



COLONIAL OFFICE

# NIGERIA

## Report of the Fiscal Commission

*Presented to Parliament by the Secretary of State for the Colonies  
by Command of Her Majesty  
July 1958*

LONDON

HER MAJESTY'S STATIONERY OFFICE

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MISPAGINATION

SIR,

We were appointed by you in September, 1957, as the Fiscal Commission for Nigeria with the terms of reference agreed by the 1957 Nigeria Constitutional Conference in paragraph 57 of their Report. Our Adviser on Indirect Taxation was also appointed by you.

2. In December, 1957, we presented a Preliminary Report. Since then we have carried out a further study of the problems posed to us in our terms of reference, and we now have the honour to submit our final report.

We have the honour to be,

Sir,

Your most obedient servants,

JEREMY RAISMAN,  
*Chairman.*

R. C. TRESS,  
*Member.*

London, 24th June, 1958.

The Rt. Hon. Alan Lennox-Boyd, M.P.,  
Secretary of State for the Colonies.

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## NIGERIA—REPORT OF THE FISCAL COMMISSION

### I—INTRODUCTION

We were appointed by the Secretary of State for the Colonies with the following terms of reference which were agreed at the Nigeria Constitutional Conference\* in May and June, 1957:

- “(a) To examine the present division of powers to levy taxation in the Federation of Nigeria and the present system of allocation of the revenue thereby derived in the light of:
- (i) experience of the system to date ;
  - (ii) the allocation of functions between the Governments in the Federation as agreed at the present Conference ;
  - (iii) the desirability of securing that the maximum possible proportion of the income of Regional Governments should be within the exclusive power of those Governments to levy and collect, taking into account considerations of national and inter-Regional policy ;
  - (iv) in connection with (iii) above, the special problems in the field of indirect taxation as a result of the position of Lagos as Federal territory ;
  - (v) insofar as the independent revenues that can be secured for the various Governments are insufficient to provide not only for their immediate needs but also for a reasonable degree of expansion, and bearing in mind the Federal Government's own further needs, the desirability of allocating further Federal revenue in accordance with such arrangements as will best serve the overall interests of the Federation as a whole.
- (b) To consider what fiscal arrangements would be most appropriate for the Southern Cameroons, including whether that territory should be treated as a Region for the purposes of revenue allocation ; and to advise on the extent to which additional financial assistance might be required to meet the immediate needs of that territory and to provide for a reasonable degree of expansion ; and to indicate the form which this assistance should take.
- (c) To consider the adequacy of present arrangements for co-ordination of loan policies, governmental borrowings and capital issues, having regard to the decision to set up a Nigerian Central Bank and a Nigerian currency at an early date.
- (d) To make recommendations on the above matters.
- (e) Pending the submission of their final report, to consider as a matter of urgency the extent (if any) to which, as an interim measure, the provisions of sections 155 to 163 of the 1954 Constitution Order should be varied to reflect more accurately the principles to which they were designed to give effect.
- (f) To be empowered, in making their interim report, to specify the date on which any proposed readjustments should come into effect.
- (g) To submit both interim and final reports to a resumed Conference.

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\* Paragraph 57 of the Report by the Nigeria Constitutional Conference, 1957 (Cmnd. 207).

2. We made a preliminary visit to Nigeria from the 29th October to the 16th November, 1957, and subsequently submitted a Preliminary Report, the text of which will be found at Appendix A. The recommendations in the Preliminary Report were accepted by all the five Governments and by the Secretary of State for the Colonies. They were brought into effect on the 1st April, 1958, by the Nigeria (Constitution) (Amendment) Order in Council, 1958.

3. Our Adviser on Indirect Taxation returned to Nigeria on the 20th January, 1958, and during a visit of some six weeks held many discussions with representatives of the various Governments and of business communities about the points with which he was particularly concerned. During this time he visited Lagos, Kaduna, Kano, Ibadan, Enugu, Onitsha, Port Harcourt and Buea.

4. The Commission as a whole returned to Nigeria on the 29th March. We visited the Headquarters of the three Regional Governments, of the Southern Cameroons Government and of the Federal Government and met representatives of each Government and others concerned with the scope of our enquiries. A full list of all persons consulted at every stage of our enquiries is included at Appendix C.

5. The 1957 Constitutional Conference agreed that the Commission should give full opportunity for both written and oral evidence to be tendered to it and for all points of view to be expressed, examined and cross-examined. On our preliminary visit, after receiving memoranda from the Governments concerned, we discussed the questions at issue with representatives of those Governments and all other interested parties. Subsequently we held a meeting in Lagos of representatives of the five Governments at which a full opportunity was afforded for discussion of the various views expressed. Before we left we arranged for a press notice to be issued inviting the submission of memoranda from the public generally. A list of organisations and people that submitted memoranda in response to our invitation is included at Appendix D. Governments were asked to submit memoranda on the issues covered in our terms of reference and also to supply detailed financial and general information, including forecasts of their revenue and expenditure on the present basis up to 1961-62. They were requested to send to each other copies of the memoranda they were submitting to us, so that all would have a chance of commenting on the views put forward. No formal procedure was followed in our discussions, but full opportunity was given for every point of view to be expressed on the basis of memoranda submitted.

6. We should like to say at this stage how much we have been helped in all our enquiries by the facilities made available to us by the five Governments within Nigeria and by the kindness and courtesy shown to us by Ministers, officials and representatives of the industrial and commercial community alike in helping us to carry out the task with which we were entrusted.

7. We should also place on record at this point our indebtedness to our Adviser on Indirect Taxation, Mr. P. J. Gallagher, whose services were generously made available by the United Kingdom Board of Customs and Excise, and to our Joint Secretaries, Mr. M. Phillips of the Colonial Office and Mr. J. D. Greig of the Nigerian Federal Public Service. The studies undertaken by Mr. Gallagher have enabled us to include in this Report the results of the first thorough survey of the workings and potentialities of indirect taxation in Nigeria. The labours of our Joint Secretaries have ranged from the provision of the other parts of the groundwork to this Report and the preparation of numerous drafts, to the most thoughtful



attention to our requirements throughout our travels. We are indebted to these three, however, not only for the efficient performance of particular functions, but for the valuable contributions which they have made at our invitation to the discussions out of which our conclusions have emerged. We, the Commissioners, of course take full responsibility for those conclusions and for the recommendations based upon them.

## II—EXPERIENCE OF THE PRESENT SYSTEM

### Origin and Nature

8. The division of revenue between the various parts of Nigeria has been a recurrent problem since the amalgamation of North and South in 1914. Recent history begins, however, with the Report by Sir Sydney Phillipson published in 1947 on the Administrative and Financial Procedure under the 1947 Constitution. That constitution provided a Legislative Council for the whole of Nigeria, together with Regional Houses of Assembly for the North, East and West ; the North also had a House of Chiefs. The Regional Houses had no powers to legislate or to appropriate revenues. The Phillipson Report, in so far as it is here relevant, was therefore concerned with the principles on which revenue raised by the central government should be allocated for expenditure by the regional authorities. Sir Sydney Phillipson considered two principles, the principle of derivation—that is, giving to a Region a sum related to that Region's contribution to central revenues—and the principle of even progress—that is, giving relatively more to backward areas to enable them to catch up with the rest. He decided that greater weight must be given to derivation and that successive annual allocations should move in that direction, while having regard to the existing level of services for each Region. The outcome was that until the financial year 1952–53 the Regions were dependent for revenue on arbitrary allocations from central revenues based at least in theory on derivation but having some regard to even progress, together with certain locally collected taxes and fees. They had themselves no legal power of raising or appropriating revenue.

9. In 1950, as part of the process of constitutional review, a Commission on Revenue Allocation was appointed and the Commissioners' Report, signed by Professor J. R. Hicks and Sir Sydney Phillipson, was published in 1951. In the Report it was assumed that there was no deliberate intention on the part of the General Conference drawing up recommendations for the new constitution to limit regional powers of taxation to the traditional "direct tax". It was therefore recommended that Regions should be given the power to regulate by law the items of revenue (including direct tax) up to that time declared regional and to raise and regulate certain new taxes: it was also recommended that the Regional Governments should have control of the taxation of motor spirit. Thus for the first time the principle of independent revenues came into the picture, though the extent to which such revenues were considered to be practicable was small in relation to the expenditure requirements of the Regions; the remaining regional income had to be provided by the allocation of centrally-raised revenues. The principle of derivation was recommended for retention in respect of one-half of the revenue from taxes on tobacco, to be distributed to the Regions in proportion to the consumption in the Regions, but the Commission also proposed a system of central government grants on other bases—a capitation grant in respect of every adult male taxpayer in the Regions, and grants in aid of the specific regional services of education and police.

10. The view which the Hicks-Phillipson Commission took on independent revenues was endorsed in the 1951 Constitution, which established a quasi-federal system and gave the Regions some power to impose taxes by legisla-

tion and to appropriate monies for specific purposes. The Order-in-Council of 1951 embodied the Commission's recommendations subject to a minor modification concerning the police grant, and with one major exception: regional autonomy in respect of the taxation of motor spirit was deferred because of the practical difficulties and the customs duty on motor spirit was retained, the receipts being allocated in full to the Regions on a derivation basis.

11. The Hicks-Phillipson system lasted until 1953-54 when, following the Constitutional Conference of 1953, Sir Louis Chick was appointed Fiscal Commissioner. His terms of reference laid particular emphasis on fiscal autonomy and the principle of derivation, and his recommendations closely followed these directions. He recommended the retention of the existing independent revenues and the extension of the derivation principle to the whole of the remaining centrally-raised revenues which needed to be allocated to the Regions. His only qualification was a proposal that the Federal Government should be empowered to make discretionary grants to a Regional Government which found itself in serious financial difficulty through causes beyond its control.

12. With minor modifications, Sir Louis Chick's recommendations were accepted and it is these which have formed the basis of the revenue system for the Federation of Nigeria (as the country has been called since the introduction of the 1954 constitution). The only modification in the system of allocation of federal revenues since then was made in April, 1958, as a result of the acceptance of the recommendations in our Preliminary Report. Since that date the Southern Cameroons has been treated as if it were a Region for the purposes of revenue allocation. Throughout this Report therefore, where reference is made to a Region in discussing revenue allocation, that expression includes the Southern Cameroons.

### **The Present System of Allocation of Federal Revenues**

13. The details of the present system of allocation of Federal revenues are as follows :

#### *Import Duties*

- (i) 100 per cent of the import duty on motor spirit is returned to the Regions in proportion to the estimated distribution for consumption in the Regions.
- (ii) 50 per cent of the import duty on tobacco is returned to the Regions in proportion to the estimated distribution for consumption in the Regions.
- (iii) Of the proceeds of import duties (other)\* 15 per cent is paid to the Northern Region, 20 per cent is paid to the Western Region, 14½ per cent is paid to the Eastern Region and 1 per cent is paid to the Southern Cameroons.

#### *Excise and Export Duties*

- (iv) 50 per cent of all excise duties is returned to the Regions in proportion to the estimated distribution for consumption of the taxed commodities in the Regions.
- (v) 50 per cent of all export duties is returned to the Regions in proportion to the amount of duty deemed attributable to produce from each Region.

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\* Throughout the Report the phrase "import duties (other)" is used to refer to import duties other than those on motor spirit and tobacco, as used in the present revenue allocation system.

**Income Tax**

- (vi) Of the income tax levied and collected by the Federal Government (i.e., on all non-Africans, on all companies and on Africans in Lagos) all personal income tax is returned to the Region in which the taxpayer is resident.

**Mining Royalties**

- (vii) All mining royalties levied and collected by the Federal Government are returned to the Region from which the taxed minerals were extracted.

**Miscellaneous Revenues**

- (viii) Mining rents and fees for small craft licences are returned by the Federal Government to the Region of origin.

For items (i), (ii), (iv) and (v), the Western Region is deemed to include Lagos.

**Present Independent Revenues**

14. At the time of Sir Louis Chick's Report, sales taxes on produce had already been introduced as a further source of independent revenue in the Northern and Western Regions, the taxes being applied to produce handled through the Marketing Board system. The list of independent revenues in the hands of the Regions at that date therefore comprised direct tax and cattle tax; licences, of which licences for mechanically propelled vehicles and for drivers were the most important; and produce sales taxes (Northern and Western Regions only). Since that date the following main developments have taken place:

- (a) *Produce Sales Taxes.* The Eastern Region has introduced purchase taxes on palm oil, palm kernels, cocoa and benniseed handled through the Marketing Board system, while the Southern Cameroons has imposed sales taxes on cocoa, palm kernels, palm oil and coffee beans. The Western Region has extended its produce sales tax to all sales of rubber.
- (b) *Income Tax.* From the 1st April, 1956, the Eastern Region introduced a regional income tax on Africans and the Western Region followed suit a year later.
- (c) *Purchase Tax.* From the 1st April, 1956, the Eastern Region provided for the levying of a purchase tax on scheduled goods. In the first instance the purchase tax schedule covered petrol, beer and certain spirits. Difficulties arose over the tax on beer and spirits, however, and these items were removed from the schedule after twelve months. The Eastern Region Government has recently added diesel oil to the schedule.

**Criticisms Made of the Present System**

15. The most important and the most common of the criticisms made to us in respect of the present system fall under three heads:

- (i) the limited range of independent revenues in the hands of the Regions;
- (ii) the deficiencies in the application of the principle of derivation, particularly as it relates to the allocation to the Regions of their share of import duties (other);
- (iii) the absence of any provision which would differentiate at all between the particular needs of a Region and the revenues arising within its boundaries.

16. Since items (a) (iii) and (a) (v) of our terms of reference relate particularly to the first and third of these criticisms, endorsing them by implication and requiring us to deal with them in a positive fashion, there is no purpose in our commenting on them here: the bulk of this Report is concerned precisely with these questions. The term "derivation", on the other hand, does not itself appear in our terms of reference. We shall therefore deal with the second of the above criticisms at this point.

### **Derivation**

17. We have, in fact, already commented at some length on the nature of the derivation controversy in paragraphs 7-14 of our Preliminary Report.\* Our summing up of the statistical elements in the dispute is now set out in Appendix B to this Report. Three conclusions are to be drawn.

18. First, and foremost, we would repeat the conclusion which we arrived at when we first tackled this subject, namely, that it is desirable for the future to get away from a system under which the distribution of large sums of money rests on calculations that can never be entirely accurate and which lend themselves to controversy. We were pleased to find that this view was generally accepted by all Governments and the recommendations which we make later in this Report are aimed at avoiding future controversy of this kind. As will be seen, we have found it desirable to include in the new system some transfers from the Federal to the Regional Governments; but our recommendations under this head are of a quite different character from the system at present operating.

19. We cannot wholly ignore the past, however, and we feel compelled to make one specific recommendation as a result of our examination of the disputed data. This relates to the position of the Northern Region which, as Appendix B shows, is the one Region which has had less than its due share of allocated revenues as a result of the way the derivation principle has been applied. At least one financial year will have passed between the date when we were called upon to review these figures and the earliest date at which the new system which we are recommending can be brought into force. The Northern Region will have been deprived of some £500,000 a year which it would have received under a revised derivation formula. The Northern Region clearly deserves to be compensated for this loss, yet if any of the other Regions were to be called upon to provide such compensation it would be disruptive of their finances†. The only possible source is the Federal Government. We therefore recommend that, for the year 1958-59, the Federal Government should pay out of its reserves a sum of £500,000, additional to the sums due to the Northern Regional Government under the present allocation formula. If for any reason the introduction of the relevant features of the new system should not take place on the 1st April, 1959, a similar yearly sum should be paid to the Northern Regional Government until such time as the new system is put into effect.

20. Finally, there is the significance of this review for the remainder of our Report. It is clear that, if the existing derivation system were to be continued (which we do not recommend), there would have to be some quite substantial amendments to the formulae used in applying it. No very close comparisons can or should be made, therefore, between the results of our proposals and the results which the prolongation of the existing system and formulae would have brought about.

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\* See Appendix A.

† Compare paragraph 13 of our Preliminary Report.

### III—ALLOCATION OF FUNCTIONS

21. Item (a) (ii) of our terms of reference requires us, in considering the division of taxing powers and the system of revenue allocation, to take account of the allocation of functions between the Governments in the Federation as agreed at the 1957 Constitutional Conference. The changes in the allocation of functions, which were agreed at the Conference, were not such as, in our view, to have any significant effect on the relative financial responsibilities of the Governments, though we refer in paragraph 129 below to the placing of Police on the concurrent list.

22. The 1957 Constitutional Conference recognised that in certain circumstances the Report of the Minorities Commission could raise further financial questions, which might make necessary another fiscal enquiry, but that this Fiscal Commission could not take account of any financial problems that might arise from future changes in the internal boundaries of Nigeria. Our report is therefore based on existing regional boundaries within Nigeria. If major changes in boundaries result from the recommendations of the Minorities Commission a further fiscal review might be required.

### IV—REGIONAL FISCAL AUTONOMY AND NATIONAL POLICY

23. Our terms of reference require us to have regard to the desirability of securing that the maximum possible proportion of the income of Regional Governments should be within the exclusive power of those Governments to levy and collect, and at the same time to take into account considerations of national and inter-regional policy. It is in the light of both these aspects that we are asked to examine the present division of powers to levy taxation in the Federation and the present system of allocation of revenues and to make recommendations. The primary desideratum being posed as a high degree of regional fiscal autonomy, the limitations on achieving that target are presented as being first practicability ("the maximum possible"), which inevitably turns largely on administrative considerations; second, national policy, which involves the well-being of Nigeria as a whole and not merely as a group of self-governing regional units; and finally inter-regional policy, which implies the maintenance of harmonious relations between the Regions, the avoidance of causes of friction, and above all, the preservation of the free movement of trade across the regional boundaries.

24. We have to aim at a proper balance between these somewhat conflicting considerations. The views presented to us by the five Nigerian Governments ranged from one extreme to the other. On the one hand it was suggested that, to meet the requirements of national and inter-regional policy, the Federal Government should be empowered to levy and collect revenues sufficient to enable it to make extensive grants for specified purposes to the Regions and thus to promote the equalisation of standards of social service between them. This would tend to produce a situation similar to that of a unitary government in its relations with local authorities. On the other hand, it was suggested that the field of federal jurisdiction should be restricted to the minimum and that trade should be compelled to conform to a pattern which would facilitate the fullest exercise of fiscal jurisdiction within the regional areas. This would tend to produce a situation similar to that of a group of independent sovereign states. We have found ourselves unable to recommend the complete adoption of either of these types of proposal, and

have endeavoured to find that intermediate position which the emphasis of our terms of reference seems to require.

25. The main limitation on the exercise by Regional Governments of a plenary fiscal jurisdiction is, of course, the necessity of ensuring complete freedom of internal trade throughout the territory of the Federation. We have treated this as a paramount requirement of national policy, and we recommend that, as in the case of other federations, it should in suitable terms be clearly written into the constitution. Otherwise there is always the danger that practices may be initiated and tolerated which in time would result in a network of barriers to freedom of movement. In an age when sovereign states are finding it worth while to pool their customs jurisdictions in order to secure the benefits of free trade over as large an area as possible, it would be a retrograde step to facilitate, and thereby to run the risk of encouraging, an opposite tendency in the units of a federation.

26. We have to face the fact that in Nigeria the major sources of revenue, namely, customs duties (with their complementary excise duties) and taxes on the profits of companies are federal and must inevitably remain federal in any system which recognises the basic realities of a federation. Our task therefore resolves itself into a search for other forms of taxation which can be placed within regional jurisdiction. Such taxes must be administratively practicable without trenching improperly on the federal field and without involving the erection of barriers to inter-regional trade or laying excessive burdens on persons who must live and work in more than one Region. We have endeavoured to carry out this task to the best of our ability. The scope for the enlargement of regional jurisdiction may seem disappointingly small. But the allocation of fiscal jurisdiction does not exhaust the methods of achieving a satisfactory financial pattern. Alternative devices can and must be employed.

27. We have found it possible to use three of these alternative methods. In the first place, we have been prepared to envisage that a field of jurisdiction which must of its nature be federal should be partially or temporarily vacated in order to accommodate the exercise of regional jurisdiction. In the second place, where for administrative and inter-regional reasons we consider that a tax which might otherwise have been regional must be levied and collected federally, we have recommended that the whole of the proceeds be distributed to the Regions. Thirdly, to the extent that these measures do not suffice to provide the Regional Governments with adequate revenues, we have provided for a system of grants from federal revenues.

28. In determining the balance between Federal Government and Regional Government finances in the allocation of revenue, we have had to keep constantly in mind that the financial stability of the federal centre must be the main guarantee of the financial stability of Nigeria as a whole, and that by its strength and solvency the creditworthiness of the country will be appraised. This will in turn have its influence on the investment of external capital, without which economic development must be painful and slow. If the units of a federation are afflicted by natural disaster or other emergency, a strong federal centre may be able to come to their assistance; to plan on the reverse principle is to build on precarious foundations. This constitutes another of the main factors of national policy which must operate to restrain such an allocation of revenue to the Regions as would support a more rapid achievement of the level of social welfare to which they aspire.

29. Having thus indicated the general framework within which we have operated, we proceed now to a more detailed examination of the possibilities which have been presented to us.

## V—CUSTOMS, EXCISE AND SALES TAX JURISDICTION

### Import Duties

30. The control of external boundaries, and the levying of tax on goods crossing those boundaries, by the Federal Government is a fundamental feature of a federal system of government. Import duties must be imposed at the point of entry into the Federation, and there can be no question of their imposition at similar or differing rates at internal boundaries within the Federation. Again, in a modern state the exercise of customs jurisdiction is important not simply from the point of view of revenue and the protection of local industries, but also in relation to a wider field of international obligations and economic policy objectives within the country as a whole, including such matters as balance of payments or exchange control. It is clear that the general power to control and tax imports should remain with the Federal Government. We deal later with the question which has been raised whether in particular cases regional sales taxes should be substituted for federal import duties.

### Export Duties

31. With export duties it is again particularly important that the Federal Government should have fiscal control over trade crossing federal boundaries, and the same considerations of international and overall Nigerian economic policy arise. Moreover, there is a close association between the possible yield of export duties and the yield from company tax. If the two types of tax were to be imposed by different Governments, difficulties could well arise and regional taxes might in effect have to be paid for by a reduction in taxable profits. For these reasons we consider that the Federal Government should retain its jurisdiction in the field of export duties. We shall examine later the possibility of substituting regional forms of tax for customs duties on exports.

### Excise Duties

32. Excise duties on the production or manufacture of goods are normally determined in relation to the treatment of similar goods for import duty purposes. It is possible that during the next few years increasing development of local industries in Nigeria may lead to reduced revenues from import duties. If the Federal Government levies import duties it should also have the power to frame policy on excise duties and to obtain compensatory revenues from them in appropriate cases. This applies whether the revenue from import duties is wholly retained by the Federal Government to finance its needs or if part is distributed between all Governments. Moreover, the imposition of regional excise on goods which were removed for sale or consumption in other Regions would amount to an extension of regional fiscal jurisdiction beyond regional boundaries.

33. If the same commodity can be subject to taxation by more than one Government for its own revenue purposes, there is a serious danger that foreign (and indeed internal) investment in industrial projects may be discouraged, particularly as varying rates of taxes on production might be imposed in different Regions. There is already evidence of this. A situation in which the Federal Government could tax imported raw materials and Regional Governments could tax the finished products made from them would also be open to objection.

34. In the light of these considerations we have no doubt that the general jurisdiction in regard to excise duties should continue to be vested in the Federal Government.

## Sales Taxes

35. All the Regional Governments expressed their desire, if at all possible, to exercise jurisdiction over the levying of taxes on the purchase or sale of goods. We shall refer to these as sales taxes, although they can be given other names, e.g. purchase tax or turnover tax, whether specific or ad valorem. This question has been the subject of intensive study by our Adviser on Indirect Taxation, and we have devoted a good deal of thought to the matter.

36. Sales taxes cannot be considered in isolation from customs and excise duties, and all the objections to taxation of the same commodity by more than one Government, with proceeds accruing to each, could arise in cases where regional sales taxes were imposed. It is clear that a regional power to levy sales taxes could be a potential source of competing jurisdiction with the federal power to levy customs and excise duties.

37. It is true that in Canada, the U.S.A. and India, for example, sales taxes have provided significant amounts of revenue to the units in a federal system. But in federations where power to levy sales taxes has rested with the units, considerable constitutional difficulties have arisen in connection with inter-state trade since, in order to make the taxes effective, unit governments have been driven to take measures which tend to impede the freedom of trade. The older federations of the world gained their constitutions before sales taxes of the present variety were in use and no specific provision was made for allocating jurisdiction over such taxes. When sales taxes did appear difficulties soon arose and led to frequent litigation on the constitutional issue. As a result, in more recent Federations such as those of Pakistan, and Rhodesia and Nyasaland, the power to impose general sales taxes has been made an exclusively federal subject.

38. There is a further respect in which the comparisons sometimes made with Canada and the U.S.A. are invalid. These countries differ from Nigeria in having well-defined and sophisticated distribution systems which permit the use of general sales taxes charged at the retail stage. Because such taxes are levied at low rates at the nearest practicable point to the final consumption of goods, the difficulties which arise in connection with inter-state trade are less serious than those which would be experienced in Nigeria. Indeed because of the peculiar nature of the pattern of trade the difficulties involved in using regional sales taxes in Nigeria would be particularly great.

39. At present the bulk of the goods consumed in Nigeria have to be imported (through a small number of ports) and this is likely to be the position for a considerable time to come. It is a peculiarity of Nigerian trading habits that goods often pass through as many as ten distributors or sub-distributors before they are finally sold to the consumer, and an important part is played by market and itinerant traders. Wide use is made of road and river transport, and both internal produce and imported goods often travel vast distances from their original source to the point of final sale. The pattern of trade therefore has little regard to regional boundaries and the importer or internal producer or manufacturer often has little idea of the final destination of his goods. Any general system of regional sales taxes would therefore be bound to run up against formidable difficulties of enforcement and evasion, which could only be solved by methods that involved internal barriers and interference with free trade within the Federation. This is as true of high unit value goods as of the less expensive items.

40. Our conclusion is, therefore, that with certain exceptions which we shall deal with later, the basic jurisdiction to impose sales taxes should be placed on the federal exclusive list.



## VI—INDEPENDENT REVENUES FROM INDIRECT TAXES

41. Our conclusion that the Federal Government must have exclusive jurisdiction in the fields of customs and excise duties and of sales taxes would leave Regional Governments without any significant sources of independent revenues from indirect taxes. We have carefully considered, therefore, how far it would be practicable to make exceptions to our general rule. In view of what has been said above, such exceptions must clearly be in terms not of particular indirect taxes but rather of particular commodities subject to tax.

### Produce, Hides and Skins

42. At present the Federal Government levies and collects export duties on bananas, palm products, cocoa, groundnuts and their derivatives, benniseed and cotton seed, cotton lint, shea nuts, rubber, timber and hides and skins. Half of the proceeds of these duties are allocated to the Regions of origin and half to the Federal Government. There are produce sales taxes imposed by various Regions on groundnuts, palm products, cotton, benniseed, cocoa, rubber, coffee beans and soya beans.

43. Several governments have suggested to us that the federal taxes on these commodities should be replaced by regional forms of tax. We recognise that taxes on the export of commodities to a world market must in their nature approximate to taxes on the producer of those commodities, and this constitutes a strong reason for the regionalisation of the proceeds in a manner which will enable them to be applied more immediately for the benefit of local producers. Most of the products of Nigeria fall into the world market category and we therefore consider it as a reasonable approximation to regard all produce as a class for taxation purposes. Our examination has led us to the conclusion that on practical grounds it is possible to leave the field of sales taxes on regional produce (other than tobacco) and on hides and skins, to the Regional Governments. The exclusion of tobacco is necessary to avoid double taxation since it is already subject to federal excise duty after manufacture.

44. We recommend, therefore, that the item on the exclusive list dealing with purchase or sales taxes should specifically exclude such taxes on produce (excluding tobacco) and hides and skins, thus leaving this field to Regional Governments. As a corollary we also recommend that the proceeds of any federal export duties on these commodities should be returned in full to the Regions of origin. For these purposes produce should be defined to include not only the fruits of agriculture, horticulture and silviculture but also semi-processed commodities such as groundnut oil, meal and cake and the various forms of rubber. The present federal legislation relating to sales in Lagos of produce to the Western Regional Marketing Board should be retained.

45. We envisage that, where the Regional Governments concerned agree that particular types of produce should be taxed solely by means of regional taxes, the Federal Government will refrain from levying export duties. However, our investigations show it is unlikely that regional taxes can be effectively substituted for export duties except in the case of Marketing Board produce, i.e., groundnuts, palm products, cotton, cocoa, benniseed, cotton seed and soya beans. Even in these cases the substitution of regional taxes for the present export duties may raise difficult problems, especially in the case of groundnuts, where there is often a considerable time-lag between purchase from the producer and final sale, and in connection with produce sold to local processors and subsequently sold by them in semi-processed forms.

46. In our view the technical difficulties involved in levying worthwhile regional taxes on produce which is not handled by the Marketing Boards are in most cases virtually insuperable. In the case of timber, hides and skins there are difficulties in connection with internal trade: in the case of bananas, rubber and timber there are legal and administrative difficulties where these commodities are not sold before being shipped from Nigeria. In these cases, the retention of an export duty, the proceeds of which are returned in full to the Region of origin, is clearly the most desirable arrangement.

#### **Motor Vehicle Fuel**

47. *Motor Spirit.* At present an import duty on motor spirit is levied and collected by the Federal Government. The proceeds are distributed in full to the Regions on the basis of statutory returns furnished by the oil companies of the quantities distributed for consumption in the previous quarter in each Region, Lagos being included in the Western Region for this purpose. The Eastern Regional Government also impose a sales tax (at present 6d. a gallon) on petrol distributed in that Region.

48. Several governments have proposed the abolition of the federal import duty on petrol and its replacement by regional sales taxes. Their stated purpose is to secure complete autonomy in determining the level of taxation of motor spirit consumed in their territories. The immediate consequence of adopting this suggestion would be that motor spirit would enter the Federation and circulate tax-free until it became the subject of a taxable sale in a Region. In these circumstances there would obviously be scope for serious evasion of tax. In theory it would be possible to overcome this difficulty by introducing a network of bonded stores for motor spirit in every Region and collecting regional taxes as motor spirit was removed from bond. In view of the practical and jurisdictional problems which would be involved however we do not recommend this solution. We have also considered whether the Federal Government could collect regional sales taxes on an agency basis at the time when motor spirit is removed from bulk import installations. This would in effect involve an extension of regional jurisdiction beyond the regional boundaries, which might give rise to constitutional complications. There is also the practical difficulty that when motor spirit is removed from the bulk installations it is not necessarily known in which Region it will ultimately be sold.

49. Our examination of this question shows however that the abolition of the federal import duty on motor spirit is not essential in order to secure regional autonomy in its taxation. Under the existing arrangements, the Eastern Regional Government is in fact already exercising autonomy in this field. The import duty levied and collected by the Federal Government on motor spirit distributed for consumption in the East is returned in full to that Region; the sales tax revenue from motor spirit sold in the Region accrues to the Regional Government. Thus the Eastern Regional Government determines the total weight of tax to be borne by motor spirit distributed in the Region.

50. This system has obvious advantages. The Federal Customs collect a large proportion of the total tax on motor spirit cheaply, efficiently and with certainty: the level of the regional sales tax is correspondingly lower than it would otherwise have to be, thus reducing the incentive to evasion. The level of the import duty can be set at the maximum figure agreeable to all Governments and any Government which is unwilling to impose taxation on motor spirit beyond the level of the import duty is spared the expense of setting up its own tax machinery.

51. It is sometimes argued that it is inappropriate for two different authorities to impose a tax on the same commodity at different stages, and in certain circumstances this argument is a valid one. However, where the proceeds of two-tier taxation accrue to the same layer of government, we see no objection in principle to this method of taxation if it should be suitable for other reasons. Indeed in many unitary states this is a normal occurrence: import duties are charged on goods and at a later stage purchase or sales taxes are also imposed.

52. We therefore recommend that the federal import duty on motor spirit should be retained, at the maximum level agreeable to all Governments in the Federation, and that the whole of the proceeds should be distributed to Governments on the basis of the returns furnished by importers and distributors of the quantities distributed or finally sold in the Regions and in Lagos for consumption. We also recommend that Regional Governments should have jurisdiction to impose sales taxes on these quantities of motor spirit.

53. *Diesel Oil.* At present there is an import duty of 2d. a gallon on diesel oil and the proceeds are included in the pool of import duties (other) distributed according to the formula laid down in the constitution. In addition, with effect from the 1st April, 1958, the Eastern Regional Government imposed a purchase tax of 9d. a gallon on diesel oil. At the time of our visit to the Eastern Region the full details of this tax were not available.

54. The popularity of diesel-engined vehicles is increasing rapidly and there has been a significant growth in the consumption of diesel fuel for road use in recent years. This increase, which is expected to continue, is to some extent at the expense of petrol consumption and it is in our view desirable that for revenue purposes diesel oil for road use and motor spirit should be treated in the same way.

55. Although diesel oil is handled by the same companies as motor spirit and follows broadly similar channels of distribution, it is inevitably more difficult to tax diesel oil used in road vehicles on the two-tier system proposed for motor spirit. Diesel oil (or gas oil) is used both in road vehicles and in stationary diesel engines in industrial plant, etc. Diesel oil used for industrial purposes is in most countries regarded as an industrial raw material and is not taxed at as high a rate as oil used in road vehicles. But since the nature of the oil is the same for either use, this differentiation for tax purposes can give rise to difficulties.

56. We feel that at the present stage of development in Nigeria it is undesirable that heavy taxation should be imposed on oil used for industrial purposes, including the generation of electricity and railway operations. In our view such oil is not a suitable commodity for taxation by means of regional forms of tax.

57. As regards diesel oil used as motor vehicle fuel, however, we consider it desirable that Regional Governments should be able to impose sales taxes in addition to the federal import duty on the same basis as we have recommended in the case of motor spirit. The detailed mechanism for the administration of a two-tier tax confined to oil used in road vehicles is outside the scope of this Report: but we are satisfied that a suitable system can be worked out in consultation between the Federal and Regional Governments and the oil companies concerned.

58. We therefore recommend that the federal import duty on diesel oil should be retained and that the whole of the proceeds should be distributed to governments on the basis of the returns furnished by importers and distributors of the quantities distributed or finally sold in the Regions and in

Lagos for consumption. We also recommend that Regional Governments should have jurisdiction to impose sales taxes on the quantities of diesel oil distributed or finally sold in their Regions for consumption as fuel for use in road vehicles.

59. *Furnace oil and aviation spirit.* The revenue from import duties on furnace oil and aviation spirit should be included in general import revenue\* for allocation purposes.

60. *The Need for Uniformity.* If regional sales taxes on fuel for motor vehicles are to be operated successfully, it is clearly of the utmost importance that there should be the minimum difference in the rates of tax imposed in adjoining Regions. Otherwise there will be a powerful incentive to move fuel in drums from one Region to another in order to evade payment of the higher rate of tax. It must be recognised however that owing to transport costs the price of motor fuel in the Northern Region is generally higher than in other parts of the Federation and to that extent the Northern Regional Government may not be able to impose the same level of sales taxes as the other governments. This could cause difficulties in border areas between the Northern and the other Regions. But we are satisfied that, given goodwill and co-operation between governments and the oil distributing companies, these difficulties are not insuperable.

61. The question of the basis on which a sales tax should be levied has also to be settled. We are satisfied that, short of setting up a network of control points on regional boundaries, there is no practical method of taxing motor spirit and diesel road fuel according to the place where it is actually consumed. Such frontier controls would be contrary to the constitutional provision we have recommended to safeguard freedom of trade between the units of the Federation. We must stress therefore that the various governments can operate sales taxes only on the basis that they receive revenue from the quantities of motor fuel distributed or finally sold within their boundaries for consumption.

62. *Lagos.* It is at this point that reference should be made to the problem of Lagos. Item (a) (iv) of our terms of reference directs our attention to the special problems in the field of indirect taxation that may arise as a result of the position of Lagos as federal territory. In relation to the general scheme which we are recommending, it is only over the taxation of motor spirit that special problems could arise.

63. So far as sales tax jurisdiction over motor fuel distributed or finally sold in Lagos for consumption is concerned, it is clear that this should rest with the Federal Government and the proceeds of such sales taxes should be retained by the Federal Government. We recommend accordingly.

64. Insofar as the Federal Government and the Western Regional Government impose sales taxes at roughly the same level the natural pattern of sales will continue. A sales tax on motor spirit will, however, be effective in the Western Region only if a similar rate of tax is imposed by the Federal Government in Lagos. We have considered whether any specific provision is necessary to ensure the settlement of any conflict of opinion which might arise in this connection but we have concluded that the level of sales taxes imposed in adjoining territories must be settled by agreement between the appropriate governments and we emphasise the necessity for close consultation on this subject. The matter is of some significance to the revenues of the Western Region and this is clearly a fact which the Federal Government should take into account.

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\* See paragraph 134 for a definition of this phrase.

65. Turning now to the proceeds of import duties on motor fuel distributed or finally sold in Lagos for consumption, there is no longer any reason for including Lagos in the Western Region for allocation purposes. We therefore recommend that the Lagos share of the proceeds of import duties on motor fuel should accrue to the Federal Government. The quantities distributed to filling stations and to bulk users in Lagos are already recorded and it is on this basis that claims to revenue should be established.

### **Tobacco**

66. The Federal Government levies and collects import duties on both manufactured and unmanufactured tobacco and an excise duty on tobacco products manufactured in the Federation. Fifty per cent of the proceeds of these duties are distributed to the Regions in proportion to the quantities of tobacco distributed for consumption in the previous quarter, Lagos being included in the Western Region for this purpose. Imported tobacco comprises unmanufactured tobacco for use in the manufacture of cigarettes, "Black Fat" tobacco mainly used for chewing and making snuff, and cigarettes, pipe tobacco and cigars. Locally hand-rolled cigars and cigarettes are not charged with excise duty.

67. We have carefully examined the possibility of abolishing the present federal import and excise duties on manufactured tobacco products and replacing them by regional sales taxes. There are, however, serious objections to this course. Imported tobacco products are handled by a large number of importers, many of whom are in a small way of business. The channels through which they are subsequently distributed are not well defined and the efficient collection of regional sales taxes on imported products would require the use of administrative resources out of all proportion to the revenue obtainable (the total revenue from the present federal import duty amounts to some £220,000).

68. There are even more formidable objections to the replacement of the federal excise duty by regional sales taxes. The taxation of indigenous tobacco products is a complex process, in which the system of excise duties has to be framed in relation to the import duties charged on unmanufactured tobacco imported as raw material. Account must also be taken of the price structure of the industry, both in relation to the content of imported and indigenous tobacco in the manufactured products and to the unit of currency. The significance of the latter item is illustrated by the fact that 80 per cent of all cigarettes consumed in Nigeria are sold singly at "1d. a stick". Indeed, in many countries the technicalities involved in taxing tobacco products are considered sufficiently complicated to justify prior consultation with the industry before changes in tax rates are made. Under the existing system the Federal Government is responsible for providing facilities for bonded storage of imported tobacco, for arrangements for payment of drawback and for general supervision of manufacturing activities as a revenue safeguard. Whatever system of taxation is adopted, it is essential that one government should have responsibility for the exercise of technical functions of this sort.

69. In the light of all these considerations, we are fully satisfied that the jurisdiction to levy taxation on tobacco products should continue to be vested exclusively in the Federal Government, which alone can co-ordinate policy in the import duties and excise fields, and can best negotiate with the industry. We are satisfied, however, that the net proceeds of both import and excise duties can be distributed in full to Regional Governments and to the Federal

Government in respect of Lagos and we recommend their distribution as follows:

- (i) the proceeds of the import duty and the excise duty on cigarettes and other manufactured products, and the import duty on "Black Fat" tobacco, on the basis of the trade returns of quantities distributed in each Region and in Lagos for consumption;
- (ii) the proceeds of the import duty on unmanufactured tobacco used in manufacturing cigarettes etc. on the basis of returns furnished by manufacturers of the imported tobacco content of the quantities of cigarettes etc. distributed in each Region and in Lagos for consumption.

### **Beer, Wines and Spirits**

70. The Federal Government levies and collects import duties on beer, wines and spirits and an excise duty on locally-brewed beer. There is no commercial production of wines or spirits in the Federation. The proceeds of the import duties are included in the pool of import duties (other) distributed according to the constitutional formula. Half the proceeds of the excise duty on beer are retained by the Federal Government, and half distributed to Regional Governments on the basis of the quantities of beer distributed for consumption in the previous quarter by the sole brewing concern at present operating in Nigeria. For this purpose, Lagos is included in the Western Region.

71. A significant proportion of both imported and locally-made liquor does not follow any defined channels of distribution. In many cases traders purchase these commodities from importers or from the local breweries and transport them over long distances by road or water for resale in other parts of the country. Lorries which bring produce to the ports often carry beer into the hinterland on their return journey and importers and manufacturers are often unaware of the place where liquor is finally sold. The experience of the Eastern Regional Government when it introduced a sales tax on liquor in 1956 illustrates the difficulties which can arise from this widespread movement of beer in Nigeria. This tax was subject to such serious evasion by illicit transportation of beer from adjoining territories, where no sales tax was levied, that it had to be abandoned. It is clear to us that the enforcement of regional sales taxes on liquor would necessarily involve the adoption of measures which would interfere with the free movement of general trade between Regions. We conclude, therefore, that the Federal Government should have the sole power to levy taxation on beer, wines and spirits.

72. The detailed enquiries carried out by our Adviser on Indirect Taxation show that the previous assumption that the statutory returns of distribution of locally-produced beer provide a sufficiently accurate basis for the allocation of proceeds of the excise duty on beer is not in fact justified. The widespread movement of beer throughout the Federation means that it is virtually impossible to obtain returns which accurately disclose the quantities distributed in the different Regions. The same difficulty would arise in respect of imported liquor. For these reasons we recommend that the attempt to allocate the beer excise by derivation should be discontinued and that the proceeds of import and excise duties on beer, wines and spirits should be wholly retained by the Federal Government. This arrangement has the additional merit of providing the Federal Government with a source of revenue which is likely to increase, thus counterbalancing to some extent the loss of its previous share of the revenue from tobacco which we have recommended should be fully distributed.

### **Motor Vehicles**

73. Several governments have suggested to us that the federal import duties on motor vehicles should be replaced by some form of regional taxation levied on the first licensing of a vehicle. Examination of this proposal shows that considerable difficulties would be involved in devising enforceable criteria for determining in which Region a vehicle should be liable to the proposed regional tax. The federal responsibility for construction and maintenance of trunk roads is also a relevant consideration. Increases in the number of vehicles imported into the Federation will eventually lead to increased federal expenditure on roads. Under our proposals the proceeds of taxes on motor fuel and of vehicle licences will be regional revenues: thus if the import duty on motor vehicles were replaced by regional taxes, the Federal Government could be faced with increased expenditure on roads without receiving a fair share of the increasing revenue from taxes levied on road users. For these reasons we do not recommend the substitution of regional taxes on motor vehicles for the existing federal import duties.

### **Other Commodities**

74. We have explored the possibility of imposing regional sales taxes on a wide range of other commodities including textiles, kerosene, bicycles and salt. In all cases we found that the pattern of trade was such that the enforcement of regional sales taxes would necessarily involve the use of measures which would interfere with freedom of trade within the Federation.

### **New Excise Duties and Sales Taxes**

75. Although we are unable at present to visualise such a case, it is conceivable that there may in the future be commodities which are regarded as proper subjects for excise duties or sales taxes, but in regard to which it is felt that the revenue to be derived should not automatically accrue entirely to the Federal Government. Insofar as any question of excluding such a tax from federal jurisdiction is concerned, the observations which we make later in paragraph 170 of this Report would apply. On the other hand the question whether the whole or any part of the proceeds of any such new excise or sales tax should be distributed to the Regional Governments is one which could be considered at the time of its imposition, and for which provision could at that time be made in the relevant federal enactment. In cases where such distribution appeared appropriate, the Federal Government would no doubt consult the Regional Governments concerned.

76. We therefore recommend that the arrangements to be adopted for any new excise duty or sales tax should be decided by the Federal Government on the merits of the particular case and that the Federal Government should have power to allocate to the Regional Governments the whole or part of the proceeds of such new tax in accordance with such principles as may be prescribed in the enactment imposing the tax.

### **Licences and Fees**

77. At present, fees for licences relating to regional subjects accrue to the Regional Governments. The Federal Government retains fees for such licences issued in Lagos and also fees and charges for services rendered by federal departments. We recommend that the present arrangements should continue except in the case of fees for small craft used on inland waters. These are at present levied and collected by the Federal Government and the proceeds allocated to the Regions on the basis of origin. The inspection and licensing of such craft is carried out, as a safety measure, by specialist officers of the Federal Department of Inland Waterways, and the cost of the licence may

therefore be regarded as a charge for a service rendered by a federal department. We therefore recommend that these fees, which amount to some £1,500 annually, should be retained by the Federal Government.

## VII—PERSONAL INCOME TAX JURISDICTION

78. In continuing our detailed examination of the possibilities of enlarging regional jurisdiction, we next turn to the field of direct taxation. This part of our enquiry has led us into a detailed survey of the present system of direct and personal income taxation in Nigeria. The results of this survey are summarised in Appendix E.

79. In considering where jurisdiction over personal income tax should rest, we have had certain general points in mind. The efforts that have been made in Nigeria in the past to assimilate the Federal Income Tax Ordinance and the Direct Tax Ordinance have not met with success and have been overtaken now by the development of regional income taxes in the East and West. Changes in the method of taxation of African incomes in the North and in the Southern Cameroons will also no doubt soon be under consideration. The development of regional income taxes has brought its own problems in its train, and we are sure that it is the general wish in Nigeria that a smoothly-working system should be evolved, which is suited to the special circumstances of the country and capable of being administered with such resources of qualified staff at all levels as are available. We are certain that such a system should not rest on any discrimination between Africans and non-Africans, and should seek to avoid the harassing problems of double taxation which are already emerging. We have also to take account of the fact that the proceeds of personal income tax, whether on Africans or non-Africans, already accrue to the Regional Governments (and to the Federal Government in respect of Lagos).

### Arguments for and against Overall Federal Jurisdiction

80. The present income tax jurisdiction over Africans outside Lagos is regional, and our object is if possible to enlarge the fiscal autonomy of the Regions. Nevertheless there are important arguments in the over-riding national interest to suggest that this field should be wholly occupied by the Federal Government. This view is supported by the experience of comparable federations in operating systems of income tax.

81. In the first place, where competing or overlapping income tax jurisdictions exist, they have proved to be a constant source of hardship to the taxpayer and conflict between the governments concerned. Secondly the responsibility of federal governments for defence, and ultimately for meeting any major emergency which may arise, has meant that in certain cases, when faced with a national emergency, the cost of which could not otherwise have been met, they have had to assume complete control in the income tax field.

82. Again income tax has proved to be an especially valuable instrument of economic control in the hands of central governments responsible for overall economic policy, and as a means of influencing both the level of investment and the extent of personal expenditure. Finally a uniform system would remove the problems of internal double taxation which are already evident, while it has been argued also that it would have the added advantage that higher incomes would be assessed with greater accuracy and impartiality—many of the wealthier classes in Nigeria are palpably under-assessed.

83. On the other hand there are certain weighty objections to an overall federal jurisdiction in Nigeria, which have greatly impressed us. First by long tradition the levying of personal tax on Africans has been a regional concern,



adapted to the diversity of local customs, for example in the assessment of the incomes of women. In the second place, as the survey in Appendix E shows, the structure of the Native Authorities in the Northern Region is to a large degree dependent on the existing system of direct taxation, a point which was particularly stressed by the Northern Regional Government. Thirdly, regional income tax laws are already operating in the Eastern and Western Regions, and valuable experience has been gained. Finally, to operate throughout Nigeria the Federal Government would need an extensive inspectorate, which would be beyond the administrative resources available for some time ahead. There would be bound to be loss of revenue and tax evasion, particularly in the case of merchants, traders and the like. In our view these are formidable objections to a single federal scheme.

### **The Possibilities of a Joint Scheme**

84. If overall federal jurisdiction is not possible, another possibility is some form of joint scheme which would give both Federal and Regional Governments an interest in personal income tax. One such scheme which has been suggested to us is that the field below a certain fixed limit should be left to regional direct taxes, but that the portion of incomes above the limit should be reserved to federal jurisdiction. Another possibility would be a joint system such as has been introduced in the Federation of Rhodesia and Nyasaland, where the unit governments are entitled to levy a limited surcharge on the basic federal tax, assessed according to a uniform federal law and collected simultaneously by the Federal Government.

85. The same objections, however, which have been raised to a single federal jurisdiction would apply equally to this type of proposal. Moreover, a federal superstructure over a regional direct tax might give rise to problems on the assessment of incomes near the borderline between the two taxes, and very close co-operation between the five governments concerned would be necessary. We have had to conclude that a joint scheme of this character would not be practicable or suitable to the special circumstances of Nigeria.

### **Regional Jurisdiction**

86. Having reviewed the arguments of inter-regional and national policy which could be held to justify a Nigeria-wide income tax system, we return to the idea of regional jurisdiction over taxation on the personal incomes of both Africans and non-Africans. Apart from the disadvantages which we have discovered in other schemes there are certain positive arguments in favour of this course. The most important argument is the past experience which exists in the Regions in the personal taxation of Africans. Furthermore it would leave to the Regions control of an expanding source of revenue which their local knowledge and the experience already gained would help them to exploit. It would make the best use of the administrative resources available and avoid posing the Federal Government with difficult staffing problems. Finally, as an instrument of economic control, personal income tax carries little weight in the present stage of Nigerian development. We therefore recommend that the Regions should retain basic jurisdiction over personal income tax and that this should be extended to non-Africans.

### **Qualifications**

87. Our review, however, points to the need for certain important safeguards. There are a number of problems to be overcome if the disadvantages of overlapping jurisdictions between Regions and between the Regions and the Federal Government are to be avoided.

88. First, double taxation agreements have already been negotiated between the Federal Government and the governments of various other countries in the world. Such agreements include extensions to Nigeria of agreements previously concluded between Her Majesty's Government and those of other territories, and are normally expressed as applying to income tax and to taxes of a similar character imposed in Nigeria subsequent to the date of the agreement. They apply therefore to taxes levied under regional income tax laws but not to taxes imposed under the provisions of the Direct Taxation Ordinance. This is a highly technical field and provision would need to be made to ensure that the operation of regional income taxes conforms with the terms of international agreements.

89. Secondly, problems of double taxation arise internally. The bases of charge, for purpose of assessment of individual incomes, under the existing regional income tax laws are not identical and they also differ from those under the Federal Income Tax Ordinance. In the Eastern Regional law the basis of assessment is residence, while the Western Regional law seeks to assess incomes on the basis of both residence and origin. It is a widely accepted principle of double taxation relief that the territory of origin should enjoy the full measure of its tax, and that the territory of residence should afford credit for such tax up to the average rate of its own tax. Whatever solution of the resultant difficulties is to be adopted, it is clearly in the interests of both taxpayers and Governments that it should be of uniform application.

90. Thirdly, there are further difficulties that may arise on the border between personal income and company tax. We deal with these under Company Tax below.

91. To what extent do these considerations call for a modification of regional autonomy in this field? Clearly they should not affect the right of each Regional Government to prescribe such rates of tax and such a scale of personal allowances as it may consider appropriate in the individual circumstances. Nor need they affect the rights of the Regional Governments to decide upon their own methods of assessment or administration. On the following specific issues among others, however, some arrangement is required to ensure uniformity in treatment:—

- (a) the definition of taxable income and the basis of charge,
- (b) the period of assessment,
- (c) the taxation of income remitted to Nigeria from overseas sources,
- (d) the taxation of income accruing in Nigeria to residents overseas,
- (e) the approval of pensions and provident funds for tax purposes,
- (f) the treatment of dividends,
- (g) the taxation of partnerships,
- (h) the type of information to be exchanged between one tax authority and another.

The legal obligation as to secrecy on information received by the authorities in relation to income tax should not prevent the disclosure of relevant facts to authorised officers of other Governments in Nigeria. But the type of information to be exchanged should be standardised.

92. In order to deal with such problems we recommend that the Federal Government should arrange for a draft Income Tax Management bill to be drawn up, embodying the relevant provisions of existing federal and regional laws on the matters mentioned above with the adjustments necessary to form a consistent whole. To secure the necessary measure of agreement

on the principles and detailed provisions of the draft bill, we would suggest that a special conference should be called to be attended by representatives of all Governments. This standard draft should then form the model for laws to be passed by the legislatures of each of the Regions and by the federal legislature in respect of Lagos, to replace existing legislation.

93. It is our hope that in this way agreement can be reached on double taxation problems and on matters of common interest in the income tax field. Nevertheless, it is possible that complete agreement may not be attained, or, if it is in the first instance, that subsequent divergencies may arise which would vitiate the effectiveness of the original measure. To guard against such developments we recommend that there should be a concurrent power in certain specific matters of income tax management that would enable the Federal Government to straighten out by overriding legislation any serious difficulties that might arise. This concurrent power would be defined either positively, by including in the concurrent list the items mentioned in paragraph 91, or negatively, by including personal income tax as such in the concurrent list with the specific exclusion of those matters which are to be wholly within the jurisdiction of the Regions.

94. We further deem it necessary that there should be one major qualification to our whole scheme for regional independence in respect of income tax revenue. It is that the Federal Government should be empowered to enter the field of personal income tax in time of war or defence emergency. The precise nature of the emergency which could be held to justify this course should be laid down in the constitution. Such a course is followed in the Federation of Rhodesia and Nyasaland, where in time of war or whenever a state of emergency arises connected with defence, the Federal Government is enabled to levy a surcharge on income tax for purely federal purposes and retain the whole proceeds. Should federal re-entry in these circumstances ever prove to be necessary, it could be done by requiring the Regions to levy an additional measure of taxation to be handed over to the Federal Government or by temporarily ousting regional jurisdiction in return for compensation. Circumstances at the time would, in fact, dictate the appropriate course to follow, but the constitution should rule neither of them out in the event of an emergency.

#### **Further Suggestions**

95. We have three further suggestions about income tax. First, we draw attention to the desirability of keeping the differences in tax rates and allowances as between Regions (including Lagos) to a minimum. Secondly we feel that if, through lack of administrative resources such as might be the case in the Southern Cameroons, or on general grounds of policy, a Region wished to invite the Federal Government to exercise overall jurisdiction within its territory in this field, the constitution should permit of such a course. We would make it clear however that the Federal Government could not be asked to administer a tax system without also taking over the power to legislate. In the field of income taxation, as in so many others, law and administration are closely intertwined, and it would be unreasonable to ask one authority to administer another authority's law.

96. Finally, we appreciate that the measures necessary to inaugurate the scheme which we recommend will take some time to implement, and it may not be possible to bring this particular scheme into effect from the same date as our other recommendations. But no disadvantage will arise from any such delay, as the proceeds of federal personal income tax on non-Africans are already paid over to Regional Governments according to the Region of residence of the taxpayer, and this procedure can continue until the new

scheme of income tax is finally implemented. Such a delay should not of course be regarded as a postponement of the introduction of the new system generally, for the purposes of the recommendation made in paragraph 19 of the Report.

### **Estate Duty**

97. The question of the jurisdiction to levy estate duty, should the introduction of such a duty be desired, also needs to be considered. Since such duties fall on personal estates, the jurisdiction and revenue in respect of them should in our view follow the jurisdiction and revenue in respect of personal income tax. Difficulties could however arise where one estate was spread over two or more Regions, and these could best be dealt with by an overriding federal jurisdiction.

98. In the circumstances we recommend that

- (a) jurisdiction over estate duty should be concurrent,
- (b) Regional Governments should consult with the Federal Government before introducing such a duty,
- (c) federal legislation in this field, apart from that for Lagos, should normally be limited to the removal of difficulties which may arise between Regions.

## **VIII—COMPANY TAX JURISDICTION**

99. Companies throughout Nigeria are at present liable to income tax at a rate of 8s. in the £ on their taxable profits, the proceeds being wholly retained by the Federal Government. Companies as a subject figure on the exclusive list. It is clear that taxation of companies should similarly be an exclusive federal subject and there are many compelling reasons in the overall national interest why this should be so. The encouragement of industrial and commercial investment, whether from overseas or internal sources, makes it particularly desirable that a single jurisdiction over company tax should apply throughout the country. In addition, in the years ahead company tax could prove to be a valuable instrument of economic control. We therefore recommend that the jurisdiction in respect of company tax should remain exclusively federal.

100. The proceeds of company tax are an important source of federal revenue, and we recommend that they should continue to be wholly retained by the Federal Government.

101. If the Regional Governments are given the sole power to determine the rates of income tax on incomes other than those of companies, it will be most important clearly to define the borderline between this and company tax. Particulars of companies are deposited with the Registrar of Companies in Lagos, and so will be available to the Federal Department of Inland Revenue. Partnerships, clubs, trusts and other unincorporated associations should however logically fall within regional jurisdiction (subject to the federal concurrent power we have recommended in paragraphs 91-93), and we recommend accordingly.

102. It will be essential, as in the personal income tax field, for there to be a full exchange of information relevant to the assessment of personal income between the Federal and Regional Governments on such matters as the records of salaries paid to the employees of a company, directors' fees and expenses, etc. We suggest that these problems should be discussed at the conference on income tax which we have recommended should be held before the introduction of the new system.

103. It will be very desirable to continue to provide for the avoidance of double taxation of dividends, particularly in the light of the importance of encouraging local investment in enterprises operating in Nigeria. Under the present Federal Income Tax Ordinance company tax is deducted at source in respect of distributed profits. The individual assessable for personal income tax under the Ordinance can, however, claim a refund if the deduction is at a higher rate than applicable to his personal circumstances. It would seem reasonable that, under the new system, the Federal Government should forgo the amount of tax on company profits which individual shareholders resident in the Regions will have paid to Regional Governments in their personal assessments.

### IX—TAXATION OF MINING AND MINERALS

104. The Federal Government is responsible under the constitution for all matters concerning mines and minerals, including oilfields and oil mining and geological surveys. It has exclusive jurisdiction over mining royalties and rents.

105. We are convinced that the Federal Government should retain this revenue jurisdiction. The chief minerals at present being extracted are coal, tin, columbite and oil. Most of the coal is consumed internally and plays a significant part in the national economy. The Federal Government alone is in a position to view the industry in its national context. Tin, columbite and oil are all exported and their extraction is in the hands of overseas companies. The level and nature of mineral royalties is of great significance to risky enterprises of this kind, and, since it is the policy of all governments within the Federation to encourage the investment of overseas capital, it is appropriate that the Federal Government should have control over these negotiations with these overseas investors. Moreover, there is a close relationship between royalties and company tax, requiring that both should come under the same jurisdiction, and we have already recommended that company tax should be a federal subject.

106. Accordingly, we recommend that the jurisdiction over mining royalties and rents should continue to be exclusively federal.

#### **Taxation of the Oil-producing Industry**

107. The subject of mining royalties leads us to the general question of the taxation of the oil-producing industry. Nigeria has not hitherto considered it necessary to provide any special tax incentives in respect of oil production. The risks involved in this particular industry are, however, so great that companies are no longer prepared to invest large sums of capital in the search for and exploitation of oil, unless the country concerned is willing to offer some form of tax incentive. Following the example of the United States, a number of Commonwealth countries have in recent years granted special tax concessions known as percentage depletion allowances, while certain other countries, including Ghana, have made what is known as a 50/50 profit sharing arrangement, whereby the total sum of the revenue which accrues to a government (including ancillary local government organisations) from a particular company's operations, is limited each year to a sum equal to fifty per cent of the profits. Such revenue includes that from mining royalties, import duties on goods purchased by the company, company tax and all other taxes not specifically related (like property and water rates) to services rendered. We have been informed that the Federal Government is now contemplating an arrangement of this nature.

108. The complications inherent in such a scheme are of necessity very much greater in a federation than in a country with a unitary form of government. Under the scheme of revenue allocation which we are recommending, the jurisdiction over the levying of royalties, company tax and import duties will rest with the Federal Government, while Regional Governments will retain, among other powers, those of levying fees in respect of licences and, through the agency of local government bodies, of imposing rates. Safeguards will be necessary, therefore, to keep the total of taxation within the agreed bounds and to prevent any excessive or discriminatory rating or licensing devices, should the oil industry prosper.

109. We recommend, therefore, first, that whenever a profit sharing arrangement is negotiated in Nigeria between the Federal Government and an oil company, the Federal Government should consider the desirability of associating other governments within the Federation as parties to it, and, secondly, that it should be made clear in the constitution that the Federal Government's jurisdiction in respect of mining extends to all fiscal arrangements and transactions in this field, in order that it may be in a position to honour its undertakings under any contracts into which it may enter.

#### **Allocation of Mineral Royalties and Rents**

110. The allocation of the proceeds of mining royalties has presented us with a most perplexing problem. Although the revenue from columbite royalties rose rapidly at the time of the American stockpiling in 1953-55, royalties on tin, columbite and coal normally yield a fairly constant annual sum. If these were the only minerals concerned there might be no difficulty in our recommending the continuation of the present system, namely, that all mineral royalties should be returned in full to the Regions in which they originate. The problem is oil. Test production of oil has already started in the Eastern Region and exploration is being undertaken in both the North and the West. There may also be oil resources within the area of the Continental Shelf, which we take to be federal territory. While the yield from oil royalties is at present comparatively small (estimated at £65,000 in 1958-59), we cannot ignore the possibility that this figure may rise very markedly within the next few years. On the other hand, there is nothing so uncertain as an oil prospect right up to the time commercial production is, or is not, finally achieved.

111. There is therefore a double obstacle to our recommending the simple continuation of the existing method of allocating mineral royalties. First, it would involve us, in our revenue assessments for the next few years, in crediting the Eastern Region with a source of income, which is at once too uncertain to build upon, and too sizeable to ignore. Secondly, it would rob our recommendations of any confident claim to stability for the future since oil development might take place in any one of the Regions on a scale which would quite upset the balance of national development, which it is part of our task to promote. It has been suggested to us that, in view of the uncertainty which hangs over this whole matter, our best course would be to leave things as they are for the time being, postponing any new decision for a later fiscal review. We fear, however, that whatever advantage there may be in greater knowledge of the prospects at a later date is likely to be more than offset by hardening attitudes amongst those who stand most to gain. Our considered conclusion, therefore, is that the time for change is now, while there is still uncertainty as to which of the Regions may be the lucky beneficiary or which may benefit the most.

112. Once this crucial decision is made, the rest should follow. First, the Government in whose Region oil royalties originate should clearly have

a significant share in them. Secondly, the Federal Government ought also to have a share. Besides being responsible for mineral policy, it is likely to be involved in the financing of heavy expenditure in connection with the oil industry. Moreover, if oil royalties are to become an expanding source of revenue, it is important that the Federal Government should participate in the proceeds. Thirdly, in the interests of balanced development between the Regions, we consider it to be essential that, wherever oil royalties may arise, all the Regions should have some share.

113. It would clearly be improper to distinguish for purposes of revenue allocation between oil and other mineral royalties. Accordingly, we recommend that the three-part division which we are proposing in respect of oil should apply to all mining and mineral royalties. Indeed, there is a good case for this; for although it is oil which is critical at the moment, there is always the possibility that other mineral discoveries may raise a like problem. It is commonsense to apply the same treatment to the small sum of mining rents.

114. There then remains the question of the particular proportions into which mining and mineral royalties and rents should be divided and it is here, we think, rather than at the starting point of the problem that there is scope for periodic fiscal review. The principle of balanced development in respect of these revenues can and should be established forthwith. The precise application of it will necessarily call for revision from time to time as developments proceed and more information becomes available. Accordingly, we have sought for a division of these revenues which is fair in the present circumstances, having regard not only to the future possibilities but also, in the case of oil, to the immediate uncertainties. We think that such a fair division would be secured if 50 per cent of the royalties and rents from mining and minerals were passed to the Regions of their origin and if the other 50 per cent were retained by the Federal Government, 20 per cent to become part of Federal revenues and the remaining 30 per cent to become part of a Distributable Pool in which (as is explained in section XI below) all the Regions, including Regions of origin, would share.

115. We therefore recommend that mining and mineral royalties and rents should be shared between the Regions of their origin, the Federal Government and all the Regions together, the last by way of a Distributable Pool; that the proportions in which these royalties and rents should be divided should for the present be respectively 50 per cent, 20 per cent and 30 per cent; and that consideration of these proportions should be included in any future fiscal review.

116. At present certain Regional Governments pay a contribution towards the recurrent cost of the Federal Mines Department. As in future the Federal Government will be receiving 20 per cent of mining and mineral royalties and rents, we recommend that such contributions be discontinued.

117. There is one further point about the taxation of minerals. At present there is an export cess on tin, which yields some £7,000 per annum to the Federal Government and which helps to finance research. The 1954 Resumed Constitutional Conference agreed that this should not be available for revenue allocation, and it has been specifically exempted from the allocation of export duties under the relevant provisions of the constitution. We recommend that the exemption of the cess on tin from revenue allocation should be continued.

## **X—INTER-GOVERNMENTAL CHARGES**

118. We were asked by the representatives of one Government to consider the question of the charging for goods and services supplied by one government to another. We have considered the system at present operating and have no comment to make on it. Any difficulties that arise are best left to be settled in negotiations between the governments involved. We have therefore no recommendations to make on this matter.

119. The particular question of the advantages gained by the Western Region from the siting of the University College Teaching Hospital at Ibadan was also raised with us, and the suggestion made that some contribution to the recurrent costs of the hospital should be made by the Western Regional Government. In its teaching, training and research capacities the hospital serves the whole country and, though there are indeed incidental advantages to the Western Region, we see no reason on this account for attempting to alter the present system. In any case, as experience with the University College Hospital in the West Indies has shown, any attempt to differentiate between teaching, training and research facilities on the one hand and general hospital facilities on the other, causes many difficulties. We consider, therefore, that the whole cost of the annual subvention to the University College Hospital, Ibadan, should continue to be borne by the Federal Government.

## **XI—FURTHER ALLOCATION OF FEDERAL REVENUE**

120. We have now completed our examination of the extent to which independent revenues obtainable under a purely regional jurisdiction and revenues derived from a right to receive the proceeds of taxes levied and collected federally, can be secured for the Regional Governments. Our next task, following item (a) (v) of our terms of reference is fourfold:

- (i) to see how nearly what we have already provided meets the immediate needs of the Regions and what more if anything needs to be done in that respect ;
- (ii) to consider what is necessary to provide the Regions with a reasonable degree of expansion ;
- (iii) to provide for the needs of the Federal Government ; and
- (iv) to devise a system for allocating further federal revenues to the Regional Governments which will best serve the overall interests of the Federation as a whole.

### **The Immediate Needs of the Regions**

121. An approximate test of our provision for the immediate needs of the Regions can be made by comparing the provision which we have so far made by our tax proposals with the existing pattern of revenue provision to the Regions based on the estimates for the current year 1958–59. This is shown in Table 1. The Regions have been provided with a larger yield of revenue income from sources over which they have fully effective control. If we exclude from the present pattern the experiment in allocating import duties (other), which it is generally agreed should now be abandoned, then the sum total of the proposed independent and derived revenues is greater than hitherto. But we have clearly not provided the Regions with as much revenue in total as under the existing system. For although the figures for the revised scheme include no allowances for the additional revenue which the Regions might obtain by exploiting the new independent sources which



we propose to give them, there can be little doubt that these sources alone would not, at the present time, be sufficient to fill the whole of the gap.

TABLE 1  
*Independent and Derived Revenues\* of All Regions, 1958-59 Rates of Tax*  
£000

	Present Scheme	Proposed Scheme
Independent Revenues		
from taxation ... ..	10,530	22,939
from other sources ... ..	4,912	4,912
Derived Revenues ... ..	12,249(a)	7,729
Total Independent and Derived Revenues ... ..	27,691	35,580
Other Revenues ... ..	14,589(b)	—
Total Revenue ... ..	42,280	35,580(c)

\* For the detailed composition of the heads of revenue see Appendix F.

(a) excludes import duties (other).

(b) import duties (other) and £500,000 for Northern Region.

(c) before further distribution of federal revenue.

122. We may conclude therefore that the adoption of our scheme as developed thus far would leave a gap of some £6-£7 million to be filled in order to cater for the Regions' immediate needs.

#### The Provision for Expansion in the Regions

123. When we turn to the provision of "a reasonable degree of expansion" for the Regions we encounter greater difficulties. Assuming that our revenue proposals are implemented on the 1st April, 1959, the effect within the next three years, compared with 1958-59, is shown in Table 2.

TABLE 2  
*Projections of Proposed Independent and Derived Revenues\* for the Regions*  
1958-59 to 1961-62  
£000

	1958-59	1959-60	1960-61	1961-62
Independent Revenues				
from taxation ... ..	22,939	22,994	23,823	24,468
from other sources ... ..	4,912	5,013	5,134	5,222
Derived Revenues ... ..	7,729	8,141	9,006	9,646
Total ... ..	35,580	36,148	37,963	39,336

\* For the detailed composition of the heads of revenue, and for the bases of the figures set against each for 1959-60 see Appendix F.

124. These are necessarily less precise figures than those in the previous Table. Once again, they do not allow for any additional exploitation by the Regions of the taxes which our scheme would put into their hands. Furthermore, they are necessarily forecasts of revenue potentialities against an uncertain background of crop production and world prices which affect export duties and produce sales taxes directly and income taxes and import duties at one remove. There is also the problem of consistency of assumptions in the figures supplied to us. A number of these have been provided by the Federal Government, thereby ensuring consistency but the estimates

of existing independent revenues are from regional sources and are uncoordinated. Nevertheless, these figures are sufficient to indicate the order of growth in regional revenues which our system as developed thus far has provided.

125. We may compare these revenue estimates, therefore, with the projections of recurrent expenditure over the years 1959-60 to 1961-62 which the Regional Governments have severally submitted to us. The difficulty in establishing consistency of assumption is, of course, very much greater in this instance because each of the Regions was to a greater or lesser extent making a bid for more revenue and set out its projections accordingly. They have not been subjected to the restraining influence which a calculation of the available revenue resources imposes on every Government in framing annual budgets. Moreover the projections reveal varying degrees of optimism and it would be a well-nigh impossible task to apply a common yardstick which would reduce all these figures to a comparable standard. We have not attempted to do so. A summary of the Regional Governments' expenditure projections as presented to us, and a comparison with the estimates for 1958-59 is given in Table 3.

**TABLE 3**  
*Projections of Regional Recurrent Expenditure by Sectors,\* Combined Totals, 1958-59 to 1961-62*

	1958-59	1959-60	1960-61	1961-62
Administration and Security ... ..	7,084	7,527	8,184	8,753
Natural Resources and Trade and Industry Works, Transport and Communications ... ..	5,400	6,208	6,575	7,116
Medical and Health ... ..	4,742	5,241	5,682	6,157
Education ... ..	4,944	5,786	6,366	7,127
Public Debt ... ..	14,402	15,957	17,379	19,332
Pensions and Gratuities ... ..	1,009	1,296	2,365	2,783
Miscellaneous ... ..	592	664	724	635
	2,454	2,610	2,719	2,835
Total ... ..	40,627	45,789	49,994	54,738

\* For 1958-59 based on Approved Estimates of Northern and Western Regions and Draft Estimates of Eastern Region and Southern Cameroons. For 1959-60 to 1961-62 based on projections supplied by Regional Governments. The figures for individual Regions are given in Appendix G.

126. The fact that some of these figures grow very rapidly is in itself no surprise. The Regional Governments have the main responsibility for the education and health services of Nigeria and they also share responsibility with the Federal Government for the development of natural resources, trade and industry and for roads and public works. These are all items of growth in an under-developed country. Nevertheless the projections have presented us with a grave difficulty. A gap between the expenditure projections and our revenue provisions was of course to be expected, but a growing gap of the magnitude which is revealed is clearly beyond the range which any feasible allocation system can bridge. To determine how much can be bridged we must turn to the revenue and expenditure projections of the Federal Government.

#### **The Needs of the Federal Government**

127. The Federal Government is responsible for defence and external affairs, for internal economic and monetary policy, for the provision of basic communications, for technical research and for institutions of higher education. It also has to provide for all governmental services in Lagos.

The projections of Federal Government expenditure for the years 1958-59 to 1961-62 have been furnished to us and are set out in Table 4.

**TABLE 4**  
*Projections of Federal Recurrent Expenditure by Sectors\**  
1958-59 to 1961-62

	£000			
	1958-59	1959-60	1960-61	1961-62
Administration and Security ... ..	10,887	11,242	11,639	12,000
Natural Resources and Trade and Industry Works, Transport and Communications ...	2,130	2,248	2,384	2,520
Medical and Health ... ..	10,661	11,515	12,291	12,923
Education ... ..	1,337	1,374	1,415	1,680
Public Debt ... ..	3,025	3,541	3,882	4,105
Pensions and Gratuities ... ..	1,903	2,302	2,502	2,650
Miscellaneous ... ..	3,115	3,200	3,800	4,300
	2,890	2,936	3,025	3,117
Total ... ..	35,948	38,358	40,938	43,295

\* For 1958-59 based on Approved Estimates, and for 1959-60 to 1961-62 on projections supplied by the Federal Government.

128. We have done our best to scrutinise these projections and we have reached the conclusion that they constitute reasonable estimates of the normal expansion to be expected of federal services. There are however two points of detail to which we would like to refer at this stage.

129. As a result of the recommendations made by the 1957 Constitutional Conference, the subject of "Police, including bureaux of intelligence and investigation" was as a subject placed on the concurrent list, though it has been agreed that no regional legislature should enact any law on this subject unless the Secretary of State has, after consultation with all the Nigerian Governments, decided whether or not Regions should set up their own police forces. At present the Governor-General, acting in his discretion, is responsible for the use and operational control of the police. None of the Regions in their expenditure projections included any provision for regional expenditure on police, and we have in all cases used their projections. Moreover, our enquiries have led us to the conclusion that, if it was decided that some responsibility for police should pass to Regional Governments, that would not affect much reduction in federal costs under this head.

130. Secondly it has been suggested to us during our enquiries that the amount of money spent in Lagos by the Federal Government on services that normally fall to a Regional Government to provide is out of proportion to the scale possible in other parts of the country. The implication is that the rest of the country is subsidising the provision of services (such as schools and hospitals) in Lagos at a standard above that which has been justified by the revenue derived from Lagos. Anything in the nature of a "regional" budget for Lagos is in our view neither desirable nor, in view of the difficulty in determining the precise borderline between "regional" and ordinary federal expenditure by the Federal Government in Lagos, practicable. It may however be of interest if we mention the figures that have been provided for us, showing that expenditure in Lagos by the Federal Government in respect of responsibilities carried out in the Regions by Regional Governments was of the order of £2.2 million in 1956-57, and £2.4 million in 1957-58. Against this federal revenue derived from Lagos is put at £3.4 million in 1956-57 and £3.3 million in 1957-58.

131. To return to the total federal projections submitted to us, we may fairly take them as a measure of what the Federal Government will require to meet its expenditure commitments. In setting them against the estimates of revenue which our system has so far left with the Federal Government, however, certain further considerations have to be allowed for. First, for reasons which we have explained at an earlier stage of this Report, we feel bound to proceed on the basis that the federal centre, which is the repository of the financial stability and creditworthiness of the country as a whole, must be preserved from insolvency. Secondly, the Federal Government must have some room for financial manoeuvre since the provision of assistance to a Region suffering from a natural disaster or faced with an emergency arising from circumstances beyond its control would have to come from federal sources. Thirdly, the Federal Government is compelled to finance a substantial part of capital expenditure, which is for the benefit of all the Regions, out of its current revenue surplus.

132. With these points in mind we set out, in the upper part of Table 5, the recurrent projections of expenditure of the Federal Government for the year 1959-60 to 1961-62, of the revenues which our system has thus far left in federal hands, and the unappropriated balance between the two.

133. Under the existing system of federal and regional finances, the annual recurrent surplus remaining to the Federal Government is forecast as about £4.5 million in 1959-60, £4.0 million in 1960-61 and £3.5 million in 1961-62, and sums of this order have been included in the Federal Government's calculations of the means whereby it is to finance its capital programme (it is hoped to spend £54 million over the three years). To keep surpluses of this order intact under our proposed scheme would allow of a pool of less than £7 million in 1959-60 rising to less than £8 million by 1961-62. Such sums, however, as will readily be seen, barely exceed the amounts necessary to cover the existing services of the Regional Governments, i.e., their "immediate needs". If we are to combine expansion with any redirection in the flow of federal allocations to the Regions then some margin is required. But it cannot be very great. The practicability of the Federal Government recouping itself by raising additional taxation is limited, and any inroad on the likely federal surplus must entail either a restriction on or a rephrasing of the Federal Government's capital programme, much of which is already committed, or a weakening of its ability to absorb a fall in revenue on its own account or on that of a particularly hard-hit Regional Government. Given the projections presented to us, we put the size of the Distributable Pool which can be achieved without damage to the finances of the Federation at a maximum of about £8 million in 1959-60, rising perhaps to about £9 million by 1961-62. The recommendations which follow assume a Pool of approximately this size.

134. A more appropriate expression for the Distributable Pool, however, is not as a sum of money but as a fraction of unappropriated revenue. We have already recommended that the Pool should include a share (30 per cent) of the royalties and rents from mining and minerals, and the balance should likewise be linked to some one or more items of federal revenue. The source for this purpose should contain elements of expansion if it is to keep pace with the expanding needs of the recipients. At the same time, it should not embrace the whole range of unallocated federal revenues. It is desirable that the Federal Government, like the Regions, should have some sources of independent revenue and that the control and use of one source of direct and one source of indirect taxation should be reserved to this purpose. The company tax and the duties on beer, wine and spirits are

the most suitable to be earmarked in this way. We therefore recommend that the second part of the Distributable Pool should be linked to the general fund of revenue from import duties (excluding motor spirit, diesel oil, tobacco and liquor)\* and that an amount equal to 30 per cent of these duties should pass into the Pool. The other 70 per cent should be retained by the Federal Government.

135. We would emphasize here, however, that this use of the general import duties is quite distinct from the use made of import duties (other) in the existing system. The latter were intended to be deployed as a further application of the principle of derivation. Our own principles for the allocation of general import revenue involve a departure from derivation.

#### Allocation of the Distributable Pool

136. We come now therefore to our formula for the allocation of the Distributable Pool year by year to the Regions. The amount of this Pool for the years 1959-60 to 1961-62 on the basis of the projections furnished to us is shown in the lower half of Table 5.

TABLE 5  
*Projection of the Size of the Distributable Pool and of the Federal Government Surplus, 1959-60 to 1961-62*

	1959-60	1960-61	1961-62
Projected Federal Recurrent Revenue(a) ... ..	49,664	52,246	54,714
Projected Federal Recurrent Expenditure ... ..	38,338	40,938	43,295
Unappropriated Balance of Revenue(a) ... ..	11,326	11,308	11,419
Transfers to Distributable Pool—			
30 per cent Mining and Mineral Royalties and Rents	435	600	675
30 per cent of General Import Revenue ... ..	7,800	8,070	8,415
Total Projected Distributable Pool ... ..	8,235	8,670	9,090
Projected Surplus of Revenue remaining to Federal Government ... ..	3,091	2,638	2,329

(a) Including 50 per cent of mining and mineral royalties and rents.

137. We have already acknowledged one claim upon the Pool in our section on "immediate needs" (paragraphs 121-122). But while up to this point we have found it statistically convenient to refer to this claim by direct reference to existing budgets, we do not think it would be right to judge the situation of the several Regions simply and solely by these particular sets of figures. We have to take account of the fact that the present system of revenue allocation has been criticised not only because it depends almost entirely upon the principle of derivation, but also because inaccuracies in the application of that principle have borne unfairly on some Regions and too favourably on others. We have also to take account of the differing degrees to which the several Regions may still have taxable capacity unexploited, particularly since a major part of our exercise has been directed to placing greater fiscal autonomy in their hands. A proper interpretation of this part of our task, in fact, is to see that *continuity* is preserved and that each Region has at least the wherewithal to maintain its existing scale of activities.

\* In this Report referred to as general import revenue.

138. Even with this trimming of the immediate claims, however, the margin which is available for the advancing of other principles is disappointingly small. We have found in our enquiries amongst Governments a general wish that other factors should be taken into account. We found less agreement about just what factors should be covered and in what way. The suggestions made to us included population alone, population weighted for density and sparsity, and grants on a fixed or matching basis in relation to the level of particular services. We ourselves have reached the conclusion that three factors besides continuity should be allowed for. These are, first, the *minimum responsibilities* which any Government has to meet by virtue of its status as a Government with a legislature, ministers, and an adequate administrative machine; secondly, *population* as a broad indicator of need, since this determines the scale of the services which each Government has to provide; and, thirdly, the *balanced development* of the Federation, insofar as this has not already been allowed for in the dividing up of mineral royalties.

139. Having taken all four of these factors into account and giving, as best we can judge, the appropriate weight to each in the existing circumstances, we have arrived at the following percentages as representing an equitable sharing out of the Distributable Pool for the immediate years ahead:

<i>Northern Region</i>	<i>Western Region</i>	<i>Eastern Region</i>	<i>Southern Cameroons</i>
40	24	31	5

Our considered recommendation therefore is that the Distributable Pool should be divided in this way. We refer in section XIII to the question of a future review of the composition and distribution of this pool of revenue.

140. The outcome for each of the Regions for the years 1959-60 to 1961-62, on the basis of the projections of revenue placed before us, and a comparison with the current year's estimates, is given in Table 6.

TABLE 6  
*Estimated Effect of Sharing of the Distributable Pool, 1959-60 to 1961-62*  
£000 to nearest £5,000

	Present System	Proposed System*						
		1958-59		1959-60		1960-61		1961-62
	Total Revenue	Share of Pool	Total Revenue	Share of Pool	Total Revenue	Share of Pool	Total Revenue	Share of Pool
Northern Region ...	13,950†	3,295	15,225	3,465	15,950	3,635	16,510	
Western Region ...	15,325	1,975	15,005	2,080	15,735	2,180	16,245	
Eastern Region ...	11,970	2,555	12,670	2,690	13,340	2,820	13,980	
Southern Cameroons ...	1,035	410	1,485	435	1,605	455	1,695	

\* For the detailed composition of the heads of revenue see Appendix F.

† Includes £500,000 as recommended in paragraph 19.

141. Starting from the base of 1958-59, it will be seen that our scheme may be expected to provide increasing revenues in each year for all the Regions save the West. There is a case for some check in the rate of expansion of government services in the West in view of the favourable treatment which the Western Region has enjoyed under the present allocation system. In fact the apparent fall in the revenue of the Western Region as

between 1958-59 and 1959-60 should not materialise,\* while in any case, it should be well within the compass of the West to increase the tax resources shown, particularly in view of our recommendations regarding the taxation of motor fuel. For the North (because of its large population) our proposals should provide an opportunity to make up some of the leeway that undoubtedly exists in the provision of services comparable to those in other Regions, while for the Southern Cameroons they offer a prospect of viability with sufficient resources to meet the costs of the constitutional changes agreed for that territory at the 1957 Conference. The Eastern Region should receive at least an immediate gain by our proposals in comparison with what their revenues would have been under the existing system.

## XII. FUTURE PROSPECTS

142. A number of general points should be emphasised in considering future prospects. Extravagant hopes have been expressed about what could be done in Nigeria by a re-allocation of revenues, and there may well be disappointment at what may appear to be the limited effect of the changes which we are recommending. But the task which we were given in our terms of reference was not an easy one. The total revenue resources available to Nigeria at any given time are limited. The total of all revenue estimates for 1958-59 is only some £84 million. Any revenue allocation system that could be devised must be framed within these limits. Given the existing budgets of the five Governments and the need to preserve continuity, the room for manoeuvre is small.

143. The degree of uncertainty that inevitably attends any attempted forecast of Nigerian revenues must be recognised. No scheme that could possibly be devised could get over that basic factor. The nature of the Nigerian economy, and in particular its dependence on exports, means that the revenues of the country as a whole are always liable to sudden and often unpredictable fluctuations. The projections of the revenue from export duties have been based on a realistic estimate for each commodity of current price trends and regional production of it, and only for the Southern Cameroons has any increase in production been allowed for. We have also accepted a forecast of some four per cent increase for general import revenue, but this again is dependent on the extent to which export projections are realised. The same consideration applies to revenue from income tax, excise duties and sales taxes.

144. There are three aspects to this uncertainty to which we would draw attention. The transfer of further independent revenues to the Regions means that they will be more dependent on fluctuating current revenues than hitherto. In the future all the proceeds of taxes on produce and hides and skins will accrue to the Regional Governments. Returns to the producer are liable to wide variations from agricultural hazards and the movement of world commodity prices. The increased dependence of Regional Governments on revenue in this field will therefore make it particularly important that careful consideration be given to the need to maintain an additional revenue equalization element in reserve against fluctuations or natural disasters.† With this in mind there will be particular need to keep regional budgets in balance. All this is part of the responsibility that goes with increased fiscal autonomy.

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\* Almost all the difference can be accounted for by the fact that in the approved estimates for 1958-59 (which have in all cases formed our basis for comparison) the Western Regional Government included a figure of £500,000 for revenue from regional income tax, whereas in the projections supplied to us, and used in the Report, a figure of only £200,000 was given for revenue from regional income tax in 1959-60, rising to £300,000 in 1961-62.

† Brief details of Government and Marketing Board Reserves, and of the Capital Programmes of Governments are given in Appendix H.

145. Secondly, the reserves of the Marketing Boards in the Regions have been built up in years when world markets have been favourable to the producer, while some part of the crop price obtained has been held back from him. These reserves now form a valuable part of the Regions' defences against a possible recession, and it is particularly important that, with the increased dependence of Regional Governments on produce revenue, they should be carefully husbanded.

146. Thirdly, each Government has ambitious plans for capital expenditure.\* While present reserves, built up over the years and available for this purpose, hold out, it may be possible for the pace of expenditure to be kept up. But a time has already come for some Governments, and may well come before long for others, when reserves fall to a minimum, the prospects of borrowing continue to be limited, and the surplus on recurrent account drops, either because of the rising recurrent costs of development or because of less buoyant revenues, or of both combined. At that stage the brake has to be applied, though the decision as to the precise moment when this is necessary may depend on the relative priorities given to immediate social consumption, and to long-term capital investment to produce social dividends at a later date.

147. No revenue allocation system as such can deal with the problems raised in this section. We as a Commission cannot allocate to the five Governments more resources than the country already contains, nor can we confer a financial stability which is not inherent in the national economy. The solution must depend on the good management of those in whose hands the destiny of Nigeria lies.

### **XIII. THE SOUTHERN CAMEROONS**

148. Our terms of reference require us to consider what fiscal arrangements would be most appropriate for the Southern Cameroons, including whether that territory should be treated as a Region for the purposes of revenue allocation; to advise on the extent to which additional financial assistance might be required to meet the immediate needs of that territory and to provide for a reasonable degree of expansion; and to indicate the form which this assistance should take. In our Preliminary Report we recommended that the Southern Cameroons should be treated as if it were a Region for the purposes of revenue allocation and that two per cent of import duties (other) in the existing allocation system should be deemed to be attributable to the territory. These recommendations were implemented in a constitutional amendment effective from the 1st April, 1958.

149. We mentioned in our Preliminary Report that, even if the changes that we recommended for the Southern Cameroons were implemented from the 1st April, 1958, (as they have been), they would not in themselves, on the estimates then available, enable that territory to balance its recurrent budget in 1958-59. At the time of writing the Governor-General of the Federation as High Commissioner for the Southern Cameroons has directed that recurrent expenditure in the territory in 1958-59 should be kept for the time being within the limits prescribed by available recurrent revenue.

150. If our scheme is implemented from the 1st April, 1959, the independent and derived revenues available to the Southern Cameroons, together with the grants from the Distributable Pool which we have already described should provide both for the territory's immediate needs and for a reasonable degree of expansion. Once our recommendations are implemented, therefore, no further special assistance should be needed for the Southern Cameroons.

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\* Brief details of Government and Marketing Board Reserves, and of the Capital programmes of Governments are given in Appendix H.



151. There are however certain inheritances from the past to be disposed of. We referred in our Preliminary Report to the question of the advances made by the Federal Government under the guarantee agreement and the interest thereon.\* There is also the question of the advance of working capital of £300,000 made by the Federal Government. So far as the guarantee advance and interest thereon are concerned, it is arguable that, had the system of constitutional grant for the territory which was worked out in 1954 been more effective, the need for these payments would never have arisen; nor can the Southern Cameroons Government be held responsible for the fact that they were necessary. Under our proposals the Southern Cameroons will not have sufficient resources to pay off the advance and accrued interest, nor would it be appropriate to arrange to meet what is a temporary difficulty by any further alteration of the balance of revenue allocation. In all the circumstances we recommend that the amount of the advance and accrued interest should be written off.

152. So far as the working capital is concerned, Sir Louis Chick argued that the Southern Cameroons had no claim to share in the distribution of uncommitted central reserves and made provision in his expenditure estimates for interest on a loan for working capital but not for the repayment of the loan. The estimated balance of working capital at the end of March, 1958, was £272,000. We do not think that this sum should be written off. We recommend that the advance of working capital should be converted into a grant as from the 1st April, 1959, and that the Southern Cameroons Government should pay off the accrued interest up to that date over the three years following.

153. The Southern Cameroons Government raised with us the possibility of a grant to finance Government capital investment in the territory. In the light of the future balance of resources under our proposals we do not recommend that any specific provision should be made for a capital transfer to the territory.

#### XIV. CONSULTATIVE MACHINERY

154. If the division of financial powers and proceeds which we recommend is to work smoothly, and if inter-governmental disputes are to be avoided, it is most important that there should be the closest possible consultation between Governments over taxation matters.

155. The question arises whether any particular machinery should be set up for this purpose. There is already in the National Economic Council, which includes representatives of all Governments, a forum for the discussion of economic matters. We suggest that consultation can best be achieved through this organisation. Governments may like to consider specifically charging the Council, or a Committee of it, with the task of discussing taxation matters. We have in mind in particular income tax, sales tax rates and questions of indirect taxation where the Federal Government levies and collects the tax, but where all or some of the proceeds accrue to the Regions.

156. We would like to emphasise at this point, however, that the successful operation of a revenue system is not a matter of inter-governmental co-operation only. We have already mentioned in paragraph 68 that in many countries prior consultation with the tobacco industry takes place before changes in tax rates on tobacco are made, but this is only one incidental example of a general principle for successful revenue administration. Many of the branches of a modern tax administration draw heavily upon both the

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\* See paragraph 16 of the Preliminary Report which is attached at Appendix A.

expertise and the goodwill of commercial undertakings for their effective operation. There is a continuous general need for consultation between Governments and business administrations in respect of taxation measures. Such consultation does not impinge in any way on the Government's right to take the final decision. It does however give a chance for the administrative and financial consequences of proposed decisions to be examined by representatives of the interests concerned. Past experience in Nigeria has shown that failure to hold such consultations can lead a Government into serious difficulties.

## **XV. LOAN POLICY AND CAPITAL ISSUES**

157. Item (c) of our terms of reference asks us to consider the adequacy of present arrangements for the co-ordination of loan policies, Governmental borrowings and capital issues, having regard to the decision to set up a Nigerian Central Bank and a Nigerian currency at an early date. Under the existing constitution external borrowing is an exclusive federal subject; so also is borrowing within Nigeria for the Federation or Lagos. Borrowing internally for any Region is a residual subject.

158. The constitution charges the public debt of the Federation on the revenues and assets of both the Federation and each of the Regions. Co-ordination of loan policies, governmental borrowings and capital issues by Government is carried out at present through the Loans Advisory Board, which held its first meeting in January, 1958. The Loans Advisory Board is composed of the Federal Minister of Finance as Chairman, Regional Ministers of Finance and the Financial Secretary of the Southern Cameroons. It was originally set up to advise on the raising of external loans and the division of proceeds therefrom. However, before its first meeting, the Governments agreed that its terms of reference should include the raising of local loans and the allocation of the sums so raised. At its first meeting the Board recommended that all Governments should, before raising local loans other than from their own Marketing Boards and other organisations under their own control, consult the Loans Advisory Board. The Board also recommended that for 1958-59 the Federal Government should raise loans internally on behalf of the Regional Governments and re-lend them on the same terms.

159. Following the Federal Government's decision to establish a Central Bank for Nigeria and to introduce a separate Nigerian currency, Mr. J. B. Loynes visited Nigeria and prepared a report on the appropriate methods of carrying out these decisions. This report was completed in August, 1957, and since that date the legislation providing for the establishment of the Central Bank and of a separate currency has been passed by the federal legislature and the appointment of a Governor-designate of the Central Bank has been announced. It is likely that in the course of 1959 the Central Bank will begin operations and the introduction of the Nigerian currency will commence.

160. The amount that Nigeria will in practice be able to borrow will be regulated by two factors: first, the ability of the Governments concerned to bear the necessary loan charges, and, secondly, the willingness and ability of potential lenders to lend their money in the face of competing claims and in the light of the credit standing of the Government concerned. Mr. Loynes in his report has drawn attention to the relative lack of private savings in Nigeria and the difficulties attendant on the development of local money market facilities. With the help of the Central Bank, however, and making use of money likely to be available from institutional investors, including the trustees of certain Government and quasi-Government funds, it should be possible gradually to develop local borrowing. In addition to medium and

long-term loans, the possibility of making a regular issue of treasury bills is already under discussion and the desirability of instituting at some stage a system of tax reserve certificates might be explored.

161. Externally, as a member of the Commonwealth and of the sterling area, Nigeria would naturally look to the London Market as a potential source of loan finance. The success of an approach to that market will, however, depend on the state of the market for Commonwealth issues and on the investors' assessment of the risk involved in the particular case. To a great extent this assessment will rest on the nature of the economic and political policies being pursued in Nigeria, but an essential preliminary to success is that the issue should be a Trustee Stock. For Commonwealth countries that is possible if the conditions laid down under United Kingdom legislation are fulfilled. These conditions require the enactment of local legislation to cover certain eventualities, and most independent Commonwealth countries, including in recent years Ghana and the Federation of Malaya, have passed the necessary laws. We recommend that the Federal Government should consult with Her Majesty's Government in the United Kingdom about the detailed steps to be taken to secure trustee status for Nigerian issues in the United Kingdom.

### **Jurisdiction over Borrowing**

162. So far as external borrowing is concerned, one Government suggested to us that this should become a concurrent subject but with constitutional safeguards, providing that the Federal Government should take over a regional debt in the event of a default by a Regional Government, and deduct the charges arising from this from constitutional grants payable to the Region concerned. It is our view, however, that in the light of the competing demands for loans in overseas markets, the creditworthiness of all Nigeria is the best basis for borrowing, and we are satisfied that, apart from the exception mentioned in the next paragraph, external borrowing should remain an exclusive subject.

163. It does sometimes happen that for short-term purposes a Regional Government may wish to borrow overseas on the security of its investments or other external assets in order to tide over a temporary shortage of funds. This can in our view be left to the Regional Government concerned to decide. We therefore recommend that short-term external borrowing by a Regional Government on the basis of its external assets should be excluded from the definition of external borrowing in the exclusive list.

164. In cases where the Federal Government borrows externally on behalf of a Region, it will need to have the necessary authority to recover servicing charges from the Government on behalf of which it has borrowed. We recommend that a provision should be included in the constitution, authorising the Federal Government to deduct from the proceeds of revenues, which it collects and which are statutorily payable to a Region, such sum as is required to meet the liability of that Region in respect of servicing of loans from the Federal Government.

165. So far as internal borrowing is concerned, the amount likely to be secured from any local loan market is limited, as is the extent to which the Central Bank will be able to pursue a market support policy. This being so, it is clear that there are considerable advantages if the Federal Government borrows on behalf of the Regions. We would therefore suggest that for the time being, apart from direct loans from such bodies as Marketing Boards and other similar regional organisations, the Regions should continue to secure internal loan finance in this way. We would not, however, on that account wish to suggest that Regions should forfeit the right themselves to

borrow internally. The exercising of that right in the future could provide a valuable test of their credit. It is a right that should be exercised in close consultation with the Federal Government and the Central Bank, since internal borrowing is intimately concerned with the general control over monetary policy which will be a federal responsibility. We therefore recommend that borrowing within Nigeria by a Region for its own purposes should continue to be a residual subject.

166. We see no reason to recommend any change in the composition or powers of the Loans Advisory Board in relation to external borrowing, though the Federal Minister of Finance may wish to take with him to the Board as adviser a representative of the Central Bank. So far as internal loans are concerned, we have already suggested that for the time being these should continue to be raised by the Federal Government, and the co-ordination required, including that over the borrowing of any statutory corporation, should in our view continue to take place through the Loans Advisory Board, taking into account the advice of the Central Bank.

### **Capital Issues**

167. Under a Currency Board system such as Nigeria enjoys at present, no attempt is made actively to influence the supply of money to take account for instance of the state of trade or the balance of payments. There is an obligation to issue currency on demand against an equivalent amount of sterling, and to redeem the currency in sterling on demand. With the advent of a Central Bank and an independent currency, however, a domestic monetary policy becomes possible. One aspect of this is control over capital issues. The need to exercise control over private borrowing has not so far arisen, because of the absence of a local securities market, nor may it do so immediately. Nevertheless, it is important that the power to exercise such control, if and when needed, should be clearly established in federal hands. We therefore recommend that the control of capital issues should be added to the exclusive list, so that private borrowing can be supervised if the need arises. This would also confer a reserve federal power to regulate issues by Governments, should co-ordination on the present pattern for any reason prove ineffective.

## **XVI. DATE OF INTRODUCTION OF PROPOSALS AND FISCAL REVIEW**

### **Date of Introduction**

168. It may be convenient at this stage to draw together our recommendations on the date of introduction of our proposals and on the question of fiscal review. It is our expectation that this Report will be considered by the Resumed Constitutional Conference later this year, and that being so our main proposals if accepted could be brought into effect on the 1st April, 1959. We have referred in paragraph 96 to the possibility that it may not be practicable to bring the scheme of income tax which we propose into effect from the same date as the other recommendations, but no disadvantage will arise from any such delay as the proceeds of federal personal income tax on non-Africans are already paid over to Regional Governments, and this procedure can continue until the new scheme is finally implemented.

169. Our recommendation therefore is that the revised scheme of revenue allocation should be brought into effect from the 1st April, 1959, subject to the qualification made in paragraph 96 about personal income tax.

### **Fiscal Review**

170. We have sought in this Report, first, to set down the appropriate division of revenue jurisdictions between the several Governments of the Federation of Nigeria, and, secondly, to establish, through the combined operation of independent revenues, derived revenues and the allocation of the Distributable Pool, the distribution of revenue which will assist the balanced development of the Federation in all its parts. In the matter of jurisdictions, our recommendations embody an application of established principles in the context of Nigeria which we think should hold for a very long time to come. The proposals relating to revenue jurisdiction will be enacted as part of the constitutional framework of Nigeria. We recommend that the only provision for amendment in respect of revenue jurisdiction should be that which applies to the amendment of the constitution generally.

171. In the matter of the distribution of revenue, on the other hand, we do envisage the need for periodic review if the balanced development of the Federation is to be maintained. In Section IX we noted the case for a periodic review of the particular proportions into which mining and mineral royalties and rents are divided between Governments as mining and mineral development proceeds. In Section XI we noted both the limitations on the size of the funds which could at present be made available for a Distributable Pool at the expense of the Federal Government, and also the weight which we had felt compelled to give at this stage to the factor of continuity in the recommended share-out of the Pool, compared with the other factors which we considered relevant; both the size and the distribution of the Distributable Pool, therefore, are appropriate subjects for review in the light of future developments. A review of these two items, mining and mineral royalties and rents and the Distributable Pool, will inevitably involve an examination of revenue distribution generally, for these are the balancing factors in the whole allocation system. Nevertheless, we consider that there is scope enough in these two items for any needed adjustments to be made, without unsettling the whole revenue structure.

172. We recommend, therefore, that the constitution should make specific provision for the Federal Government, after consultation with the Regional Governments, to appoint from time to time a Fiscal Review Commission to review, in the light of the general revenue situation, the distribution of the proceeds of mining and mineral royalties and rents, and the size, composition and distribution of the Distributable Pool. We do not support one suggestion made to us that a Standing Review Committee or Secretariat should be set up. The composition of the Fiscal Review Commission should be left for decision at the time of its establishment. The first Commission should be set up not less than three nor more than five years from the date of introduction of the new revenue allocation system.

## **XVII. SUMMARY OF RECOMMENDATIONS**

173. It now remains to summarise our recommendations, which we do below. We should point out that these recommendations are closely inter-related, and taken together they go to make up a new revenue allocation system, which should be judged as a whole rather than in relation to its individual parts. It follows from this that, in cases where an amendment of a particular portion of the scheme could have financial implications for the balance of the scheme as a whole, most careful consideration should be given to these implications.

174. Our recommendations may be summarised as follows: \*

- (1) Since the Northern Region has had less than its due share of revenue from import duties (other) as a result of the way the derivation principle has been applied, it should receive for the year 1958-59 a sum of £500,000 to be paid from the reserves of the Federal Government (paragraph 19 and Appendix B).
- (2) If the introduction of the relevant features of the new system should be delayed, a similar yearly sum should be paid to the Northern Regional Government until the new system is put into effect (paragraph 19).
- (3) The necessity of ensuring complete freedom of internal trade throughout the territory of the Federation should in suitable terms be clearly written into the constitution (paragraph 25).

*Customs, Excise and Sales Tax Jurisdiction*

- (4) The general power to control and tax imports should remain with the Federal Government (paragraph 30).
- (5) The Federal Government should retain its jurisdiction in the field of export duties (paragraph 31).
- (6) The general jurisdiction in regard to excise duties should continue to be vested in the Federal Government (paragraphs 32-34).
- (7) With certain exceptions the basic jurisdiction to impose sales taxes should be placed on the federal exclusive list (paragraphs 35-40).

*Independent Revenues from Indirect Taxes*

- (8) The item on the exclusive list dealing with purchase or sales taxes should specifically exclude such taxes on produce (excluding tobacco), and on hides and skins, thus leaving this field to Regional Governments (paragraphs 42-44).
- (9) The proceeds of any federal export duties on produce and on hides and skins should be returned in full to the Regions of origin (paragraph 44).
- (10) Where the Regional Governments concerned agree that particular types of produce should be taxed solely by means of regional taxes, the Federal Government should refrain from levying export duties (paragraphs 45-46).
- (11) The federal import duty on motor spirit should be retained at the maximum level agreeable to all Governments in the Federation and the whole of the proceeds should be distributed on the basis of the returns furnished by importers and distributors of the quantities distributed or finally sold in the Regions and in Lagos for consumption (paragraphs 47-52).
- (12) Regional Governments should have jurisdiction to impose sales taxes on these quantities of motor spirit (paragraphs 47-52).
- (13) For revenue purposes diesel oil for road use should be treated in the same way as motor spirit (paragraphs 53-54).
- (14) The federal import duty on diesel oil should be retained and the whole of the proceeds should be distributed to Governments on the basis of the returns furnished by importers and distributors of the quantities distributed or finally sold in the Regions and in Lagos for consumption (paragraphs 55-58).

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\* Here, as in the body of the Report, where reference is made to a Region in discussing revenue allocation, that expression includes the Southern Cameroons.

- (15) Regional Governments should have jurisdiction to impose sales taxes on the quantities of diesel oil distributed or finally sold in their Regions for consumption as fuel for use in road vehicles (paragraphs 55–58).
- (16) The revenue from import duties on furnace oil and aviation spirit should be included in general import revenue for allocation purposes (paragraph 59).
- (17) There should be the minimum difference in the rates of tax imposed on motor fuel in adjoining Regions, and close consultation between Governments on the appropriate level (paragraphs 60 and 64).
- (18) Sales tax jurisdiction over motor fuel in Lagos should rest with the Federal Government, which should retain the proceeds of such sales taxes (paragraph 63).
- (19) The Lagos share of the proceeds of import duties on motor fuel should accrue to the Federal Government (paragraph 65).
- (20) The jurisdiction to levy taxation on tobacco products should continue to be vested exclusively in the Federal Government (paragraphs 66–69).
- (21) The net proceeds of both import and excise duties on tobacco products should be distributed in full to Regional Governments and to the Federal Government in respect of Lagos (paragraph 69).
- (22) The Federal Government should have the sole power to levy taxation on beer, wines and spirits (paragraphs 70–71).
- (23) The attempt to allocate the beer excise by derivation should be discontinued, and the proceeds of import and excise duties on beer, wines and spirits should be wholly retained by the Federal Government (paragraph 72).
- (24) Regional Governments should not be empowered to levy taxes on motor vehicles in substitution for the existing federal import duties (paragraph 73).
- (25) The arrangements to be adopted for any new excise duty or sales tax should be decided by the Federal Government on the merits of the particular case. The Federal Government should have power to allocate to the Regional Governments the whole or part of the proceeds of such new tax in accordance with such principles as may be prescribed in the enactment imposing the tax (paragraphs 75–76).
- (26) The present arrangements for licences and fees should continue, except that revenue from fees for small craft used on inland waterways should be retained by the Federal Government (paragraph 77).

#### *Income Tax Jurisdiction*

- (27) The Regions should retain basic jurisdiction over personal income tax on Africans, and this should be extended to include non-Africans (paragraphs 86–87).
- (28) In the transitional period while the details of the transfer to Regions of basic jurisdiction over personal income tax on non-Africans are being worked out, the tax should continue to be levied and collected by the Federal Government and the proceeds returned to the Regions (paragraph 96).
- (29) The Federal Government should arrange for a draft Income Tax Management bill to be drawn up, the principles of which should be discussed at a conference of representatives of all Governments.

This draft would subsequently form the model for laws to be passed by regional legislatures and by the federal legislature in respect of Lagos (paragraphs 88–92).

- (30) Certain specific matters of income tax management should be provided for in the concurrent list (paragraphs 91 and 93).
- (31) Provision should be made in the constitution to permit the Federal Government to enter the field of personal income tax in time of war or defence emergency (paragraph 94).
- (32) It is desirable that the differences in tax rates and allowances as between Regions (including Lagos) should be kept to a minimum (paragraph 95).
- (33) The constitution should permit the Federal Government to exercise overall jurisdiction over personal income tax within a Region, at the request of that Region (paragraph 95).
- (34) Jurisdiction over estate duty should be concurrent ; Regional Governments should consult with the Federal Government before introducing such a duty ; and federal legislation in this field, apart from that for Lagos, should normally be limited to the removal of difficulties which may arise between Regions (paragraphs 97–98).
- (35) Jurisdiction in respect of company tax should remain exclusively federal, and the whole of the proceeds of the tax be retained by the Federal Government (paragraphs 99–100).
- (36) Subject to recommendation (30), partnerships, clubs, trusts and other unincorporated associations should for income tax purposes fall within the sphere of regional jurisdiction (paragraph 101).

#### *Mining and Mineral Taxation*

- (37) The jurisdiction over mining royalties and rents should continue to be exclusively federal (paragraphs 104–106).
- (38) Whenever a profit-sharing arrangement is negotiated in Nigeria between the Federal Government and an oil company, the Federal Government should consider the desirability of associating other governments within the Federation as parties to it (paragraphs 107–109).
- (39) It should be made clear in the constitution that the Federal Government's jurisdiction in respect of mining extends to all fiscal arrangements and transactions in this field (paragraphs 107–109).
- (40) Mining and mineral royalties and rents should be shared between the Regions of their origin, the Federal Government and all the Regions together, the last by way of a Distributable Pool. The proportions in which these royalties and rents should be divided should for the present be respectively 50 per cent, 20 per cent and 30 per cent. Consideration of these proportions should be included in any future fiscal review (paragraphs 110–115).
- (41) The contributions of Regional Governments towards the recurrent cost of the Federal Mines Department should be discontinued (paragraph 116).
- (42) The exemption of the cess on tin from revenue allocation should be continued (paragraph 117).

#### *Inter-Governmental Charges*

- (43) Any difficulties arising over inter-governmental charges should be settled by negotiation between the Governments involved (paragraph 118).



- (44) The whole cost of the annual subvention to the University College Hospital, Ibadan, should continue to be borne by the Federal Government (paragraph 119).

*Further Allocation of Federal Revenue*

- (45) 70 per cent of general import revenue should be retained by the Federal Government and an amount equal to 30 per cent should pass into a Distributable Pool (paragraph 134).
- (46) The Distributable Pool, consisting of 30 per cent of mining royalties and rents, and 30 per cent of general import revenue should be divided between the Regions in the following percentages: North 40, West 24, East 31, Southern Cameroons 5 (paragraphs 135-139).

*Future Prospects*

- (47) The Regions should maintain an additional revenue equalisation element in reserve in view of their increased dependence on produce revenue (paragraph 144).

*Southern Cameroons*

- (48) The amount of advances made by the Federal Government to the Southern Cameroons Government under the guarantee agreement, together with accrued interest, should be written off (paragraph 151).
- (49) The advance of working capital made by the Federal Government to the Southern Cameroons Government should be converted into a grant as from the 1st April, 1959, and the Southern Cameroons Government should pay off the accrued interest up to that date over the three years following (paragraph 152).

*Consultative Machinery*

- (50) There should be the closest possible consultation between Governments over taxation matters (paragraph 154).
- (51) Governments may like to consider whether the National Economic Council or a Committee of it should be specifically charged with the task of discussing taxation matters (paragraph 155).
- (52) There is a continuous general need for consultation between Governments and business administrations in respect of taxation matters (paragraph 156).

*Loan Policy and Capital Issues*

- (53) The Federal Government should consult with Her Majesty's Government in the United Kingdom about the detailed steps to be taken to secure trustee status for Nigerian issues in the United Kingdom (paragraph 161).
- (54) External borrowing should remain on the exclusive list, except that the definition of such borrowing should not include short-term borrowing by a Regional Government on the basis of its external assets (paragraphs 162 and 163).
- (55) A provision should be included in the constitution, authorising the Federal Government to deduct from the proceeds of revenues, which it collects and which are statutorily payable to a Region, such sum as is required to meet the liability of that Region in respect of servicing of loans from the Federal Government (paragraph 164).
- (56) Borrowing within Nigeria by a Region for its own purposes should continue to be a residual subject (paragraph 165).

- (57) For the time being there would be advantages if the Federal Government raised internal loans (apart from direct loans from purely regional organisations), on behalf of the Regional Governments and re-lent them to the Regional Governments (paragraph 165).
- (58) The control of capital issues should be added to the exclusive list (paragraph 167).

*Date of Introduction and Fiscal Review*

- (59) The revised scheme of revenue allocation should be brought into effect from the 1st April, 1959, subject to a possible delay in the changeover to the new system of personal income tax (paragraphs 168-169 and 96).
- (60) The only provision for amendment in respect of revenue jurisdiction should be that which applies to the amendment of the constitution generally (paragraph 170).
- (61) The constitution should make specific provision for the Federal Government, after consultation with the Regional Governments, to appoint from time to time a Fiscal Review Commission to review, in the light of the general revenue situation, the distribution of the proceeds of mining and mineral royalties and rents, and the size, composition and distribution of the Distributable Pool (paragraphs 170-172).
- (62) The first Review Commission should be set up not less than three nor more than five years from the date of introduction of the new revenue allocation system (paragraph 172).

JEREMY RAISMAN,  
*Chairman.*

R. C. TRESS,  
*Member.*

London, 24th June, 1958.

P. J. GALLAGHER,  
*Adviser on Indirect Taxation.*

M. PHILLIPS }  
J. D. GREIG } *Joint Secretaries.*

**PRELIMINARY REPORT, DECEMBER, 1957**

Sir,

We were appointed by you in September, 1957, as the Fiscal Commission for Nigeria with the terms of reference agreed by the 1957 Nigeria Constitutional Conference in paragraph 57 of their Report. Our Adviser on Indirect Taxation was also appointed by yourself.

Items (e) to (g) of our terms of reference involve the presentation of an interim report. For reasons that are set out in the Preliminary Report, which we now have the honour to submit, we have confined the changes recommended at this stage to the Southern Cameroons. But we shall return to the question of what interim variations, if any, are justified in a separate part of our final Report.

Our Adviser on Indirect Taxation is to return to Nigeria next month to carry out a detailed study of the issues with which he is concerned and we ourselves plan to return to Nigeria towards the end of March for further study of the problems to be dealt with in our final Report. Our final Report will therefore be submitted after the conclusion of our second visit to Nigeria.

We have the honour to be,

Sir,

Your most obedient servants,

JEREMY RAISMAN,  
*Chairman.*

R. C. TRESS,  
*Member.*

London, December, 1957.

The Right Honourable Alan Lennox-Boyd, M.P.,  
Colonial Office.

## THE PRELIMINARY REPORT

### Introduction

1. We were appointed by the Secretary of State for the Colonies with the following terms of reference, which were agreed at the Nigeria Constitutional Conference\* in May and June, 1957 :—

- “(a) To examine the present division of powers to levy taxation in the Federation of Nigeria and the present system of allocation of the revenue thereby derived in the light of :
- (i) experience of the system to date ;
  - (ii) the allocation of functions between the Governments in the Federation as agreed at the present Conference ;
  - (iii) the desirability of securing that the maximum possible proportion of the income of Regional Governments should be within the exclusive power of those Governments to levy and collect, taking into account considerations of national and inter-Regional policy ;
  - (iv) in connection with (iii) above, the special problems in the field of indirect taxation as a result of the position of Lagos as Federal territory ;
  - (v) insofar as the independent revenues that can be secured for the various Governments are insufficient to provide not only for their immediate needs but also for a reasonable degree of expansion, and bearing in mind the Federal Government's own further needs, the desirability of allocating further Federal revenue in accordance with such arrangements as will best serve the overall interests of the Federation as a whole.
- (b) To consider what fiscal arrangements would be most appropriate for the Southern Cameroons, including whether that territory should be treated as a Region for the purposes of revenue allocation ; and to advise on the extent to which additional financial assistance might be required to meet the immediate needs of that territory and to provide for a reasonable degree of expansion ; and to indicate the form which this assistance should take.
- (c) To consider the adequacy of present arrangements for co-ordination of loan policies, governmental borrowings and capital issues, having regard to the decision to set up a Nigerian Central Bank and a Nigerian currency at an early date.
- (d) To make recommendations on the above matters.
- (e) Pending the submission of their final report, to consider as a matter of urgency the extent (if any) to which, as an interim measure, the provisions of sections 155 to 163 of the 1954 Constitution Order should be varied to reflect more accurately the principles to which they were designed to give effect.
- (f) To be empowered, in making their interim report, to specify the date on which any proposed readjustments should come into effect.
- (g) To submit both interim and final reports to a resumed Conference.”

2. We made a preliminary visit to Nigeria from the 29th October to the 16th November, 1957. During that period we visited the Federal capital and

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\* Paragraph 57 of the Report by the Nigeria Constitutional Conference, 1957 (Cmnd. 207).

the capitals of each of the Regions and of the Southern Cameroons in order to meet representatives of the five Nigerian Governments and others concerned with the subject matter of our enquiries. Subsequently we called a meeting in Lagos, at which representatives of each Government put forward their views on the issues to be dealt with in the Commission's Preliminary Report, and a full opportunity was afforded for discussion of the various views expressed.

3. The Report now presented is concerned only with items (e) to (g) in our terms of reference. These items have from the outset presented us with a procedural difficulty. Paragraph (e) asks us to consider as a matter of urgency, and pending our final Report, any variation which should be made in the existing system as an interim measure, and paragraph (f) empowers us to specify the date on which any proposed readjustments should come into effect. Paragraph (g), however, requires that our interim Report should be submitted, along with our final Report, to the Resumed Conference and we have had to take account of this clause also. Its effect is to prohibit changes in the existing system in advance of the Resumed Conference, except insofar as there can be all-round agreement upon the character and extent of the changes required. Accordingly, besides acquainting ourselves with the substance of these items in our terms of reference, we have had also to seek out the measure of agreement and disagreement that exists regarding them. Our conclusions on this score have been a major factor in determining the content of this Report.

#### **Principles of the Present System**

4. The principles to which sections 155 to 162 of the Nigeria (Constitution) Order in Council, 1954, were designed to give effect can be traced back to the terms of reference of the last Fiscal Commissioner, Sir Louis Chick, where they were described as "on the one hand . . . the need to provide to the Regions and to the Centre an adequate measure of fiscal autonomy within their own sphere of government and on the other hand . . . the importance of ensuring that the total revenues available to Nigeria are allocated in such a way that the principle of derivation is followed to the fullest degree compatible with meeting the reasonable needs of the Centre and each of the regions".\* The application of these principles is dealt with in paragraphs 6 to 14 of this Report.

5. Section 163 of the Nigeria (Constitution) Order in Council, 1954, lays down the special procedure for federal revenue allocation for the Southern Cameroons. The principles to which it was designed to give effect were that the net revenue derived by the Federation from the Trust Territory should be devoted to the Trust Territory, and that, since it then appeared that the Southern Cameroons could not pay its way as a separate Region without financial assistance from other parts of Nigeria, a special grant was needed. The application of these principles is dealt with in paragraphs 15 to 24 of this Report.

#### **The Present System of Revenue Allocation**

6. The present system of allocation of federal revenues is as follows:—

##### *Import Duties*

- (i) 100 per cent of the import duty on motor spirit is returned to the Regions in proportion to the estimated distribution for consumption in the Regions.

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\* Nigeria, Report of the Fiscal Commission on the Financial Effects of the Proposed New Constitutional arrangements, December, 1953. (Cmd. 9026).

- (ii) 50 per cent of the import duty on tobacco is returned to the Regions in proportion to estimated distribution for consumption in the Regions.
- (iii) of all import duties (other), 15 per cent is paid to the Northern Region, 20 per cent is paid to the Western Region and 14½ per cent is paid to the Eastern Region.

*Excise and Export Duties*

- (iv) 50 per cent of all excise duties is returned to the Regions in proportion to estimated distribution for consumption of the taxed commodities in the Regions.
- (v) 50 per cent of all export duties is returned to the Regions in proportion to the amount of duty deemed attributable to produce from each Region.

*Income Tax*

- (vi) of the income tax levied and collected by the Federal Government (i.e. on all expatriates, on all companies and on Africans in Lagos) all *personal* income tax is returned to the Region in which the taxpayer lives.

*Mining Royalties*

- (vii) All mining royalties levied and collected by the Federal Government are returned to the Region from which the taxed minerals were extracted.

*Miscellaneous Revenues*

- (viii) Mining rents and fees for small craft licences are returned by the Federal Government to the Region of origin.

For items (i), (ii), (iv) and (v), the Western Region is deemed to include Lagos, and the percentages are of net revenue after the deduction of revenue attributable to the Southern Cameroons.

**Application of the Principle of Derivation**

7. It is our view that the processes, which are now used for deciding which of the individual federal revenues are attributable to particular Regions, reflect with reasonable accuracy the principle of derivation in the case of proceeds accruing from export duties, mining royalties, mining rents, income tax and small craft licences.

8. The criticism that has been made of the application of the principle of derivation has concentrated on the percentage allocation between the Regions of the proceeds of import duties other than those on tobacco and motor spirit; on the precise extent of the proceeds of import duties (other) which can be attributed to Lagos; and on the extent to which it is right to include Lagos distribution for consumption in the Western Region's share of duties levied in respect of tobacco, motor spirit and locally brewed beer.

**Sir Louis Chick's Calculations**

9. In considering the percentages for allocation to the Regions of revenue from import duties (other), Sir Louis Chick took as his starting point the regional distribution of consumption expenditure on imports, including motor spirit and tobacco, given in the study on *The National Income of Nigeria, 1950-51*, by Dr. A. R. Prest and Mr. I. G. Stewart\* ; Sir Louis Chick could not use these ratios unchanged, however, since the consumption expenditure

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\* Colonial Research Studies No. 11.

in the National Income study included tobacco and motor spirit, with which he was dealing separately, and attributed Lagos consumption to the Western Region. In addition, while revenue derived from Lagos was to be federal revenue, the Federal Government's needs were to be provided for by the general pattern of distribution of revenue between the Federal Government and the Regional Governments. Consequently the revenue from import duties (other) attributable to Lagos was available for distribution among the Regional Governments, including the Western Regional Government. The Fiscal Commissioner had all these factors in mind, and also the fact that no correction had been made in respect of motor spirit and tobacco duties, in recommending that the half share of import duties (other) should be allocated between the Regions in the ratio of 30 per cent North, 30 per cent East and 40 per cent West.\*

10. We are satisfied that, in recommending the percentages that he did, Sir Louis Chick used the best basis that was available at the time. Since then, however, more information has become available.

- (i) *Motor spirit, tobacco and locally-brewed beer.* Returns are made to the Comptroller of Customs and Excise by the companies concerned in the manufacture or distribution of these products. These returns are based on points of retail distribution and since January, 1955, separate data have been provided of distribution in Lagos.
- (ii) *Other Commodities.* (a) The Federal Government Statistician has made a series of estimates of the regional distribution of imported goods other than motor spirit and tobacco for the years 1953-54, 1954-55 and 1955-56. (b) The Western Regional Government sought the expert opinion of Dr. A. R. Prest and Mr. I. G. Stewart as consultants on the statistics produced by the Federal Government Statistician and, as a result, drew our attention to the fact that the Federal Government Statistician's calculations were based on the landed value of imports distributed in the different Regions, whereas a more accurate interpretation of the derivation principle should involve isolating those items or groups on which duty is payable and apportioning the actual duty receipts for each commodity among the Regions in proportion to regional consumption of that commodity. Estimates for 1955 were recalculated on that basis. (c) Finally, the Federal Government Statistician has also made an estimate of the imported goods other than motor spirit and tobacco consumed in Lagos as a proportion of the consumption of those goods in Lagos and the Western Region together.†

### Greater Accuracy

11. We are satisfied that these additional data make possible a more accurate application of the principle of derivation than was available to Sir Louis Chick. But we must at the same time record the fact that only at a limited number of points do they provide ready-made answers to the

\* Subsequently at the 1954 Resumed Conference, when it was decided that the Southern Cameroons should cease to be part of the Eastern Region and become quasi-Federal territory with a separate Government of its own, the East's share was reduced to 29 per cent and 1 per cent was allocated to the Southern Cameroons to be taken into account in determining the level of the constitutional grant.

† Delegates to the 1954 Resumed Conference on the Nigerian Constitution drew attention to the urgent need for reliable statistics, with particular reference to Lagos, in respect of regional consumption, and recommended that as accurate figures as possible should be obtained for the consumption of imported goods in Lagos, for use when revenue allocation was considered at the next review of the Constitution (Paragraph 12 (xii) of the Report by the Resumed Conference on the Nigerian Constitution, 1954—Cmnd. 9059).

allocation question. At others, the directions in which modifications should be made to accord with the derivation principle are more certain than the actual amounts which should be involved. Thus, we accept that the reports of the Comptroller of Customs and Excise in respect of duties on tobacco, motor spirit and locally-brewed beer give an accurate picture of the distribution of these commodities; but we note that they afford a less accurate record of actual consumption, at least in the case of motor spirit. Similarly we accept the calculations of the Federal Government Statistician in respect of the regional distribution of other imports and the Western Regional Government's improvement thereon as providing a workable basis for allocating import duties (other); but we note that the Federal Government Statistician's estimates of consumption of these goods in Lagos suggest a working range rather than a single incontestable figure.

12. We are fully satisfied that this additional information makes possible a more accurate application of the principle of derivation in respect of the duties on tobacco, motor spirit and locally-brewed beer and of import duties (other) than is at present operating, and we shall need to take account of this fact in our next Report. We would emphasise, however, that the accuracy of this class of calculation could never be complete. In the long run therefore it is very desirable to get away from a system under which the distribution of large sums of money rests on calculations that can never be entirely accurate and which therefore lend themselves to controversy. The system has also involved the Federal Government Statistician in arduous work (carried out with great ingenuity) that prevents him from doing other jobs which would be of greater value to Nigeria as a whole. We were glad to find on our preliminary visit that these points were generally accepted by representatives of all Governments.

### **Obstacles to Early Change**

13. For our present report there are other considerations. We have already drawn attention (paragraph 3) to a certain inconsistency in our terms of reference as touching the urgency of our recommendations. We have also had to remind ourselves that Sir Louis Chick was enjoined to follow the principle of derivation "to the fullest degree compatible with meeting the reasonable needs of the Centre and each of the Regions". If we were to commend a modification of the existing arrangements in order to give a more accurate reflection of the principle of derivation, we should have first to be sure that we had taken fully into account the budgetary implications of any change for all concerned and were satisfied about the consequences involved. Our preliminary enquiries regarding the immediate future have brought negative conclusions on both scores. It is clear that any adjustment in the percentages of import duties (other) or of the allocation of the proceeds of duties on tobacco, motor spirit and locally-brewed beer would have to be at the expense of more than one Region, and would be bound to involve budgetary alterations for all. Yet at our meeting in Lagos on the 14th and 15th November, 1957, with representatives of all five Nigerian Governments, it was made quite clear that, insofar as the discussions on import duties (other) and on the Lagos question were concerned, no Government was at present willing to offer to surrender any of its existing revenues in order to give a more accurate reflection to the principle of derivation. Indeed, looking at the whole field of revenue allocation generally, each of the Regions drew attention to financial difficulties with which it was faced and urged us to recommend in some way an alteration of the existing arrangements for the interim period that would divert some revenue from the Federal Government to the Regions in order to meet what the Regions regard as their reasonable needs.



14. In the light of this situation, we have had to conclude that there is no prospect of any recommendation for change being implemented for the financial year, 1958-59, and we have therefore decided that the changes which we recommend in this Preliminary Report must be limited to the Southern Cameroons. We shall however return to the question of what interim variations, if any, are justified in a separate part of our final Report, when we shall be in a better position to reach final conclusions.

## SOUTHERN CAMEROONS

### The Present System

15. We have referred in paragraph 5 above to the principles which lie behind section 163 of the Nigeria (Constitution) Order in Council, 1954. The Southern Cameroons is not at present treated as a Region for the purposes of revenue allocation because of the assurance given several years ago to the United Nations Trusteeship Council that all revenue derived from the Trust Territory would continue to be devoted to it and because Sir Louis Chick concluded that the territory could not pay its way as a separate region without financial assistance from other parts of Nigeria. Thus section 163 provides for the payment by the Federation to the Southern Cameroons of an annual grant that is equal to the amount, if any, by which federal revenues attributable to the Southern Cameroons exceed expenditure incurred by the Federation in respect of the Southern Cameroons. In calculating federal revenue attributable to the Southern Cameroons, 1 per cent of revenue from import duties (other) than those on tobacco and motor spirit is deemed to be attributable to the territory. The expenditure incurred by the Federal Government is calculated by deducting, from the total of federal recurrent expenditure certain inapplicable items; of the remainder a population percentage of 2.4 is deemed to be attributable to the Southern Cameroons. To this, by specific constitutional provision, is added the estimated cost to the Federation of making provision for pensions for officers in the public service of the Federation in relation to their service during that year in respect of the Government of the Southern Cameroons, and this cost has been determined as 25 per cent of the territory's expenditure on pensionable staff emoluments.

16. In practice the territory has been dependent for a large part of its revenue on the constitutional grant. But because of a fall in company tax receipts, and an increase in federal expenditure attributable to the territory, the grant has been an uncertain source of revenue subject to fluctuations, which have made it difficult for the Southern Cameroons Government to know where it stands in preparing its annual budget. In fact it is clear that the territory would have received more consistent revenues under ordinary regional allocation. When the defects of the grant came to light, the Federal Government, in fulfilment of the financial responsibility for the Southern Cameroons which it accepted at the Resumed Conference in 1954 when that territory was separated from the Eastern Region and made quasi-federal territory, agreed early in 1955 that if the sum payable to the territory in respect of the constitutional grant, together with such profits as the Cameroons Development Corporation disbursed, fell below £580,000, the Federal Government would advance the shortfall at interest. This arrangement was agreed for three years, 1955-56, 1956-57 and 1957-58. The table below shows the actual or estimated level of the constitutional grant, the actual amount received from profits of the Cameroons Development Corporation, and the actual or estimated advances made by the Federal Government since the 1st October, 1954.

	Constitutional Grant	C.D.C. Profits	Federal Advances
	£	£	£
1st October, 1954—31st March, 1955 ...	569,000(a)	60,300(a)	—
1955—1956 ... ..	430,500(a)	19,200(a)	nil
1956—1957 ... ..	217,000(b)	nil	363,000(b)
1957—1958 ... ..	224,000(b)	15,100(a)	340,900(b)

(a) audited figures.

(b) revised estimates.

### Treatment as a Region for Revenue Allocation

17. It is clear to us that the existing system has not in fact worked out well. It was represented to us on our preliminary visit that the Southern Cameroons would be financially more viable if it were treated for the purposes of revenue allocation as if it were a Region, as from the 1st April, 1958. This proposal was supported by the Federal Government at the Lagos meeting on the 14th and 15th November, 1957, while the Regional Governments raised no objection to it on the understanding that the Regions' own revenues would not be adversely affected thereby. Item (b) of our terms of reference does in fact require us to consider among other things whether the Southern Cameroons should be treated as a Region for the purposes of revenue allocation. In all the circumstances we have thought it right to examine this proposal now as one offering an immediate source of improvement. On the basis of actual figures for 1956-57, and estimates for 1957-58 and for 1958-59, it is evident that, if the Southern Cameroons were treated as if it were a Region for purposes of revenue allocation, the result would be considerably more favourable than that achieved by the present constitutional grant in those years. Wide fluctuations from year to year would also be avoided. We are satisfied therefore that the adoption of this proposal would produce a more consistently favourable result for the Southern Cameroons than the present system, and on that basis we recommend that, with effect from the 1st April, 1958, the Southern Cameroons should be treated as if it were a Region for the purposes of revenue allocation. This would mean that it would be treated in the same way as the existing Regions for the purposes of revenue allocation.

### Costs of Revenue Collection

18. If it is accepted that the Southern Cameroons should be treated as if it were a Region, it will be necessary to make provision for the territory to pay its share of the costs of federal revenue collection. The existing Regions are required to make such payment to the Federal Government under section 164 of the Nigeria (Constitution) Order in Council, 1954.

### Import Duties (Other)

19. At present the Southern Cameroons has attributed to it 1 per cent of the imports of goods other than tobacco and motor spirit (see footnote to paragraph 9 above). On this basis, if the Southern Cameroons were treated as if it were a Region, it would receive as revenue  $\frac{1}{2}$  per cent of the duties on these imports, the other  $\frac{1}{2}$  per cent being retained by the Federal Government. The studies made by the Federal Government Statistician since the 1954 Resumed Conference, however, include an estimate of the consumption of imported goods, other than motor spirit and tobacco, in the Southern Cameroons. His conclusion is that the correct figure for the consumption of such imported goods lies between firm figures of  $1\frac{1}{2}$  per cent and 3 per cent of the total for the Federation, and that the probable figure is between

2 per cent and  $2\frac{1}{2}$  per cent. We are satisfied that, in the light of the evidence now available, the proportion of the imports of goods other than tobacco and motor spirit attributable to the Southern Cameroons may fairly be put at 2 per cent. The Southern Cameroons when treated as if it were a Region should therefore receive as revenue 1 per cent of the duties on these goods.

20. The Federal Government told us that, if we recommended that the Southern Cameroons' share of the proceeds of import duties (other) should be increased, they would be content to leave it to us to recommend from where the increased allocation to the Southern Cameroons should be found. It is our view that the extra  $\frac{1}{2}$  per cent should be at the expense of the Federal Government, and our recommendation is therefore that the percentage distribution of revenue from import duties (other) in the Federation as a whole should be revised with effect from the 1st April, 1958, as follows:—

	Per cent
North ... ..	15
West ... ..	20
East ... ..	$14\frac{1}{2}$
Southern Cameroons ... ..	1
Federation ... ..	$49\frac{1}{2}$

21. The Southern Cameroons Government suggested that, if the advances and interest thereon under the Federal Government's revenue guarantee, mentioned in paragraph 16, could not be written off (and we refer to this particular point in paragraph 23 below), the territory's share of import duties (other) should be adjusted retrospectively to the 1st October, 1954. The share of revenue from import duties (other) has however been only one element in the calculation of the constitutional grant. There have been others which have worked out more favourably to the Southern Cameroons that might not be fully justified and we do not consider that it would be a fruitful exercise to review the various component parts of the grant retrospectively in this manner. We do not therefore recommend any retrospective change in the Southern Cameroons' share of revenue from import duties (other).

#### **Pension Contribution**

22. The Southern Cameroons has no separate public service of its own, and government officers serving there are part of the Federal public service. In consequence there is no Southern Cameroons Pensions Ordinance. The Southern Cameroons Government represented to us that a pension charge of 25 per cent of the territory's expenditure on pensionable staff emoluments bore heavily on the territory and argued that, if it were decided to recommend the abandonment of the present constitutional grant, a new method should be devised of charging the territory for pensions. The method they suggested was simply to charge the territory each year with a contribution for that part of any pension actually paid in the year which related to any service in a Southern Cameroons department in the period after the 1st October, 1954. We have carefully examined this suggestion. While it is true that pensionable government officers serving in the Southern Cameroons are not technically on secondment, their position is very close to one of secondment. In particular it is the Federal Government which is responsible for the payment of the pensions of the officers involved. For this reason the Federal Government wishes to continue to secure from the Southern Cameroons Government a 25 per cent pension contribution in respect of officers serving in the territory, while itself continuing to pay an officer's pension in full when the occasion arises. We are satisfied that the same pension arrangements should apply as if the pensionable officers serving in the Southern Cameroons were

on secondment. Our recommendation is therefore that the present pension arrangements should be continued.

### **Loan Charges**

23. The Southern Cameroons Government asked us to recommend in our Preliminary Report that advances made by the Federal Government under the guarantee arrangement, together with the interest thereon, should be written off. They also proposed that interest payments on the territory's working capital of £300,000 advanced by the Federal Government should be suspended until the Resumed Conference has considered our final Report. The Federal Government contended that these matters, which do not derive from section 163 of the Nigeria (Constitution) Order in Council, 1954, were outside the scope of the Preliminary Report. We agree with this contention. They will, however, need to be taken into account when the whole future financial position of the Southern Cameroons is reviewed in connection with our final Report.

### **Budgetary Position**

24. We wish to make it clear that, if the various recommendations that we have made for the Southern Cameroons are accepted, they will not in themselves on present estimates enable that territory to balance its recurrent budget in 1958-59. The estimate given to us of the Southern Cameroons share of federal revenues in 1958-59, if it were treated as a Region on the basis that we recommend, is £611,400. Against this it would be necessary to take into account on the expenditure side the cost of the 25 per cent pension contribution, estimated by the Federal Government to be some £73,000, and the territory's share of the costs of revenue collection—£6,000. In 1957-58 purely local revenue in the Southern Cameroons is expected to amount to some £350,000, but if expenditure in 1958-59 is to be on the basis at present planned the Southern Cameroons Government will need to consider most carefully what additional revenue can be raised from purely local sources in 1958-59. Other revenue, i.e. subventions from the Development Agency, and Colonial Development and Welfare recurrent grants if recurrent expenditure continues to be eligible for 100 per cent reimbursement, are estimated to amount to £95,000 in 1958-59. The Southern Cameroons Government estimate of their recurrent expenditure in 1958-59 at the time of our visit was at least £1.15m. This did not include any expenditure on repayment or interest charges on the sums advanced under the Federal guarantee, or on interest charges in respect of the territory's working capital. It will be apparent from these figures that, if they are a true reflection of the likely position, recurrent expenditure for 1958-59 could only proceed on the basis at present planned if there were an assurance of assistance from some source outside the Southern Cameroons. For the present we do no more than draw attention to this situation. In the absence of any agreement between the Governments concerned, we do not feel that our interim terms of reference permit us to make recommendations on the way in which the situation might be met or the form of any assistance that was justified might take. We shall however return to this matter, in relation to item (b) of our terms of reference, in our final Report.

## **SUMMARY OF CONCLUSIONS**

25. Our conclusions in this Preliminary Report can be summarised thus:—

- (a) The principle of derivation is accurately reflected in the present method of allocating to the Regions their share of the proceeds of export duties, mining royalties, mining rents, income tax and small craft licences.

- (b) Since Sir Louis Chick reported in 1953, more information has become available which would enable a more accurate application of the principle of derivation to be made in respect of the allocation of revenues from import duties (other), and from the duties on tobacco, motor spirit and locally-brewed beer. The principle of derivation however is not the only principle involved.
- (c) The principles underlying the present system include meeting the reasonable needs of the Centre and each of the Regions. Changes in the present arrangements ought not to be made without most careful consideration of their full budgetary implications.
- (d) The nature of our interim terms of reference has led us to conclude that no change can be implemented *before* the Resumed Conference unless there is general agreement on it.
- (e) But, apart from the proposals affecting the Southern Cameroons, none of the suggestions made to us for interim variations offered a solution that was at all likely to be generally acceptable.
- (f) The changes recommended in this Preliminary Report are therefore limited to the Southern Cameroons. But we shall return to the question of what interim variations, if any, are justified in a separate part of our final Report.

#### **Southern Cameroons**

- (g) The present system of constitutional grant to the Southern Cameroons has not been a success.
- (h) We recommend that, with effect from the 1st April, 1958, the Southern Cameroons should be treated as if it were a Region for the purposes of revenue allocation, and that 2 per cent of import duties (other) should be deemed to be attributable to the territory.
- (i) The Southern Cameroons Government should continue to pay a 25 per cent pension contribution to the Federal Government in respect of pensionable Federal officers serving in the territory.
- (j) The changes that we recommend will not in themselves, on present estimates, enable the Southern Cameroons to balance its recurrent budget in 1958-59. In the absence of any agreement between the Governments concerned, however, we do not feel that our interim terms of reference permit us to make further recommendations on this, but we shall return to the matter in our final Report.

JEREMY RAISMAN,  
*Chairman.*

R. C. TRESS,  
*Member.*

London, December, 1957.

P. J. GALLAGHER,  
*Adviser on Indirect Taxation.*

M. PHILLIPS }  
J. D. GREIG } *Joint Secretaries.*

## APPENDIX B

### THE DERIVATION FORMULA

The original calculations drawn upon by Sir Louis Chick for arriving at his derivation formula for import duties (other) were those made by Dr. A. R. Prest and Mr. I. G. Stewart of *consumption expenditure on imported goods* in 1950-51.\* They excluded Government imports and capital goods. They included the customs duties and internal distribution costs on imported goods. The resulting ratios of regional to total amounts were as follows (per cent):

<i>Northern Region</i>	<i>Eastern Region and Southern Cameroons</i>	<i>Western Region including Lagos</i>
27·2	27·4	45·4

No exactly corresponding figures for later dates have been produced, but by general consent, reference has been made instead to estimates of the values of imports: either the distributions of *sales of total imports by value* (the calculations of the Federal Government Statistician) or the distribution of *import duty arising from sales of imports* (the calculations of the Western Region's consultants).† Having studied all the figures of this type presented to us, we have reached the conclusion that a more up-to-date set of ratios under Sir Louis Chick's three heads would have been approximately as follows (per cent):

<i>Northern Region</i>	<i>Eastern Region and Southern Cameroons</i>	<i>Western Region including Lagos</i>
31	26	43

2. From these figures there is then need to separate off an allowance for the Southern Cameroons from the Eastern Region percentage and an allowance for Lagos from the percentage for the Western Region. The former has to be applied separately to the Southern Cameroons. The latter has to be combined with allowances for the Lagos element in the motor spirit and tobacco duties accruing to the Western Region and the whole distributed proportionately between the Regions, the West included.

3. The detachment of the Southern Cameroons allowance from the Eastern Region percentage presents no problem. It was concluded at the 1954 Resumed Conference that the Southern Cameroons should have attributed to it 1 per cent of other imports at the expense of the Eastern Region. The recommendation in our Preliminary Report that a further 1 per cent should be deemed to be attributable to the Southern Cameroons was accepted and implemented from the 1st April, 1958.‡ Unhappily there is no such easy conclusion regarding Lagos; nor can there be, for the reasons given in paragraphs 11 and 12 of our Preliminary Report. It is clear that Sir Louis Chick himself deducted one-fifth, or 9 per cent, from the West's share of import duties (other) to allow for the combined Lagos elements in all three of import duties (other), motor spirit duties and tobacco duties. The disputed question is whether or no this one-fifth, or 9 per cent, was too small.

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\* In *The National Income of Nigeria, 1950-51*, Colonial Research Studies No. 11.

† See paragraph 10 of our Preliminary Report, at Appendix A.

‡ As a result when treated as a Region the Southern Cameroons receives as revenue 1 per cent of import duties (other) and our recommendation that the extra  $\frac{1}{2}$  per cent should be at the expense of the Federal Government was also accepted so that the federal share of revenue from these duties became 49 $\frac{1}{2}$  per cent.

4. Our examination of the problem can be set out in two stages. First of all, we have not encountered any suggestions that the deduction of one-fifth for Lagos used by Sir Louis Chick has been too large. If, however, this deduction is applied to the revised figures given in paragraph 2 above and the resultant distributed proportionately, the following revised percentages emerge:

<i>Northern Region</i>	<i>Eastern Region</i>	<i>Western Region</i>
34	27	38

(plus 1 per cent for the Southern Cameroons). There is clear evidence, therefore, that under the present system the Northern Region is receiving less than its due.

5. Secondly, should the deduction for Lagos have been larger than one-fifth? A larger deduction would, of course, raise the percentages of both the North and the East beyond the figures above. Though the statistical evidence is inadequate to give a precise figure, we are satisfied that there is support for some further deduction. We are not convinced, however, that the appropriate revision would be as great as has sometimes been suggested. In particular, it would not be so large that, when redistributed between all three Regions, it would restore the East's percentage to its present level of 29 per cent.

6. Our conclusion therefore is that the Western Region is at present receiving more than its due share of the regional allocation of import duties (other), that the Eastern Region and the Southern Cameroons are each receiving at least their due share, and that the Northern Region is receiving less than its due share. The loss to the Northern Region at the present time is approximately £500,000 a year.

## APPENDIX C

### LIST OF PERSONS CONSULTED BY THE COMMISSION

#### Federal Government

Sir JAMES ROBERTSON, G.C.M.G., G.C.V.O., K.B.E., *Governor-General*.

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Alhaji The Hon. ABUBAKAR TAFAWA BALEWA, C.B.E., M.H.R., *Prime Minister*.

The Hon. Chief F. S. OKOTIE-BOH, M.H.R., *Minister of Finance*.

Alhaji The Hon. MUHAMMADU RIBADU, M.B.E., M.H.R., *Minister of Lagos Affairs, Mines and Power*.

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Sir RALPH GREY, K.C.V.O., C.M.G., O.B.E., *Deputy Governor-General*.

Mr. F. D. C. WILLIAMS, C.M.G., *Economic Adviser*.

Mr. C. S. K. BOVELL, C.M.G., *Inspector-General of Police*.

Mr. G. G. CARLYLE, O.B.E., *Permanent Secretary, Ministry of Finance*.

Mr. R. A. CLARKE, D.F.C., *Under Secretary (Finance), Ministry of Finance*.

Mr. F. G. SELBY, C.B.E., *Commissioner of Income Tax*.

Mr. F. G. REYNOLDS, *Acting Commissioner of Income Tax*.

Mr. J. PROBYN FRANCK, *Legal Adviser, Department of Inland Revenue*.

Mr. D. W. MILLER, *Comptroller of Customs and Excise*.

Mr. S. G. QUINTON, *Acting Deputy Comptroller of Customs and Excise*.

Mr. R. K. SMALLWOOD, *Assistant Comptroller of Customs and Excise*.

Mr. T. RYLANCE, *Assistant Comptroller of Customs and Excise, Port Harcourt*.

Mr. G. HAWKESWORTH, C.M.G., *Chairman, Federal Public Service Commission*.

Mr. S. G. CHAMBERS, O.B.E., *Federal Government Statistician*.

Mr. C. A. ELLIS, *Deputy Government Statistician*.

Mr. H. P. ELDER, *Director of Marketing and Exports*.

Mr. H. H. WESTALL, *Assistant Director (Finance), Department of Marketing and Exports*.

Mr. J. E. B. HALL, *Director of Commerce and Industries*.

Mr. R. E. VIDAL, T.D., *Deputy Director of Commerce and Industries*.

#### Northern Region Government

Sir GAWAIN BELL, K.C.M.G., C.B.E., *Governor, Northern Region*.

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Alhaji The Hon. AHMADU, C.B.E., M.H.A., *Sardauna of Sokoto, Premier*.

Alhaji The Hon. ALIYU, O.B.E., M.H.A., *Makama of Bida, Minister of Finance*.

Alhaji The Hon. ISA KAITA, O.B.E., M.H.A., *Madawaki of Katsina, Minister of Education*.

The Hon. G. U. OHIKERE, M.H.A., *Minister of Works*.

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Mr. H. A. S. JOHNSTON, O.B.E., D.F.C., *Secretary to the Premier*.

Mr. J. TAYLOR, *Permanent Secretary, Ministry of Finance*.

Mr. J. P. P. GIBBS, *Acting Deputy Permanent Secretary, Ministry of Finance*.

Mr. R. S. LATHAM, *Ministry of Finance*.

Mr. R. O. MANT, *Ministry of Finance*.



M. AHMED TALIB, *Ministry of Finance.*  
 Mr. D. D. REID, *Ministry of Finance.*  
 Mr. W. B. ROBINSON, *Acting Principal Commercial Officer, Department of Trade and Industry, Kano.*

#### Western Region Government

Sir JOHN RANKINE, K.C.M.G., K.C.V.O., *Governor, Western Region.*

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The Hon. Chief OBAFEMI AWOLowo, M.H.A., *Premier.*  
 The Hon. Chief J. A. O. ODEBIYI, M.H.A., *Minister of Finance.*  
 The Hon. Chief F. R. A. WILLIAMS, M.H.A., *Attorney-General.*

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Mr. S. O. ADEBO, *Permanent Secretary, Ministry of Finance.*  
 Mr. I. O. DINA, *Chief Planning Officer.*  
 Mr. C. J. BAKER, *Commissioner of Inland Revenue.*  
 Mr. B. COOKE, *Ministry of Finance.*  
 Mr. H. A. EJUEYITCHIE, *Ministry of Finance.*  
 Mr. H. S. A. ADEDEJI, *Ministry of Trade and Industry.*  
 Mr. I. AMADI-EMINA, *Regional Government Statistician.*

#### Eastern Region Government

Sir ROBERT STAPLEDON, K.C.M.G., C.B.E., *Governor, Eastern Region.*

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The Hon. Dr. S. E. IMOKE, M.H.A., *Minister of Finance.*  
 The Hon. Dr. M. I. OKPARA, M.H.A., *Minister of Production.*  
 The Hon. J. U. NWODU, M.H.A., *Minister of Commerce.*

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Mr. J. O. UDOJI, *Permanent Secretary, Ministry of Finance.*  
 Mr. P. T. BARTON, *Acting Permanent Secretary, Ministry of Finance.*  
 Mrs. URSULA K. HICKS, *Consultant to the Eastern Regional Government.*  
 Mr. E. G. STUMPENHUSON-PAYNE, *Permanent Secretary, Ministry of Commerce.*  
 Mr. P. S. F. FLEMING, *Ministry of Finance.*  
 Mr. H. M. WHITTINGTON, *Ministry of Finance.*  
 Mr. R. H. WHITTAM, M.B.E., *Commissioner of Internal Revenue.*  
 Mr. D. R. JONES, *Acting Commissioner of Internal Revenue.*  
 Mr. J. BRIDGETT, *Accountant-General.*  
 Mr. M. G. JAJA, *Assistant Trade Officer, Onitsha.*  
 Mr. D. O. OSAKA, *Market Supervisor, Onitsha Market.*

#### Southern Cameroons Government

Mr. J. O. FIELD, *Commissioner of the Cameroons.*  
 The Hon. Dr. E. M. L. ENDELEY, O.B.E., M.H.A., *Premier.*  
 The Hon. F. N. AJEBE SONE, M.H.A.  
 The Hon. V. T. LAINJO, M.H.A.  
 The Hon. Rev. S. ANDO SEH, M.H.A. } *Ministers.*

Mr. J. DUDDING, *Deputy Commissioner of the Cameroons.*  
Mr. A. B. WESTMACOTT, *Acting Deputy Commissioner of the Cameroons.*  
Mr. J. MURRAY, *Financial Secretary, Southern Cameroons.*  
Mr. A. D. H. PATERSON, M.B.E., *Acting Financial Secretary.*  
Mr. L. O. MADARIKAN, *Acting Legal Secretary.*  
Mr. B. L. WALKER, *Acting Legal Secretary.*  
Mr. A. G. BRAMWELL, *Senior Assistant Conservator of Forests.*

#### **Non-Officials**

Sir SYDNEY PHILLIPSON, C.M.G., *Chairman, Higher Education Institutions.*  
Mr. N. C. A. LEVY, *Chairman, Northern Regional Marketing Board.*  
Mr. C. A. DOVE, M.B.E., *Chairman, Nigerian Ports Authority.*  
Mr. R. S. CLEAVER, *General Manager, Cameroons Development Corporation.*  
Mr. R. B. GROULX, *General Manager, Mobiloil (Nigeria) Ltd.*  
Mr. W. F. REID, *Acting General Manager, Shell Co. (West Africa) Ltd.*  
Mr. E. C. W. HOWARD, O.B.E., *Chairman and General Manager, John Holt and Co. (Nigeria) Ltd.*  
Mr. E. C. JUDD, *Chairman and General Manager, United Africa Co. (Nigeria) Ltd.*  
Mr. J. B. DAVIES, *General Manager, United Africa Co. (Nigeria) Ltd., Northern Region.*  
Mr. C. P. LEVENTIS, *General Manager, A. G. Leventis and Co. Ltd.*  
Mr. P. G. TINDLEY, *Chairman, Nigerian Tobacco Ltd.*  
Mr. N. J. A. HORLEY, *Factory Manager, Nigerian Tobacco Ltd., Ibadan.*  
Mr. F. S. HAYWOOD, *General Manager, Nigerian Brewery Ltd.*  
General Sir FRANK SIMPSON, G.B.E., K.C.B., D.S.O., *Adviser to the West Africa Committee.*  
Mr. A. G. ELLIOT-SMITH, C.B.E., *Representative in Nigeria of the West Africa Committee.*  
Mr. J. JOHNSTON, *Secretary, Plantation Association of Nigeria and the British Cameroons.*  
Brigadier T. HILL, O.B.E., M.C., *Secretary, Nigerian Timber Association.*  
Mr. J. L. BRANDLER, *Brandler and Rylke Timber Company.*  
Mr. H. G. LLEWELLYN, *Public Relations Manager, Shell/B.P.*  
Mr. S. HIELESON, *Factory Manager, Nigerian Cement Co., Nkalagu.*  
Mr. M. S. BISSET, *Secretary, Nigerian Cement Co.*  
Mr. R. A. MORTIMORE, *Commercial Manager, Kaduna Textiles Ltd.*  
Mr. R. F. MILES, *Secretary, Kaduna Textiles Ltd.*  
Mr. R. I. TAYLOR, *Finance Officer, Shell Co. (West Africa) Ltd.*  
Mr. T. K. D. THOM, *Shell Co. (West Africa) Ltd.*  
Mr. H. A. MOORREES, *Shell Co. (West Africa) Ltd.*

## APPENDIX D

**LIST OF ORGANISATIONS AND PERSONS SUBMITTING  
MEMORANDA**

Federal Government.  
Government of the Northern Region.  
Government of the Eastern Region.  
Government of the Western Region.  
Government of the Southern Cameroons.  
Federal Ministry of Finance.  
Kamerun National Democratic Party.  
Rivers Chiefs and Peoples Conference.  
Plantation Association of Nigeria and the British Cameroons.  
West Africa Committee.  
Shell Company of West Africa Ltd.  
Nigerian Tobacco Company.  
Nigerian Breweries Ltd.  
Nigerian Union of Teachers.  
Jos Native Authority.  
Mr. W. A. Warmington.

## APPENDIX E

### SURVEY OF PRESENT SYSTEM OF DIRECT AND PERSONAL INCOME TAXATION

#### A. Local Government

##### *Present Revenue System*

In surveying the present system of direct and personal income taxation in Nigeria it may first be convenient to describe briefly the existing system of direct and other taxes in the local government field. The Hicks-Phillipson Report gives a brief history of the direct tax system extant in Nigeria at that time.\* When the Revenue Allocation Commission was sitting, Native Administrations existed in all Regions and received something like 90 per cent of the proceeds of direct tax which was raised throughout Nigeria, leaving only some 10 per cent for the use of the Regional Governments. Today Native Authorities and the direct tax system exist only in the North and in the Southern Cameroons, as the Eastern and Western Regions have both set up new types of local government authorities and have substituted regional income tax laws for the provisions of the Direct Tax Ordinance.

2. In the North both the general tax and the cattle tax are collected by the Native Authorities. So far as general tax is concerned, the Regional Government first fixes a capitation rate which now stands at 5s. per head throughout the Region. Each Native Authority then works out what revenue it will itself require and apportions the amount to be raised by each constituent district. The basic rate of general tax may vary between Districts according to wealth, but a common rate of cattle tax applies throughout. Incomes which are held to be ascertainable, such as those of merchants, traders and salaried persons, are assessed by local assessment committees and a graduated rate of tax levied upon them. The rate rises from 4d. in the £ on the first £72 and 6d. in the £ on the next £328 to 2s. in the £ on that proportion of incomes between £1,000 and £2,000, and thereafter by increases of 1s. in the £ on each thousand pounds up to a maximum rate of 15s. Neither personal nor family allowances are given. The system of assessment leaves much scope for local influences to be brought to bear and we were informed that the wealthier citizens are under-assessed to a marked degree. The incomes of women are not taxed. The other sources of income of the Native Authorities include fines and fees, local licences and grants from the Regional Government. It is the policy of the Regional Government that the sum which it pays out annually in grants should approximate to that which it receives annually from the capitation rate on general and cattle taxes, although there is an element of equalization in the way in which the grants are distributed. We understand that this policy will continue if the proposal to set up Provincial Administrations is implemented.

3. A similar direct tax system operates in the Southern Cameroons, except that, as from the 1st April, 1958, 12½ per cent of the total proceeds of the tax is payable to the Southern Cameroons Government in substitution for the previous capitation rate. Assessments on peasant farmers varied between 15s. and 30s. in 1957-58; the rates on the ascertainable incomes of adult males were broadly similar to those levied in the Northern Region, although rising more sharply in respect of the higher income groups. The incomes of women are not taxed. Broadly speaking, the same sources of revenue are available to the Native Authorities as in the North but their functions are much more limited and they are less dependent on Government grants.

\* Report of the Commission on Revenue Allocation, 1951 (paragraph 60 (i)).

They have the power to levy rates on property but little use has been made of this as yet. As a result of the present activity in the timber trade the 50 per cent share of revenue from fees and royalties on timber felling for commercial use, which the Native Authorities receive, has become a valuable source of revenue.

4. In the Eastern Region the present structure of local government councils dates from 1955. As from April, 1956, direct tax revenue was removed from their competence, leaving the councils heavily dependent on grants from the Regional Government. Apart from revenue from fees, licences and services, they are entitled to raise rates. Property rates are levied in six urban areas. Elsewhere capitation rates are collected, which in 1957-58 varied from 3s. to 15s. depending on the area. A ceiling of 15s. was laid down by the Regional Government. As a result of the difficulties experienced in financing the scheme of Universal Primary Education, a local contribution to the cost of primary education by means of school entrance fees, local rates or otherwise, was reintroduced in February, 1958. We were informed that the proposed reorganisation of local government in the Eastern Region is unlikely to result in any additional sources of revenue being handed over to local authorities. (The existing County Councils were abolished on the 31st March, 1958, and their functions and assets are being handed over to the present District Councils.)

5. Since 1952 divisional, district and local councils have been developed in the Western Region. They are now financed mainly by a system of rating and by grants from the Regional Government particularly in respect of primary education, the Regional Government bearing something like 70 per cent of the recurrent cost of primary education. The rates are not progressive and are based on an assessment of gross income carried out by local committees, on a valuation of property, or on a uniform rate per capita. All persons resident in the Region, other than non-Africans assessed under the Federal Income Tax Ordinance, are therefore subject to assessment by the local government councils, which are assisted in the work of income tax assessment by the Regional Department of Inland Revenue. The councils' jurisdiction is limited to that proportion of incomes below £300 per annum, above which figure regional income tax applies. The absence of qualified valuers and the temporary nature of many buildings, particularly in rural and creek areas, makes the development of property rating a slow process.

6. The Lagos Town Council derives its revenue from Federal Government grants, property rates, agency fees for licensing activities where the proceeds accrue to the Federal Government, and such miscellaneous sources as markets, vehicle parks, court fines, etc. The provisions of the Federal Income Tax Ordinance apply to all levels of income in Lagos over £50 per annum, the attempt to reintroduce a system of direct tax on incomes below £200 per annum having been opposed by the inhabitants of Lagos in 1940.\*

#### *The Future*

7. We have included this review of the local government field because without it an appreciation of the revenue structure of Nigeria would be incomplete. It helps to illustrate the differences that exist internally in the fiscal system between the Northern Region and the Southern Cameroons on the one hand, and the Eastern and Western Regions on the other. In the Northern Region, for instance, the net revenue of the Native Authorities, other than from Government grants, amounted to some £5.5m. in 1956-57 compared with some £3.5m. in the Western Region, and £.4m. in the

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\* See footnote to paragraph 88 of the Report of the Commission on Revenue Allocation, 1951.

Eastern Region. (This latter figure compares with one of some £2.2m for 1955-56, before direct tax revenue was removed from the competence of local government councils on the 1st April, 1956.) Our review of the local government field leads on to a description of the regional income tax systems that are now being developed in the East and the West. For the future the nature of the financial system for local government in each Region, in Lagos and in the Southern Cameroons will continue to be a matter for decision by the respective Governments. It has been suggested that the Federal Government should consider raising the exemption limit in Lagos to £300 per annum and leaving it to the Lagos Town Council to tax all incomes below that level.

## **B. Personal Income Tax**

### *Present Position*

8. Under the existing constitution non-Africans throughout Nigeria are subject to federal personal income tax. If they are resident in Lagos, Africans are liable to federal income tax on all their income arising in or brought into Nigeria. If they are resident elsewhere in Nigeria, they are liable to federal income tax only on any income arising outside Nigeria which is brought into the country. If they are resident outside Nigeria, all their income accruing in any part of Nigeria is liable to federal income tax. In practice, however, administrative difficulties preclude the assessment of incomes other than those of Lagos residents and regional tax authorities attempt to assess such incomes themselves.

9. We refer below to the rates of federal personal income tax. Under the present constitution the proceeds of personal income tax on non-Africans in the Regions are distributed in full to the Regional Governments on the basis of residence.

10. Since the 1st April, 1956, all African males over the age of 16 in the Eastern Region have been liable to pay regional income tax. In addition, African women wage or salary earners over the age of 16 and earning more than £100 a year, and African women over the age of 16 living or doing business in six urban areas and with an income arising in such an area of over £100 a year are also liable to the regional tax. In 1956-57 it was calculated that 1.5 million persons were liable to tax out of a total regional population of 7.2 million. Of these 1.2 million had incomes below £60 a year, 0.2 million had incomes of over £60 a year and 100,000 were tax-payers whose income tax was deducted at source. The basis of charge is residence. While the Regional Department of Internal Revenue is responsible for income tax administration, assessment is carried out under officers of the divisional administration, assisted by local assessment committees. Tax is collected by administrative officers assisted by agents, who receive a commission of 5 per cent. The system of income tax deduction by employers from wages and salaries has worked well.

11. Africans resident in the Western Region have been liable for regional income tax since the 1st April, 1957, on income from all sources accruing in or derived from any of the Regions (but not from Lagos). Assessments are also made on the incomes of Africans resident in another Region, but derived from the Western Region. The Inland Revenue Department is still in the initial stages of development and collection of tax during 1957-58 was considerably below the original estimates. District inspectors are being appointed to undertake the assessment and collection of income tax and are being assisted in the work of assessment by persons with local knowledge.

12. The tables shown below give examples of the amounts of income or direct tax which Africans resident in the five different areas would be liable to pay on various selected incomes. It must be assumed that the

great majority of Africans pay the rates shown in Table 9. The figures given for the West include an element for rates payable on income under the local government law, but in all cases liability to education or property rates has been ignored.

TABLE 7

*Income Tax or Direct Tax paid by Single Africans*

Annual Salary	Lagos	West	East	North	Southern Cameroons
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
50 ...	18 0	2 10 0	1 10 0	16 8	1 5 0
100 ...	1 17 6	5 0 0	4 0 0	1 18 0	1 17 6
200 ...	3 15 0	13 15 0	12 10 0	4 8 0	3 15 0
400 ...	11 5 0	26 13 4	37 10 0	9 8 0	7 10 0
600 ...	22 0 0	35 16 8	62 10 0	19 8 0	11 5 0
800 ...	37 10 0	50 16 8	87 10 0	31 18 0	18 2 6
1,000 ...	67 10 0	75 16 8	140 12 6	48 18 0	31 17 6
2,000 ...	277 10 0	260 16 8	421 17 6	148 18 0	213 6 6
3,000 ...	577 10 0	505 16 8	890 12 6	298 18 0	488 2 6

TABLE 8

*Income or Direct Tax paid by Married African with one Child*

Annual Salary	Lagos	West	East	North	Southern Cameroons
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
50 ...	18 0	2 10 0	1 5 0	16 8	1 5 0
100 ...	1 17 6	5 0 0	2 17 6	1 18 0	1 17 6
200 ...	3 15 0	10 0 0	7 10 0	4 8 0	3 15 0
400 ...	7 10 0	21 0 0	22 10 0	9 8 0	7 10 0
600 ...	11 5 0	29 3 4	37 10 0	19 8 0	11 5 0
800 ...	20 5 0	38 16 8	52 10 0	31 18 0	18 2 6
1,000 ...	34 10 0	56 16 8	103 2 6	48 18 0	31 17 6
2,000 ...	223 10 0	232 16 8	309 7 6	148 18 0	213 2 6
3,000 ...	505 10 0	470 16 8	653 2 6	298 18 0	488 2 6

TABLE 9

*Income or Direct Tax paid by Married African with Three Children*

Annual Salary	Lagos	West	East	North	Southern Cameroons
£	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
50 ...	18 0	2 10 0	1 2 6	16 8	1 5 0
100 ...	1 17 6	5 0 0	2 1 3	1 18 0	1 17 6
200 ...	3 15 0	10 0 0	5 0 0	4 8 0	3 15 0
400 ...	7 10 0	18 0 0	15 0 0	9 8 0	7 10 0
600 ...	11 5 0	25 16 8	25 0 0	19 8 0	11 5 0
800 ...	15 15 0	34 16 8	35 0 0	31 18 0	18 2 6
1,000 ...	28 10 0	48 16 8	75 0 0	48 18 0	31 17 6
2,000 ...	205 10 0	216 16 8	225 0 0	148 18 0	213 2 6
3,000 ...	481 10 0	450 16 8	475 0 0	298 18 0	488 2 6

It is interesting to compare these figures with the conclusion reached by the 1954 Resumed Constitutional Conference that it was desirable that there should be a uniform level of tax of personal incomes.\*

\* Paragraph 12 (viii) of the Report by the Resumed Conference on the Nigerian Constitution, 1954 (Cmd. 9059).

**APPENDIX F**  
**PROPOSED SCHEME FOR THE ALLOCATION OF REVENUES**

(a) Projections for 1959-60\*

£000

Sources of Revenue	Federal Govern-	Total Revenue— Regional Govern- ments, including Southern Cameroons	Northern Region	Western Region	Eastern Region	Southern Cameroons
<b>A. INDEPENDENT REVENUES</b>						
<b>(i) From Taxation</b>						
1. Personal income tax ...	} 1,000	5,143	1,973	380	2,722	68
2. Direct tax ...		—	—	—	—	—
3. Company tax ...	4,500	—	—	—	—	—
4. Export duty and/or sales taxes on produce ...	—	13,771	4,284	5,867	3,068	552
5. Import duty and sales tax on motor spirit ...	310	2,321	585	860	816	60
6. Import duty and sales tax on diesel oil ...	50	200	75	62	58	5
7. Import duty on liquor ...	2,850	—	—	—	—	—
8. Excise duty on liquor ...	400	—	—	—	—	—
9. General import revenue ...	26,000	—	—	—	—	—
10. Mining royalties and rents 50% to Federal Government ...	725	—	—	—	—	—
11. Licences and internal revenue ...	500	1,559	540	450	449	120
<b>Total, Independent Revenue from Taxation ...</b>	<b>36,335</b>	<b>22,994</b>	<b>7,457</b>	<b>7,619</b>	<b>7,113</b>	<b>805</b>
<b>(ii) From Other Sources</b>						
12. Fees of court and office ...	320	622	113	320	170	19
13. Posts and Telegraphs ...	4,445	—	—	—	—	—
14. Water supplies ...	100	130	54	1	72	3
15. Rent of government property ...	280	555	190	105	205	55
16. Interest and repayments ...	3,850	2,336	782	1,366	172	16
17. Earnings of government departments ...	2,150	956	535	160	189	72
18. Miscellaneous ...	1,000	414	180	215	18	1
<b>Total, Independent Revenue from other sources ...</b>	<b>12,145</b>	<b>5,013</b>	<b>1,854</b>	<b>2,167</b>	<b>826</b>	<b>166</b>
<b>B. DERIVED REVENUE</b>						
19. Import duty on tobacco ...	460	3,840	740	1,630	1,430	40
20. Excise duty on tobacco ...	720	3,580	1,400	1,612	508	60
21. Mining royalties 50% to Federal Government ...	—	686	450	1	235	—
22. Mining rents 50% to Federal Government ...	4	35	29	2	4	—
<b>Total, Derived Revenue ...</b>	<b>1,184</b>	<b>8,141</b>	<b>2,619</b>	<b>3,245</b>	<b>2,177</b>	<b>100</b>
<b>C. GRANTS FROM DISTRIBUTABLE POOL ...</b>						
	-8,235	8,235	3,294	1,976	2,553	412
<b>TOTAL REVENUE ...</b>	<b>41,429</b>	<b>44,383</b>	<b>15,224</b>	<b>15,007</b>	<b>12,669</b>	<b>1,483</b>

\* The classification of revenues accords with the proposed new system of revenue jurisdiction and allocation. The figures set against each item are based on the projections of revenue supplied by the Federal and Regional Governments in relation to the present system of revenue jurisdiction and allocation. Additional revenue possibilities are not therefore included; for example the only sales tax revenue from motor spirit included in item 5 is in respect of the existing duty in the Eastern Region, while item 7 does not include any allowance for sales tax revenue from diesel oil, the Eastern Region sales tax not having been introduced at the time when the revenue projections were made. For further observations on the basis of these projections see paragraphs 124-125, 131, and 143-146 of the Report.



## APPENDIX F (continued)

## PROPOSED SCHEME FOR THE ALLOCATION OF REVENUES

(b) Projections for 1960-61 and 1961-62\*

£000

	1960-61					
	Federal	Total Regional Governments	North	West	East	Southern Cameroons
Independent Revenues:						
From Taxation ... ..	37,893	23,823	7,684	7,926	7,342	871
From Other Sources ... ..	13,059	5,134	1,877	2,194	892	171
Derived Revenue... ..	1,294†	9,006	2,924	3,533	2,419	130
Grants from Distributable Pool...	-8,670	8,670	3,467	2,081	2,688	434
TOTAL ... ..	43,576	46,633	15,952	15,734	13,341	1,606
	1961-62					
Independent Revenues:						
From Taxation ... ..	39,488	24,468	7,897	8,061	7,602	908
From Other Sources ... ..	13,847	5,222	1,900	2,221	925	176
Derived Revenue... ..	1,379	9,646	3,075	3,780	2,635	156
Grants from Distributable Pool...	-9,090	9,090	3,636	2,181	2,818	455
TOTAL ... ..	45,624	48,426	16,508	16,243	13,980	1,695

\* Based on projections supplied by the Federal and Regional Governments. For observations on the basis of these projections, see paragraphs 124-125, 131 and 143-144 of the Report.

APPENDIX G

PROJECTIONS OF RECURRENT EXPENDITURE BY SECTORS, FEDERAL AND REGIONAL GOVERNMENTS, 1959-60 to 1961-62\*

£000

Sectors	Federal Government			Regional Governments (including Southern Cameroons)			North			West			East			Southern Cameroons		
	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62	1959-60	1960-61	1961-62
1. Administration and Security† ...	11,242	11,639	12,000	7,527	8,184	8,753	2,284	2,398	2,518	1,238	1,349	1,395	3,737	4,154	4,545	268	283	295
2. Natural Resources and Trade and Industry ...	2,248	2,384	2,520	6,208	6,575	7,116	2,655	2,906	3,181	2,543	2,703	2,865	792	720	816	218	246	254
3. Works, Transport and Communications ...	11,515	12,291	12,923	5,241	5,682	6,157	2,463	2,709	2,980	1,727	1,785	1,840	822	932	1,038	229	256	299
4. Medical and Health ...	1,374	1,415	1,680	5,786	6,366	7,127	2,134	2,347	2,582	1,805	1,800	1,850	1,624	1,965	2,403	223	254	292
5. Education ...	3,541	3,882	4,105	15,957	17,379	19,332	3,168	3,485	3,833	6,353	6,555	7,330	5,955	6,720	7,382	481	619	787
6. Public Debt	2,302	2,502	2,650	1,296	2,365	2,783	623	1,249	1,249	604	989	1,374	69	127	160	—	—	—
7. Pensions and Gratuities†...	3,200	3,800	4,300	664	724	635	74	77	81	65	70	75	450	500	400	75	77	79
8. Miscellaneous	2,936	3,025	3,117	2,610	2,719	2,835	1,234	1,294	1,358	1,087	1,110	1,132	192	201	219	97	114	126
TOTAL ...	38,358	40,938	43,295	45,289	49,994	54,738	14,635	16,465	17,782	15,422	16,361	17,861	13,641	15,319	16,963	1,591	1,849	2,132

NOTES:

\* Based on projections supplied by Federal and Regional Governments respectively.

†The Eastern Region Government projections include the total grants to local government bodies, which in the case of the projections of other Governments are broken down into the appropriate sectors.

‡The Federal Government is responsible for all pensions in respect of service prior to 1st October, 1954. The projections in respect of the Southern Cameroons cover annual pension contributions to the Federal Government estimated at 25 per cent. of total pensionable emoluments for the year.

## APPENDIX H

GOVERNMENT AND MARKETING BOARD RESERVES, AND  
GOVERNMENT CAPITAL PROGRAMMES

TABLE 10

*Estimated General Reserves of Governments, 31st March, 1958*

	General Revenue Balance	Development Fund	Revenue Equalisation Fund
Federal ... ..	8,840	25,523	10,000(a)
North ... ..	4,110	2,427	1,900
West ... ..	1,430	12,205	2,956
East ... ..	3,753	1,404(b)	—
Southern Cameroons ...	272	—	—

The table does not include sinking, renewals or other miscellaneous funds.

(a) Reserve Fund.

(b) Local Contributions Account.

TABLE 11

*Reserves of Regional Marketing Boards at given dates*

	Date	General	Other
North ... ..	31.10.57	34,161(a)	1,651
West ... ..	30. 9.57	23,030(b)	1,023
East ... ..	31.12.57	11,809(c)	—
Southern Cameroons ...	30. 9.57	609(d)	—

(a) Includes £500,000 shares in Kaduna Textiles Ltd., £2,407,000 loan to the Northern Regional Government, and £3,790,000 loan to the Federal Government.

(b) Includes £1m. shares in the National Bank of Nigeria, £10m. loan to the Western Regional Government, and £4,972,000 loan to the Federal Government.

(c) Includes £2,109,000 loan to the Federal Government.

(d) Includes £279,500 loan to the Federal Government.

TABLE 12

*Capital Programmes of Governments, 1955-56 to 1961-62*

	1955-56	1956-57	1957-58 Revised Estimates	1958-59 Estimates	1959-60	1960-61 Forecasts(a)	1961-62
Federal ... ..	6,360	12,744	21,575	36,840	.....	54,459 (b)	.....
North ... ..	3,476	5,724	7,000	7,240	7,186	(c)	(c)
West ... ..	5,291	4,347	7,849	10,088	8,126	(c)	(c)
East ... ..	1,017	1,551	2,303	2,933	4,835	2,984	2,992
Southern Cameroons	80	365	313	636(d)	1,189	900	827

(a) Forecasts given are dependent on availability of resources.

(b) Over the three years.

(c) Not available.

(d) Draft estimates.