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Only the Powerless Pay Tax: A Historical Review of Tax Evasion and Avoidance in Southern Nigeria, 1900–2022

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Abstract

Tax evasion and avoidance have remained fundamental reasons for the gradual pace of development of Nigeria's economy since the inception of colonial rule. This study examines the issues of tax evasion and avoidance in Nigeria, and the role of the government, the citizens and the enabling laws in the under-development of the Nigerian economy. To present credible evidence around the focus of the research, the study adopts historical research methods considering both secondary sources (textbooks, peer-reviewed journal articles and newspaper reports) and primary sources (archival materials and oral interviews). The eventual findings of the paper indicate that some Nigerian groups frequently avoid paying their proportionate share of tax. The paper further finds that although tax reduction can help to reduce the incidence of tax evasion, resource-poor people frequently pay higher taxes than the wealthy, who commonly find ways to avoid paying their fair share of taxes; and also that tax officials manipulate tax rates in favour of rich clients. The study therefore concludes that tax evasion and avoidance will be mitigated if policymakers ensure that taxation is less arbitrary and burdensome.

Keywords

economy – tax evasion – Nigeria – taxation – tax avoidance – under-development

Introduction and Context Setting

The concept of tax, derived from the Latin word *taxo*, a mandatory financial charge regulated by a state, has been given both intellectual and theoretical attention in recent times (Frecknall-Hughes, 2015). It is indisputable that governments around the world need taxes to fund and govern their economic activities. In theory and practice the world over, taxes are thus required from citizens of any geographical jurisdiction by constituted authorities in order to fund the provision of infrastructural and social amenities meant for the benefit of the paying public (Yutkina, 1999). However, in spite of the evident benefits and the stated purpose of taxation, its collection is usually not without some form of avoidance or evasion, and this commonly has long-term implications for the economic progress and development of nations.

This paper is a critical attempt to explore the issues that have confronted taxation policy in precolonial, colonial and postcolonial Nigeria. Previous studies have examined taxation from the viewpoint of revolts against what is perceived as the oppressive taxation policy of the colonial government, but there has been very little attempt to examine issues in taxation across different phases of the precolonial, colonial and postcolonial era from the viewpoint of evasion and avoidance of tax. The effects of these fiscal behaviours on the economy and the stance of the government have also not received sufficient attention in literature.

The focus of the paper is on exploring the concepts of tax evasion and tax avoidance in Southern Nigeria from 1900 to 1970 and the implications that such behaviour had on the macro-economy of the region compared with national and global trends. The paper is divided into six sections. This introductory section provides background to the issues under discussion and outlines the questions that the research seeks to answer. This is followed by a theoretical framework on tax avoidance/evasion. The third section provides information on the research methodology adopted in the study, followed by the fourth section containing the data analysis. The fifth and sixth sections deal with the discussion and conclusion of the study.

This research seeks to provide answers to the following questions:

1. What is the nature of taxation prior to the advent of the British colonialists in Nigeria?
2. What is the concept of tax avoidance and tax evasion?
3. How did the British colonialists administer taxes, and what notable incidences of tax avoidance/evasion were recorded?
4. How have tax avoidance and evasion impacted on economic and social developments in Nigeria since the colonial era?

Theoretical Framework

For many years, researchers studying the tax system and taxes have struggled to identify the factors affecting non-compliant behaviour among taxpayers. Owing to the fact that tax revenues are seen as an important source of funding for government spending, tax researchers have undertaken numerous experiments and surveys. The Allingham-Sandmo theory of tax evasion is the pertinent framework chosen for this study. Based on their findings, Allingham and Sandmo (1972) identified the characteristics of non-compliant taxpayers. Their methodology looks at how a taxpayer arrives at non-compliance by rationally balancing the benefits of tax evasion against the unknown risks of being caught and subject to fines. However, they contend that by increasing the frequency of audits or the severity of fines and penalties, tax authorities may deter evasion. The Allingham-Sandmo model posits that although the taxpayer is aware of the genuine tax base, there may be attempts at tax avoidance or evasion on the basis that the tax-collecting agency is unable to obtain this information at no cost to the taxpayer. The taxpayer may then feel pressured, in some cases, to declare a lower taxable income than they have actually earned. According to Allingham and Sandmo, a fixed chance that any taxable income understatement will be discovered and subject to a proportionate penalty over and above payment of the correct tax due itself may serve as a deterrent to income tax evasion.

Methodology

This study employs the historical approach to collection and analysis of data. The data were collected from both primary and secondary sources. The primary source data are mainly archival materials obtained from the National Archives of Nigeria in Ibadan, which contain relevant information about the incidence of tax avoidance/evasion in colonial Nigeria. Secondary sources of data for the research cover a wide range of information from textbooks, peer-reviewed articles in journals and a host of other readily interpreted analyses of initial primary data. In analysing the data for this study, the analytic-exploratory approach was employed; this is customary to historical research, particularly on topics of this nature.

Analysis of Data

The dynamics of taxation in precolonial and colonial Nigeria

The concept of taxation was not a novelty introduced to Nigeria by the British during the period of colonialism. Indeed, tax payment was a familiar concept in precolonial Yorubaland, where payment was obtained in kind rather than in cash (Ekundare, 1973). Traditional Yoruba society had an established indigenous system of taxation, formed and applied by the indigenous rulers as a means of generating revenue for the running of their administration (Afolabi, 2010), which had familiarised the people with such practices. There were few direct taxes, and civil responsibilities were conceived in communal terms: payments and contributions for the general welfare of communities were rendered at the scale of lineages and villages, while citizens were never individually assessed. The local treasuries of provinces were independent of the centre and only sent tributes or revenue to the capital (Ajulo, 1991). The precolonial taxation system was effective to the extent that it rarely degenerated into the kind of crises that were later experienced during the colonial and early postcolonial eras in Yorubaland.

African historiography has proven beyond doubt that there were well-organised state systems in Africa during the precolonial era, and that the notion of revenue generation for administrative purposes was equally present. For instance, the first Portuguese captains to visit Benin and the Congo were impressed with the civilisation that they found there (Ijoma, 1982). It could be that only the trans-Atlantic slave trade prevented a fruitful three centuries of intercourse between Europe and West Africa. However, while the traditional tax system was considered friendly and is not recorded as having caused conflict (although certainly it may have been evaded by some), the colonial and postcolonial tax systems entailed a paradigm shift in the people and institutions responsible and the degree of people's sense of loyalty to them.

Indeed, the advent of modern taxation in Nigeria can be traced to the colonial era under the British administration (Garba, 1986). At the outset, it is significant to note that British economic policy in south-western Nigeria was based centrally on the achievement of two objectives: deriving revenue for the "mother country" and making the Crown Colony of Lagos and the Western Protectorate as financially self-sustaining as possible (Mamdani, 2004: 52–61). The British administration was determined to prevent a situation where unnecessary financial burdens would be heaped on the home government. It therefore adopted a tax policy modelled after a principle laid down by Erl Gay in 1852, which noted that the best measure of the improvement of uncivilised people can be seen in their ability to defend and support themselves (Mamdani, 2004).

Like all administrations across the globe, the colonial Nigerian government also had the primary responsibility of protecting the citizens of Nigeria, as well as providing basic social and infrastructural amenities for colonial subjects. To achieve this, the government needed adequate funding at all levels. Taxation was one of the colonial government's financial policies for raising funds. Tax, imposed by the colonial government, became a compulsory contribution by members of society from their income to enable the government to provide beneficial amenities for the paying public (Gardner, 2012).

The colonial taxation system in Nigeria dates back to 1904, when personal income tax was introduced in Northern Nigeria before the unification of the country by the colonial masters (Jumare, 1998). It was later introduced and implemented through the Native Revenue Ordinances in the Western and Eastern regions in 1917 and 1928, respectively. Other amendments in the 1930s were later incorporated into Direct Taxation Ordinance No. 4 of 1940.¹ The determination to generate revenue for Second World War expenditure led to the decision to tax women alongside men under Income Tax Ordinance No. 3 of 28 March 1940, which was assented to in His Majesty's name (Afolabi, 2016). Following this, subsequent governments continued to improve Nigeria's taxation system; Direct Taxation Ordinance No. 4 of 1940, into which the 1930s amendments were later incorporated, was one such improvement (Fagbemi, Uadiale and Noah, 2010).

As was the case in all of its African colonies, the British colonial government incorporated the native population into a state-enforced customary order through the system of indirect rule, which represents a variant of despotism. They designed the Native Treasury, which engendered widespread discontent among the indigenous people (Afigbo, 1967). The instrumentality of the chiefs came to be the mode of domination over a "free" peasantry. For the native population of Western Nigeria, indirect rule epitomised a mediated decentralised despotism (Mamdani, 2004: 52–61).

Under this system, chiefs predominantly became tools in the hands of the colonial power (Nwabughuogu, 1981). As a result of the involvement of the chiefs in collecting taxes, several riots took place, such as the Ijemo incident of 1914, the Iseyin-Okeiho uprising of 1916, the Adubi uprising of 1918 and the 1948 Erunkoja riots in Ile-Ife (Perham, 1960). Although propaganda was put into circulation after the Iseyin riot insisting that taxes were willingly and readily paid, this was not enough to convince the people that taxes should be paid in the first place.

1 Fagbemi, Uadiale and Noah (2010); see also See also National Archives Ibadan CSO (no date) and *West African Pilot*, 18 and 19 December 1940.

There were also uprisings in colonial Southern Nigeria, such as the 1927/28 anti-tax riots in Warri Province (Ikime, 1966), the Aba women's riots of 1929 (Uchendu and Okonkwo, 2021) and the Benin water rate agitation of 1937/39 (Igbofe, 1968). People generally viewed taxation as punitive and became resistant to paying it, as evident in Warri, Iseyin, Ogbomosho and a host of other places across south-western Nigeria (Ibiloye, 2009).

Indeed, more often than not, tax demands on the paying public in colonial Africa precipitated crises within the polity (Unumun, 2016). It was not only in Nigeria that anti-tax uprisings were witnessed (e.g. Redding, 2006; Crush, 1985). For instance, in 1898, when the British colonialists attempted to collect a hut tax of five shillings on every house in the protectorate in Sierra Leone, the famous chief Kbalai, the Bai Bureh, led a native revolt (Abraham, 1974).

Research on native administration until recently dismissed most riots in Western Nigeria during the colonial period as just anti-tax riots. A recent investigation of some of these riots has shown that their cause was certainly not located in opposition to taxation alone but could also be traced to the fact that the indigenous people were opposed to the changes that came with the imposition of colonial rule more broadly (Afolabi, 2010). British rule engendered changes that conflicted with the political and social system of the people of south-western Nigeria.

In fact, the causes of these unrests were complex, and it would not be justifiable to ascribe them to any singular motive. For instance, when the question of taxation was first discussed at Ake Palace on 12 June 1914 as a means of increasing the revenue base – then mainly derived from tolls in Abeokuta – it did not elicit any crisis. Rather, it was the free labour that the people put into the road construction work, which left them no time to attend to their farms, that led to altercations. Indeed, it was the introduction of taxation combined with the general conduct of the authorities that was offensive and intolerable, and that brought the soldiers into Egba land again in 1918 (Ausman, 1971).

As part of efforts to successfully entrench their tax policies on the indigenous people, the colonialists determined that the establishment of a functional political government was of paramount importance in colonial Nigeria, as this would help to facilitate the realisation of the objectives of exploitation without placing a burden on British taxpayers back home (Usuanlele, 2016: 44).

Unfortunately, the Colonial Office, or the colonial power's "men on the spot", who were credited with "accumulated" or "stored wisdom" (which did not prevent riots in Yorubaland) from the Far East, West Indies and parts of Africa, were "arrogant and intemperate" (Tamuno, 1972: 106–07) in their use of power against the indigenous people. The people's views were not usually sought or aggregated to effectively diffuse tense situations. The newly introduced alien

tax system was not only exploitative, dehumanising and a cause of conflict, but it also deviated too sharply from the pre-existing tax system, which had been moderate and uncontroversial in comparison. The indigenous people thus became religiously anti-colonial as a result of the harsh nature of the new British tax policy. Resultantly, native authorities such as *Oba*, chiefs, messengers and scribes, who were regarded as the representatives of the Europeans, became the objects of the people's attacks, a pattern seen across the whole of Southern Nigeria in the colonial period.²

The British colonial taxation system that came into being with the amalgamation in 1914 of the southern and northern protectorates of Nigeria impacted the people in several negative ways. It led to mutual suspicion and distrust between the ruler and the ruled in Southern Nigeria; in addition, it led to the appropriation and flight of capital from the periphery to the centre, and this resulted in widespread violent responses by the indigenous people.

It is a truism that "to tax and to please is not given to man".³ We also know that "the more a tax system becomes arbitrary and unscientific, the less pleased the taxpayer becomes ... even if he is among those favoured as a result of it".⁴ Therefore, one could say without fear of contradiction that taxation will always elicit some kind of negative reaction from the taxpayer, no matter how low the amount of the tax demand may be. It is significant to note here that the indigenous Yoruba people willingly and expediently paid their taxes during the pre-colonial period; it was in response to the tax demands of the British colonial government that they suddenly became resistant and confrontational.

Tax laws, evasion, avoidance and their consequences in colonial Nigeria

In Nigeria, as in other places globally, any income earned, whether by an individual or a business, is expected to attract a specific amount of tax which is then paid into the government coffers. This is compulsory, as such funds are expected to be deployed for the developmental processes of the country. However, there have always been some citizens who have looked for ways to avoid paying taxes. Tax evasion simply refers to an intentional effort by people, corporate bodies, trusts and other institutions to refuse report the true and fair value of their earnings and to pay the resultant taxes (Edwin, 2007; Fafunwa,

2 Oral interview: Alhaji Liafisi Adedeji Ogunrombi, 80+, (*Baale Olomoore*), at Abeokuta on 12/01/2021, 23/03/2021.

3 Quote attributed to Edmund Burke (1774), Irish-born British statesman, economist and philosopher.

4 Quote attributed to Edmund Burke (1774).

2005). This is an illegal act of intentionally reducing actual taxes or completely skipping the payment of such taxes by under-reporting income or overstating expenditures, deductions or exemptions (Aguolu, 2010). It is a crime under the law, as it specifically involves fraudulent tax reporting, and is subject to punishment by way of fine or imprisonment.

There are differences between this and tax avoidance, and the two actions have varying implications. Tax evasion is a well-organised system that consists of strategies to escape paying taxes. Taxpayers seek to avoid the levy that the tax administration wishes to impose on their income, or at least to reduce it (Kay, 1980). Self-employed persons employ all kinds of evasion schemes to minimise or escape tax liability. The prevalence of such scenarios in Nigeria no doubt says a lot about the tax administration system in the country, in terms of both its design and the disposition of some taxpayers towards taxation (Onyeka and Nwankwo, 2016). Complete tax evasion represents a situation where a person deliberately escapes from the payment of tax due every year – a situation that was very common in Western Nigeria in the colonial and early post-independence periods.

Tax avoidance, on the other hand, remains a more complex concept to comprehend, as its constitutional definitions and codes of operations are difficult to contextualise. It refers to a system of avoiding the payment of income tax or reducing taxable incomes through sets of legal arrangements and procedures. In the case of tax avoidance, the tax authority under-assesses tax due, whereas in tax evasion, even after being properly assessed, the individual evades the payment of tax. Tax avoidance is a situation whereby “a man arranges his business in a way as to attract less tax under the existing tax rate” (Orewa, 2016: 16). In 1957, an estimated four hundred thousand people in colonial Nigeria evaded tax completely.⁵ The only form of tax avoidance which was prevalent during the colonial era in Yorubaland was that in which salaried men registered their private business in the names of their wives. This was possible because up to April 1960, when payment of tax by women whose income was below three hundred pounds was abolished, many local authorities in the region did not tax self-employed women (Orewa, 2016: 16). When they were taxed, it was done illegally.

In examining the intricacies of tax avoidance during the colonial period in Nigeria, the cliché “only the poor pay tax” is appropriate in describing the trajectory of events that characterised the era. In terms of the consequences of tax evasion for colonial Nigeria, research evidence indicates that the role of

5 NAI. Oyoprof.2/3/c.187. See field notes on Ibadan, Vol. 1, Entries 111–117 and 128; Vol. 3, Entries 2, 18, 29, 56 and 110.

taxation in promoting economic growth in Southern Nigeria was not optimally felt owing to a defective tax policy framework and administrative mechanisms. A comparative study of inhabitants of Southern Nigeria and populations in northern Cameroon, even those accustomed to taxes, indicates that in spite of efforts to integrate modern taxes into their universe, inhabitants of these regions still considered colonial taxes as a factor of enslavement or impoverishment (Aliyu, Kumai and Mustapha, 2022). The colonial era worsened this perception because for the colonial administration, acceptance of tax was the barometer of the local people's submission to authority. Any refusal was treated as a challenge, insubordination or open rebellion. It was partly to avoid the effect of this shock and the humiliation felt due to the imposition of colonial taxes that many people opted for temporary or permanent migration, to seek a tax haven, a place where tax rates were lower.

By and large, both avoidance and evasion constituted major problems that affected the economy of Nigeria especially in the colonial era and shortly after independence up to 1970. The consequences to a very large extent directly reduced the amount generated by the government from taxation. Inherent in this situation was a negative attitude towards taxation which is still prevalent in the country to date.

The government position on tax evasion and avoidance in post-colonial Nigeria

Tax evasion remained an acute problem in Nigeria even after the departure of the colonialists. The predatory and parasitic tax policies that were operated by the British colonial government created a pre-existing sense of bitterness in the people regarding the concept of taxation – and when postcolonial taxation authorities such as the Federal Inland Revenue Service were established, this negativity remained unremedied. This informed the people's attitudes of reluctance and outright resistance towards taxation, and these attitudes have endured over the years.

An important adverse effect of tax evasion is manifest in the area of equity: the weight of taxation becomes distributed unevenly given that most of those who successfully evade tax are high-income earners (Folayan and Adeniyi, 2006). The practices of tax evasion invariably erode moral values and build up inflationary pressures. This is because through the evasion of tax, individuals and companies have more money at their disposal: companies declare higher dividends and individuals have a higher take-home profit. This increases the quantity of money in circulation but without a corresponding increase in goods and services, which then builds up what inflationary trends in which large money chases few goods (Toby, 1983).

There are many effects of tax evasion on government revenue generation which typically result in revenue loss. This can impair the potential performance of government in the public sector, consequently threatening its competence to finance public expenditure and undermining the legitimacy of government due to non-compliance with tax payments, which become significant in the substantial budget deficit. Therefore, until the underlying causes and mechanisms to curb tax evasion are addressed, tax evasion may continue to be widespread. Since tax evasion is an illegal activity which has adverse effects on government revenue generation, it must not continue. In the same vein, leakages in tax collection and problems of accountability should be carefully addressed by the government.

The courts treat tax evasion as a criminal offence, and like all other breaches of a criminal nature, it has to be proved beyond reasonable doubt. The court, in *Akinsete Syndicate vs Senior Inspector of Income Tax* FSC 164/63 30/10/64, although unreported, noted that “a person may use lawful means to avoid income tax, what he may not do is to try to evade it. What he does should be genuine; not merely a veil to hide or dissemble the reality of things” (Abdulrazaq, 2005). Thus, evasion continues to be treated as a criminal offence but with no clear-cut response from either the legislature or the courts. This problem is even more acute when one tries to make a distinction between evasion and avoidance and to state at what point a transaction which “innocently” starts as avoidance eventually ends up as tax evasion. The courts have always lacked care in making a distinction between the two terms, hence the obscurity in their meaning.

As regards companies and other big businesses, most governmental agencies require a tax clearance certificate from companies as evidence that all taxes have been paid up to date before certain services can be rendered to the public. It is, however, possible to deal with these agencies without having obtained such a certificate. It was even held in the case of *Fairlakes Hotels Limited vs Registrar of Companies, Attorney-General of Oyo State and Commissioner for Trade and Industries* that the production of a tax clearance certificate was not a legislative requirement for such vital revenue-yielding activity as the registration of a company.⁶ What is of importance is that tax evasion adversely affects government revenue. Imagine what would happen if over 70 per cent of working individuals or business owners defaulted in the payment of tax: how could the government carry out its duties of providing social and other facilities for the public? Yet despite the numerous laws guiding taxation in Nigeria,

6 Guardian (Lagos) Law Report, 27 November, (1983), 2, in Abdulrazaq (1985).

over 70 per cent of business owners in the country still evade or avoid paying taxes (Abiodun, 2010).

In the context of Nigeria today, a key issue that continues to contribute to instances of tax evasion/avoidance is the poor administration and regulation of taxation. Research findings from Nnenna and Carol (2016) show that the administration of taxation through regulatory bodies suffers from limitations in terms of labour resources and the machinery to meet the complex terrain of taxation. The poor and powerless are left to bear the burden of taxation because most tax collectors, who themselves are poorly remunerated and motivated, collude with those taxpayers who are ready to facilitate massive bribes to evade taxes (Ibadin and Kemebradikemor, 2020: 66). A large chunk of revenue that should have been collected is left unattended to as a result of tax bribery and corruption (Ogunbela, Akinboboye and Ogunbiyi, 2021).

Several attempts have been made to improve the quality of the tax system in Nigeria. Aspects of Nigerian law that have witnessed improvement are the Federal Inland Revenue Service (Establishment) Act, 2007, the Companies Income Tax (Amendment) Act, 2007, and the Draft National Tax Policy, still pending before the National Assembly. In addition, there are several enabling acts or laws governing the taxation system in the country, including the Capital Gain Tax Act, the Industrial Inspectorate Act, the Stamp Duties Act, the Casino Acts, the Value Added Tax Act, etc. The provision of Section 24 (F) of the Constitution of the Federal Republic of Nigeria (CFRN) 1999 makes it a duty for every Nigerian to declare their income honestly to appropriate and lawful agencies, and to pay tax promptly.

Unlike other sources of revenue such as crude oil, taxes are constantly available as long as economic activity is carried on in society (Cobham, 2005), but there is no way that the government can generate sufficient funds for infrastructure when tax is evaded.

Recent reports have revealed that Nigeria loses an average of 580 billion naira (NGN) through unnecessary tax incentives annually. The 2017 OXFAM Inequality Index showed that the Nigerian tax system is largely regressive, with the burden of taxation falling on poorer companies and individuals while big multinationals receive questionable tax waivers and tax holidays. Such multinationals rely on loopholes in the tax laws to engage in transfer pricing.

In the second quarter of 2020, the COVID-19 pandemic caused the Nigerian economy to collapse by – 6.1%, as opposed to – 2.1% in the same quarter of 2019. From NGN27.4 trillion on 31 December 2019 to approximately NGN32.2 trillion at the end of 2020, Nigeria's total public debt climbed by 18%. The impacts of the COVID-19 pandemic caused a notable 45.5% reduction in exports during the second quarter of 2020. As a result, the government implemented

a number of fiscal and monetary policy initiatives to lessen the impact of the anticipated economic downturn in 2020. Yet these were also unable to address the problem of tax evasion/avoidance.

According to Haruna Abdullahi, acting executive chair of the Federal Capital Territory's Internal Revenue Service (FCT-IRS), 90% of the 1.2 million registered FCT taxpayers evade tax. The number of tax evaders might be much greater if it were not for the employees in the formal sector, whose employers withhold income tax at the source and remit it to the relevant authorities (*Business Day*, 2022). More than 80% of small and medium-sized enterprises (SMEs), according to Ekwealor, do not file their taxes. Furthermore, scholars like Onyeka and Nwankwo (2016), Gurama et al (2015), and others assert that tax evasion is a common practice made possible by, among other things, a substantial cash economy over which the government has little control (Ilemona, Nwite and Oyedokun, 2019).

Discussion

Compared with similar economies in Africa, Nigeria has a very low tax revenue-to-GDP ratio, with the bulk of government revenue being derived from the oil and gas sector. Other challenges that have confronted Southern Nigeria in relation to other developing regions of the world include the non-availability of tax statistics, inability to prioritise tax efforts, poor tax administration, multiplicity of taxes, regulatory challenges, tax evasion, tax avoidance, structural problems in the economy and a thriving underground economy.

Consequences of tax evasion and avoidance for Nigeria's contemporary economy

Tax evasion has inevitably been a cause for serious concern in Nigeria, and both the government and the people are affected by its consequences. It is one of the acute social problems that inhibits development in any country. This has led to growing attention among policymakers, Western countries, international agencies and scholars.

Tax evasion often occurs in an informal economy, where activities of businesses and other trade transactions take place in an unregulated manner. This may happen when the business is not registered with tax authorities, and indeed, most young entrepreneurs in Nigeria feel that tax payment is for large companies (Olatunde, 2010). There are various reasons for tax evasion in Nigeria. There is no doubt that the failure of the government to provide basic infrastructure which is supposed to be funded through collected taxes aggravates

it. In addition, lack of transparency and accountability in the use of public funds has the effect of building public distrust both in the tax system and in the government (Pashev, 2005). Some people hold the view that citizens have more responsibility to their families than to the state and would not hesitate to work in favour of the former. Taxpayers share a unique attitude in minimising their tax liability through all possible means to maximise their selfish interests. Significantly, the people mainly evade and avoid paying their taxes due to dissatisfaction with the management of collected taxes.

It is recognised that a nation's tax system frequently reflects its communal values and the values of those in power, which signifies that the revenue generated from a nation's tax is a sufficient measure of the economic strength of the nation (Ross, 2007). Tax evasion and avoidance directly culminate in a deficit in the nation's generated revenue and, thus, reduce the capacity of the government to support the social and infrastructural needs of the people (Ayua, 2009: 156–61). It is significant to note that the major perpetrators behind these financial crimes are most often the influential people who possess the wealth and influence required to make things go their way, thus twisting government policies to their advantage. Under direct personal taxation as practised in Nigeria, the major problem lies in the collection of taxes, especially from self-employed businesspeople, contractors and professional practitioners such as lawyers, doctors, accountants, architects and traders in shops.

Tax evasion and avoidance can also generate investment distortion, where purchased assets are exempted from tax or undervalued for tax purposes (Kibabel and Nwokah, 2009). Investment distortion arising from tax avoidance is a circumstance commonly exploited by wealthy businesspeople and the more educated class, often taking the form of investment in art collection (Frecknall-Hughes, 2015: 71). Also, through evasion, some individuals or companies build up pressures that ultimately lead to inflation, which ensures that they have a lot of money at their disposal.

In Nigeria today, it is reported that the country loses about NGN5.4 trillion (over US\$178 billion) annually through tax evasion by multinationals. State administrations have admitted that it is difficult to implement their socio-economic plans, such as providing social amenities for the welfare of the populace, due to a shortage of tax revenue (Abumere, 2023).

The historical implications of tax evasion and avoidance alike have led many research studies to call for proper orientation and education on taxation, as many Nigerians, apart from civil servants and big business owners, have little or no tangible knowledge about tax systems. A periodical sensitisation programme to encourage citizens to pay taxes is imperative. Alongside the prevalent mismanagement and misappropriation of tax money, the

people have lost faith in the Nigerian government's tax system that enforces payment in the southern part of Nigeria and exempts the citizens in Northern Nigeria, for instance, from paying electricity bills (Afolabi, 2010). The people will not be inclined to release a portion of their income for further developmental purposes when they are not convinced that the tax system is equitable and just.

Conclusion

This study has revealed that the traditional societies, particularly in the Yoruba-speaking areas of Nigeria, had an established indigenous system of taxation that the people readily complied with before the advent of colonial rule. However, the colonial tax system, which was inaugurated by Lord Lugard was not only predatory and parasitic: it also caused mutual suspicion and distrust between the ruler and the ruled in Southern Nigeria. It ultimately resulted in the appropriation and flight of capital from the periphery to the centre, which, in turn, engendered violent responses from the indigenous people.

This study has also established that tax avoidance and evasion are considered the most serious problems that confronted British colonial and postcolonial administrators in Africa. Opportunism, insincerity and ineptitude were the banes of tax administration in Nigeria during and even after the colonial era. Indeed, the unaccountability of the political leadership, heavy dependence on taxes from the people and insensitivity to citizens' welfare severely undermined the relative peace during the period in Nigeria. The authorities' inadequate management of tax issues provoked hostility and violence which frequently manifested in riots and other forms of disturbances especially during British rule in Nigeria.

Based on the findings of this paper, it can be concluded that the burdensome British colonial tax policies engendered opposition from the people which manifested in tax evasion and avoidance. The study has shown that deficiencies in tax assessment and the collection processes which took root during the colonial period have remained intractable even in postcolonial Nigeria. Right now, there is a need for moral and attitudinal reforms in the tax collection processes in order to improve revenue generation.

Finally, in spite of the issues with the structures in place for rationing and retrieving taxes that have been identified and appraised here, it is concluded that by resolving as yet unremedied manipulations in tax deductions in the Nigerian system today and also ensuring transparent formulae for tax payment across all categories of citizens, the deficiencies in taxation that have impeded

the government's quest to maximise tax benefits for socio-economic and political development could be better addressed.

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