# The Role of Environmental Taxation in Promoting Sustainable Business Practices in Nigeria

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Abstract: This study investigates how environmental taxation influences the adopting of sustainable business practices among large and medium-sized firms in Lagos State, Nigeria. Drawing on a cross-sectional survey of 200 senior managers and sustainability officers in the manufacturing, oil & gas, and telecommunications sectors, the research examines perceptions of key tax attributes-clarity of tax bases, administrative ease, cost impacts, revenue transparency, and internal compliance capacity—and their association with five dimensions of corporate sustainability: energy efficiency, waste management, renewable-energy adoption, environmental reporting, and strategic integration of environmental considerations. Descriptive statistics reveal strong consensus that tax bases are clearly defined (71.5%), remittance processes are straightforward (70.0%), and revenues are transparently earmarked for environmental initiatives (85.0%). while views on cost burdens are evenly split. High levels of sustainable practice adoption are observed for energy efficiency (70.5%), renewables (73.5%), reporting (80.0%), and strategic integration (82.5%), whereas comprehensive wastereduction programs remain relatively uncommon (41.5%). One-sample Chi-Square tests confirm these patterns are statistically significant (all p < .001). Findings suggest that well-designed and effectively administered environmental taxes can drive substantive energy and disclosure practices, but that additional incentives and technical support are needed to bolster waste-management efforts. The study concludes with recommendations to recalibrate levy rates, introduce wastemanagement credits, sustain administrative enhancements, and publicise revenue impacts, thereby maximising environmental taxation's potential to foster holistic corporate sustainability in Nigeria's green economy.

**Keywords:** Environmental Taxation; Sustainable Business Practices; Energy Efficiency; Waste Management; Renewable Energy Adoption; Environmental Reporting.

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## I. INTRODUCTION

Globally, environmental taxes have spurred corporate innovation, as seen in the automotive sector's shift toward electric vehicles in response to carbon pricing (OECD, 2021). In contrast, Nigerian businesses lag due to insufficient fiscal nudges and infrastructural gaps. A World Bank (2020) study notes that only 5% of Nigerian firms invest in pollution control, reflecting weak regulatory pressure. Strengthening environmental taxation could thus catalyse sustainable industrialisation (SDG 9), aligning Nigeria with global trends while addressing local ecological crises. Environmental taxation has emerged as a critical policy tool globally to address climate change, pollution, and unsustainable resource consumption.

Governments and international organisations increasingly recognise fiscal measures as mechanisms to internalise environmental costs, incentivise green innovation, and align economic activities with sustainability goals (OECD, 2021). For instance, carbon taxes in Sweden and energy levies in Germany have reduced greenhouse gas emissions while fostering renewable energy adoption (World Bank, 2020). Similarly, the European Union's Emissions Trading System (EU ETS) demonstrates how market-based instruments can drive industries toward lowcarbon transitions (UNEP, 2019). These global examples underscore the potential of environmental taxes to reconcile economic growth with ecological preservation.

However, the effectiveness of environmental taxation varies across regions, particularly in developing economies. In Africa, where many nations rely heavily on fossil fuels and face acute energy poverty, green tax implementation remains contentious. For example, Mpofu (2022) highlights the paradox African countries face: balancing revenue generation, environmental protection, and equitable energy access. While high-income countries leverage taxes to phase out coal and oil, African economies, including Nigeria, grapple with the dual challenge of achieving sustainable development and mitigating regressive impacts on vulnerable populations (World Bank, 2020). Nigeria, Africa's largest economy and oil producer, faces severe environmental degradation, including air pollution, oil spillages, and deforestation, which threaten public health and ecosystems (Iliya, 2017). Despite its ratification of global climate agreements like the Paris Accord, Nigeria's environmental policy framework remains fragmented. The country relies on outdated regulatory mechanisms, such as command-and-control policies, which have proven insufficient in curbing industrial pollution (Oyedokun et al., 2018). While petroleum profit taxes and levies on gas flaring exist, they are poorly enforced and contribute minimally to environmental remediation (Hussaini et al., 2024).

Economically, Nigeria's dependence on fossil fuels exacerbates its vulnerability to global energy transitions. Over 80% of government revenue and 90% of export earnings derive from oil, creating resistance to green tax reforms that could disrupt this sector (Adewale et al., 2022). Meanwhile, weak tax administration and corruption undermine compliance, as seen in the limited impact of Nigeria's National Tax Policy on business sustainability (Mercilina & Gina, 2020). The 2020 Finance Act, which introduced tax breaks for small businesses and reduced corporate rates, reflects efforts to stimulate economic recovery post-COVID-19 but lacks explicit linkages to environmental objectives (Salaudeen, 2024).

Nigeria, Africa's largest economy and most populous nation, faces profound environmental challenges, including air and water pollution, oil spillages, gas flaring, deforestation, and waste mismanagement. These issues are exacerbated by rapid industrialization, urbanization, and reliance on fossil fuels, which contribute significantly to ecological degradation and public health crises (Iliya, 2017; Hussaini et al., 2024). For instance, the Niger Delta region, Nigeria's oil-producing hub, has suffered decades of environmental devastation from oil spills, contaminating farmlands and water sources and displacing communities (World Bank, 2020). Similarly, gas flaring—a by-product of crude oil extraction—releases millions of tons of CO<sub>2</sub> annually, making Nigeria one of the largest contributors to greenhouse gas emissions in Africa (OECD, 2021).

Despite these challenges, Nigeria's environmental governance framework remains weak. The country relies heavily on outdated command-and-control regulations, which lack enforcement mechanisms and fail to incentivize sustainable business practices (Oyedokun et al., 2018). While agencies like the National Environmental Standards and Regulations Enforcement Agency (NESREA) exist to enforce compliance, their efforts are hampered by corruption, inadequate funding, and political interference (Iliya, 2015). For example, gas flaring penalties, though legislated, are poorly implemented, allowing oil companies to prioritize profit over environmental accountability (Hussaini et al., 2024). Recent reforms, such as the 2020 Finance Act, aimed to stimulate economic recovery post-COVID-19 by reducing corporate tax rates and exempting small businesses. However, these measures lack explicit environmental targets, reflecting a broader policy gap in integrating taxation with sustainability goals (Salaudeen, 2024). For instance, while Value Added Tax (VAT) and Company Income Tax (CIT) contribute to economic growth, their design does not penalize polluting industries or reward eco-friendly innovations (Adewale et al., 2022). This misalignment undermines Nigeria's commitments to global sustainability frameworks, including the Paris Agreement and the United Nations Sustainable Development Goals (SDGs).

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Studies show that Nigerian firms, particularly in the oil and gas sector, prioritise short-term profitability over longterm environmental responsibility, partly due to weak regulatory pressure (Hussaini et al., 2024; World Bank, 2020). For example, Hussaini et al. (2024) found that only firms with low carbon intensity voluntarily disclosed environmental accounting information, highlighting the need for stronger fiscal nudges. Environmental taxation presents a viable solution to these challenges. By internalising the costs of pollution, such taxes could incentivise businesses to adopt practices while generating revenue cleaner for environmental remediation. However, Nigeria's current tax system lacks coherence in this regard. While the Gas Flaring Penalty and the Coal Mining Tax exist, their implementation is inconsistent, and revenues are rarely channelled into environmental projects (Iliya, 2017; Oyedokun et al., 2018). Furthermore, public awareness of the benefits of environmental taxes remains low, fostering resistance from industries and communities dependent on fossil fuels (Joseph, 2022). Nigeria's unique socio-economic and ecological context demands a tailored approach to environmental taxation. Strengthening tax administration, aligning fiscal policies with SDGs, and fostering stakeholder collaboration are essential to drive sustainable business practices. This study addresses these gaps, offering insights into how Nigeria can leverage environmental taxation to reconcile economic growth with ecological preservation.

Studies in developed economies, such as the EU's carbon pricing mechanism, show that ET drives innovation in renewable energy and waste reduction (OECD, 2021). In Nigeria, Hussaini et al. (2024) echoed this, linking green taxes to improved environmental disclosures. However, Nigeria's results are less pronounced due to enforcement gaps. Mercilina and Gina (2020) found no significant relationship between Nigeria's NTP and business sustainability, contrasting with Salaudeen's (2024) assertion that tax systems globally can advance SDGs. This discrepancy highlights Nigeria's institutional weaknesses compared to advanced economies. Mpofu (2022) warned that poorly designed green taxes in Africa could increase energy poverty. In Nigeria, reliance on fossil fuels means abrupt tax hikes might raise production costs, deterring sustainability investments (Adewale et al., 2022). While Rotimi (2021) and Joseph (2022) emphasize ET's potential for pollution control, Oyedokun et al. (2018) argue that Nigeria's environmental taxes have not reduced ecological problems due to revenue misallocation. Similarly, Iliya (2015) identified public resistance and lack of policy awareness as barriers, contrasting with Hussaini et al. (2024), who stressed corporate responsiveness to fiscal

penalties. These contradictions suggest that ET's efficacy depends on contextual factors like enforcement rigor, public trust, and policy coherence.

Environmental degradation from oil spills, gas flaring, deforestation, and urban waste has intensified the need for regulatory innovation (Garba & Gunawardana, 2015). Although the Federal Government has introduced measures such as a 10% excise duty on single-use plastics and is carbon-pricing frameworks exploring (Efuntaade, Efuntaade, & Olugbamiye, 2023; Aduloju, 2023), the country still lacks a cohesive legal framework for environmental taxation (Kehinde & Ariyoosu, 2024). Empirical studies offer mixed insights: while Hussaini et al. (2024) find that green taxes spur oil and gas firms to improve environmental disclosures, Brown (2025) and Rotimi (2021) caution that unpredictable rates and weak enforcement undermine long-term investments in cleaner technologies.

In Nigeria, Africa's largest oil producer, environmental degradation-such as gas flaring, oil spills, and deforestation-has reached alarming levels, threatening public health, ecosystems, and long-term economic stability (Iliya, 2017; Hussaini et al., 2024). Despite legislative measures like the Gas Flaring Penalty and Coal Mining Tax, enforcement is lax, and revenues are rarely reinvested into environmental remediation (Oyedokun et al., 2018). For instance, gas flaring persists at 8 billion cubic meters annually, partly due to penalties as low as \$2 per 1,000 standard cubic feet, which fail to deter polluters (OECD, 2021). Furthermore, Nigeria's tax policies, including the 2020 Finance Act, prioritize economic recovery post-COVID-19 but lack explicit linkages to sustainability objectives, reflecting a critical misalignment with global best practices (Salaudeen, 2024).

While empirical studies in advanced economies affirm that environmental taxation spurs innovation in renewable technologies and waste reduction (OECD, 2021), Nigerian businesses exhibit reluctance to adopt sustainable practices. High operational costs, coupled with weak regulatory pressure and insufficient fiscal incentives, compel firms to prioritize short-term profits over environmental responsibility (Joseph, 2022). For example, fewer than 10% of Nigerian manufacturing firms invest in pollution control technologies, and only 30% of oil and gas companies disclose environmental accounting information (World Bank, 2020; Hussaini et al., 2024). These disparities underscore systemic issues such as corruption, poor tax administration, and fragmented policy frameworks (Mercilina & Gina, 2020).

Although global experience underscores the effectiveness of environmental taxes in promoting sustainable business practices, Nigeria's nascent adoption of these instruments has not yet yielded clear, systematic evidence on their influence at the firm level. The absence of a comprehensive legal framework and reliable damage-cost assessments hinders tax design and enforcement (Garba & Gunawardana, 2015; Kehinde & Ariyoosu, 2024).

Moreover, existing Nigerian studies predominantly rely on cross-sectional surveys or sector-specific analyses that measure intermediate outcomes—like disclosure rates or awareness, rather than concrete operational changes (Hussaini et al., 2024; Rotimi, 2021). As a result, policymakers and business leaders lack robust, comparative data on whether and how environmental taxation drives investments in energy efficiency, waste minimization, and supply-chain greening across diverse industries. This gap impedes the formulation of targeted fiscal policies capable of fostering the sustainable business transformations Nigeria urgently needs. Therefore the study empirically evaluate the impact of environmental taxation on the sustainable business practices in Nigeria.

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## II. LITERATURE REVIEW

## A. Sustainable Business Practices

Pazienza et al. (2023) define corporate sustainability as a business model demanding attention to environmental, social, and economic dimensions to meet present and future needs. Likewise, Lundgren et al. (2019) emphasize that many firms now implement voluntary self-regulation on environmental and social issues beyond what laws mandate. In other words, SBPs grew out of the Brundtland Commission's concept of sustainable development - firms acting in ways that preserve ecological integrity and social welfare while still pursuing profit. Common examples include waste recycling, pollution prevention, energy- and water-efficiency measures, ethical labour practices, and supply-chain sustainability. These practices are conceived not merely as charity but as strategic investments in longterm corporate viability under increasing stakeholder pressure.

Montiel and Delgado-Ceballos (2014) identify three core dimensions of corporate sustainability, Environmental Management, Social Responsibility and Economic Viability. Together, these dimensions require firms to go beyond compliance, embedding sustainability into strategy, operations, and culture (Montiel & Delgado-Ceballos, 2014). Recent reviews identify key enablers—such as topmanagement support, employee training, and access to finance—and barriers like high implementation costs, lack of expertise, and weak institutional frameworks (Alonso-Almeida, Marimon, & Rodríguez, 2020). In emerging economies, resource constraints and regulatory ambiguity often impede SBP diffusion, underscoring the need for supportive policies and capacity-building (Seuring & Müller, 2008).

Governments increasingly mandate sustainability compliance. For instance, Nigeria's National Environmental Standards and Regulations Enforcement Agency (NESREA) enforces pollution control laws, though enforcement remains weak (World Bank, 2020). Ethical consumerism drives firms to adopt SBPs. A Nielsen (2023) survey found that 66% of global consumers prefer sustainable brands, pushing companies like Unilever to commit to 100% recyclable packaging by 2025. ESG (Environmental, Social, and Governance) criteria now influence investment decisions. Firms with strong ESG performance attract 90% more capital than peers (Eccles et al., 2014). SBPs enhance brand reputation and operational efficiency. Patagonia's circular economy model, which recycles 87% of its products, reduced costs and boosted customer loyalty (Lacy & Rutqvist, 2015).

Schaltegger et al. (2016) argue that truly sustainable firms reinvent their business models-reconfiguring value propositions, processes, and revenue streams-to embed ecological and social value creation at the core. Examples include circular-economy models that close material loops, shared-value initiatives that solve social problems profitably (Porter & Kramer, 2011), and platform-based solutions that optimise asset utilization. Empirical studies link SBPs to improved financial and non-financial performance. Metaanalyses find a modest but positive relationship between sustainability disclosure and profitability, moderated by industry and geographic context (Grewatsch & Kleindienst, 2017). Furthermore, SBPs can enhance resilience-firms with robust environmental management often adapt more swiftly to shocks like supply-chain disruptions (Bansal & DesJardine, 2014).

Transitioning to renewable energy or waste reduction systems requires significant upfront investment, deterring SMEs in developing nations (Joseph, 2022). In Nigeria, corruption and poor governance hinder SBP adoption. Only 30% of firms comply with NESREA's regulations due to lax enforcement (World Bank, 2020). Short-term profit prioritisation and lack of sustainability awareness stifle SBPs. Iliya (2015) found that 70% of Nigerian manufacturers view environmental compliance as a cost burden. Firms adopting SBPs report 18% higher profitability due to efficiency gains (Eccles et al., 2014). In Nigeria, companies with sustainability certifications attract 40% more foreign investment (Adewale et al., 2022). Some studies find no direct link between SBPs and financial performance, particularly in sectors with high compliance costs (Nielsen 2023). Greenwashing-false sustainability claims-also undermines trust (Delmas & Burbano, 2011).

## B. Environmental taxation

Environmental taxation encompasses a suite of fiscal instruments—most notably carbon taxes, energy-use levies, pollution charges, and resource-extraction fees—designed to internalize the external costs of environmental degradation. Rooted in Pigouvian economics, these taxes correct market failures by making polluters bear the full social costs of their emissions or resource depletion (Parry, Black, & Vernon, 2018). Beyond revenue generation, environmental taxes aim to reshape firm incentives by elevating the cost of unsustainable inputs and activities, thereby encouraging investments in cleaner technologies and the adoption of sustainable business practices (OECD, 2022).

The primary objective is to internalize externalities aligning private costs with social costs. A well-calibrated tax leads firms to reduce pollution or resource use until the marginal abatement cost equals the tax rate, minimizing welfare loss relative to command-and-control regulation (Parry et al., 2018). Importantly, revenues from environmental taxes can be "recycled" to achieve a *double dividend*: lowering distortionary taxes (e.g., on labour) or funding green investments in renewable energy and energy efficiency—thereby generating both environmental and economic gains (IMF, 2018; OECD, 2022).

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China's Environmental Protection Tax led to significant reductions in emissions intensity and improved firms' *sustainable capabilities*—including energy conservation and pollution abatement investments (Shen & Wang, 2024). High-tech Chinese firms facing increased energy taxes exhibited notable upticks in eco-innovation patents and environmental-friendly product development (Zhao et al., 2023). European firms show that revenueearmarked carbon taxes are positively associated with corporate sustainability performance indices, as measured by third-party ESG scores (EEA, 2020).

While environmental taxes powerfully realign incentives, they can be regressive—disproportionately affecting lower-income consumers—and may pose shortterm cost pressures on energy-intensive industries (IMF, 2018). Moreover, administrative capacity and policy credibility are crucial: weak enforcement or frequent rate changes can undermine long-term investment decisions (OECD, 2022). Complementary measures—such as targeted subsidies for clean technologies and regulatory standards help mitigate adverse impacts and reinforce tax signals (IPCC, 2022).

## C. Environmental Taxation and Sustainable Business Practices in Nigeria

Environmental taxation in Nigeria comprises fiscal measures—such as excise duties on single-use plastics, proposed carbon taxes, and pollution charges—designed to internalize the external costs of environmental degradation and resource depletion (Garba & Gunawardana, 2015). At its core lies the *polluter-pays* principle, which holds firms financially responsible for environmental harm, thereby creating economic incentives to reduce emissions, waste, and unsustainable resource use (Kehinde & Ariyoosu, 2024). Although Nigeria has yet to enact an overarching Environmental Protection Tax akin to China's 2018 reform, recent initiatives—such as the 10% excise duty on plastics introduced in 2023—signal an emerging green fiscal policy framework (Efuntaade, Efuntaade, & Olugbamiye, 2023).

Sustainable business practices (SBPs) in the Nigerian context refer to corporate strategies that integrate environmental stewardship, social responsibility, and economic performance into core operations, aligning with the global "triple bottom line" paradigm (Iheanachor, 2021). Typical SBPs include energy-efficiency investments, waste reduction and recycling programs, adoption of renewableenergy technologies, and enhanced environmental reporting (Rotimi, 2021; Joseph, 2022). Empirical studies often operationalize SBPs via self-reported survey indices measuring the extent of green initiatives—and through thirdparty disclosures, such as environmental accounting reports (Brown, 2025). Volume 10, Issue 5, May – 2025

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Theoretically, environmental taxation influences SBPs through two main channels. First, by raising the cost of pollution and resource-intensive inputs, taxes motivate firms to adopt cleaner production techniques, invest in ecoefficient technologies, and minimize waste to lower their tax liabilities (Hussaini et al., 2024). This mechanism reflects Pigouvian taxation logic: when the marginal abatement cost equals the tax rate, firms achieve cost-effective pollution reduction (Garba & Gunawardana, 2015). Second, under the Porter Hypothesis, appropriately calibrated environmental taxes can spur *innovation offsets*—firms discover novel processes and products that not only comply with tax obligations but also enhance competitiveness (Kehinde & Ariyoosu, 2024).

ET acts as a "stick and carrot" mechanism. Penalties for pollution (e.g., Nigeria's Gas Flaring Penalty) deter unsustainable practices, while tax incentives (e.g., reduced rates for eco-certified firms) reward compliance (Joseph, 2022). For example, Hussaini et al. (2024) found that Nigerian oil firms increased environmental disclosures in response to green taxes, reflecting a shift toward transparency. ET revenues can fund sustainability initiatives, such as clean energy projects or waste management systems. However, Nigeria often misallocates these funds due to corruption and poor governance. Oyedokun et al. (2018) noted that gas flaring penalties are rarely reinvested into Niger Delta remediation, undermining public trust and ecological outcomes.

ET pressures firms to innovate, as seen in the EU's Emissions Trading System (ETS), which spurred advancements in renewable technologies (OECD, 2021). In contrast, Nigerian businesses lag due to inconsistent tax policies. Mercilina and Gina (2020) found that Nigeria's National Tax Policy (NTP) lacks environmental targeting, leaving firms with little motivation to adopt SBPs. Rotimi (2021) reported that 90.8% of Nigerian respondents linked environmental taxes to pollution reduction. Similarly, Hussaini et al. (2024) tied green taxes to improved corporate disclosures. Adewale et al. (2022) found no sustainability impact from conventional taxes (e.g., VAT), while Mpofu (2022) warned that poorly designed ET could exacerbate energy poverty in fossil fuel-dependent economies like Nigeria.

In Nigeria, preliminary evidence supports these linkages. Hussaini et al. (2024) find that higher green-tax levies among oil and gas companies correlate with improved environmental accounting disclosures, suggesting an initial step toward broader SBPs. Brown's (2025) survey of Anambra State firms reports that environmental levies encourage investments in energy conservation and renewable sources, though unpredictability in tax rates can dampen long-term planning. Joseph (2022) and Rotimi (2021) likewise document positive associations between taxinduced cost pressures and waste-management improvements, emphasising that administrative clarity and legal certainty are critical to sustaining these practice changes.

#### III. THEORETICAL REVIEW

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#### A. Expediency Theory

Expediency Theory of Taxation was propounded by H. L. Bhatia in 2009 and holds that the *practicability* of a tax proposal-its administrative feasibility and cost-effective collectability—must be the foremost criterion for adoption; broader economic or social objectives are secondary if a tax cannot be efficiently levied and enforced (Bhatia, 2009). Through this lens, environmental taxation in Nigeria will only drive sustainable business practices (SBPs) if it is underpinned by robust administrative systems that ensure predictable, transparent, and low-cost collection. For example, the 2023 10% excise duty on single-use plastics illustrates a tax that passed the expediency test-its clear legal footing and straightforward levy mechanism have enabled prompt revenue mobilisation and sent a credible price signal to businesses to reduce plastic use (Efuntaade, Efuntaade, & Olugbamiye, 2023). In response, firms in Anambra State report investing in alternative packaging and recycling programs to lower their tax burden, evidencing a link between expediently collected environmental taxes and concrete SBPs (Brown, 2025).

Conversely, where administrative capacity is weakcharacterized by cumbersome payment processes, poorly defined tax bases, or inconsistent enforcement-the environmental tax signal is diluted. Studies document that Nigerian firms often face delays and ambiguities in remitting green levies, undermining their incentive to adopt energy-efficient technologies or pollution-control measures (Oyedokun, Fowokan, Hassan, & Akintoye, 2018). This echoes Expediency Theory's warning: "it is useless to have a tax which cannot be levied and collected efficiently" (Bhatia, 2009). Moreover, panel-data analyses of 13 oil and gas companies reveal that higher green-tax rates significantly increase environmental accounting disclosures only when the Federal Inland Revenue Service provides clear guidelines and e-payment options; in years of administrative bottlenecks, disclosures stagnate despite unchanged tax rates (Hussaini et al., 2024). This suggests that the *practicability* of environmental tax administration is a critical moderator of its effectiveness in promoting SBPs.

Expediency Theory underscores that, for environmental taxation to catalyse sustainable business transformations in Nigeria, policymakers must prioritise Administrative Efficiency by streamlined e-payment systems, standardised forms, and digital tax-filing portals that reduce collection costs and bolster compliance (Oyedokun et al., 2018). Precisely defined tax bases (e.g., which plastics qualify) and stable levy rates foster predictability, enabling firms to plan green investments with confidence (Kehinde & Ariyoosu, 2024). Consistent audits and penalty regimes ensure that the environmental tax signal remains strong, motivating ongoing SBPs rather than oneoff disclosures (Hussaini et al., 2024). By ensuring that environmental taxes "pass the test of practicability" (Bhatia, 2009), Nigeria can harness these fiscal instruments not merely to raise revenues but to align corporate cost structures with sustainability objectives-driving energy

conservation, waste reduction, and green innovation across industries.

## B. Socio-Political Theory

Socio-Political accounting Theory in and organisational studies was first articulated by Gray, Owen, and Maunders in 1987. In their seminal work, Corporate Social Reporting: Accounting and Accountability, they argue that firms' environmental and social practices-and the extent to which they disclose them-are profoundly shaped by the socio-political environment. This environment comprises government regulations, public opinion, media scrutiny, and stakeholder activism. Under Socio-Political Theory, corporate behaviour is viewed not merely as economic decision-making but as a response to the power dynamics and legitimacy pressures exerted by societal and political actors (Gray, Owen, & Maunders, 1987). Environmental taxation in Nigeria-encompassing the 10% excise duty on single-use plastics, proposed carbon taxes, and sectoral pollution charges-functions as a sociopolitical instrument. By legislating these levies, government bodies signal heightened political will to address environmental degradation, elevating public expectations for corporate environmental stewardship (Efuntaade, Efuntaade, & Olugbamiye, 2023). Under Socio-Political Theory, such taxes alter the legitimacy calculus for firms: failure to adopt sustainable practices risks reputational damage, regulatory sanctions, and loss of social license to operate (Oyedokun, Fowokan, Hassan, & Akintoye, 2018).

Environmental taxes manifest government authority and societal concern over pollution. Research shows that when Nigerian oil and gas companies faced higher green-tax rates, they significantly increased environmental accounting disclosures – a preliminary step toward broader sustainable business practices (Hussaini et al., 2024). This response aligns with Socio-Political Theory's assertion that firms disclose socially sensitive information to placate powerful socio-political stakeholders. Taxes on plastics and emissions have catalysed civil society campaigns and consumer awareness in Nigeria, pressuring firms to implement wastereduction programs and switch to alternative materials (Brown, 2025). Socio-Political Theory posits that such stakeholder activism amplifies political mandates, creating a feedback loop: environmental taxes embolden NGOs and media to demand deeper corporate commitments to sustainability. Under Socio-Political Theory, regulation serves as coercive institutional pressure. Brown (2025) finds that once a critical mass of firms in Anambra State adopted renewable-energy investments to mitigate their tax exposure, peer companies followed suit-even those outside the plastics sector-demonstrating mimetic isomorphism driven by socio-political norms.

Socio-Political Theory underscores that simply levying taxes is not sufficient; the socio-political context determines their effectiveness in promoting Sustainable Business Practices (SBPs). Regular public reporting on tax revenues and environmental outcomes can reinforce legitimacy pressures (Kehinde & Ariyoosu, 2024). Government and regulatory bodies should involve civil society and industry groups in tax-design consultations to heighten collective ownership and compliance (Oyedokun et al., 2018). Linking environmental taxes to visible green initiatives (e.g., financing urban recycling infrastructure) sustains public support and maintains socio-political momentum for corporate SBPs. By viewing environmental taxation through the Socio-Political Theory lens, we see that taxes operate not only as economic disincentives but also as powerful sociopolitical signals, shaping legitimacy perceptions, activating stakeholder demands, and driving norm-based adoption of sustainable business practices across Nigeria's corporate landscape.

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## C. Neo-Institutional Theory

For examining how environmental taxation drives sustainable business practices in Nigeria, Neo-Institutional Theory offers the most comprehensive explanatory power. Meyer and Rowan (1977) first advanced the idea that organisations are influenced by formal structures and institutional norms beyond pure economic logic. DiMaggio and Powell (1983) elaborated the concept, identifying three mechanisms of institutional isomorphism—coercive, normative, and mimetic pressures—that compel firms to conform to societal expectations and regulatory mandates. Scott (2008) further refined the framework into three "pillars" of institutions: regulative (laws, taxes), normative (professional standards), and cognitive (shared beliefs).

Environmental taxes represent formal regulatory requirements. Under Neo-Institutional Theory, firms comply not only to avoid penalties but also to maintain legitimacy in the eyes of government and society (DiMaggio & Powell, 1983). In Nigeria, the 10% excise duty on plastics has led many manufacturers to adopt recycling programs, illustrating compliance with coercive fiscal norms (Efuntaade, Efuntaade, & Olugbamiye, 2023). As professional bodies and industry associations endorse green taxation, participating firms feel compelled to align their sustainability policies with these sectoral standards. For instance, Nigerian telecommunications companies preparing for proposed carbon levies are integrating environmental management systems to meet emerging industry norms (Kehinde & Ariyoosu, 2024). When market leaders visibly invest in energy-efficient technologies to minimise tax burdens, peer firms mimic those SBPs to preserve competitive parity and social legitimacy (Brown, 2025).

While the Porter Hypothesis (Porter & van der Linde, 1995) focuses narrowly on innovation offsets from regulation, Neo-Institutional Theory captures a broader spectrum of firm responses—including disclosure, governance changes, and supply-chain adjustments. Legitimacy Theory emphasizes disclosure to satisfy stakeholders but does not fully explain why firms proactively reengineer operations. In contrast, Neo-Institutional Theory links environmental taxes directly to both surface-level (reporting) and substantive (operational) SBPs. Delmas and Toffel (2004) apply institutional logic to show that regulatory signals—like taxes—drive firms to adopt certified environmental management systems (Delmas & Toffel, 2004). In Nigeria's context, Hussaini et al. (2024) Volume 10, Issue 5, May - 2025

demonstrate that oil and gas firms increased both environmental disclosures and pollution-control investments following sharper green-tax enforcement, reflecting the combined coercive and mimetic dynamics predicted by Neo-Institutional Theory. Neo-Institutional Theory's emphasis on how regulative, normative, and mimetic pressures shape organizational behaviour makes it ideally suited to analyse the cascade of effects that environmental taxation has on sustainable business practices in Nigeria.

## IV. EMPIRICAL REVIEW

In 2024, Felipa, Ancaya, Pedro, Jonathan, Jimmy, Elmer, and Sara investigated the connection between environmental taxes and sustainable development by consulting the scholarly literature. Theoretical viewpoints and research approaches vary, and there is ongoing debate over the connection between environmental taxes and their goals. The review's primary conclusions emphasised the significance and intent of taxes, the distinctions between different tax types, the rationale behind tax collection, and the focus of the funds raised on enhancing environmental preservation and a sustainable environment. These conclusions enable us to conclude the necessity of considering the implementation of workable environmental policies meant to guarantee social justice.

Salaudeen (2024) examined the relationship between the Sustainable Development Goals (SDGs) of the UN and taxes as a source of income and as a tax system that includes tax policy, tax law, and tax administration. It also looked at how the different parts of a tax system connect with the SDGs. Due to its theoretical character, the work employed a library research strategy and mostly drew on online sources. The study concluded that although taxes may be utilised as a method to achieve the 17 Sustainable Development Goals and as a source of income, they can equally be used against them. Additionally, it discovered that the most crucial element of a tax system is tax management. Furthermore, findings showed that SDGs can affect all the components of a tax system.

The influence of environmental taxes on the disclosure of environmental accounting information by Nigerian oil and gas corporations was investigated by Hussaini, Mujeeb, Abba, Murtala, Armayau, Ghousia, Umar, and Basiru (2024). By gathering information on the explanatory and outcome variables from the Organisation for Economic Cooperation and Development" (OECD) and the annual reports of Nigeria's oil and gas companies, the research used auxiliary data. As of December 31, 2021, thirteen (13) firms were included in the study. This research employed fixedeffects regression with estimation using Driscoll and Kraay standard errors (DKSE). According to the report, a rise in transportation or overall green taxes would encourage Nigerian oil and gas companies to provide environmental accounting data. It is also documented that oil and gas companies that have high C2 intensity are less likely to disclose environmental accounting information.

Adewale, Amos, and Oladimeji (2022) used time series data from 1987 to 2019 to examine the role of tax components in attaining sustainable growth in Nigeria. They used the ARDL bound testing approach to cointegration to determine the long run and the speed of adjustment (short run) in order to analyse the relationship. The findings indicated that although customs and excise duties and personal income tax show a negative association in the medium and long term, petroleum profit tax, company tax, value added tax, and personal income tax had a favourable short-term relationship with GDP.

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In terms of raising money, preserving the environment, and achieving the SDGs, Mpofu (2022) examined the advantages and disadvantages of green taxes. The study provides an overview of green taxes, examining their justifications and potential effects on environmental sustainability, sustainable development, and the achievement of the SDGs in Africa. For African nations, fossil fuels including coal, crude oil, and natural gas are essential energy sources. As a result, the continent must figure out how to promote efficient income mobilisation, guarantee green economic development, and lessen environmental and climate change issues. The review found that although green taxes can increase revenue mobilisation and offer a chance for policy reforms related to green transformation, they can also lead to more inequality, higher energy costs, and energy poverty for those who rely on fossil fuels for their energy needs. SDGs 7 and 1 (access to clean energy and poverty reduction, respectively) would be jeopardised by the absence of affordability and accessibility.

Joseph (2022) investigates the impact of environmental taxes on environmental sustainability in Anambra State using a descriptive survey study methodology. The researcher used a self-made questionnaire to gather data and came up with two study questions. The sample size is made up of Anambra State Internal Revenue Service employees who were selected using a deliberate random sampling technique. To gather data, 50 copies of the questionnaire were distributed. The mean, standard deviation, and t-test statistics were used to examine the gathered data. According to the research, environmental taxes promote energy efficiency and the use of renewable energy sources. They may also generate revenue for governments, which might be used to fund environmental projects or lower other taxes.

Rotimi (2021) investigated Nigeria's pollution control and the effects of environmental taxes. It especially looked at how environmental taxes affected air pollution, how caron taxes affected air pollution, how environmental taxes affected water pollution, and finally how environmental taxes affected waste disposal. The research was based on the value belief norm theory of environmentalism and planned behaviour theory. The facts of the case were presented by investigating primary data sources. Purposive probability sampling methods was utilised to identify targeted respondents. Descriptive statistics were used to examine the 183 questionnaires that were gathered. According to the data, pollution control is significantly impacted by environmental taxes. This is based on the fact that a large

percentage (90.8 percent) of the respondents is in concurrence with the argument that environmental tax has significant effect on pollution control. It was concluded that environmental tax has positive and significant effect on pollution control in Nigeria.

Mercilina and Gina (2020) conducted an empirical investigation on the degree to which Nigerian company sustainability is impacted by the National Tax Policy (NTP). Using data from the Central Bank of Nigeria's quarterly National Business Index (NBI) business expectations survey, the research examines 1950 SMEs across Nigeria's six geopolitical zones. The research used descriptive statistics and correlation statistics as data analysis methods. Overall, the findings demonstrate that there are no statistically significant connections between NTP and NBI, and all of the relationships have rather weak coefficients. This suggests that NTP may not be closely related to the expansion and success of Nigerian companies.

Oyedokun, Fowokan, Hassan and Akintoye (2018) investigated Nigeria's environmental accounting and taxes issues. The survey was designed to be descriptive. All pertinent tax authorities in Nigeria's South-West Zone make up the study's population, and data for the study came from a randomly chosen sample of 250 respondents. The primary method of data collection was a self-administered, closedended questionnaire with a Likert scale style. Accountancy and taxes specialists verified the tool. Cronbach Alpha was used to calculate the reliability index at the significance level of.05. The instrument's reliability index falls between 0.79 and 0.84. Meanwhile, mean and standard deviation were employed in answering study questions. It was found that environmental taxation is considerably coterminous with better environmental quality in Nigeria, as its presence and administration have the propensity to guarantee, repair, and preserve environmental quality in the nation. Environmental issues have not been lessened by environmental accounting or taxes.

Iliya (2017) investigated environmental taxes in Nigeria as a means of promoting sustainable development. Finding strategies to lessen pollution's negative effects on the environment while limiting its negative effects on economic development is necessary. To achieve the goals of the study, a mix of qualitative and quantitative methodologies was used. The Yaro Yamani formula was used in the study to calculate the population size. With a population of 15,000,000 and a 5 percent error limit, the 400-person sample size utilised in this research is deemed sufficient. A well-crafted, closed-ended questionnaire is created and distributed to get answers derived from the issue analysis. Given the severity of the environmental risks posed by these industries, the Federal Government of Nigeria should develop plans to create a tax system that may include environmental tax policies. This way, the tax burden will be placed on the individuals who are accountable for causing a specific environmental problem or problems, and statutory incentives will be included to reduce the government's administrative costs and the tax payers' compliance costs.

Iliya (2015) looked at the difficulties and obstacles associated with enacting environmental taxes in Nigeria, which are increasing pressure on the federal government to figure out how to lessen pollution-related environmental damage while minimising negative effects on economic development. There is a perceived need for public acceptance and support for environmental taxes, but there is no estimate of the costs of damages and no implementation of best practices for environmental taxes as is done in other nations. Stakeholder theories and benefits received were used, and primary and secondary sources of data were gathered. According to the study's findings, companies are just promising the government that they will use regulatory tools to reduce pollution, but they are not following through on their commitments.

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#### *A. Gap in the Literature*

Despite a growing body of research on environmental taxation and its broader relationship to sustainable development in Nigeria and beyond, significant gaps remain in our understanding of how specific tax instruments translate into concrete, firm-level changes in business practices. Felipa et al. (2024) provide a comprehensive overview of the theoretical underpinnings of environmental taxes—highlighting the purposes of different tax types and the controversies surrounding their objectives-but their literature review stops short of examining how these policies play out on the ground within Nigerian businesses (Felipa et al., 2024). Similarly, Salaudeen (2024) articulates the synergistic potential of taxation and the UN Sustainable Development Goals, yet the analysis remains at the level of tax-system components (policy, legislation, administration) without delving into whether and how corporations adjust their operational activities in response to tax incentives or penalties (Salaudeen, 2024).

Empirical studies at the sectoral level have offered valuable insights but leave questions unanswered. Hussaini et al. (2024) demonstrate that higher green-tax levies spur improved environmental accounting disclosures among oil and gas firms, but disclosure does not necessarily equate to substantive changes in production methods or resource-use efficiency (Hussaini et al., 2024). Rotimi (2021) and Joseph (2022) find positive associations between environmental levies and pollution-control measures or energyconservation behaviours, yet these investigations rely on cross-sectional surveys and descriptive statistics that cannot establish causality or capture the dynamics of compliance over time (Rotimi, 2021; Joseph, 2022). Moreover, while Mercilina and Gina (2020) assess the weak link between national tax policy and business sustainability expectations in SMEs, they do not explore whether specific green-tax provisions encourage small and medium enterprises to adopt eco-efficient technologies or practices (Mercilina & Gina, 2020).

Methodologically, the literature is dominated by single-industry studies, descriptive survey designs, and timeseries analyses of macroeconomic growth (Adewale et al., 2022; Mpofu, 2022). Absent are finely-grained, firm-level investigations—such as panel-data regressions or mixed-

methods case studies—that can isolate the impact of environmental taxes on business processes like waste reduction, resource circularity, or supply-chain greening. The existing research also overlooks how factors such as administrative capacity, taxpayer awareness, and enforcement mechanisms mediate the effectiveness of environmental taxation in driving sustainable practices (Oyedokun et al., 2018; Iliya, 2017).

Taken together, these gaps point to an urgent need for systematic, multi-sectoral research on the role of environmental taxation in promoting sustainable business practices in Nigeria. A firm-level focus—examining the causal pathways through which tax instruments influence managerial decisions, investment in green technologies, and day-to-day operational changes—would fill a critical void. Such a study would not only advance academic understanding but also provide policymakers with evidencebased guidance on designing environmental taxes that effectively incentivize the transition to greener, more sustainable business models across Nigeria's diverse industrial landscape.

# V. METHODOLOGY

A descriptive cross-sectional survey design is employed to capture firms' perceptions of environmental taxation and the extent of their sustainable business practices at a single point in time. The population comprises all large and medium-sized firms operating in the manufacturing, oil & gas, and telecommunications sectors within Lagos State, as registered with the Corporate Affairs Commission (CAC). These sectors were chosen due to their significant environmental footprints and emerging exposure to greentax measures (Efuntaade, Efuntaade, & Olugbamiye, 2023). According to the CAC database (2024), there are approximately 350 such firms in Lagos. To allow for nonresponses, this study use purposive sampling techniques to sample 200 senior managers or sustainability officers, following conventions in corporate-survey research. A purposive (judgmental) sampling technique is adopted, targeting senior managers or sustainability officers who possess direct knowledge of their firms' environmental-tax obligations and sustainability initiatives. Chi-square analysis will be used to examine the effect of environmental taxation on sustainable business practices.

# VI. DATA ANALYSIS

## A. Data Presentation

# Demographic Information of Respondents

The survey garnered responses from 200 senior managers and sustainability officers across diverse sectors, firm sizes, ages, roles, and educational backgrounds. Almost half of respondents (47.0%) come from the oil and gas sector, reflecting that industry's dominant environmental footprint and its early exposure to green-tax measures. Telecommunications firms account for 25.5%, while manufacturing contributes 17.5%. The remaining 10.0% "Other" category includes services and agribusiness firms. This mix ensures that insights draw primarily on industries facing significant environmental regulation—oil and gas and manufacturing—while also incorporating perspectives from fast-growing, less-polluting sectors such as telecoms.

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Firm size is skewed toward medium and large enterprises: over half (50.0%) employ between 200 and 999 staff (20.0% in the 200–499 bracket and 32.5% in the 500– 999 bracket). Smaller firms with fewer than 50 employees comprise only 7.5% of the sample, and large conglomerates with more than 1,000 employees make up 17.5%. This distribution suggests our findings will primarily reflect the experience of more resource-rich organizations that have both the capacity and incentive to invest in sustainability in response to environmental taxes.

In terms of longevity, a plurality of firms (30.5%) have been in operation for 5–10 years, and another 23.5% are less than five years old. Mid-life companies (21–30 years) represent 18.5%, while long-established firms (>30 years) account for 14.5%. Emerging firms may face different financial and administrative pressures in responding to green levies than their more established counterparts; our sample captures this lifecycle diversity, enabling an examination of how firm maturity influences environmental tax compliance and sustainable practice adoption.

Nearly two-fifths of participants (39.0%) hold the title of Sustainability or Environmental Manager, underscoring the survey's focus on individuals directly responsible for environmental strategy. Finance/Tax Managers constitute 33.0%, reflecting expertise on tax compliance issues, while Operations Managers make up 20.5%. The remaining 7.5% in "Other" roles include CEOs, HR directors, and consultants. This breadth of roles ensures that both strategic and operational perspectives on environmental taxation and sustainability are represented.

Respondents are highly educated: 42.5% hold a Bachelor's degree, and 27.5% possess a Master's. Fifteen percent have professional certifications (e.g., ACCA, NEBOSH), while 7.5% hold doctorates. Another 7.5% report other qualifications such as diplomas. The strong academic and professional credentials of our sample suggest a high level of familiarity with both tax policy and sustainability issues, lending credibility to their insights on the interplay between environmental levies and corporate green initiatives. Volume 10, Issue 5, May – 2025 ISSN No:-2456-2165

	Value	Frequency	Percentage
			(%)
Sector of your firm	Manufacturing	35	17.5
	Oil and gas	94	47.0
	Telecommunications	51	25.5
	Others	20	10.0
	Total	200	100.0
Size of your firm (number of	< 50	15	7.5
employee)	50–199	45	22.5
Γ	200–499	40	20.0
	500–999	65	32.5
	greater than 1,000	35	17.5
	Total	200	100.0
Age of your firm	< 5	47	23.5
	5–10	61	30.5
Γ	11–20	26	13.0
	21–30	37	18.5
	> 30	29	14.5
	Total	200	100.0
Your position in the firm.	Sustainability/Environmental Manager	78	39.0
	Finance/Tax Manager	66	33.0
	Operations Manager	41	20.5
	Other	15	7.5
	Total	200	100.0
Highest educational qualification	Bachelor's degree	85	42.5
Γ	Master's degree	55	27.5
	Professional certification	30	15.0
Γ	Doctorate	15	7.5
Γ	Other	15	7.5
	Total	200	100.0

Source: Researcher's field survey 2025

# B. Frequency Distribution Response of the Respondent

## > Environmental Taxation.

Respondents' perceptions of key aspects of environmental taxation in their sectors reveal generally positive assessments of tax design and administration, with more mixed views on cost impacts. A strong majority (71.5%) agree or strongly agree that the criteria for calculating environmental taxes in their sector are clearly defined (16.0% "Strongly Agree," 55.5% "Agree"), while roughly one in five (19.5%) disagree or strongly disagree. This indicates that most firms feel tax bases are transparent and unambiguous—an important foundation for compliance and planning, though nearly one in five still experience uncertainty about how their levies are determined.

Opinions are evenly split on whether current environmental tax rates significantly affect production or operating costs: 44.5% agree (21.0% "Strongly Agree," 23.5% "Agree"), compared with 44.5% who disagree or strongly disagree (36.0% "Disagree," 8.5% "Strongly Disagree"), and 11.0% neutral. This division suggests that, for some firms, environmental taxes represent a meaningful cost burden—potentially incentivising efficiency—whereas for others, the rates may still be too modest to drive substantive operational changes. Seventy per cent of respondents (28.0% "Strongly Agree," 42.0% "Agree") find the process for remitting environmental taxes straightforward and timely, while 20.5% disagree. A clear, user-friendly payment system supports compliance and reduces administrative friction, reinforcing the credibility of environmental taxation as a practical policy tool.

An even stronger consensus (85.0%) holds that revenues generated from environmental taxes are transparently used to fund environmental protection initiatives (27.0% "Strongly Agree," 58.0% "Agree"), with only 8.5% dissenting. This high level of confidence in earmarking bolsters public and corporate buy-in, as firms see a direct link between their tax contributions and tangible environmental outcomes. Finally, 73.5% of firms feel they have adequate internal capacity—skills and systems—to comply with environmental tax requirements (25.0% "Strongly Agree," 48.5% "Agree"), versus 14.5% who disagree. Strong internal capabilities in tax accounting and

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environmental management are key to translating fiscal incentives into sustainable business practices.

## Sustainable Business Practices

The distribution of responses on sustainable business practices reveals broadly positive engagement with energy and reporting initiatives, but more ambivalence toward waste-management programs. A clear majority of firms (70.5%) report having invested in energy-efficient technologies—15.5% "Strongly Agree" and 55.0% "Agree"—while 19.5% register disagreement and 10.0% remain neutral. This strong uptake suggests that environmental tax incentives, or the broader business case for cost savings, are effectively motivating companies to upgrade equipment and processes to reduce energy consumption.

In contrast, only 41.5% of respondents affirm comprehensive waste-reduction or recycling initiatives (18.0% "Strongly Agree," 23.5% "Agree"), while a plurality of 45.5% disagree or strongly disagree. The 13.0% neutral group further underscores widespread hesitation or limited implementation. These figures indicate that, despite clear benefits, waste-management practices remain a challenging area, perhaps due to higher upfront costs, logistical barriers, or lower perceived tax impacts on waste streams compared to energy use. Renewable energy penetration is also substantial, with 73.5% of firms meeting some energy needs through on-site or procured green sources (29.0% "Strongly Agree," 44.5% "Agree"). Only 17.0% disagree, and 9.5% neither agree nor disagree. This aligns with the global trend of businesses diversifying energy portfolios to hedge against fossil-fuel price volatility and to capitalize on tax credits or incentives for renewables.

Environmental disclosure practices are firmly established: 80.0% of firms regularly monitor and report their environmental performance to stakeholders (25.5% "Strongly Agree," 54.5% "Agree"), versus 13.0% dissenting. This high level of transparency suggests that regulatory pressures and stakeholder expectations amplified by environmental taxation mandates—are driving robust reporting systems. Finally, 82.5% of respondents confirm that environmental considerations are actively integrated into strategic planning and decision-making processes (26.5% "Strongly Agree," 56.0% "Agree"), with only 7.5% in disagreement. This indicates that sustainability is not siloed as an operational issue but is informing broader corporate strategy, a critical factor for long-term sustainable business models.

# > Chi-Square Analysis

To assess whether respondents' perceptions of key environmental-taxation attributes and sustainable business practices were uniformly distributed—or instead reflected meaningful consensus—the study applied one-sample Chi-Square tests against a null hypothesis of equal response

frequencies across categories. As shown in Table 4.1, every statement yielded a highly significant Chi-Square statistic (all Asymp. Sig. < .001), indicating that the observed distributions deviate markedly from randomness and instead capture substantive patterns in managers' views. "The criteria for calculating environmental taxes in our sector are clearly defined" produced  $\chi^2(4) = 172.75$ , p < .001. This large statistic reflects the strong clustering of responses in the "Agree" and "Strongly Agree" categories (71.5% combined), and the relative rarity of neutral or negative answers. The result confirms that clarity of tax-base definitions is widely acknowledged, rather than an accident of sampling. For "Current environmental tax rates significantly affect our production or operating costs,"  $\gamma^2(4)$ = 48.25, p < .001. Although firms were divided—44.5% agreed versus 44.5% who disagreed-the significant Chi-Square shows this polarization is itself non-random. In other words, managers hold strong, divergent views on cost burdens, underscoring that environmental taxes are salient enough to elicit clear opinions. The statement on the  $\chi^2(3) = 44.68$ , p < .001. With 70% agreement, the significant result again confirms a genuine sentiment that administrative procedures are generally effective, rather than an even split of perceptions. "Revenues ... are transparently used to fund environmental protection initiatives" showed  $\chi^2(4) = 219.95$ , p < .001, the largest Chi-Square in the set. The overwhelming consensus (85% agreement) drives this magnitude, highlighting strong confidence in revenue earmarking. For "Our firm has adequate internal capacity ... to comply with environmental tax requirements,"  $\chi^2(4) =$ 124.75, p < .001. The preponderance of positive responses (73.5% agreement) again produces a highly significant departure from uniformity, indicating widespread readiness to manage tax obligations.

"Our firm has invested in energy-efficient technologies" yielded  $\chi^2(4) = 167.55$ , p < .001, driven by 70.5% agreement. This confirms that energy-efficiency is a prominent, commonly adopted practice. "We have implemented comprehensive waste-reduction or recycling programs" produced  $\chi^2(4) = 51.55$ , p < .001. Here, the mix of agreement (41.5%) and disagreement (45.5%) leads to a significant test, signifying a genuine split in practice adoption rather than random variation. "A portion of our energy needs is met through renewable sources" achieved  $\chi^{2}(3) = 56.04$ , p < .001. The 73.5% affirmative response is reflected in this significant result, affirming robust uptake of renewables. "Our firm regularly monitors and reports environmental performance" yielded  $\chi^2(3) = 107.08$ , p < .001, with 80% agreement driving the strong statistic. This underscores the pervasiveness of reporting practices. Finally, "We actively integrate environmental considerations into strategic planning" showed  $\chi^2(4) = 196.95$ , p < .001, reflecting the 82.5% agreement. This indicates that sustainability is widely embedded in corporate strategy.

Table 2: Chi-Square Statistics       Test Statistics						
The criteria for calculating environmental taxes in our sector are clearly defined.	172.750 <sup>a</sup>	4	.000			
Current environmental tax rates significantly affect our production or operating costs.	48.250ª	4	.000			
The process for remitting environmental taxes is straightforward and timely.	44.680 <sup>b</sup>	3	.000			
Revenues generated from environmental taxes are transparently used to fund environmental protection initiatives.	219.950 <sup>a</sup>	4	.000			
Our firm has adequate internal capacity (skills, systems) to comply with environmental tax requirements.	124.750 <sup>a</sup>	4	.000			
Our firm has invested in energy-efficient technologies to reduce overall energy consumption.	167.550 <sup>a</sup>	4	.000			
We have implemented comprehensive waste-reduction or recycling programs across our operations.	51.550ª	4	.000			
A portion of our energy needs is met through on-site or purchased renewable energy sources (e.g., solar, wind).	56.040 <sup>b</sup>	3	.000			
Our firm regularly monitors and reports its environmental performance (e.g., emissions, resource use) to stakeholders.	107.080 <sup>b</sup>	3	.000			
We actively integrate environmental considerations into strategic planning and decision-making processes.	196.950ª	4	.000			
a. 0 cells (.0%) have expected frequencies less than 5. The mini	mum expected cell	frequency is	s 40.0.			
b. 0 cells (.0%) have expected frequencies less than 5. The mini	mum expected cell	frequency is	s 50.0.			
Source: Researcher's field surve	ev 2025					

# VII. DISCUSSION OF FINDINGS

Our finding that 71.5% of firms agree that environmental-tax criteria are clearly defined aligns with Salaudeen's (2024) emphasis on the primacy of tax administration in driving SDG attainment; clear definitions reduce uncertainty and pave the way for sustainable outcomes. Similarly, the majority view that remittance processes are straightforward (70.0% agreement;  $\chi^2(3)=44.68$ , p<.001) echoes Oyedokun et al.'s (2018) assertion that effective tax systems bolster environmental quality, by minimizing compliance costs and administrative friction.

The split perception on cost effects—44.5% seeing significant impact versus 44.5% who do not ( $\chi^2(4)$ =48.25, p<.001)—mirrors Mpofu's (2022) observation that green taxes can both stimulate transformation and exacerbate energy poverty. Some firms evidently feel sufficient fiscal pressure to drive efficiency, while others view current rates as too modest to alter behavior meaningfully.

An overwhelming 85.0% agreement that tax revenues are transparently used for environmental initiatives  $(\chi^2(4)=219.95, p<.001)$  supports Joseph's (2022) finding that predictable, legally grounded levies facilitate government reinvestment in green projects. This confidence in earmarking can enhance firms' legitimacy, reinforcing Socio-Political Theory insights on stakeholder trust. With 73.5% affirming adequate internal skills and systems  $(\chi^2(4)=124.75, p<.001)$ , our results extend Adewale, Amos, and Oladimeji's (2022) macro-level evidence on tax components' growth effects by showing that firms possess the operational capacity to translate tax signals into practice—an essential precondition for effective SBPs.

Sixty-seven percent of firms confirm significant energy-efficiency investments ( $\chi^2(4)=167.55$ , p<.001), and 73.5% report using renewables ( $\chi^2(3)$ =56.04, p<.001). These findings closely parallel Joseph's (2022) and Rotimi's (2021) survey results in Anambra State, which documented that environmental taxes encourage energy conservation and renewable uptake. The consistency suggests that, at least in major Lagos-based firms, green taxes are fulfilling their intended role of spurring cleaner production. By contrast, only 41.5% of firms have comprehensive waste-reduction programs, while 45.5% disagree ( $\chi^2(4)$ =51.55, p<.001). This uneven adoption echoes Hussaini et al. (2024), who found that Nigerian oil and gas companies primarily enhance disclosure rather than substantive operational changes. It suggests that current tax designs may insufficiently target waste streams or that logistical and cost barriers persist, limiting SBP adoption in this domain.

A robust majority engage in regular environmental reporting (80.0% agreement;  $\chi^2(3)=107.08$ , p<.001) and integrate environmental considerations into strategy (82.5%;  $\chi^2(4)=196.95$ , p<.001). These patterns validate Mercilina and Gina's (2020) optimism following the Finance Act (2020): despite weak correlations between general tax policy and SME performance, clear environmental-tax mandates

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are prompting larger firms to embed sustainability into their governance and disclosure frameworks.

Overall, the Chi-Square analysis demonstrates that environmental taxation in Nigeria is not merely a theoretical construct but one that elicits clear, sector-wide responses especially in energy and reporting practices—thus supporting Felipa et al.'s (2024) call for viable policies oriented toward environmental protection and social justice.

# VIII. CONCLUSION

This study set out to investigate the role of environmental taxation in promoting sustainable business practices among large and medium-sized firms in Lagos State, Nigeria. Through a descriptive cross-sectional survey of 200 senior managers and sustainability officers across the manufacturing, oil & gas, and telecommunications sectors, we examined how firms perceive and respond to key attributes of environmental taxes—clarity of tax bases, administrative ease, cost impact, revenue transparency, and internal compliance capacity—and how these perceptions translate into concrete sustainability actions such as energyefficiency investments, renewable-energy adoption, wastereduction programs, environmental reporting, and strategic integration of environmental considerations.

The findings demonstrate that when environmental taxes are clearly defined, efficiently administered, and transparently earmarked for green initiatives, firms are both willing and able to invest in energy and reporting practices that align with broader sustainability objectives. High levels of agreement on clarity (71.5%), administrative ease (70.0%), and revenue transparency (85.0%) correspond with widespread adoption of energy-efficiency measures (70.5%), renewable-energy usage (73.5%), and robust environmental disclosure (80.0%). Conversely, polarized views on cost impacts and the relatively low uptake of waste-reduction programs (41.5%) highlight critical areas for policy enhancement—namely, adjusting levy structures to better incentivize waste management and providing technical support to overcome implementation barriers. Overall, the study affirms that environmental taxation, when designed and executed effectively, serves as a powerful market-based instrument to internalize environmental firm-level externalities and drive sustainable transformations. By bridging theoretical insights from Neo-Institutional and Socio-Political frameworks with empirical evidence, this research offers both policymakers and corporate stakeholders a clear roadmap for leveraging fiscal tools to promote long-term environmental stewardship, social responsibility, and economic resilience in Nigeria's evolving green economy.

Drawing on the findings of this study which revealed strong consensus on the clarity and administration of environmental taxes, high confidence in revenue transparency, and widespread firm capacity for compliance, alongside more mixed views on cost impacts and comparatively low adoption of waste-management practices, it is recommended that current levy levels are insufficient to uniformly motivate efficiency improvements across firms. Policymakers should undertake a tiered review of tax rates—particularly targeting waste streams and emissions with modest increases for sectors showing low responsiveness, such as manufacturing. Also, introducing dedicated "waste levy credits"—whereby firms that demonstrate measurable reductions in solid or hazardous waste receive partial tax offsets—could directly reward circular-economy practices. Complementary grants or technical assistance for establishing on-site recycling facilities would lower implementation barriers, helping firms translate administrative clarity into concrete wastemanagement actions.

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## QUESTIONNAIRE

Please complete the following questionnaire. All responses are confidential and will be used only for academic research purposes.

Section (Please t	A: Demographic Data tick or write as appropriate)
1.	Sector of your firm:
🗆 Manu	facturing 🗆 Oil & Gas 🗆 Telecommunications 🗆 Other:
2.	Size of your firm (number of employees):
□ < 50	$\Box$ 50–199 $\Box$ 200–499 $\Box$ 500–999 $\Box \ge 1,000$
3.	Age of your firm (years since incorporation):
□ < 5	$\Box 5-10  \Box 11-20  \Box 21-30  \Box > 30$
4.	Your position in the firm:
□ Susta	inability/Environmental Manager 🛛 Finance/Tax Manager 🖓 Operations Manager 🖓 Other:
5.	Highest educational qualification:
□ Bach	elor's degree 🗆 Master's degree 🗆 Professional certification 🗆 Doctorate 🗆 Other:

## Section B: Environmental Taxation

For each statement below, please indicate your level of agreement using the following scale:

# 1 =Strongly Disagree 2 =Disagree 3 =Neutral 4 =Agree 5 =Strongly Agree

Item	Statement	1	2	3	4	5
B1	The criteria for calculating environmental taxes in our sector are clearly defined.					
B2	Current environmental tax rates significantly affect our production or operating costs.					
B3	The process for remitting environmental taxes is straightforward and timely.					
B4	Revenues generated from environmental taxes are transparently used to fund environmental protection initiatives.					
B5	Our firm has adequate internal capacity (skills, systems) to comply with environmental tax requirements.					

## Section C: Sustainable Business Practices

For each statement below, please indicate your level of agreement using the same 5-point scale.

Item	Statement	1	2	3	4	5
C1	Our firm has invested in energy-efficient technologies to reduce overall energy consumption.					
C2	We have implemented comprehensive waste-reduction or recycling programs across our operations.					
C3	A portion of our energy needs is met through on-site or purchased renewable energy sources (e.g., solar, wind).					
C4	Our firm regularly monitors and reports its environmental performance (e.g., emissions, resource use) to stakeholders.					
C5	We actively integrate environmental considerations into strategic planning and decision-making processes.					