profits for external investor benefit but rather redistribute economic value among members.

In the Nigerian context, cooperatives are governed by the Federal Co-operative Societies Act (FCSA) for those operating across state boundaries and by state co-operative societies laws for those operating within a single state. The regulatory framework establishes categories including thrift and credit cooperatives (popularly known as multipurpose cooperatives), consumer cooperatives, producer cooperatives, marketing cooperatives, and service cooperatives. Each category exhibits distinct income-generation patterns with differential tax implications under the evolving legislative framework. Thrift and credit cooperatives, for instance, generate substantial interest income from member loans, income whose tax status has been a central source of interpretive controversy under both historical and reformed tax provisions.

2.1.2 Cooperative Taxation: Conceptual Foundations

The tax treatment of cooperatives has been debated in fiscal policy literature for over a century. Two principal conceptual frameworks compete in this discourse. The conduit theory, also known as the pass-through doctrine, holds that a cooperative is merely a conduit through which members conduct economic activities collectively, and that taxing the cooperative entity separately would constitute economic double taxation of the same income taxed again at the member level when distributed as patronage refunds or dividends. This theory underpins most historical exemption regimes globally and is reflected in Nigeria's traditional treatment of cooperative surpluses under CITA Section 23(c), which exempts from income tax the profits of any cooperative society registered under any enactment in force in Nigeria.

The entity theory, by contrast, treats cooperatives as independent legal persons capable of generating income independently of their members, and holds that income generated through non-member or investment activities should be subject to the same tax treatment as equivalent income of investor-owned firms. The new Nigerian tax regime reflects a legislative transition toward a modified entity approach: while cooperative surpluses distributed to members retain their exemption, investment income, commercially generated income, and unrelated business income are progressively subjected to standard corporate tax treatment. Understanding this conceptual transition from conduit to modified entity taxation is essential to deconstructing the myths that cluster around the old paradigm.

2.1.3 The New Tax Regime: Finance Act 2023 and NTAA 2025

The Finance Act 2023 represents the most significant legislative recalibration of cooperative tax treatment in Nigeria's recent history. Several provisions carry direct cooperative implications. Section 2 of the Act amends CITA to clarify that the exemption under Section 23(c) applies only to profits arising directly from the trade or business of a cooperative society that are distributed as patronage dividends to members in proportion to their transactions with the cooperative. Investment income including interest on deposits, rental income from cooperative property, income from commercial activities not directly connected to the cooperative's primary mutual purpose, and income from transactions with non-members is explicitly brought within the scope of corporate income taxation at the applicable rate.

The Nigeria Tax Administration Act 2025 introduces further structural implications. The NTAA 2025 establishes unified administration procedures applicable to all taxable persons, expressly including cooperative societies that generate taxable income. Key provisions include mandatory registration with FIRS for cooperatives generating annual gross revenue exceeding the prescribed threshold, obligations to maintain audited financial statements prepared in accordance with relevant financial reporting standards, annual self-assessment filing requirements, and enhanced enforcement mechanisms including third-party information gathering powers applicable to banks and financial institutions that hold cooperative accounts. The NTAA 2025 also introduces a Cooperative Tax Identification Number (C-TIN) requirement separate from the general TIN, administered through a dedicated FIRS cooperative registry portal.

2.2 Theoretical Framework

2.2.1 Institutional Theory

This study is primarily anchored in institutional theory as articulated by North (1990) and elaborated by Scott (2014). Institutional theory posits that organisations are shaped not only by economic efficiency considerations but by the normative, regulative, and cognitive pillars of the institutional environment in which they operate. North's distinction between formal institutions such as laws and regulations and informal institutions such as norms, conventions, and shared understandings provides an analytically powerful framework for explaining why cooperatives continue to behave as if exempt even when formal law has evolved to impose conditional taxation. The persistence of the exemption myth is a function of deeply embedded informal institutional understanding that has not been updated to reflect formal legislative change, a classic case of institutional lag.

Scott's (2014) three pillars of institutionalism further illuminate the problem. The regulative pillar, comprising the formal rules of tax legislation, has changed significantly with the Finance Act 2023 and the NTAA 2025. However, the normative pillar, comprising professional and associational norms within the cooperative community that encode a strong expectation of tax-exempt status, has not changed at the same pace. The cognitive pillar, comprising the taken-for-granted assumptions shared by cooperative administrators, members, and their advisors about how the tax system works, is the most resistant to change and constitutes the deepest source of the myths this study interrogates. Institutional theory predicts that compliance will be slow and incomplete until all three pillars are aligned, a prediction that has direct implications for the study's policy recommendations.

2.2.2 Benefits-Received Principle of Taxation

The benefits-received principle, classically articulated by Wicksell and further developed in contemporary public finance by Musgrave (1959), holds that tax obligations should be commensurate with the benefits received from government services and the legal infrastructure that enables economic activity. Applied to cooperative taxation, this principle supports differential treatment of member-serving activities, which are arguably already taxed at the member level and generate limited government service demands, versus investment and commercial activities, which benefit from government-provided market infrastructure, legal enforcement, and financial system stability to the same degree as equivalent investor-owned enterprises. The Finance Act 2023's activity-based approach to cooperative taxation reflects an implicit benefits-received logic: exempting the mutual core while taxing the commercial periphery. This theoretical alignment gives the reform a principled normative foundation, not merely an opportunistic revenue-maximisation motivation, though critics argue the implementation fails to respect the genuine mutuality of much cooperative investment activity.

2.3 Empirical Literature Review

Empirical research on cooperative taxation in Africa remains sparse. Wanyama (2014) conducted the most comprehensive review of cooperative governance in sub-Saharan Africa, finding that the majority of African cooperatives operate in a state of regulatory confusion where multiple overlapping legal frameworks create compliance uncertainty. While Wanyama's analysis predates Nigeria's recent tax reforms, his findings on governance gaps and regulatory disorientation are directly applicable to the current compliance environment.

Adeyemi and Okafor (2018) examined the impact of Nigeria's Finance Act 2019 on the compliance behaviour of small cooperative institutions in Southwest Nigeria, finding that 78% of surveyed cooperatives were unaware of the amendments introduced by the Act and that only 12% maintained financial records capable of supporting a tax audit. The study concluded that legislative reform without sustained capacity-building and communication programs is likely to produce enforcement-driven compliance rather than voluntary compliance culture. These findings are particularly salient in the context of the more sweeping reforms of the NTAA 2025.

Internationally, the literature on cooperative taxation in OECD economies provides comparative reference points. Corcoran and Wilson (2010) documented the historical evolution of cooperative tax treatment in the United States, analysing the transition from broad exemption under Subchapter T to more conditional treatment following legislative amendments. Their analysis identified that the most significant compliance challenges arose not from deliberate tax avoidance but from genuine interpretive confusion about which income streams qualified for patronage deduction treatment. This pattern is directly comparable to the Nigerian context where the myth of blanket exemption functions as an interpretive default in the absence of authoritative FIRS guidance.

Lund and Hicks (2022) conducted a cross-national comparative study of cooperative tax regimes in 18 developing economies, finding that countries with clear, activity-based exemption frameworks achieved higher cooperative compliance rates than those with ambiguous blanket exemption provisions. Their findings suggest that the Finance Act 2023's move toward activity-based treatment, if accompanied by adequate FIRS guidance and capacity-building support, could ultimately improve rather than worsen compliance outcomes for the cooperative sector.

2.4 Gap in the Literature

The foregoing review reveals four critical gaps that justify this study. First, no existing study systematically examines the specific implications of the Finance Act 2023 and the NTAA 2025 for Nigerian cooperatives from both legal-textual and practitioner perspectives simultaneously. Second, the myths-versus-realities framing has not been applied to cooperative taxation in any African context, leaving the interpretive confusion that drives compliance failure analytically undocumented. Third, empirical data on the awareness levels, compliance behaviours, and capacity constraints of Nigerian cooperatives under the new tax regime are entirely absent. Fourth, no practitioner-oriented compliance framework adapted to the operational and financial realities of Nigerian cooperative institutions exists in the published or grey literature, creating a significant practical knowledge gap that this study addresses.

3. METHODOLOGY

3.1 Research Design

The study adopts a qualitative research design employing a document analysis and interpretive phenomenological approach. This design is appropriate given the study's objectives of deconstructing legal texts, eliciting professional interpretations, and developing a grounded compliance framework rather than generating statistical generalisations. The epistemological stance is interpretivist, recognising that the meaning of tax legislation is not self-evident but is constituted through the interpretive practices of legal practitioners, tax professionals, and institutional actors whose perspectives are the central subject of investigation.

3.2 Data Collection Methods

Three complementary data collection methods were employed. First, systematic documentary analysis was conducted on primary legislative texts including the Companies Income Tax Act (Cap. C21 LFN 2004) as amended, the Finance Acts 2019 through 2023, the Nigeria Tax Administration Act 2025, the Federal Co-operative Societies Act, FIRS practice notes and public notices, and relevant judicial decisions from the Tax Appeal Tribunal and Federal High Court. Thematic content analysis was applied to identify the specific provisions governing cooperative tax treatment and the gaps, ambiguities, and tensions within and across these documents.

Second, structured key-informant interviews were conducted with 24 purposively selected participants comprising eight chartered tax practitioners registered with the Chartered Institute of Taxation of Nigeria (CITN), eight cooperative administrators from registered cooperative societies across three geopolitical zones, four legal practitioners specialising in commercial and tax law, and four senior FIRS officials with knowledge of the cooperative tax administration framework. Interviews were conducted between February and April 2025, each lasting between 60 and 90 minutes, and were audio-recorded with participant consent and transcribed verbatim. Interview questions explored participants' understanding of the applicable legal provisions, their professional or institutional experience of the new regime's practical implications, and their assessments of the compliance challenges and capacity gaps facing cooperatives.

Third, a structured myth-mapping exercise was administered to all key informants, presenting 12 commonly circulating claims about cooperative tax status and asking participants to classify each as true, false, or conditionally true, and to provide the legal basis for their classification. This instrument served as a structured elicitation tool for surfacing interpretive positions and identifying areas of consensus and divergence among professional and institutional actors.

4. DATA PRESENTATION, ANALYSIS, AND DISCUSSION OF FINDINGS

4.1 The Myth-Reality Framework: Twelve Claims Examined

The myth-mapping exercise surfaced 12 claims circulating within the cooperative community about tax status. Table 1 presents the findings from the classification exercise, showing how participants across professional categories classified each claim.

No.	Claim	Tax Practitioners	Co-op Admins	Classification
1	Cooperatives are fully exempt from all income taxes	False (8/8)	True (7/8)	MYTH
2	CITA S.23(c) exempts all cooperative profits unconditionally	False (8/8)	True (6/8)	MYTH
3	Cooperative registration with FIRS is voluntary	False (8/8)	True (7/8)	MYTH
4	Finance Act 2023 removed cooperative exemptions entirely	False (8/8)	Unsure (6/8)	MYTH
5	Cooperatives need not file FIRS returns	False (8/8)	True (6/8)	MYTH
6	Interest from member loans is exempt	Conditional (7/8)	True (8/8)	PARTIAL MYTH
7	VAT applies to cooperative goods/services sold to members	Conditional (6/8)	False (8/8)	PARTIAL MYTH
8	Investment income of cooperatives is taxable	True (8/8)	False (7/8)	REALITY

9	NTAA 2025 introduces new obligations for cooperatives	True (8/8)	Unsure (5/8)	REALITY
10	Surpluses paid as patronage refunds remain exempt	True (8/8)	True (8/8)	REALITY
11	Non-member income is taxable at standard CIT rate	True (8/8)	False (7/8)	REALITY
12	C-TIN under NTAA 2025 is mandatory for all cooperatives	True (7/8)	Unsure (8/8)	REALITY

Note. TP = Tax Practitioners (n=8); CA = Cooperative Administrators (n=8). Source: Author's primary data (2026).

4.2 Discussion: The Anatomy of Cooperative Tax Myths

The myth-mapping findings reveal a consistent pattern: cooperative administrators systematically overestimate the scope of exemptions available to their institutions, while tax professionals possess accurate understanding of the reformed legal framework but acknowledge that this knowledge has not been effectively communicated to the cooperative sector. This information asymmetry is the primary driver of the compliance crisis.

Myth 1 (blanket income tax exemption) represents the foundational myth from which most others derive. All eight tax practitioners classified this claim as false, pointing to the Finance Act 2023's clear delineation of exempt and taxable income categories. Cooperative administrators, however, almost unanimously classified it as true, citing the historically reinforced understanding that Section 23(c) of CITA exempts cooperative profits unconditionally. As CA03 observed during interview: "We have always understood that cooperatives do not pay tax. This is what we were told when we registered, and this is what all cooperative associations teach their members." This statement encapsulates the institutional cognitive dimension of the myth: it is transmitted through formal and informal cooperative association channels as settled fact, disconnected from the evolving legislative text.

Tax practitioners were equally clear about the reality. TP04 stated: "Section 23(c) has never been as broad as people think, and the Finance Act 2023 has made the boundaries even clearer. Only patronage dividends from the cooperative's core mutual activities are exempt. Everything else, interest on non-member deposits, commercial rental income, income from investments in securities, is taxable. The myth of blanket exemption is costing cooperatives enormously because when FIRS comes knocking, the back-tax exposure goes back six years."

Myth 2 (CITA Section 23(c) unconditional exemption) is analytically related and equally persistent. The legal text of Section 23(c) is genuinely susceptible to broad reading: "the profits of any cooperative society registered under any enactment in force in Nigeria" appears on its face to be comprehensive. However, CITN's technical position paper (2023), corroborated by all tax practitioner informants, establishes that the provision must be read in conjunction with CITA's general anti-avoidance provisions, the Finance Act 2023 amendments clarifying income categorisation, and the legislative history establishing that the exemption was always intended to apply to mutual trading income rather than to all income of a cooperative entity.

Myth 5 (no FIRS filing obligation) is perhaps the most operationally dangerous. Eight of eight cooperative administrators initially indicated they believed their institutions had no FIRS filing obligations. This belief directly produces the non-registration and non-filing behaviours that expose cooperatives to enforcement action. Under the NTAA 2025, Section 17(3) expressly includes cooperative societies among the class of entities required to file annual tax returns where they generate taxable income. Section 24 introduces enhanced penalties for late filing and non-filing that apply without distinction to cooperatives and investor-owned firms. FO02 noted that FIRS had identified cooperative sector non-compliance as a priority enforcement area for 2025-2026, and that the combination of the new C-TIN registry and enhanced bank information-gathering powers would make enforcement significantly more effective than in previous cycles.

4.3 Realities: What the New Regime Actually Requires

Synthesising the documentary analysis and key-informant data, the study establishes five core realities that define the cooperative tax landscape under the Finance Act 2023 and the NTAA 2025.

Reality 1: Activity-based exemption applies. The exemption under CITA Section 23(c) remains operative but applies strictly to income arising from the cooperative's core mutual activities, specifically the surplus distributed to members as patronage refunds in proportion to their transactions with the cooperative. This is the activity-based exemption that distinguishes cooperative taxation from investor-owned entity taxation.

Reality 2: Investment and commercial income is taxable. Interest earned on external deposits, dividend income from securities, rental income from cooperative property, income from commercial activities conducted with non-members, and income from activities not directly connected to the cooperative's stated mutual purpose are all taxable at the applicable corporate income tax rate of 30% for large cooperatives or the reduced rate applicable to companies with turnover below the CITA threshold.

Reality 3: FIRS registration and filing is mandatory. The NTAA 2025 imposes registration and filing obligations on cooperatives generating taxable income above prescribed thresholds. The C-TIN requirement creates a dedicated registry that FIRS will use to monitor cooperative sector compliance. Non-compliance with registration requirements attracts administrative penalties under Schedule 2 of the NTAA 2025.

Reality 4: VAT implications are nuanced. The supply of goods and services by a cooperative to its members may qualify for the member-serving exemption under certain conditions, but supplies to non-members, commercial activities, and rental services are subject to VAT at 7.5%. The Finance Act 2023 clarified that the cooperative's status as a cooperative does not ipso facto exempt its commercial outputs from VAT where those outputs are equivalent to taxable supplies by investor-owned entities.

Reality 5: Finance Act 2023 refined rather than eliminated cooperative tax relief. Myth 11 that the Finance Act 2023 removed cooperative exemptions entirely is as inaccurate as the blanket exemption myth. The Act did not eliminate cooperative tax relief; it codified, clarified, and conditioned it. Cooperatives that engage primarily in genuine mutual activities with members, maintain proper financial records distinguishing exempt and taxable income streams, and distribute surpluses to members in proportion to transactions retain substantial tax advantages relative to investor-owned competitors.

4.4 Capacity Gaps and Governance Deficits

Interview data consistently revealed that the capacity of cooperative administrators to navigate the new tax regime is severely limited. Only 2 of 24 cooperative institutions represented in the administrator informant group employed a qualified accountant or had engaged a professional tax advisor. The majority relied on self-prepared cash-based records that could not support the accruals-based financial statements required for FIRS tax audit purposes. Several administrators expressed surprise that Nigerian tax legislation applied to cooperatives at all, indicating that the institutional cognitive assumption of exempt status is so deeply embedded that the possibility of taxable income has not been incorporated into governance thinking.

LP02 observed that the governance implications of the new regime extend beyond tax compliance: "Cooperatives that generate taxable investment income are now, in effect, operating as quasi-financial institutions from a tax perspective. Their governance structures, which were designed for mutual-service organisations, are not equipped to manage the regulatory obligations of entities with significant commercial income. There is a structural governance deficit that the tax reform has exposed but did not create."

5. SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of Findings

This study has systematically interrogated twelve myths circulating within Nigeria's cooperative sector about tax exemption status, contrasting them with the legislative realities established by the Finance Act 2023 and the NTAA 2025. The principal findings are as follows. First, the dominant myth of blanket income tax exemption for cooperatives is legally unfounded under the current Nigerian tax framework: exemption is activity-based, conditional on the distributional mechanism of patronage refunds, and does not extend to investment income, commercial activities, or non-member transactions. Second, a profound information asymmetry exists between tax professionals, who possess accurate knowledge of the reformed framework, and cooperative administrators, who continue to operate on the basis of the obsolete blanket-exemption paradigm. Third, the NTAA 2025 imposes mandatory registration, filing, and record-keeping obligations on cooperatives that generate taxable income, obligations that the overwhelming majority of surveyed cooperative institutions are currently not meeting. Fourth, the Finance Act 2023 refined rather than eliminated cooperative tax relief, preserving the exemption for genuine patronage distributions while extending standard corporate tax treatment to commercial and investment income. Fifth, the governance structures of most Nigerian cooperatives are not currently equipped to manage the compliance obligations imposed by the new regime, creating a capacity gap that requires targeted professional development, regulatory guidance, and institutional support.

5.2 Conclusion

Nigeria's new tax regime represents a principled recalibration of cooperative tax treatment that distinguishes between the legitimate mutual-service core of cooperative activity and the commercial periphery that enjoys government-provided market infrastructure without contributing to its financing. From an institutional theory perspective, the reform has updated the formal regulative pillar of the institutional environment, but the normative and cognitive pillars that drive actual cooperative behaviour have not followed at the same pace. The result is a potentially explosive compliance gap where millions of cooperative members face the risk of institutional destabilisation if FIRS enforcement action is applied to cooperatives operating under the mistaken belief of blanket exemption.

The path forward is neither to abandon the new tax framework nor to subject cooperatives to punitive enforcement without adequate transitional support. Rather, it requires coordinated action by FIRS, the apex cooperative bodies, professional associations, and development finance institutions to update the normative and cognitive institutional environment at the same pace as the formal legislative changes. The myths examined in this study are not the product of deliberate evasion but of genuine institutional confusion, and addressing them requires education, guidance, and transitional compliance support as much as it requires enforcement.

5.3 Recommendations

Based on the findings, the following recommendations are directed at the principal stakeholder groups.

For the Federal Inland Revenue Service (FIRS): FIRS should urgently issue a dedicated Cooperative Tax Practice Note under the NTAA 2025 that provides plain-language guidance distinguishing exempt and taxable income streams for each category of cooperative society. This Practice Note should be disseminated through cooperative apex bodies, professional associations, and FIRS field offices. A transitional compliance amnesty period of 24 months should be established, during which cooperatives filing their first returns under the new framework are shielded from historical back-tax liability and penalty assessments, incentivising voluntary regularisation over enforcement-driven compliance. FIRS should also designate a cooperative sector desk within its taxpayer services division to provide specialised guidance to cooperative administrators.

For Apex Cooperative Bodies (NACSB, State Cooperative Federations): National and state cooperative apex bodies should immediately incorporate tax compliance education into their member training and governance programs. The myth-reality framework developed by this study should be adapted into accessible training materials distributed through cooperative association networks. Apex bodies should advocate for a formal cooperative tax relief fund, administered jointly with FIRS, to support smaller cooperatives in meeting initial compliance infrastructure requirements including accounting software, professional audit engagement, and tax advisor retainer fees.

For the Chartered Institute of Taxation of Nigeria (CITN) and the Institute of Chartered Accountants of Nigeria (ICAN): Professional accounting and tax bodies should develop a dedicated Cooperative Tax Specialisation module within their continuing professional development programs, recognising the growing complexity and scale of cooperative tax compliance obligations. Pro bono professional services programs targeting smaller cooperative societies should be established as a component of professional social responsibility, reducing the cost barrier to compliance that many cooperatives face.

For Cooperative Administrators and Boards: All cooperative societies should immediately engage a qualified tax practitioner to conduct a tax health check assessing their current compliance position under the NTAA 2025. Financial record systems should be upgraded to support the distinction between exempt and taxable income streams, with particular attention to the segregation of investment income and non-member transaction income from core patronage activity income. Boards should include tax compliance as a standing agenda item and consider establishing an audit and tax committee with external professional membership.

5.4 Contributions to Knowledge

This study makes four distinct contributions to the academic and professional literature. First, it provides the first systematic empirical analysis of the implications of Nigeria's Finance Act 2023 and the NTAA 2025 for cooperative societies, filling a documented gap in the Nigerian cooperative law and taxation literature. Second, the myth busting framework represents a methodological innovation in cooperative governance research, combining legal-textual analysis with professional elicitation to produce an evidence-based myth-reality matrix applicable to practitioner education and policy communication. Third, the study extends institutional theory's application to cooperative sector reform by demonstrating how the misalignment of formal legislative change with normative and cognitive institutional pillars produces compliance failure even in the absence of deliberate

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evasion, a theoretical contribution relevant beyond the Nigerian context to all developing economy cooperative tax reform contexts. Fourth, the activity-based exemption compliance framework developed from the findings provides a practitioner-oriented decision tool that translates complex legislative provisions into operational guidance adapted to the governance realities of Nigerian cooperative institutions.

5.5 Suggestions for Further Research

Four directions for future research emerge from this study's findings and limitations. First, a quantitative follow-up study should assess the scale of the compliance gap across a larger nationally representative sample of registered cooperative societies, generating the aggregate data necessary for a full assessment of the revenue and enforcement implications of the new regime. Second, a longitudinal study tracking cooperative compliance behaviour over the three years following the NTAA 2025's effective implementation would provide robust evidence on whether the normative and cognitive institutional pillars are updating to align with the formal legislative framework, and at what pace. Third, comparative research examining cooperative tax regimes across other African economies that have recently reformed their fiscal frameworks, including Ghana's Revenue Administration Act 2016 and Kenya's Tax Laws (Amendment) Act 2020, would contextualise Nigeria's approach within regional trends and identify transferable policy lessons. Fourth, a study specifically examining the gendered dimensions of cooperative tax compliance would address the intersection of gender-differentiated economic vulnerability and tax reform impacts, given that women-led savings and credit cooperatives constitute the majority of registered cooperative societies and are disproportionately likely to lack professional advisory support.

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