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# Tax Reform: 1966-67

Research Department
*Central Bank of Nigeria, Abuja*

# TAX REFORM: 1966–67

The current revenue of the Federal Government in 1966 amounted to £159.4 million*—£1.2 million lower than in 1965. This amount fell short of the calendar year budget equivalent of £178.8 million by 10.8 per cent. The drop in revenue was caused by a fall in demand for dutiable imports. Although current revenue fell, current expenditure rose by 13.0 per cent to £88.6 million, due mainly to a rise of about 67 per cent in public debt servicing and unplanned expenditures related to the political situation in the country. The recurrent budget surplus, as a result, was reduced from £16.1 million in 1965 to £10.2 million in 1966. This situation led the Federal Government, late in 1966, to review its tariff policy in the direction of liberalization in a bid to raise the level of imports, and thereby increase revenue. Reform of direct (individual and company) taxation was also undertaken.

## Tariff Changes

Prior to November, 1966, and dating back to the latter part of 1964, Government policy had been that of intensification of import restraint. This policy contributed to the improvement in the balance of payments position, and, as long as cost alone remained the major determinant of the volume and direction of imports, at least sustained the growth of revenue up to August, 1965. Thereafter, and following the purposeful interference with market forces through import prohibition, the policy of restraint began to tell adversely on revenue. The further restrictions of March, 1966 only intensified the decline in customs receipts from imports. For 1966, therefore, aggregate receipts from import duties decline by £26.2 million, or 31.0 per cent from the total in 1965 to £58.4 million.

By the middle of the last quarter of 1966, Government was actively considering measures to reverse the movement in revenue. On November 24, tariff reductions on a number of selected imports were announced. The details of reductions and the goods involved are set out in Table 1. The Table includes the changes in duties on these goods since 1958.

The import cost (c.i.f.) of the goods affected by the November tariff revision was £12.397 million, and constituted 7.5 per cent of total imports in 1958, compared with £17.782 million or 6.5 per cent in 1965. Revenue from duties on the goods totalled £2.733 million or 7.8 per cent of total import duty revenue in 1958, compared with £6.118 million or 7.2 per cent in 1965. Of the goods affected, woven fabrics, the most important, contributed a revenue of £1.988 million, or 72.7 per cent in 1958, and £4.168 million or 68.1 per cent in 1965. Passenger cars with engine capacity of over 1,750 c.c. came next, contributing £0.180 million or 6.6 per cent of the total in 1958 and £0.762 million or 12.5 per cent in 1965. This was followed by foodstuffs with £0.164 million or 6.0 per cent of the total in 1958 and £0.363 million or 5.9 per cent in 1965. (*See* Table 2).

The tariff reductions are expected to encourage imports of the goods affected, and consequently to increase customs revenue. This assumes that the elasticity of demand for each of the commodities is greater than one. The assumption has, therefore, been tested mathematically, as explained in Appendix A to this paper. The study covers the period 1958 to 1965.

The results of the investigations are set out below in Table 3. The average price elasticity of demand for imports of each of the selected items is negative and greater than one, except for fruits and vegetables. The elasticities of demand obtained indicate that demand for these imports (with the exception of passenger cars exceeding 2,750 c.c.) during the period covered by investigation was moderately elastic with regard to import prices. The results for meat and woven fabrics are not surprising; there is a wide range of substitutes in the domestic market. In case of woven fabrics,* however, not all the types imported are substitutable; this factor may have worked to lower its elasticity. Passenger cars with engine capacity exceeding 2,750 c.c. recorded the highest price elasticity. This is to be expected, since there is a possibility for a demand shift from this class of passenger cars to those in the lower ranges. The demand for fruits and vegetables in relation to prices was inelastic. This may be due to the wide gap of substitutability for temperate fruits and vegetables which are imported to meet the demand from the expatriate class in the country.

* Of this amount, £98.8 million was retained by the Federal Government.

* Of cotton and man-made fibre.

**Effects on Revenue**

The expected revenue yield in 1967 from each of the selected items affected by tariff reduction is given in Table 4, and is compared with the yields in 1965 and 1966. It is seen from the Table that the increase in duties in late 1965 and early 1966 led to reduced revenue in 1966 by £0.679 million. The tariff reductions in November, 1966 are expected to improve revenue from the selected imports by about £0.765 million.

While the measures introduced in November may be successful in raising revenue from the selected imports, the goods affected, however, form a very small proportion of total imports. It is, therefore, not likely that the tariff measures alone will reverse the downward movement in aggregate revenue from import duties. It is hoped, however, that success of the import substitution programme will lead to increased revenue from excise taxes as a partial offset to the fall in revenue from import duties. But this prospect lies in the future; Government's need for higher revenue intake is a currently pressing one. If further improvement in revenue is desired, there is a good case for reviewing the tariff policy on the whole spectrum of manufactured articles and materials.

**Effects on the Cost of Living**

It is not easy to specify accurately the classes of people who may benefit from the tariff measures. For woven fabrics, medicaments, pillows and mattresses, it is clear that benefits will accrue to all classes; but mainly those in high income brackets will benefit from the tariff reductions on passenger cars with engine capacity of over 1,750 c.c. However, it is not quite clear who will benefit from the tariff cuts on meat, fruits and vegetables. People in the high income brackets will no doubt benefit, but the expatriates as a class will benefit most from the reductions.

It is hazardous to generalize here on the effects of recent tariff reductions on the cost of living for the whole population. Apart from the fact that the commodities affected constitute only a small proportion of total imports, other factors than import prices enter into the cost of living: factors like rent, prices of local foodstuffs, and transport have to be taken into consideration, although significant declines in import prices would play a big role in moderating upward movements in the cost of living. Care must, however, be taken so as not to exaggerate the possible effects of the recent tariff reductions on the general cost of living.

**Effects on Employment**

The employment effects of the recent tariff reductions on selected imports can only be speculated at this stage since time is required to bring these to focus. Manufacturers of woven fabrics, tubes and tyres and wood are likely to face increased competition when cheaper imports become available in the domestic markets. The firms adversely affected may respond negatively by reducing their labour force. On the other hand, there is no reason why they cannot raise productivity as a competitive response. A rise in the volume of imports like passenger cars, foodstuffs and medicaments may lead to expansion of the wholesale and retail trade and hence employment opportunities.

**Effects on Balance of Payments**

The findings show clearly that the November 1966 tariff reductions will induce a larger volume of imports. The cost of imports of the goods affected is estimated to total £18.167 million—a rise of £2.938 million over the level in 1966. The £18.167 million will represent 6.8 per cent of projected aggregate imports of £268.3 million for 1967. The rise in the cost of imports induced by the tariff changes (£2.938 million) will account for about 25.0 per cent of the increase in aggregate imports. It is, therefore, likely that the measures will aggravate the balance of payments position unless total exports increase at the same or even faster rate than imports.

**Direct Taxes**

Revenue from direct taxation constituted an average of 6 per cent of total revenue of the Federal Government in the past three years, compared with 54 per cent derived from import duties. The relatively small contribution of revenue from direct taxation is attributable to such factors as the tax structure itself, tax administration, and the underdeveloped state of the economy. By Decree 65 (1966), the Government planned to increase revenue from direct taxation.

**Personal Income Tax**

Revenue from personal income taxes represented about 2 per cent of aggregate Federal revenue during the past three years. As is

shown in Table 5, the Government hopes to increase the yield from this source by raising the rate of taxation and reducing allowances.

Decree 65 (1966) provides for:

(*a*) reduction of personal allowances from £300 to £200;
(*b*) reduction of children's education allowance from £190 to £90 per child, and thus of overall children's allowances from £1,000 to £600;
(*c*) increase in income rate and income tax rates for residents of the Federal territory of Lagos;
(*d*) inclusion of housing allowance in taxable income;
(*e*) uniform capital allowances for all forms of enterprises, corporate and non-corporate, and
(*f*) capital gains tax of 20 per cent.

**Income Rate**

The income rate, payable by every taxable Lagos resident, is designed to ensure that those tax-payers who succeed in avoiding taxes by claiming allowances, the total of which is equal to or exceeds taxable income, nevertheless contribute something to Government revenue. According to the new scales, the rate has risen for those whose incomes are above £203 per annum. (*See* Table 6).

**Tax Liability and Burden**

The new tax rates and the income rates are shown in Tables 5 and 6. As is seen in the Tables, the rate of taxation has gone up for every tax-payer. For example, the tax rate now stands at 2*s*–6*d* in the pound for the first £1,000. This is much higher than the old rates of one shilling on every pound for the first £400, and 2*s* on every pound of the next £200.

Tables 7, 8 and 9 show the computed tax liabilities of the single, the married tax-payer and tax-payer with one child respectively. Calculation of liability is based on the new tax rates and the new personal allowances which represent 67 per cent of the old. Column 4 of each table indicates the additional tax liability for each group of tax-payers.

Two important points emerge from the tables. One is that tax-payers in the income range of 0–£500 will henceforth pay more income tax than those in the high-income ranges. For example, while the tax burden of a person earning about £500 shows a 271 per cent increase, the tax liability of an income earner of £5,000 shows a rise of 4 per cent. Since the majority of tax-payers are in the low-income range, the new rates, coupled with reduced allowances, will increase revenue yield, assuming efficiency of tax administration. The other significant impact of the new tax rates on the tax-payers in the low-income group is that the tax liability of the tax-payer with one child has risen by 755 per cent, the married without children by 400 per cent, and the single by 271 per cent. In effect, the tax-payer with children now bears the heaviest tax burden (*see* Tables 7, 8 and 9). The sociological impact of the fiscal policy could be profound. Positively, it could trigger a strong inclination to family planning and thus a check on rapid population growth. If this were to happen, the gain would redound to the economy.

**Progressivity of the New Personal Income Tax**

It is clear from the foregoing that Decree 65 (1966) did not lay overwhelming stress on the progressivity of taxation. The higher tax rate on the first £1,000 and the reduction in personal allowances mean that tax-payers, particularly those outside the high-income brackets, will henceforth bear a greater tax burden than before. As shown in Table 10, the new tax structure remains progressive, even though the degree of progressivity has been reduced (*see* column 5). In Appendix B are shown the mathematical notes on the Measurement of Progressivity.

**Company Income Tax**

Between 1964 and 1966, revenue derived from company income tax, as a percentage of total Federal revenue, was about 4 per cent. This reflects mainly the smallness of the industrial sector, tax avoidance and evasion, as well as the tax concession granted to 'pioneer' industries.

In order to increase revenue yield from company taxation, the Government has, under the Decree, reduced capital allowances, and has restricted deductible expenditures to those connected with a company's normal business operations. Other important amendments include the taxation of dividends paid to Nigerians out of capital funds, and of profits earned by a pioneer company from non-pioneer undertakings.

**Effects of the Tax Reform:**

1. *Government Revenue*

The reforms introduced under Decree 65 will increase revenue from direct taxes. This is the main aim of the measures, assuming efficient tax administration. But the side effects are equally important, and may have far-reaching repercussions. One such repercussion is the expected fall in personal disposable incomes. If this happens, the increase in import revenue expected to result from the relaxation of certain import tariffs may not be realized. This would be due to the apparent disharmony between the reform of direct taxation and the reduction in import duties.

2. *The Economy*

If revenue from direct taxes increases, the ability of individuals and companies to save will be reduced. Decline in savings may result in a fall in the rate of private investment, particularly where companies depend on retained earnings for financing additional investments. If the rate of investment falls, the immediate effect would be a decline in the rate of creation of employment opportunities. It is possible for business to respond positively to the situation to curtail, for a while, the rate of dividends in order to maintain the rate of investment. This, in the final analysis, would raise the rate of future profits, and hence the rate of dividends.

However, revenues that accrue to the Government represent a transfer of resources from the private to the public sector. If the Government employs the additional tax revenue to finance capital projects, there would be a compensating rise in employment opportunities in the public sector. If the private sector maintained their level of investment despite the additional tax burden, as is likely in Nigeria, then overall employment opportunity is much more improved. In a period when Government is running a budget deficit which will not be eliminated by the expected increase in revenue, it is difficult to accept the view that the modest increase in direct taxes shown above would reduce the level of incomes, and hence result in unemployment. It is probable that the tax reform will impart more vigour to the economy than would have been possible without it.

*APPENDIX A*

# NOTE ON METHODOLOGY AND PROBLEMS

For each of the selected goods, we have used a multiple linear regression of the type:

$$X_1 = a + b_2 P + b_3 Y + b_4 T$$

where $X_1$ is the volume of imports (dependent variable), P is import price, Y represents per capita disposable income (P.C.D.Y.) and T is a trend variable. P, Y and T are the explanatory or the independent variables. The above equation was fitted to the data by means of the least squares method.

Our objective was limited to estimating the import price elasticity of the selected goods affected by the recent tariff changes. A detailed analysis of our model is outside the scope of this paper. To derive the *average* price elasticity (*see* Table 3) from the linear equation, we multiplied the estimated coefficient parameter of P by

$$\bar{P}/\bar{X}_1 \quad (i.e., \; E = \frac{dX_1}{dp} \cdot \frac{\bar{P}}{\bar{X}_1}) \quad \text{where } \bar{X}$$

and $\bar{P}$ represent the arithmetic mean value of import volume and price respectively. Had the linear function been expressed directly in terms of logarithms, the coefficient of P would have been the required price elasticity.

For lack of data for actual import prices, unit value of imports (costs, insurance and freight) were adjusted for duties and these were used as import prices. The second explanatory variable, namely, P.C.D.Y. was merely to indicate the role played by the growth of personal disposable income in the variation of imports. The trend variable has been included as an additional explanatory variable. Its inclusion has no doubt increased the magnitude of the elasticities. It is also recognized that price elasticity of demand for imported goods depends on the price of substitute domestic goods. Its inclusion would have added another variable to the function. But this fact has been ignored in estimating the price elasticity, partly owing to difficulties involved in estimating the prices of home-produced substitute goods and partly owing to the fact that whenever it was possible to obtain the actual data, the application of this function has not given statistically significant results.

The supply of the commodities affected is assumed given since Nigeria's import of any of these commodities is not of such a magnitude as to dictate its world price. Furthermore, the limited number of observations restricted the number of degrees of freedom and tended to overestimate the standard errors. Finally, multicollinearity appears inevitable since we have taken import price and P.C.D.Y as two of the explanatory variables. However, the fact that in most cases, the standard error of the individual coefficient (import prices) was proportionately small, multicollinearity did not appear as a serious problem here. In spite of the above problems, the elasticities obtained seemed satisfactory for the limited scope of this study.

*APPENDIX B*

# MATHEMATICAL NOTE ON MEASUREMENT OF TAX PROGRESSIVITY

(A) Measuring the degree of progressivity between two different income-earners within one tax structure.

The following are given:

(1) Two persons, A and B, earn incomes $Y_a$ and $Y_b$, respectively.

(2) $Y_b$ is greater than $Y_a$.

(3) Taxes paid by A and B are denoted by $T_a$ and $T_b$, respectively.

(4) Both income-earners are given the same maximum allowances.

From assumptions (1) and (3):

Ratio of A's tax to his income $= \frac{T_a}{Y_a}$

Ratio of B's tax to his income $= \frac{T_b}{Y_b}$

For tax paid by A and B to be proportional:

$$\frac{T_a}{Y_a} = \frac{T_b}{Y_b}, \textit{ i.e., } \frac{T_a Y_b}{T_b Y_a} = 1 \qquad \ldots..(1)$$

From assumption (2), if:

$$\frac{T_a Y_b}{T_b Y_a} > 1 \text{ (tax is regressive)}$$

and $$\frac{T_a Y_b}{T_b Y_a} < 1 \text{ (tax is progressive)}$$

Measuring the degree of progressivity between two different income-earners within the same tax structure, the tax will be proportional when:

$$\frac{\frac{T_b}{Y_b} - \frac{T_a}{Y_a}}{\frac{T_a}{Y_a}} = 0, \textit{ i.e., } P = 0 \qquad \ldots.(2)$$

(where P denotes the l.h.s. of the equation)

Hence, $P > 0$ (tax is progressive) and $P < 0$ (tax is regressive).

(B) Comparing the degree of progressivity between the same income-earners as in (A) above, but between two different tax structures.

Assumptions (1), (2) and (4) remain as under (A) above, but assumption (3) is modified as follows:

(*a*) Taxes paid by A and B under the old structure are denoted by $T_A$ and $T_B$, respectively, and

(*b*) Taxes paid by A and B under the new structure are denoted by $T_{A_1}$ and $T_{B_1}$, respectively.

From equation (2), measurement of the degree of progressivity within the old tax structure:

$$P = \frac{\frac{T_B}{Y_B} - \frac{T_A}{Y_A}}{\frac{T_A}{Y_A}} \qquad \ldots.(3)$$

Similarly, the degree of progressivity within the new tax structure:

$$P_1 = \frac{\frac{T_{B_1}}{Y_B} - \frac{T_{A_1}}{YA}}{\frac{T_{A_1}}{Y_A}} \qquad \ldots.(4)$$

For both structures to be equally progressive:

$$P = P_1, \textit{ i.e., } \frac{P}{P_1} = 1. \qquad \ldots.(5)$$

Using equations (3) and (4):

$$\frac{\frac{T_B}{Y_B} - \frac{T_A}{Y_A}}{\frac{T_A}{Y_A}} = \frac{\frac{T_{B_1}}{Y_B} - \frac{T_{A_1}}{Y_A}}{\frac{T_{A_1}}{Y_A}} \quad \ldots.(6)$$

$$i.e., \quad \frac{T_{A_1}}{Y_A}\left(\frac{T_B}{Y_B} - \frac{T_A}{Y_A}\right) = \frac{T_A}{Y_A}\left(\frac{T_{B_1}}{Y_B} - \frac{T_{A_1}}{Y_A}\right) \quad \ldots.(7)$$

Let $t_1 = \frac{T_A}{Y_A}$; $t_2 = \frac{T_B}{Y_B}$;

$t_3 = \frac{T_{A_1}}{Y_A}$ and $t_4 = \frac{T_{B_1}}{Y_B}$

Equation (7) becomes:

$$t_3 (t_2 - t_1) = t_1 (t_4 - t_3) \quad \ldots.(8)$$

$$t_3t_2 - t_3t_1 = t_1t_4 - t_1t_3 \quad \ldots.(9)$$

$$t_3t_2 = t_1t_4, \; i.e., \; \frac{t_3t_2}{t_1t_4} = 1 \quad \ldots.(10)$$

$$\frac{t_3}{t_1}\frac{t_2}{t_4} = \frac{T_{A_1}}{Y_A} \cdot \frac{T_B}{Y_B} \cdot \frac{Y_A}{T_A} \cdot \frac{Y_B}{T_{B_1}} = 1 \quad \ldots.(11)$$

For equal progressivity

$$\frac{T_{A_1}}{T_A}\frac{T_B}{T_{B_1}} = 1$$

hence $\frac{T_{A_1}}{T_A}\frac{T_B}{T_{B_1}} > 1$

(The new tax structure is less progressive than the old one).

and $\frac{T_{A_1}}{T_B}\frac{T_B}{T_{B_1}} < 1$

(The new tax structure is more progressive than the old one).

## TABLE 1

## TARIFF CHARGES FOR SELECTED IMPORTS 1958–66

| | *Items* | 1958 | 1959 | 1960 | 1961 | 1962 | 1963 | 1964 | 1965 | 1966 (*March*) | 1966 (*Nov.*) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. | Meat .. .. .. | 4*d* per lb. | 4*d* per lb. | 4*d* per lb. | 4*d* per lb. | 50% | 50% | 66⅔% | 66⅔% | 75% | 50% |
| 2. | Fruits .. .. .. | 50% | 50% | 50% | 50% | 50% | 50% | 66⅔% | 66⅔% | 75% | 50% |
| 3. | Vegetables .. .. | 50% | 50% | 50% | 50% | 50% | 50% | 66⅔% | 66⅔% | 75% | 50% |
| 4. | Raw Sugar .. .. | n.a. | n.a. | n.a. | n.a. | 2*d* per lb. | 2*d* per lb. | 2*d* per lb. | 3½*d* per lb. | 3½*d* per lb. | 2*d* per lb. |
| 5. | Wood Manufacture .. | 20% | 20% | 20% | 20% | 20% | 20% | 33⅓% | 33⅓% | 75% | 50% |
| 6. | Tyres and Tubes of Motor Vehicles .. .. | 20% | 20% | 20–33⅓% | 20–33⅓% | 3*s* per lb. and 33⅓% | 3*s*–6*d* per lb. and 33⅓% | 3*s*–6*d* per lb. and 33⅓% | 3*s*–6*d* per lb. and 33⅓% | 3*s*–6*d* per lb. | 2*s*–6*d* per lb. |
| 7. | Passenger cars (*a*) .. | 15% | 15% | 15% | 15% | 50% | 50% | 50% | 50% | 75–150% | 50–75% |
| 8. | Passenger cars (*b*) .. | 15% | 15% | 15% | 15–75% | 66⅔–75% | 66⅔–75% | 75–100% | 75–100% | 150% | 100% |
| 9. | Woven Fabrics, Cotton and Man-made .. | 15% | 15% | 25% | 25% | 25% | 25% | 33⅓% | 33⅓% | 50% or 3*s* per sq. yd. | 40% or 2*s*–9*d* per sq. yd. |
| 10. | Medicaments .. .. | n.a. | n.a. | 20% | 20% | 20% | 20% | 20% | 33⅓% | 33⅓% | 20% |
| 11. | Cameras and Projectors | n.a. | n.a. | 20% | 20% | 33⅓% | 33⅓% | 50% | 66⅔% | 100% | 75% |
| 12. | Cushions and Mattresses | n.a. | n.a. | 33⅓% | 33⅓% | 33⅓% | 33⅓% | 40% | 40% | 75% | 66⅔% |

*n.a.* not available.
(*a*) Passenger cars with engine capacity exceeding 1,750 c.c. but not exceeding 2,750 c.c.
(*b*) Passenger cars with engine capacity exceeding 2,750 c.c.

*Note:* Duties are on an *ad valorem* basis except otherwise stated.

*Source:* Federal Gazette.

## TABLE 2

## REVENUE FROM DUTIES ON SELECTED IMPORTS 1958–65

**(£'s thousands)**

| Year | Meat | Fruits | Vege-tables | Raw Sugar | Wood Manu-facture | Tyres and Tubes (Motor Vehicles) | Pass-enger Cars (1) | Pass-enger Cars (2) | Woven Fabrics | Others (3) | Total | Total Import Duties | Per-centage of Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1958 .. .. | 31.9 | 108.4 | 23.7 | 1.1 | 36.6 | 59.4 | 101.3 | 79.5 | 1,987.5 | 304.0 | 2,733.4 | 35,120 | 7.8 |
| 1959 .. .. | 34.1 | 110.0 | 18.7 | 1.5 | 55.6 | 58.3 | 90.6 | 70.4 | 1,334.2 | 370.0 | 2,143.4 | 40,348 | 5.3 |
| 1960 .. .. | 36.5 | 159.3 | 24.5 | 2.5 | 62.3 | 70.3 | 159.6 | 254.3 | 1,587.7 | 432.0 | 2,789.0 | 50,696 | 5.5 |
| 1961 .. .. | 73.8 | 158.3 | 70.4 | 42.5 | 103.3 | 152.0 | 180.0 | 219.1 | 2,049.1 | 436.0 | 3,484.5 | 61,745 | 5.6 |
| 1962 .. .. | 172.0 | 260.6 | 113.5 | 71.5 | 96.7 | 242.9 | 158.4 | 148.4 | 1,460.1 | 409.0 | 3,133.1 | 55,632 | 5.6 |
| 1963 .. .. | 171.0 | 114.7 | 54.1 | 10.3 | 103.9 | 131.1 | 273.1 | 179.1 | 2,108.7 | 472.0 | 3,618.0 | 61,630 | 5.9 |
| 1964 .. .. | 174.6 | 67.8 | 62.9 | 37.6 | 115.0 | 77.8 | 415.0 | 129.5 | 3,307.2 | 481.0 | 4,868.4 | 74,794 | 6.5 |
| 1965 .. .. | 196.3 | 76.3 | 90.4 | 50.0 | 164.7 | 46.6 | 544.3 | 217.8 | 4,168.1 | 563.0 | 6,117.5 | 84,600 | 7.2 |

(1) Passenger cars with engine capacity exceeding 1,750 c.c. but not exceeding 2,750 c.c.
(2) Passenger cars with engine capacity exceeding 2,750 c.c.
(3) Include medicaments, cushions and mattresses, cameras and projectors, tubes and pipes.

*Source:* Federal Office of Statistics.

TABLE 3

SUMMARY OF NIGERIA'S DEMAND FOR SELECTED IMPORTS 1958–65

| *Commodity* | *Regression Coefficients with Standard Errors in Brackets* | | | *Average Elasticities of Demand with Respect to* | | *Multiple Correlation Coefficient* |
|---|---|---|---|---|---|---|
| | P | Y | T | *Import Price* | *Per Capita Disposable Income* | |
| Meat .. .. .. .. .. | — 4.14<br>(0.74) | — 0.22*<br>(1.65) | 1.54*<br>(1.49) | — 2.00 | — 0.10 | 0.96 |
| Vegetables .. .. .. .. .. | — 3.86<br>(0.58) | 15.72<br>(0.22) | 4.62<br>(1.59) | — 0.77 | 5.53 | 0.97 |
| Fruits .. .. .. .. .. | 17.94*<br>(13.71) | 17.36*<br>(28.19) | 6.13*<br>(4.06) | 0.99 | 2.55 | 0.41* |
| Raw Sugar .. .. .. .. .. | — 19.02<br>(4.04) | 3.14*<br>(10.70) | 8.57*<br>(4.63) | — 2.88 | 1.98 | 0.84 |
| Woven Fabrics .. .. .. .. | 5.17<br>(0.31) | — 0.18*<br>(0.07) | 0.13*<br>(0.05) | — 1.80 | — 6.80 | 0.72* |
| Passenger cars (*a*) .. .. .. .. | — 0.005<br>(0.001) | — 0.42<br>(0.12) | 0.57<br>(0.19) | — 3.84 | — 6.37 | 0.70* |
| Passenger cars (*b*) .. .. .. .. | — 0.004<br>(0.001) | 0.48<br>(0.10) | 0.22*<br>(0.12) | — 8.42 | 11.88 | 0.87 |

* Statistically insignificant at 5 per cent level.
(*a*) Passenger cars with engine capacity exceeding 1,750 c.c. but not exceeding 2,750 c.c.
(*b*) Passenger cars with engine capacity exceeding 2,750 c.c.

## TABLE 4

## ESTIMATED REVENUE FROM DUTIES ON SELECTED IMPORTS IN 1967 COMPARED WITH ACTUALS FOR 1965 AND 1966

**(£'s thousands)**

| *Items* | 1965 (1) | 1966 (2) | 1967 (3) | *Percentage Change Between* (1) *and* (3) | *Percentage Change Between* (2) *and* (3) |
|---|---|---|---|---|---|
| Meat .. .. .. .. | 196.3 | 135.8 | 177.8 | − 9.5 | + 30.9 |
| Fruits .. .. .. .. | 76.3 | 167.7 | 119.3 | + 56.3 | − 28.9 |
| Vegetables .. .. .. .. | 90.4 | 77.1 | 72.3 | − 20.0 | − 6.2 |
| Raw Sugar .. .. .. .. | 50.0 | 2.4 | 10.7 | − 78.6 | +345.8 |
| Wood Manufacture .. .. .. | 164.7 | 195.5 | 180.1 | + 9.4 | + 7.9 |
| Tyres and Tubes (Motor Vehicles) .. | 46.6 | 72.8 | 54.1 | + 16.1 | − 25.7 |
| Passenger cars (*a*) .. .. .. | 544.3 | 297.1 | 566.1 | + 4.0 | + 90.5 |
| Passenger cars (*b*) .. .. .. | 217.8 | 55.3 | 226.5 | + 3.9 | + 4.0 |
| Woven Fabrics .. .. .. | 4,168.1 | 3,918.1 | 4,199.6 | + 0.8 | + 7.2 |
| Others (*c*) .. .. .. .. | 563.0 | 517.0 | 597.6 | + 21.0 | +112.5 |
| TOTAL .. .. .. .. | 6,117.5 | 5,438.8 | 6,204.1 | + 1.4 | + 14.1 |

(*a*) Passenger cars with engine capacity exceeding 1,750 c.c.
(*b*) Passenger cars with engine capacity exceeding 2,750 c.c.
(*c*) Include medicaments, cushions and mattresses, cameras and projectors, tubes and pipes.

*Note:* The 1967 figures are estimates based on the assumption that the trend of revenue in the last quarter of 1966 will continue in 1967 and on the empirical price elasticities of demand in Table 3.

*Source:* Federal Office of Statistics.

## TABLE 5

## RATES OF PERSONAL INCOME TAX

| *Old Chargeable Income* | *Rate of Tax* | *New Chargeable Income* | *Rate of Tax* |
|---|---|---|---|
| | £ *s* *d* | | £ *s* *d* |
| For every pound of the first £400 .. .. .. .. | 0 1 0 | For every pound of the first £1,000 .. .. | 0 2 6 |
| For every pound of the next £200 .. .. .. .. | 0 2 0 | For every pound of the next £400 .. .. .. | 0 3 6 |
| For every pound of the next £200 .. .. .. .. | 0 2 6 | For every pound of the next £400 .. .. .. | 0 4 6 |
| For every pound of the next £200 .. .. .. .. | 0 3 6 | For every pound of the next £1,000 .. .. | 0 6 0 |
| For every pound of the next £800 .. .. .. .. | 0 4 6 | For every pound of the next £1,000 .. .. | 0 7 6 |
| For every pound of the next £1,000 .. .. .. .. | 0 6 0 | For every pound of the next £1,000 .. .. | 0 9 3 |
| For every pound of the next £1,000 .. .. .. .. | 0 7 6 | For every pound of the next £5,200 .. .. | 0 11 6 |
| For every pound of the next £1,000 .. .. .. .. | 0 9 3 | For every pound exceeding £10,000 .. .. | 0 15 0 |
| For every pound of the next £5,200 .. .. .. .. | 0 11 6 | | |
| For every pound exceeding £10,000 .. .. .. .. | 0 15 0 | | |

## TABLE 6

## INCOME RATE*

| *Income* | *Amount of Income Rate* | |
|---|---|---|
| | *Old* | *New* |
| | £ *s* *d* | £ *s* *d* |
| Income not exceeding £100 .. .. .. .. .. | 0 10 0 | 0 10 0 |
| Exceeding £100 but not exceeding £200 .. .. .. .. | 1 0 0 | 1 0 0 |
| £201 .. .. .. .. .. .. .. .. | 1 10 0 | 1 10 0 |
| £202 .. .. .. .. .. .. .. .. | 2 0 0 | 2 0 0 |
| £203 .. .. .. .. .. .. .. .. | 2 10 0 | 2 10 0 |
| Exceeding £203 .. .. .. .. .. | 3 0 0 | |
| Exceeding £203 but not exceeding £300 .. .. .. .. | | 3 0 0 |
| Exceeding £300 but not exceeding £400 .. .. .. .. | | 4 0 0 |
| Exceeding £400 .. .. .. .. .. .. | | 5 0 0 |

* Payable once a year, in addition to personal income tax, by every taxable Lagos resident.

## TABLE 7

## TAX LIABILITY OF A SINGLE TAX-PAYER

| *Income* | *Old Tax Liability* (1) | *New Tax Liability* (2) | *Difference Between* (1) *and* (2) (3) | *Percentage Difference Between* (1) *and* (2) (4) |
|---|---|---|---|---|
| £ | £ *s* *d* | £ *s* *d* | £ *s* *d* | % |
| 500 | 10 0 0 | 37 10 0 | 27 10 0 | 271 |
| 600 | 15 0 0 | 50 0 0 | 35 0 0 | 233 |
| 700 | 20 0 0 | 62 10 0 | 42 10 0 | 210.5 |
| 800 | 40 0 0 | 75 0 0 | 35 0 0 | 87.5 |
| 1,000 | 52 10 0 | 100 0 0 | 47 10 0 | 92.0 |
| 1,250 | 91 5 0 | 133 15 0 | 42 10 0 | 46.0 |
| 1,500 | 145 0 0 | 177 10 0 | 32 10 0 | 22.1 |
| 1,750 | 201 5 0 | 228 15 0 | 27 10 0 | 13.2 |
| 2,000 | 257 10 0 | 285 0 0 | 27 10 0 | 10.8 |
| 3,000 | 550 0 0 | 585 0 0 | 35 0 0 | 6.3 |
| 4,000 | 917 10 0 | 960 0 0 | 42 10 0 | 4.6 |
| 5,000 | 1,371 5 0 | 1,422 10 0 | 51 5 0 | 3.7 |

*Note:* Old tax liability calculated net of £300 personal allowance.
New tax liability calculated net of £200 personal allowance.

## TABLE 8

## TAX LIABILITY OF A MARRIED TAX-PAYER

| *Income* | *Old Tax Liability* (1) | | | *New Tax Liability* (2) | | | *Difference Between* (1) *and* (2) (3) | | | *Percentage Difference Between* (1) *and* (2) (4) |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | £ | *s* | *d* | £ | *s* | *d* | £ | *s* | *d* | % |
| 500 | 5 | 0 | 0 | 25 | 0 | 0 | 20 | 0 | 0 | 400.0 |
| 600 | 10 | 0 | 0 | 37 | 10 | 0 | 27 | 10 | 0 | 271.0 |
| 700 | 15 | 0 | 0 | 50 | 0 | 0 | 45 | 0 | 0 | 300.0 |
| 800 | 20 | 0 | 0 | 62 | 10 | 0 | 42 | 10 | 0 | 210.0 |
| 900 | 30 | 0 | 0 | 75 | 0 | 0 | 45 | 0 | 0 | 150.0 |
| 1,000 | 40 | 0 | 0 | 87 | 10 | 0 | 47 | 10 | 0 | 117.8 |
| 1,250 | 73 | 15 | 0 | 118 | 15 | 0 | 45 | 0 | 0 | 61.5 |
| 1,500 | 122 | 10 | 0 | 160 | 0 | 0 | 37 | 10 | 0 | 30.3 |
| 1,750 | 178 | 15 | 0 | 206 | 5 | 0 | 27 | 10 | 0 | 15.2 |
| 2,000 | 235 | 0 | 0 | 262 | 10 | 0 | 27 | 10 | 0 | 11.5 |
| 3,000 | 520 | 0 | 0 | 555 | 0 | 0 | 35 | 0 | 0 | 6.8 |
| 4,000 | 880 | 0 | 0 | 922 | 10 | 0 | 42 | 10 | 0 | 4.8 |
| 5,000 | 1,325 | 0 | 0 | 1,376 | 5 | 0 | 51 | 5 | 0 | 3.9 |

## TABLE 9

## TAX LIABILITY OF A FAMILY WITH ONE CHILD

| *Income* | *Old Tax Liability* (1) | | | *New Tax Liability* (2) | | | *Difference Between* (1) *and* (2) (3) | | | *Percentage Difference Between* (1) *and* (2) (4) |
|---|---|---|---|---|---|---|---|---|---|---|
| £ | £ | *s* | *d* | £ | *s* | *d* | £ | *s* | *d* | % |
| 500 | 2 | 0 | 0 | 17 | 10 | 0 | 15 | 10 | 0 | 755.0 |
| 600 | 7 | 0 | 0 | 30 | 0 | 0 | 23 | 0 | 0 | 328.6 |
| 700 | 12 | 0 | 0 | 42 | 10 | 0 | 30 | 10 | 0 | 250.9 |
| 800 | 17 | 0 | 0 | 55 | 0 | 0 | 38 | 0 | 0 | 223.6 |
| 900 | 24 | 0 | 0 | 67 | 10 | 0 | 43 | 10 | 0 | 179.6 |
| 1,000 | 34 | 0 | 0 | 80 | 0 | 0 | 46 | 0 | 0 | 135.2 |
| 1,250 | 63 | 15 | 0 | 111 | 5 | 0 | 47 | 10 | 0 | 74.6 |
| 1,500 | 109 | 0 | 0 | 149 | 10 | 0 | 40 | 10 | 0 | 36.8 |
| 1,750 | 165 | 5 | 0 | 193 | 5 | 0 | 28 | 0 | 0 | 17.0 |
| 2,000 | 221 | 10 | 0 | 249 | 0 | 0 | 27 | 10 | 0 | 12.7 |
| 3,000 | 502 | 0 | 0 | 537 | 0 | 0 | 35 | 0 | 0 | 7.0 |
| 4,000 | 857 | 0 | 0 | 900 | 0 | 0 | 43 | 0 | 0 | 5.0 |
| 5,000 | 1,297 | 0 | 0 | 1,348 | 10 | 0 | 51 | 10 | 0 | 4.0 |

## TABLE 10

## PROGRESSIVITY OF TAX STRUCTURE—SINGLE TAX-PAYER

| *Income* | *Tax Liability* | | *Percentage of Income* | | *Degree of Progressivity Between (3) and (4)* |
|---|---|---|---|---|---|
| | *Old* | *New* | *Old* | *New* | |
| | (1) | (2) | (3) | (4) | (5) |
| (£) | £ *s* *d* | £ *s* *d* | £ | | |
| 500 | 2 0 0 | 17 10 0 | 0.4 | 3.5 | — 157.7 |
| 600 | 7 0 0 | 30 0 0 | 1.2 | 5.0 | — 19.8 |
| 700 | 12 0 0 | 42 10 0 | 1.7 | 6.1 | — 10.6 |
| 800 | 17 0 0 | 55 0 0 | 2.1 | 6.9 | — 15.6 |
| 900 | 24 0 0 | 67 10 0 | 2.7 | 7.5 | — 19.6 |
| 1,000 | 34 0 0 | 80 0 0 | 3.4 | 8.0 | — 38.7 |
| 1,250 | 63 15 0 | 111 5 0 | 5.1 | 8.9 | — 30.8 |
| 1,500 | 109 0 0 | 149 10 0 | 7.3 | 10.0 | — 20.1 |
| 1,750 | 165 5 0 | 193 5 0 | 9.5 | 11.0 | — 3.4 |
| 2,000 | 221 10 0 | 249 0 0 | 11.1 | 12.5 | — 6.4 |
| 3,000 | 502 0 0 | 537 0 0 | 16.7 | 18.0 | — 3.1 |
| 4,000 | 857 0 0 | 900 0 0 | 21.4 | 22.5 | — 2.5 |
| 5,000 | 1,297 0 0 | 1,348 10 0 | 26.0 | 27.0 | |