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COVID-19 CHARITABLE DONATIONS AND TAX SHIELD OF DONORS IN NIGERIA

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ABSTRACT

This study aimed at investigating the extent to which covid-19 charitable donation affects tax shield of donors in Nigeria. The study adopted a survey research design, and the population of the study consisted of donors of the N500 billion covid-19 crisis intervention fund established by the Federal Government of Nigeria to contain the effect of corona virus pandemic as at 18th April, 2020.However, a sample of forty-six (46) donors/businesses was considered for this study. The data for the study were obtained from the Nairametrics Business News of 18th April, 2020. The data were analysed with mean, standard deviation, minimum and maximum values, and Ordinary Least Square (OLS) regression technique. Findings of the study showed that charitable donation made by Nigerians to combat covid-19 pandemic has a significant relationship with tax shield of the donors as such contribution has resulted in an average tax savings of N167.9 million and a maximum tax savings of N600 million. It was also gathered in this study that size moderates the association between covid-19 charitable donation and tax shield. Large companies tend to donate more to the covid-19 crisis intervention fund in a bid to reduce their higher tax burden. In view of the above, the following recommendations were made: an aggressive tax campaign should be made by the appropriate government agency to sensitize tax payers of the tax benefit of such donations so as to encourage more tax payers to contribute to the fund; donation of a capital nature should be considered as tax deductible; the Personal Income Tax Act should be reviewed to accommodate private individuals to make tax deductible donation to such a cause; and the provision of the Companies Income Tax Act, which states that donations should not exceed 10% of gross profit or income should equally be reviewed upward to encourage donors to contribute more to the fund to achieve the set target of N500 billion.

Keywords: Covid-19, charitable donation, tax shield, donors, Nigeria

1. INTRODUCTION

Taxes are compulsory charges levied by the government on the income, gain, profit, property and consumption of private individuals and corporate entities. They are statutory obligations of all individual adults and businesses in a country. It is provided in the 1999 Constitution of the Federal Republic of Nigeria that every individual adult is expected to pay a certain percentage of his or her income as tax and the Nigerian Companies and Allied Matters Act, Cap. C20 Laws of the Federation of Nigeria 2004

also provides that a registered company is statutorily required to pay 30% of its net profit as income tax. Hence income tax constitutes a significant cost to both private individuals and companies. In a bid to reduce the impact of tax on income and profit, tax shield becomes imperative. Ayorinde (2007) describes tax shield as a reduction in taxable income for individuals and corporations achieved through claiming allowable deductions such as charitable donations, mortgage interest, medical expenses, amortization, and depreciation. These deductions reduce the tax expense of the tax payer.

RBC Wealth Management (2018) affirmed that the profit motive of a business has often been perceived as representing a lack of concern for all other objectives of a business organisation. In this regard, businesses are realising that in order to stay profitable in a rapidly changing environment, they would have to become socially responsible and promote their public image. Therefore, beyond making profit for the shareholders, business enterprises should serve the interests of all other stakeholders through the concept of corporate social responsibility (CSR). Similarly, individuals with political motive tend to seek for means of promoting their image as good citizens in their political adventure. It has been argued by scholars and researchers that to reduce tax expense and enhance public image, charitable donation serves as a veritable tool. In view of the above, companies and individuals globally are using charitable donation for this purpose.

According to Greenberg (2015), the term **charitable donation** refers to any financial contribution made by an individual or a corporation to a government or an organization to further its cause. It should be noted that not all charitable contributions are cash donations. Individuals and corporations can also donate investment assets or goods and claim those donations against their tax liability. In 2012 in the United States of America, 24.6 percent of all donations were non-cash, according to the Tax Foundation (Freeland, Wilterdink & Williams, 2015).

However, to qualify for donation tax deduction, RBC Wealth Management (2018) claims that individuals and corporations must make the donation to qualified donee, and a qualified donee is generally the organization that can issue a receipt for the donation received. Such organization includes charitable organizations, foundations, and government.

Odubunmi (2018) asserted that donations are made to charitable causes either to minimize the tax expense of the donor, or more commonly to help establish the public perception that the donor is a good corporate citizen. Donations in support of causes, charities or designated funds for charitable purposes go a long way in building communities and supporting the less-privileged in the society thereby promoting the company's image. As noted by Ayorinde and Esuga (2020), a major incentive/motive which perhaps often drive corporate entities into charitable causes is the tax advantage such charitable donations confers on the donor company. In this regard, such donations for charitable causes whether in cash or in kind is monetised and becomes deductible to a

maximum of 10% gross profit of the company for that year of assessment from the income tax liability of such company, and the ultimate burden passed on to the government under sections 25 and 25A of the Companies Incomes Tax Act, Cap. C21, Laws of the Federation of Nigeria, 2004 (CITA).

Covid-19, which is an acronym for corona virus disease that is caused by the severe acute respiratory syndrome (SARS), has as at 14th of May 2020, claimed globally, the life of over 300000 people with about 4.5 million people infected. In Nigeria, a total of 4971 people have been infected with a death toll of 164 persons (*Nigeria Centre for Disease Control, 2020*).As a result of the outbreak of covid-19, there is a global consensus by well-meaning individuals and corporations to support governments and health agencies leading the response to the covid-19 pandemic.

Following the above, the Minister of Finance in Nigeria Mrs Zainb Ahmed announced the establishment of a N500 billion covid-19 crisis intervention fund to upgrade healthcare facilities and fund special public works programme to generate employment.

In view of the foregoing, private individuals and corporate bodiesin Nigeria have donated cash and other materials such as building for isolation centers, medical supplies and equipment to the covid-19 relief effort. As at 18th April, 2020, various media reports show that a total sum of N25, 893, 792, 792 has been realized from contributions made by 108 donors. As noted by Ango and Yetunde (2020), there is no express provision presently in Nigeria that allows for deductions of donations by individuals and enterprises under the Personal Income Tax Act (PITA), except companies, as provided in the Companies Income Tax Act (CITA) 2004. Similarly, some of those donations made by individuals and companies for covid-19 such as buildings donated as isolation centres, are of capital nature, and as suchare not qualify as deductible expenses. However, section 20 (1) of PITA, 2007 provides that expenses made by individuals for research purpose is tax deductible. In any case, this does not provide sufficient basis for deducting personal donations made to combat covid-19 in Nigeria.

Nevertheless, Section 25 of the Companies Income Tax Act (CITA) paragraph 35 to the Fifth Schedule of the Act specifically provides that donations to any public fund established or approved by the Federal or State government in aid or relief for any national disaster will be tax deductible. The donation must, however, be made only out of the profits of the company and should not be of a capital nature. Additionally, the amount to be deducted must not be greater than 10% of the total profits of the company (for that year) unless the President directs otherwise by an order in the Federal Gazette. Following the provisions of paragraph 35 to the Fifth Schedule of Section 25 of CITA, 2004, on deductible donations which states that "for the purpose of ascertaining the profits or loss of any company for any period from any source chargeable with tax under this Act, there shall be deducted the amount of any donation made for that period by that company to any fund, body or institution in Nigeria. The Minister of Finance in Nigeria, Mrs Zainab Ahmed announced that corporate entities and individuals that have contributed to the federal government's covid-19 pandemic relief fund are to be granted some tax reliefs (Ango & Yetunde, 2020; Udo, 2020).

It has also been argued that the financial muscles of the private individuals and the size of the firm moderate the link between charitable donation and tax savings (Brooks, 2007).It therefore becomes worrisome whether the donations made by these individuals and companies will in any way impact on their tax burden. Despite the significance of charitable donation for tax shield by taxpayers, it appears that most of the prior empirical studies that established a link between charitable donation and tax shield are of foreign origin and concentrated in advanced economies, majorly United Kingdom, United States, and Asia Countries, and as such, are alien to our environment. The few available studies in Nigeria seem to be inadequate in currency, scope and methodology. An attempt to fill this existing research gap is of course the motivation for this study. Following the above premise, the objective of this study therefore is to investigate the extent to which covid-19 charitable donation affects tax shield of donors in Nigeria.

2. LITERATURE REVIEW

Tax Shield

Ayorinde (2007) describe tax shield as a reduction in taxable income for an individual or corporation achieved through claiming allowable deductions such as mortgage interest, medical expenses, charitable donations, amortization, and depreciation. These deductions reduce a taxpayer's taxable income for a given year or defer income taxes into future years.

As noted by Ezeoha and Ogamba (2010) tax shield is a reduction in taxable income by taking allowable deductions and it is the deliberate use of taxable expenses to offset taxable income. The intent of a tax shield is to defer or eliminate a tax liability. This can lower the effective tax rate of a business or individual, which is especially important when their reported income is quite high. Examples of taxable expenses used as a tax shield are: paying out funds for charitable contributions, to charge off the contributions as a taxable expense; incurring debt, in order to charge off the related interest expense as a taxable expense; incurring medical expenses, in order to charge off the payments as a taxable expense; and acquiring fixed assets, in order to charge accelerated depreciation or amortization (in the case of intangible assets) as a taxable expense.

The term tax shield references a particular deduction's ability to shield portions of the taxpayer's income from taxation. According to Charities Aid Foundation (2016) tax shields vary from country to country, and their benefits depend on the taxpayer's overall tax rate and cash flows for the given tax year. For example, because interest payments on certain debts are a tax-deductible expense, taking on qualifying debts can act as tax shields. Tax-efficient investment strategies are cornerstones of investing for high net-worth individuals and corporations, whose annual tax bills can be very high (Yusuf & Abubakar, 2017).Kliestik and Michalkova (2018) posit that tax shield is an allowable deduction from taxable income that results in a reduction of taxes owed. Tax shields differ between countries and are based on what deductions are eligible versus ineligible. The value of these shields depends on the effective tax rate for the corporation or individual (being subject to a higher rate increases the value of the deductions).

The issue of tax shields is an increasingly important object of interest for both business managers and academics. Worldwide in recent years, the volume of leveraged buyouts and management buyouts (MBOs) has increased. In this case, debt is an important component of value.

Therefore, tax shields are divided into two main categories: interest and non-interest tax shields (Kliestik & Michalkova, 2018).The tax shield strategy can be used to increase the value of a business, since it reduces the tax liability that would otherwise reduce the value of the entity's assets. The effects of the tax shield should be used in all cash flow analyses, since the amount of cash paid in taxes is impacted. Tax shield strategies are available for both business and individual tax returns. The classic example of a tax shield strategy for an individual is to acquire a home with a mortgage. The interest expense associated with the mortgage is tax deductible, which is then offset against the taxable income of the person, resulting in a significant reduction in his or her tax liability.

Tax expenses generate tax savings (tax shields), which significantly affect business decision-making, especially investment decision-making and capital structure issues. The most important sources of tax savings are interest and non interest. Tax shields lower the overall amount of a company income tax (Inaya & Ekwueme, 2016).

Ezeoha and Ogamba (2010) confirm that tax shields lower the overall amount of taxes owed by an individual or business taxpayer. To collaborate the above, Aigbangbee and Balogun (2015) revealed that Italian 'tax shield' programme was reported to have generated revenue of about US$ 80 billion in 2009, while a record US$ 5 billion was collected from about 30,000 voluntary tax disclosures made under the United States' IRS offshore voluntary disclosure programme.

The process for calculating the impact of a tax shield is relatively straightforward. The tax shield's value is the amount of money a tax payer saves on taxes. An interest tax shield equals the cost of interest multiplied by the company's tax rate. The cost of interest appears elsewhere on the cash flow statement as a payment to the lender. However, this is the cost of doing business that the company would incur regardless of its tax implications. Some cash flow statements can show multiple tax shields, each based on a simple multiplication, which can be added together to determine the total tax shield value for the period of time that the statement covers. The value of a tax shield is calculated as the amount of the taxable expense, multiplied by the tax rate. Thus, if the tax rate is 21% and the business has N100,000 of donation, the tax shield value of the interest expense is N21,000.

According to Kliestik and Michalkova (2018) tax shields increase cash flow because they keep more money in a business. The cash flow statement, which is one of the financial statements that a business produces, lists expenses, including taxes paid on operating activities and investment activities. Tax shields directly reduce these amounts without affecting income (The issue of tax shields is an increasingly important object of interest for both business managers and academics. Worldwide in recent years, the

volume of leveraged buyouts and management buyouts (MBOs) has increased. In this case, debt is an important component of value. Tax expenses generate tax savings (tax shields), which significantly affect business decision- making, especially investment decision-making and capital structure issues. The most important sources of tax savings are interest and non-interest (Inaya & Ekwueme, 2016).

Covid-19 Charitable Donation

The term **charitable donation** refers to any financial contribution made by an individual or corporation to a government or an organization to further its course (Greeberg, 2015). Diamantopoulos, Schlegelmilch and Love (1993) and Brooks (2007) are of the opinion that giving such as time, money, and volunteers are all forms of donations. Covid-19 charitable donation therefore, is the financial contribution made by individuals and corporate entities to contain the effect of corolla virus pandemic. It is the amount of contribution made by donors to the N500 billion covid-19 crisis intervention fund established by the Federal Government of Nigeria. A corporation gives to charitable causes either to minimize its tax liability, or more commonly to help establish the public perception that the corporation is a good corporate citizen (Ayorinde & Esuga 2020).Donations generally are not allowed unless they are for the benefit of the employees or to the approved bodies. Donation to political parties is non allowable except if it can be proved that such is of great advantage to the business (RBC Wealth Management, 2018).

Charitable donations are deductible in determining taxable income (Feldstein & Taylor, 1976).The challenge is when an individual makes a donation to a charity, the exchange equation is relatively simple: The individual donates money, possessions, or his or her labour, and receives gratitude (perhaps implied) from the charity as well as a self-congratulatory pat on the back. Corporations also make donations to charities, but the exchange equation is more complicated (Dean, 2004). Feldstein and Taylor, (1976) further explained that when corporate organisations make donations, it means assets have been given away and reduces the taxable income by the same amount of donation. This is why government being one of the key stakeholders needs tax information from every organization to ensure they are giving donations within the legal framework. A responsible corporate organization is concerned about the need of the stakeholders such as management, staff, government, public policy makers, society and the communities where it operate from (Uwuigbe, 2011).

Section 25 of CITA provides the conditions or circumstances under which donations made by companies shall be tax deductible as follows: the donation is made out of the profits of the company and is not expenditure of a capital nature; the deduction shall not exceed 10% of the total profits of that company for the year of assessment in which the donation is made ;the public fund, statutory body/institution, ecclesiastical, charitable, educational or scientific institution receiving the donation must be established/incorporated in Nigeria and specified in the Fifth Schedule to CITA (the Minister of Finance may by order amend the Fifth Schedule from time to time);donations made by a company should not include any payments made by the

company for valuable consideration; donations may be tax deductible notwithstanding the fact that such donation is revenue or capital in nature, where such donations are made to tertiary institutions and the deductions do not exceed an amount which is equal to 15% of the total profits or 25% of the tax payable in the year of the donation whichever is higher (Odubunmi, 2018).

According to Oyedele (2012) the Minister of Finance recently modified the Fifth Schedule to the Companies Income Tax Act effective from 12 December 2011. In addition to the existing bodies eligible for tax deductible charitable donations listed in the Act, more institutions, bodies or funds engaged in the following broad categories of activities are to enjoy tax deductible donations provided such organisations are not set up for the purpose of profits or gains to the individual members of the society, association or person. Namely, promotion or defense of human rights; women empowerment and development; re-orientation, rehabilitation, welfare support service for orphans, widows, physically challenged, refugees and all categories of persons that may require social or economic rehabilitation and transformation; youth empowerment and development; leadership and resource development; promotion of national unity and patriotism; promotion of social and economic development; accident prevention and control activities; information system development and awareness; creation of awareness for transparency in governance and electoral processes; promotion of national unity and patriotism; museum development and promotion of sports, arts and culture; rendering assistance in the provision of safe water, electricity, infrastructure and agricultural development; any professional body established under an Act of the National Assembly for the regulation and practice of the profession. The amendment is in line with global best practices and the recently launched National Tax Policy of the government in that tax waivers/incentives are broad based rather than for selected organisations.

Mohr (2020) noted that any cash donation over a certain amount requires written confirmation of the gift from the organization. The tax revenue authority requires that donors keep canceled cheques or other records of the gift for smaller donations. However, getting a receipt from the charity every time donation is made strengthens the donor tax records if not audited. If large donation is kept and the donor do not have or cannot find the receipt, it will be disallowed on audit. It is therefore important to keep records at the beginning of each year and file all donation receipts in the same place (Brooks, 2007).

Empirical Review

Houqe, Ziji, Karim, St. George (2019) examine whether corporate donations, a form of CSR activity, have a positive impact on firm value. The impact of donations on value may suffer from agency problems or poor quality in the choice of donee. However, we expect that, on balance, donations would have a positive impact on value. We use a sample of 52,199 firm-year observations from 42 countries for the period 1998 to 2014 and conduct our tests using the Collins et al. (1999) adaptation of the Ohlson (1995) model. Our evidence supports our expectation that corporate donations have a positive

impact on firm value. They also find that CSR performance, and the country level variables for culture and corruption, moderate the contribution to value. The results are robust to several sensitivity tests including an alternative measure of donations, additional country-level control variables, and variation in the study sample.

Yusuf and Abubakar (2017) examined tax incentives and donations in a causal relationship. The population of the study includes 14 of a total of 15 money deposit banks listed on the Nigerian Stock Exchange and covered the period 2011-2015. Using the random effects regression models, the study found that current year and one year lag tax incentives have significant impact on donations made by quoted banks in Nigeria. However, while profitability impacts on donations with one year lag tax incentives, this is not the case with current year tax incentives. Indicating that last year tax incentives and current year profitability contributes significantly in determining corporate donations.

Inaya and Ekwueme (2016) investigated the relationship between corporate borrowing and tax shield among listed companies in Nigeria. Five specific variables namely tangibility, size, total debts, short-term debt and long-term debt as independent variables for thirty companies were used in order to measure their effect on firm's tax shield. The data for the study was analysed using the Pooled, Random and Fixed Effect Regression for the period 2010-2014.The finding suggests that tangibility is positively related to tax shield while firm size is negatively correlated with tax shield. Furthermore, the result shows that there is a significant relationship between interest tax shield, long term, short term and total borrowings of the firms studied. Based on the above findings, we recommend among others, that equity capital financing should be encouraged among listed companies since this could be used as basis for further borrowing. In addition, companies in Nigeria should utilize a mixture of short and long-term debts in order to have the most optimal tax shield for their debts.

A study, carried out by Charities Aid Foundation (2016), looks at 26 countries and investigates the way tax incentives are offered around the world. It showed that people are more likely to have donated to charity in the last month if they live in a country that offers tax relief. The study shows that in France, individuals are able to claim a 75% credit against tax liability on donations totalling up to €521 (£408). Incentives above the €521 threshold are calculated at 66% of the donation but limited at 20% of total taxable income. Also in the UK the study revealed that there used to be a high minimum eligibility criterion, Gift Aid was only eligible on donations of £600 or more. It was then lowered to £250 before being wiped out in 2000 as part of a measure to boost people giving to charity, with the amount of money being given via Gift Aid now increasing by roughly 3% per year. It concludes that individual donations and corporate donations are treated differently; with individual relief coming in the form of grossed-up donations and corporate reliefs coming in the form of tax deduction. As a result, individual donors have their donations topped up by 25% (with higher rate tax payers receiving a 20 or 25% deduction on top of this), meaning that the relief is passed on to the civil society organisation (CSO) rather than back to the donor. Companies, on the other hand, receive the full benefit of the relief.

Freeland, Wilterdink and Williams (2015) investigated the relationship between charitable giving and state taxes by asking the questions "how much charitable giving exists? Where does it come from and where does it go? The population for the study consisted of 1,507,231 tax-exempt organizations operating in the United States as provided by the National Center for Charitable Statistics. This includes a mixture of public charities, private foundations, non-profit organizations and others. In gathering the data for this study, the analysis focused on collecting data on state economic growth as well as accounting for varying populations and incomes in states by tracking adjusted gross income (AGI) and number of claimants of the charitable deduction in the state. The findings revealed that Americans have traditionally given about 2 percent of Gross Domestic Product (GDP) to charity over the past 40 years and this has reduced tax liabilities of donors. From 1997 to 2012, charitable giving in the United States grew by 43.03 percent after adjusting for inflation, according to Internal Revenue Service (IRS) statistics of income (SOI) tables. In 2014, total charitable giving was $358.38 billion according to estimates by Giving USA, or about 2.1 percent of total GDP. While these figures describe charitable giving in the United States as a whole, giving rates and growth in charitable giving vary widely by State.

Freeland, et al (2015b) did another study on the effect of total tax burden on total state income and found that an increase in tax burden of roughly 1 percentage point of total state income results in roughly a 0.09 percentage point decrease in measured charitable donations as a percent of income. As noted earlier in the paper, charitable giving as a percent of annual gross income (AGI) ranges from roughly 5.2 percent down to 1.15 percent across states and years. As such, total tax burden appears to have a large effect on charitable giving. The opposite of this figure is also true—a decrease in taxes is associated with an increase in charitable giving. This is statistically significant at the 0.000 level, which is a strong statistical relationship.

Dean (2004) study investigated the effects of type of donation (conditional or not conditional upon corporate revenue) and reputation of the firm making the donation (firms described as scrupulous, average, or irresponsible in the discharge of their social responsibility) on consumer regard for the firm; perceived mercenary intent of the firm; and whether the social performance of the company is consistent with "good" management. Consumer responses were predicted based on the contrast effect and attribution theory. Results suggest that irresponsible firms increased their favor with consumers by pursuing either type of donation. The average firm enhanced its image by pursuing an unconditional donation, but a conditional donation did not damage firm image. Perception of the scrupulous firm was little changed after unconditional donation, but a scrupulous firm suffered a loss of favor by pursuing CRM. It is concluded that the average firm does not risk a loss of public goodwill when using CRM.

Milner (1996) study was undertaken to begin an initial investigation of determinants of corporate charitable giving. Factors analysed include tax burden of the donor, donor corporation demographics, forms of donations utilized, and corporate preferences with regard to the beneficiaries of their giving. Results indicate that tax relief by the donor,

age of the non-profit and age of the corporation as well as relationships between owners/managers and workers with the non-profit are positively related to donations.

Theoretical Framework

This study is anchored on the profit maximization theory as proposed by Fry, Keim, and Meiners in 1982. They reported that profit is the prime impetus for the contributions of most top firms, with corporate donation serving as a marketing tool in which sales are increased through enhanced corporate image and visibility. From a profit-maximizing standpoint, why would a firm contribute to charity? At first glance, contributions represent another expense. They are treated for tax purposes the same as any expense, where the cost of a dollar of donation or contribution is still the complement of the marginal tax rate. If profit-maximizing firms make donations, it must be the case that managers and owners believe that the benefits from such donation outweigh the costs or that donations are in the firm's long-run self-interest. An economist's profit-maximization equation for a firm in any given time period may be expressed as a function of the firm's costs (expenses), the price the firm charges for its product (price X quantity sold = sales), the cost of donations, and potential benefits and costs of the actual donations (offsets). This type of profit-maximization model may explain the motivation of corporate executives in allowing various types of corporate donations. If contributions affect both the expense and sales of the firm, then expenditures, which affect either, or both, input or output sales, may increase firm profits.

From the standpoint of profit-maximization theory, corporate executives choose to make donations only if they either increase sales or lower expenses or also promote their public image and goodwill.

3. METHODOLOGY

In a bid to contain the effect of covid-19 pandemic in Nigeria, the Federal Government established N500 billion covid-19 crisis intervention fund. As at 18th April, 2020 when data were collected for this research work, one hundred and seven (107) donors have contributed to the fund. Therefore the population of the study consists of the one hundred and seven (107) donors of the N500 billion covid-19 crisis intervention fund. Since the donors are businesses of different sizes and sectors of the economy, this study only focused on the banking and manufacturing sectors' donors with applicable tax rate of 30% as shown in appendix 1. A total of forty-six (46)banks and manufacturing firms' donors was considered for this study, and a survey research design was adopted in obtaining data from the Nairametrics Business News of 18th April, 2020.

In this study, covid-19 charitable donation was defined as the amount of contribution made by donors to the covid-19 crisis intervention fund. For example, United Bank of Africa charitable donation is N1 billion while Dangote Industries Limited is N2 billion as shown in appendix 1. Tax shield on the other hand was measured as the product of charitable donation made by the donor and tax rate given at 30%.For instance, tax shield of United Bank of Africa is N1 billion x 30% = N300 million. Size, which moderates the relationship between covid-19 charitable donation and tax shield in this study, was

considered as a dummy variable. If the covid-19 charitable donation made is fromN1billion and above, it takes the value of 1, otherwise 0.

The data generated for this study were analysed with both descriptive and inferential statistics using the arithmetic mean, standard deviation, minimum and maximum values, and the Ordinary Least Square (OLS) Regression technique. These were computed with the aid of the Statistical Package for Social Sciences (SPSS) version 23.

The model specification for this study is given in functional form as:

COVDON = f (TAS, SIZE) ---------- (i)

In econometric form, the model becomes:

$COVDON_i = {}_o + {}_1TAS_i + {}_2SIZE_i + - - {}_i$ ---------- (ii)

Where:

COVDON	=	Covid-19 Donations (amount donated by different corporate bodies)
TAS	=	Tax Savings (Tax rate x amount donated)
SIZE	=	Size of the Donation (Dummy, if donation is above N1b it takes the value of 1, otherwise zero)
	=	Regression Constant
	=	Regression Coefficient
	=	Stochastic term

In this study, the prior expectation is that increase in covid-19 charitable donations in Nigeria will bring about increase in tax shield of donors. In summary, it is expected that $\beta 1$ and $\beta 2 > 0$.

4. RESULTS AND DISCUSSING OF FINDINGS

The empirical analysis in this study involves both the descriptive analysis and test of hypothesis.

Descriptive Analysis

The descriptive statistics shows the description of the data in the study. The descriptive statistics describes the mean, minimum, maximum, and standard deviation of the distribution. Table 1 shows the descriptive statistics of the variables for in the study.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DON	46	1.00E8	2.00E9	5.5978E8	5.11818E8
TAS	46	3.00E7	6.00E8	1.6793E8	1.53545E8
SIZE	46	.00	1.00	.3696	.48802
Valid N (listwise)	46				

The descriptive statistics of the variables in the model are displayed in Table 1 above. The table shows that the minimum covid-19 contribution made by donors is N100million while the maximum is N2billion. The average charitable contribution made during the period is N559.8million. The value of the standard deviation, N511.8million is less than the mean value. This indicates that the mean is a good representation of the donations made. More so, the minimum tax savings made by donors is N30million while the maximum is N600million. The average tax savings during the period is N167.9million.The value of the standard deviation, N153.5million is less than the mean value. This also shows that the mean is a good representation of the tax savings made.

Test of Hypothesis

In this study, the following null hypothesis was raised.

Ho: There is no significant relationship between covid-19 charitable donation and tax shield of donors in Nigeria.

To test the stated hypothesis, data collected on covid-19 donation were regressed against tax savings and size of the contributions made by donors and the results obtained are presented in the Table 2 below.

Table 2: Relationship between Covid-19 Charitable Donation and Tax Shield

R	R Square	Adjusted R Square	F	Sig.	Durbin-Watson	VIF
0.906	0.820	0.812	98.049	0.000	1.573	3.962

As shown in Table 2 above, a percentage increase in donation for covid-19 in Nigeria will lead to about 11.6% increase in tax savings of donors. The coefficient of determination (R2) of 0.820 suggests that about 82% of change in tax savings of the donors is associated with the covid-19 charitable donations, which implies that the regression model is nicely fitted. Above all, the probability value of the multiple regression as displayed by the f-ratio (0.000), which is less than 0.05 level of significance, suggests that a significant relationship exist between covid-19 charitable donation and tax shield of donors in Nigeria. Hence the null hypothesis is rejected.

Table 2 also shows Durbin-Watson value of 1.573, which is within the acceptable region of 1.5-2.5. This suggests that there was no problem of serial correlation in the model. Similarly, the value for the Vector Inflation Factor (VIF) of 3.962, which is less than 10.0, also indicate that the model had no problem of multicolinearity.

From the analysis in this study, it is found that the average contribution for covid-19 made by the donors is N559.8million, and as such an average tax savings of N167.9million was made. The result of the analysis also shows that covid-19 charitable donation has a positive significant relationship with tax shield of donors in Nigeria. These findings are in agreement with prior studies such as Odubunmi (2018),

Yusuf and Abubakar (2017), Charities Aid Foundation (2016), Freeland, Wilterdink, and Williams (2015) and Milner (1996).

Odubunmi (2018) asserted that donations are made to charitable causes either to minimize the tax expense of the donor, or more commonly to help establish the public perception that the donor is a good corporate citizen.

Yusuf and Abubakar (2017), concludes that last year tax incentives and current year profitability contributes significantly in determining corporate donations. Charities Aid Foundation (2016) shows that people are more likely to have donated to charity if they live in a country that offers tax relief. The study shows that in France, individuals are able to claim a 75% credit against tax liability on donations totalling up to £408.

Freeland, Wilterdink, and Williams (2015) in their study found that Americans have traditionally given about 2 percent of Gross Domestic Product (GDP) to charity over the past 40 years and this has reduced tax liabilities of donors. Milner (1996) indicate that tax relief by the donor, age of the non-profit and age of the corporation as well as relationships between owners/managers and workers with the non-profit are positively related to donations.

5. CONCLUSION AND RECOMMENDATIONS

The fight against covid-19pandemic in Nigeria is a fight for all, hence well-meaning Nigerians have contributed to the N500 billion covid-19 crisis intervention fund established by the Federal Government of Nigeria to upgrade healthcare facilities and fund special public works programme to generate employment. The income tax deduction for charitable donation provides a substantial incentive to give by reducing the economic cost of making a donation.

Section 25 of the Companies Income Tax Act (CITA) paragraph 35 to the Fifth Schedule of the Act specifically provides that donations to any public fund established or approved by the Federal or State government in aid or relief for any national disaster will be tax deductible. In line with this provision of the tax law, we investigated in this study the extent to which covid-19 charitable donation influence tax shield of the donors in Nigeria. Our findings show that charitable donation made by Nigerians to combat covid-19 pandemic has a significant relationship with tax shield of the donors as such contribution has resulted in an average tax savings of N167.9million and a maximum tax savings of N600 million. It was also gathered in this study that size moderates the association between charitable donation and tax shield. Large companies tend to donate more to the covid-19 crisis intervention fund in a bid to reduce their higher tax burden.

In view of the above, the following recommendations were made.

(i) To encourage more people to contribute to the fund, an aggressive tax campaign should be made by the appropriate government agency to sensitize tax payers of the tax benefit of such donations.
(ii) Donation of a capital nature should be considered as tax deductible.

(iii) The Personal Income Tax Act should be reviewed to accommodate private individuals to make tax deductible donation to such a cause.
(iv) The provision of the Companies Income Tax Act, which states that donations should not exceed 10% of gross profit or income should equally be reviewed to encourage donors to contribute more to the fund to achieve the set target of N500 billion.

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Appendix 1

LIST OFSOME DONORS TO COVID-19 CRISIS INTERVENTION FUND

1	CENTRAL BANK OF NIGERIA	CENTRAL BANK OF NIGERIA	2,000,000,000.00
2	ALIKO DANGOTE	DANGOTE INDUSTRIES LIMITED	2,000,000,000.00
3	FLOOD RELIEF FUND	FLOOD RELIEF FUND	1,500,000,000.00
4	ABDULSAMAD RABIU	BUA SUGAR REFINERY LIMITED	1,000,000,000.00
5	SEGUN AGABJE	GUARANTY TRUST BANK	1,000,000,000.00
6	TONY ELUMELU	UNITED BANK OF AFRICA	1,000,000,000.00
7	OBA OTEDEKO	FIRST BANK OF NIGERIA	1,000,000,000.00
8	JIM OVIA	ZENITH BANK	1,000,000,000.00
9	MODUPE & FOLORUNSHO ALAKIJA	FAMFA OIL LIMITED	1,000,000,000.00
10	NDIC	NIGERIA DEPOSIT INSURANCE COPORATION	1,000,000,000.00
11	HERBERT WIGWE	ACCESS BANK PLC	1,000,000,000.00
12	MIKE ADENUGA	GLOBACOM	1,000,000,000.00
13	FEMI OTEDOLA	AMPERION POWER DISTRIBUTION LTD	1,000,000,000.00
14	RAJ GUPTA	AFRICAN STEEL MILLS NIG. LIMITED	1,000,000,000.00
15	MTN NIGERIA PLC	MTN NIGERIA PLC	1,000,000,000.00
16	JOHN COUMANTATOUS	FLOUR MILLS OF NIG LTD	1,000,000,000.00
17	DEJI ADELEKE	PACIFIC HOLDING LTD	500,000,000.00
18	FRIESLAND CAMPINA WAMCO	FRIESLAND CAMPINA WAMCO	500,000,000.00
19	BANK OF INDUSTRY	BANK OF INDUSTRY	500,000,000.00
20	TOLARAM AFRICA ENTERPRISE LTD	TOLARAM AFRICA ENTERPRISE LTD	500,000,000.00
21	RAHUL SAVARA	WACOT RICE LTD	500,000,000.00
22	UNION BANK PLC	UNION BANK PLC	250,000,000.00
23	STERLING BANK PLC	STERLING BANK PLC	250,000,000.00
24	STANDARD CHARTERED BANK	STANDARD CHARTERED BANK	250,000,000.00
25	STANBIC IBTC	STANBIC IBTC	250,000,000.00
26	CITIBANK NIGERIA LTD	CITIBANK NIGERIA LTD	250,000,000.00
27	FCMB	FCMB	250,000,000.00
28	FIDELITY BANK	FIDELITY BANK	250,000,000.00
29	ECOBANK PLC	ECOBANK PLC	250,000,000.00
30	AFRICA FINANCE CORPORATION	AFRICA FINANCE CORPORATION	250,000,000.00
31	MULTICHOICE NIGERIA LIMITED	MULTICHOICE NIGERIA LIMITED	200,000,000.00
32	APM TERMINALS APAPA LIMITED	APM TERMINALS APAPA LIMITED	150,000,000.00
33	FSDH	FSDH	100,000,000.00
34	FBN MERCHANT BANK	FBN MERCHANT BANK	100,000,000.00
35	RAND MERCHANT BANK	RAND MERCHANT BANK	100,000,000.00
36	CORONATION MERCHANT BANK	CORONATION MERCHANT BANK	100,000,000.00
37	SUNTRUST BANK	SUNTRUST BANK	100,000,000.00
38	PROVIDUS BANK	PROVIDUS BANK	100,000,000.00
39	WEMA BANK	WEMA BANK	100,000,000.00
40	UNITY BANK	UNITY BANK	100,000,000.00
41	HERITAGE BANK	HERITAGE BANK	100,000,000.00
42	NOVA MERCHANT BANK	NOVA MERCHANT BANK	100,000,000.00
43	POLARIS BANK	POLARIS BANK	100,000,000.00
44	KEYSTONE BANK	KEYSTONE BANK	100,000,000.00
45	KC GAMING NETWORKS LTD	KC GAMING NETWORKS LTD	100,000,000.00
46	PORTS AND TERMINAL MULTI SERV LTD	PORTS AND TERMINAL MULTI SERV LTD	100,000,000.00

Appendix II

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REGRESSION
  /MISSING LISTWISE
  /STATISTICS COEFF OUTS R ANOVA COLLIN TOL
 /CRITERIA=PIN(.05) POUT(.10)
  /NOORIGIN
  /DEPENDENT TAS
  /METHOD=ENTER DON SIZE
  /RESIDUALS DURBIN.
```

Regression

[DataSet0]

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DON	46	1.00E8	2.00E9	5.5978E8	5.11818E8
TAS	46	3.00E7	6.00E8	1.6793E8	1.53545E8
SIZE	46	.00	1.00	.3696	.48802
Valid N (listwise)	46				

Variables Entered/Removed[b]

Model	Variables Entered	Variables Removed	Method
1	SIZE, DON[a]	.	Enter

a. All requested variables entered.

b. Dependent Variable: TAS

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.906[a]	.820	.812	6.66125E7	1.573

a. Predictors: (Constant), SIZE, DON

b. Dependent Variable: TAS

ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.701E17	2	4.351E17	98.049	.000[a]
	Residual	1.908E17	43	4.437E15		
	Total	1.061E18	45			

a. Predictors: (Constant), SIZE, DON

b. Dependent Variable: TAS

Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.969E7	1.538E7		2.580	.013		
	DON	.116	.042	.352	2.732	.009	.252	3.962
	SIZE	1.838E8	4.050E7	.584	4.538	.000	.252	3.962

a. Dependent Variable: TAS

Collinearity Diagnostics[a]

				Variance Proportions		
Model	Dimension	Eigenvalue	Condition Index	(Constant)	DON	SIZE
1	1	2.518	1.000	.05	.02	.02
	2	.415	2.463	.65	.01	.11
	3	.067	6.135	.30	.97	.86

a. Dependent Variable: TAS