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Taxation has been an integral part of Nigeria's economic history since pre-independence times. Over the years, the Nigerian tax system has evolved in response to changing economic, social, and political dynamics. This blog post takes a historical journey through the evolution of taxation in Nigeria from its early origins to present day.

Early Taxation in Pre-Independence Nigeria
Colonial Era Taxes: Formal taxation began during the colonial era with British authorities introducing taxes on trade, land, and even "hut tax." These taxes primarily generated revenue for the colonial administration.
Post-Independence Tax Reforms
Value Added Tax (VAT): Introduced in 1993, VAT established a system of taxation on goods and services consumption. It has become a crucial source of government revenue.
Company Income Tax Act: First enacted in 1979, this act governs corporate entities' taxation and plays a pivotal role in revenue collection.
Personal Income Tax: Revised and adapted to modern economic realities, this act regulates individual income taxation, including employment income, business profits, and investment gains.
Customs and Excise Duties: Nigeria collects revenue from customs and excise duties essential for regulating international trade and controlling specific goods movement.
Tax Reforms in the Digital Age: The digital economy posed new challenges. Nigeria adapted to taxing digital transactions, including digital advertising and e-commerce.
Challenges and Opportunities
Informal Economy: A significant portion of Nigeria's economy operates informally, making tax collection challenging. Strategies incentivize formalization.
Tax Compliance and Enforcement: Tax compliance remains a concern, with ongoing efforts to improve enforcement mechanisms.
Resource Mobilization: The tax system plays a pivotal role in resource mobilization for government initiatives, infrastructure development, and public services.
The history of taxation in Nigeria reflects its journey from colonial rule to an independent, economically vibrant nation. As Nigeria evolves, so too does its tax system, adapting to meet modern economic challenges. Understanding the historical perspective is essential for comprehending the current state and envisioning the future.

Without taxes, Nigerian tribes had no choice but to adopt taxation from early on. Let's take a journey through Nigeria's tax history and find out how it earned its place in the world! A tax originates from Latin, meaning "to assess or impose". It's a mandatory financial charge regulated by the state to fund institutions. Taxes can be direct or indirect, paid with money or labor. Most countries rely on taxes to sustain themselves. Some even pay taxes to their citizens - for instance, Macau pays \$1127 annually. Prior to the 1930s, Nigeria had no formal tax policy. Rulers collected taxes and used them as they pleased. This system was short-lived and wasn't recorded in history books. Before colonization, the north's Emirs developed a taxation system based on Islamic principles. The south, however, lacked organization and thus didn't have a centralized system. Historically, Islamic-ruled Nigeria had various taxes: Zakat for education, religion, and spirituality; Kudin-Kasa for land utilization; Shuka-Shuka for cattle rearing; Isha-Kole for community leaders; Owo-Ori for services provided; and Community tax for all adults. Colonization brought new taxation systems. The British Empire sought economic dominance in West Africa. As a result, they exploited Nigeria's resources and people. In the mid-19th century, the GB focused on opening markets in Nigeria, including the slave trade. Various powers implemented their own taxes, but the British eventually secured Nigeria and imposed their own. Formal administration began in 1861, with Lagos as the crown colony. Lord Lugard, a British colonial administrator, harmonized and centralized the tax system. He introduced the Stamp Duties Proclamation in 1903 and the Native Revenue Proclamation in 1906. This proclamation created four core principles of payment: The Evolution of Taxation in Nigeria: A Historical Perspective When it comes to paying taxes in Nigeria, individuals can follow a straightforward procedure: determining what to pay, who to pay, where to pay, and when to pay. This process has simplified and clarified the country's taxation policy. The present form of Nigerian taxation dates back to 1914, when the Northern and Southern Directorates implemented the basics of taxation. Over time, this led to a sequence of tax ordinances, including Proclamation Law 1914, Native ordinance 1917, The Non-natives Protectorates Tax Ordinance 1931, and Raising Commission 1958. The Raising Commission introduced standardized tax principles, which were later adopted by the National Government. These recommendations became part of Nigeria's Constitution, giving birth to the Income Management Act and Companies Income Tax Act in 1961. Since then, various complexities have led to a sequence of tax laws, including the Personal Income Tax Act 2004 and the Companies Income Tax Act 2004. Currently, three legal bodies can levy taxes on Nigerians: Federal Internal Revenue Service, State Boards of Internal Revenue, and Local Government Revenue Service. Taxation in Nigeria has come a long way, but its development is still ongoing. New forms of taxation will emerge, building upon previous policies. Taxation in Nigeria differs from its legal definition, which states that tax is "A monetary charge imposed by the government on persons, entities, transactions or property to yield public revenue". The country's taxation history dates back before colonial times, when indigenous kingdoms and communities had an effective tax system. In 1904, the Land Revenue Proclamation Law was issued, harmonizing traditional taxes in the Northern protectorate. This led to the Native Revenue Ordinance of 1917, which covered the Western Region, while the Eastern region waited until 1927 for its first personal income tax law. The Aba Tax Riot of 1929 ensued due to this delay. Significant tax legislation was introduced in 1939 with the Companies Income Tax Ordinance and the Direct Taxation Ordinance No. 4 of 1940, which applied throughout the country. In 1943, a more comprehensive income tax ordinance replaced earlier laws, with slightly higher tax rates. The Richards constitution's introduction in 1954 led to the division of the country into three regions, marking the beginning of true federalism and formal distribution of tax powers between the federal and state governments. As Hamilton noted, it is essential for both national and state governments to have the means to supply their needs. According to Nigeria's Federal Inland Revenue Service, you will need to comply with tax regulations, otherwise, penalties like large fines or jail time might be imposed. The government collected over 3.7 trillion Naira in taxes in 2015, primarily from sources such as Personal Income Tax and Corporate Tax. Compulsory taxation is not a deprivation of citizens' rights to their property but rather an exercise of governmental powers. The National Assembly has the authority to make laws for tax imposition under Section 4(2) of the constitution. A collective reading of this section highlights that taxes on income, profits, or capital gains and stamp duties are exclusive to the National Assembly. The government relies on these funds to fulfill its responsibilities in developing the country and bettering society as a whole. Any tax derived from properly enacted legislation carries the force of law. The Nigerian statute book is filled with such tax laws. For clarity, taxes can be categorized into direct and indirect types. Direct taxes are levied directly on individuals or businesses, including Personal Income Tax and Companies Income Tax. Indirect taxes, like Value-Added-Tax (VAT) and customs duty, are imposed on commodities before reaching the consumer and are ultimately borne by those who buy them at the market price. The Nigerian Federal Government is considering a drastic increase in the Value Added Tax (VAT) rate to 10%. There are various types of taxes in Nigeria, including Petroleum Income Tax and Personal Income Tax. Companies that explore or produce oil must pay this tax from their head office. Individuals who consume or purchase products or services subject to VAT must also pay the tax. The most common type of tax is Personal Income Tax (PIT), which is based on personal income or benefits. It is calculated by multiplying the tax rate by taxable income. Some companies are required to pay Stamp Duty, which includes financial transactions and written documents. All registered companies in Nigeria that earn capital gains must calculate and submit their taxes through designated banks. The government encourages all citizens to comply with taxation to support good infrastructures at a low cost.

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