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### Abstract

*Prior to the 21st century, virtually every society devised a method for her developmental needs and sustainability. These developmental needs and sustainability might be little or prodigious taxation imposed by the government of such a society to generate revenue. The study examines taxation and its effects on colonial eastern Nigeria. Taxation is the imposition of levy by the government on its citizens and co-operate organizations for the purpose of generating revenue for the growth and development of the state. Thus, the study methodology is historical and premised on the use of secondary data. The study contends that British administrators introduced taxation to the people which was resisted and revolted by them, starting with indirect taxation to direct taxation in 1928. This British taxation system gave birth to the women's riot in 1929, known in history as the Aba women's riot. The study concludes that taxation was a major source of revenue to the British administrators for the development of the region and the state, the majority of the people were not pleased with this new taxation system in their region as taxation and the birth of British West African Currency (BWAC) saw the extinction of indigenous currencies and created a new class of people in the region.*

**Keywords:** Taxation, Colonial, Eastern, Nigeria, Province

### Introduction

Prior to the 21st century, virtually every society devised a method for her developmental needs and sustainability. These developmental needs and sustainability might be little or prodigious taxation imposed by the government of such a society to generate revenue. Taxation is as old as the history of human society on the globe. According to FIRS, taxation is a means by which the government finances its expenditures by imposing charges on citizens and cooperate entities.<sup>1</sup>

However, the knowledge of history makes us understand that during the reign of Pharaohs in Ancient Egypt, taxes were mandatory and collected on various items including imported and exported goods, while the tax collectors were called "scribes". In Ancient Rome, tax collection was not exempted; the earliest

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<sup>1</sup> FIRS. The three eras of taxation in Nigeria: A comprehensive tax history in Nigeria (2022), 67



tax was called "Pretoria". These were taxes on customs duties and imported and exported goods.<sup>2</sup> Going further, in pre-colonial Nigeria succinctly, there were some forms of taxation practiced especially in the Northern and Western parts of Nigeria. The Emirs in the North had a more organized system of administration, unlike other parts of Nigeria, as the most widely accepted and practiced Islamic religion preached severe adherence to payment of taxes and levies in that part of Nigeria. In western Nigeria, there was also a form of tax payment which was seen in agriculture, land tax payable to the Oba's, Chiefs, Heads of communities, and taxes paid by individuals in return for services rendered to them. Also, in western Nigeria, there was community tax payable by all adult citizens residing in a community to enable such community to carry out development projects for the benefit of all and the growth of such community.<sup>3</sup>

In Eastern Nigeria, there was no central taxation as seen in the northern and western parts of pre-colonial Nigeria, which made it impossible for a standard form of taxation to be practiced in pre-colonial eastern Nigeria. What the easterners had in place was the Age grade and Lineage system and not a monarchical system of government where the Ezes' (Kings) received taxes.<sup>4</sup> Uchendu cited in Suzanne and Igor, noted that the easterners exhibited many similarities in their Kingship unit and political structures. The most enduring Kingship unit which had important social as well as political functions was the patrilineage. The unit of political action was the village, a corporate group of patrilineage of common descent, inhabiting a common territory. The elders and important household heads have the greatest authority in the village government.<sup>5</sup>

With the passing of time, Europeans arrived in Nigeria and speedily initiated colonization with a more organized taxation system in all parts of the country through which colonial administrators generated revenue to administer their colonies which Eastern Nigeria was inclusive. The rationale for the study is to examine taxation and its effects on colonial Eastern Nigeria.

### **Colonial Eastern Nigeria**

Colonial Eastern Nigeria was the administrative division of the southern protectorate established by the British colonial rule in Nigeria in 1906. The Eastern colonial region cut across areas such as Enugu, Aba, Onitsha, Calabar, Owerri, and Port Harcourt. Thus, the study scope is limited to the Enugu, Aba, Owerri, and Onitsha provinces which are predominantly Igbo ethnic groups of Nigeria.

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2 Ibid

3 FIRS. Statutory development: A comprehensive tax history in Nigeria (2022) 74

4 Naanen B. "You are demanding tax from the dead": The introduction of direct taxation and its aftermath in South Eastern Nigeria (2006), 71

5 Suzanne M and Igor K. Slavery in Africa: a historical and anthropological perspective. USA: University of Wisconsin Press Ltd, 1977.

## Conceptual Discourse

### *Taxation*

The concept of taxation is a contested concept in literature, there is no acceptable definition of the term globally. However, the study shall examine different views on taxation by way of understanding the term. According to Oyedokun, taxation is a compulsory levy imposed by the government on the income of individuals and cooperation to generate revenue for running the activities of the government. He opined that even though taxpayers may not receive anything identifiable in return for their contribution, they nevertheless have the benefit of living in a relatively educated, healthy, and safe society. The purposes of taxation are revenue generation, provision of merit goods, discouragement of businesses and consumption of harmful goods, control of the level of inflation, redistribution of income, and solving balance of payments problems.<sup>6</sup> For FIRS, taxation is a means by which the government finances its expenditures by imposing charges on citizens and corporate entities.<sup>7</sup>

Nightingale as cited by Oyedokun sees taxation as a levy imposed by the government on the income profit of the individual, partnership, and corporate organization.<sup>8</sup> Going further, Jeroh defined taxation as an obligatory levy imposed on individuals and corporate entities by the government in order to increase the economy's revenue base that will enable the government to offer social amenities such as security and other amenities for the well-being of society. He further noted that the resolve of tax imposition resulted from the increasing need to raise or boost the revenue base of government at various levels and jurisdictions.<sup>9</sup> Taxation has become a tool utilized by governments to share the wealth of individuals or corporate entities.

According to Julia Kaga, taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents. It is usually legal and different from extortion or a protection racket because the imposing institution is the government and not private actors<sup>10</sup>. From the above one could deduce that taxation is the imposition of levy by the government on its citizens and corporate organizations for the purpose of generating revenue for the growth and development of the state.

## Theoretical Considerations

For effective analysis and a better understanding of this work, ability-to-pay theory of taxation is adopted, which gives an insight on how the people were taxed based on their assumed income and their ability to pay taxes during the colonial period. This theory is adopted because of its relevance to the work and can provide an in-depth understanding of what transpired in the South Eastern region and Nigeria at large during colonial period.

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6 G. E Oyedokun. Overview of taxation and Nigeria's tax system. (2020), 309

7 FIRS. The three eras of taxation in Nigeria: A comprehensive tax history in Nigeria (2022), 67

8 Nightingale cited in G. E, Oyedokun. (2020), 307

9 E. Jeroh. Taxation II, National Open University of Nigeria course guide. (2022), 1

10 Kaga Julia. Taxation. Extracted from

<http://www.investopedia.com/terms/t/taxation.asp> on the 4th of March 2022. P. 1

### Ability-to-pay theory

This theory was propounded by Authur Cecil Piguo<sup>11</sup>. The ability-to-pay theory holds that consumers should contribute taxes consistent with their ability to pay<sup>12</sup>. The most popular and plausible theory of justice in taxation according to Dewett and Navalur is that every tax payer should be made to contribute according to his or her ability or faculty to pay<sup>13</sup>. The tax is to be based on his or her taxable capacity. Adam Smith in Ahuja view the principle (ability-to-pay) to imply that every person should pay to the government according to his or her ability to pay, that is in proportion of the income or revenue he or she contributed for the protection of the state. Thus, under the system of tax based on equality principle/ability to pay principle, the richer persons in the society will pay more than the poor<sup>14</sup>. That is, everyone should pay the same rate or percentage of his income as tax. Tax must be paid as per ability to pay.

This theory, ability-to-pay theory of taxation is best suited for a better analysis and understanding of taxation system in South Eastern Nigeria during colonial period. Before the introduction of direct taxation system in that region, the colonial administrators did a thorough assessment of the people to ascertain their annual income so as to know what to impose on them as tax in order not to overtax or under taxed them. Upon introduction of direct taxation system, taxes were imposed on the people according to their ability to pay, that is, in proportion of the income or revenue of each taxable adult and based on taxable capacity. That is to say, the richer persons in the society paid higher than the poor ones.

### Taxation in Colonial Eastern Nigeria

Colonial Eastern Nigeria practiced two methods of taxation, which were: Direct and Indirect taxation. According to Oyedokun, direct taxation is assessable directly to the taxpayer who is required to pay tax on his property, income, or profit. While, indirect taxation is taxes imposed on commodities before they reach the consumer, and are paid by those upon whom they ultimately fall. They are paid as part of the selling price of the commodity.<sup>15</sup> Indirect taxation was first used in colonial Eastern Nigeria by the colonial administrators which included the use of forced labour and labour conscription to compel eastern men to work for a wage fixed by the government. As a result of the people's resistance to forced labour, increasing revenue needs for administering the region, and international criticism, the colonial officials advocated for a system

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11 P.A. Samuelson. Diagrammatic exposition of a theory of public expenditure. (2012).  
Extracted from [www.en.wikipedia.org](http://www.en.wikipedia.org) on 17/10/2023

12 R.V. Mastrianna and T.J. Hailstones. Basic Economics (13th edition). USA: Thomson  
South-Western. (2004). P.336

13 K.K. Dewett and M. H. Navalur. Modern Economic Theory (Revised edition). New Delhi:  
S. Chand and Company Ltd. (2010). P. 796

14 H.L. Ahuja. Modern Economics (17th edition). *analytical study of microeconomics,  
macroeconomics, money and banking, public finance, international economics, economic of  
growth and development, environment and economic growth.* New Delhi: S. Chand and  
Company PVT Ltd. (2013). P. 483

15 G. E. Oyedokun. Overview of taxation and Nigeria's tax system. (2020), 309

of payment to replace forced labour.<sup>16</sup> Thus, the colonial government took advantage of already existing taxation in the North to introduce a direct taxation system in the country as a way of generating revenue to administer the country.

It is imperative to note that the North and West had a centralized political system in which some form of taxation was paid to the Emir and Oba which was not the case in the East. Be that as it may, direct taxation was first introduced in the Northern part of Nigeria in 1906 by virtue of the Native Revenue Proclamation to harmonize all pre-colonial tax rates by defining which rates should apply to what, the various methods for collection and what penalties should accrue to defaulters.<sup>17</sup> The Native Revenue Proclamation No. 2 of 1906 laid a foundation for the regulation of income taxes in Nigeria. In 1917, the first Income Tax Ordinance was passed. This was the Native Revenue Ordinance No. 1 of 1917 and it was more or less a re-codification of the 1906 Native Revenue Proclamation just like the proclamation, the area of application of the ordinance was the

Northern Province. The provision of section 1 of the 1917 ordinance empowered the governor to extend the application of the provision of the ordinance to the whole or any part of the Southern Province<sup>18</sup>. As a result, the Native Revenue (amended) Ordinance No. 29 of 1918 was passed and the provision of the principal ordinance was extended to the southwestern province. It was based on the income from agriculture and other trade and this tax replaced all the irregular collections of tributes and presents in that part of the country.<sup>19</sup> Though Lord Frederick Lugard was anxious to introduce direct taxation in eastern Nigeria, according to Naanen he saw them as not yet considered ripe for taxation. He argued that there was no reason why that part of the country should be exempted from economic and civil obligation, which he regarded as a necessary introduction to education in good citizenship. Because of difficulties that would ensure following the introduction of taxation, Lugard devises other means of extracting revenues from the people to pay for the cost of administering the region. He ordered that the surplus funds of the native courts, hitherto administered as district funds for local improvements be paid into general revenue until the people pay tax, then these funds would be restored to their respective local treasuries.<sup>20</sup>

Based on this, the colonial government decided to introduce direct taxation to replace forced labour. The decisive measure was taken in 1927 when the legislative council extended the Native Revenue Ordinance to the Eastern province and 1st April 1928 effectively marked the introduction of direct taxation in the eastern region. The introduction of the direct taxation system in the Eastern region sparked off a series of demonstrations in Calabar and Owerri provinces of the region but the most serious resistance was in the Aba province,

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16 B. Naanen "You are demanding tax from the dead" (2006), 71

17 FIRS. History of taxation in Nigeria: Understanding tax system. Extracted from [www.taxprof.com.ng/history-of-taxation-in-Nigeria](http://www.taxprof.com.ng/history-of-taxation-in-Nigeria) on 4th of March, 2022.

18 FIRS. The three eras of taxation in Nigeria: A comprehensive tax history in Nigeria (2022), 131

19 FIRS. Statutory Development: A comprehensive tax history in Nigeria (2022), 74

20 B. Naanen "You are demanding tax from the dead" (2006), 71

known as the Aba women riot of 1929.<sup>21</sup> This resistance was the result of the pre-colonial nature of political organization in the Eastern part of the country which this study has emphasized in the previous pages. In 1940, the Direct Taxation Ordinance No.4 was passed. The law applied to natives throughout Nigeria except the township of Lagos. The law specifically replaced the Native Revenue (amended) Ordinance of 1927 and the Native Taxation (colony) Ordinance of 1937. Thus, the law empowered the resident under the ordinance to administer tax.<sup>22</sup>

### **Effects of Taxation on Colonial Eastern Nigeria**

Taxation in colonial eastern Nigeria was a major source of revenue to colonial administrators for the administration of the region. The study shall examine the following which are effects of taxation in colonial Eastern Nigeria. They are Social, Political, and Economic.

#### **Social Effects**

Socially, taxation brought some changes in the Eastern region of colonial Nigeria. Direct taxation brought to an end corvee labour/conscription of young men into forced labour as tax money was used to build roads, improve local communications, development of infrastructure, and other social amenities. Revenue generated from taxation was used to administer the region and to defray administration costs, for building new native authority schools in which the local populace was registered and trained, dispensaries and other social amenities were provided from tax revenue in the region.<sup>23</sup>

The introduction of direct taxation also stimulated the need for money income which led to a supply of labour. That is to say that people migrated from one division to another in search of wage(s), and employment. According to the Afikpo district officer, this led to a shortfall in revenue from tax when he reported in 1940 that the majority of adults in that division were great travelers either as traders or as labourers, the latter as far as Afikpo of Fernando Po. Furthermore, the need to pay tax led to a high degree of indebtedness which led to an increase in pawn-ship of either the taxpayer or a member of his family.<sup>24</sup> Also, the need to pay tax contributed to the establishment of some form of private right. In certain parts of Owerri province, the establishment of tax affected the palm trees; the coming of taxation caused the swing over from relatively communal to private rights.<sup>25</sup>

Some of the infrastructures built with the revenue generated from taxation in the region are the Eastern House of Assembly built in Enugu province in 1947, the Colliery Clinic built-in Enugu province in the 1940s, the Railway station built in Enugu province in 1914, the Railway police station built in Enugu

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21 Ibid, p.72

22 FIRS. The three eras of taxation in Nigeria. pp 136-142

23 B. Naanen "You are demanding tax from the dead" (2006), 78-89

24 Sealy-King. Direct Tax Ordinance. (1941),

25 B. Naanen "You are demanding tax from the dead" (2006), 92

province in 1920s, Aba old court built in Abia province in 1920's and National achieve built in Enugu province in 1954, etc.

### **Political Effects**

Politically, the introduction of taxation in 1928 in colonial eastern Nigeria was met with a series of resistance and revolts in different parts of the region. There was no monarchial system of government in pre-colonial Eastern Nigeria, the colonial people were not conversant with tax and tribute payment. Hence tax introduction resulted in resistance and revolts from different groups in the region. The announcement of tax introduction in Owerri province was generally received with Sullen and Obstinate signs of defiance and refusal to accede to the demand.<sup>26</sup>

Other provinces such as Aba and Bende, etc. in colonial Eastern Nigeria were not satisfied with the introduction of taxation in their land by colonial administrators; they resisted and revolted against tax introduction. Most of all resistance and revolts was the women's riot of 1929, also known in history as the Aba women's riot. The women's uprising started on the 23rd of November 1929 at Oloko village (in Aba province) and from there spread speedily to other towns and provinces of the region. In Bende, Umuahia, Aba, Owerri and Obowo, etc. the women demonstrated and demanded the depose of the old warrant chiefs who had made things difficult for them. The women's revolts of 1929 were the greatest political challenge the British administration in Nigeria especially in Eastern Nigeria had to face.<sup>27</sup> In subsequent years, Britain was to spend a significant part of its time and resources suppressing anti-tax resistance in different parts of Eastern Nigeria. Revenue generated from taxation in eastern colonial Nigeria was a major source of revenue for colonial administrators and the State, as payment of this tax signifies the acceptance of state authority on the people unwillingly or willingly, as expenditures were made from taxation revenue.

### **Economic Effects**

As rightly pointed out above, revenue generated economically from taxation in the region was a major source of revenue. Taxation forced the people to channel their efforts into export production and exchange since that was where they earned foreign currency to pay tax. According to Naanen, taxation assisted in integrating the region into the world economy- stimulated primary production for export, and forced peasants to produce especially for exports while consuming imported goods. The introduction of direct taxation brought about a unified financial system through the introduction of British West African Currency (BWAC) to replace the existing indigenous varieties. Direct taxation was used as a mechanism to drive into extinction of the indigenous currencies.<sup>28</sup>

In addendum, economic transactions with the natives were conducted with local currency while official transactions were done with the BWAC such as tax

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<sup>26</sup> Ibid, p.77

<sup>27</sup> Nwosu in Aba Commission of Inquiry. (1930), 90

<sup>28</sup> B. Naanen "You are demanding tax from the dead" (2006), 82

payments. This led to an appreciation of sterling (foreign currency) against manila (domestic currency) because of the high demand of BWAC during tax seasons in order to pay tax and the depreciation in value of manila during tax seasons increased the tax burden and cost of living generally.<sup>29</sup> Direct taxation by British administrators prevented colonial Eastern Nigerian citizens from saving, in the sense that it reduced their income and ability to save. This is more evident when one considers the amount of money left after tax payment, which may not be enough to meet their end needs.

### Conclusion

The foregoing discourse has examined taxation and its effects on colonial Nigeria. Taxation is as old as the history of human society on the globe. The British in their arrival and their administration of the region first used indirect taxation in the Eastern part of Nigeria which the people resisted and this attracted international criticism. With the passing of time, a decisive measure was taken in 1927 when the legislative council extended the Native Revenue Ordinance to the Eastern region and 1st April 1928 effectively marked the introduction of direct taxation in the region. Again, indirect taxation sparked off a series of resistance and revolts, this time more precisely from the women. Most of all resistance and revolts was the women's riot of 1929, also known in history as the Aba women's riot.

The British administrators failed to understand the political organization of the Eastern region which was not the same as the Western and Northern regions of colonial Nigeria, thereby leading to resistance and revolts by the people against taxation imposed on them by the British administrators. Even though taxation was a major source of revenue to British administrators for the development of the region and the state, the majority of the people were not pleased with this new taxation system in their regions as taxation and the birth of BWAC saw the extinction of indigenous currencies and created a new class of people in the region.

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<sup>29</sup> Ibid, pp.85-86



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