

# Who Pays and Who Gains? Taxing European Settlers in British Colonial Africa

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Mosley: Settler colonialism ‘a rather odd phenomenon’ which presents challenges for understanding colonialism

- Two theories on the impact of settlement:
  - AJR (2001): Settlers → better institutions → economic growth
  - Bowden and Mosley (2008): Settlers → under-investment in African education, agriculture.
- But not all settlers were alike (even in Africa)
- Settler influence depended on:
  - Original role within the colonial economy
  - Ability to influence colonial policy
- Case study of taxation in Kenya and Northern Rhodesia

# Why income tax?

- Structure of taxation reflects relationship between state and taxpayers
  - Income tax requires taxpayer cooperation
- Structure and incidence of income taxes shows:
  - How state, settlers saw their role
  - Ability of settlers to influence policy

# A Tale of Two Settler Colonies

## Kenya

- 16,812 (1931)
- Means of development.
- 'Officer's mess' of settler colonies.
- Politically influential.

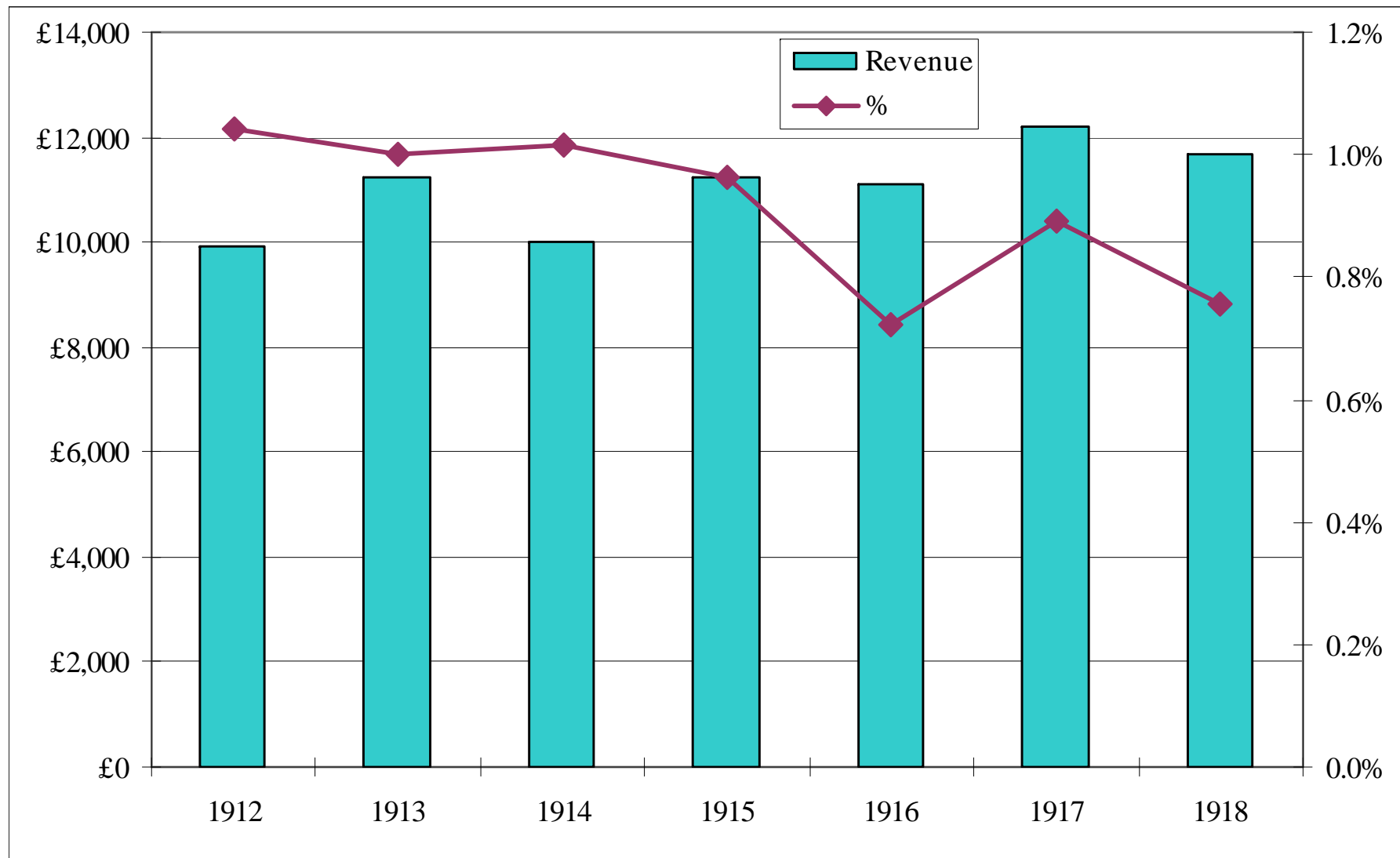
## Northern Rhodesia

- 13,305 (1931)
- BSA Co. focused on mining. Anxious about settlement.
- Limited political organization.

# Taxing European Settlers

- 3 major sources of revenue before WWI:
  - Customs tariffs
  - Hut and Poll taxes paid by Africans
  - Fines and fees for services
- Europeans:
  - Little or no direct tax. East Africa introduced Non-Native Poll tax of £1 per year in 1912.
  - Probably paid a large proportion of customs tariffs – Moyne Report on Kenya estimates 72% in 1931.

# Non-Native Poll Tax Revenue in East Africa, 1912-18



Source: East Africa Protectorate, *Financial Report and Statement for the Year 1918-19* (Nairobi, 1919), p. 7.

# Crisis Management in the Colonies

- WWI and aftermath created fiscal hardship in colonies dependent on trade taxes. Britain also in financial difficulty after WWI
- Colonial Office and local administrations wanted to put colonies on sounder financial footing. Looked for untapped sources of revenue.
- Income tax adopted in S. Rhodesia (1918), Fiji (1921), British Columbia (1922), Ceylon (1932), Caribbean colonies (various years), among others.

# Model Colonial Income Tax Ordinance

- Effort to standardize income tax policies across the Empire. Business concerned about administrative difficulties.
- Main focus on how to tax companies or individuals with interests in more than one colony.
- Tax on personal income and corporate profit.
- Left rates specific terms up to individual colonies. Colonial ordinances varied according to local conditions.



# Kenya - Income Tax Ordinance 1920

- Introduced to secure British approval of increase in the rate of African poll tax.
- Structure:
  - Progressive rate: from 1% to 25%, depending on level of income.
  - No tax on first £150 of income, £100 abatement for wife, £75 abatement for each child under 14
  - No abatements for companies, non-residents.

# N. Rhodesia - Proclamation 4 of 1921

- BSA Company wanted to reduce deficit
- Structure:
  - Progressive rate: 1 shilling for every £1 of taxable income (5%), increasing by 1 penny in the £1 for each £100 beyond £500 up to max of 2s 6p per £1.
  - Super-tax of 1 shilling in the £1 for income over £5000
  - Abatements for individuals and companies of £500 (£1,000 for married individuals). £50 abatement for each dependent. Company abatement repealed later that year.

# Putting rates in context

- P.C. Cookson, retired as a District Commissioner and Magistrate in Northern Rhodesia in 1924.
  - Final salary was £900
  - Received a pension of £490
- Dr W.H.B Macdonald, retired from Kenya civil service due to age in 1908.
  - Final salary was £710 0 0
  - Received a pension of £224 16 8

# Objections to Income Tax

- Similar objections raised in both colonies:
  - Deter investment from outside colony.
  - Settlers should not be taxed because they were bearing cost of developing the Empire.
  - Beyond authority of colonial administration
- Demanded greater autonomy for unofficial members of Legislative/Advisory Council in exchange.

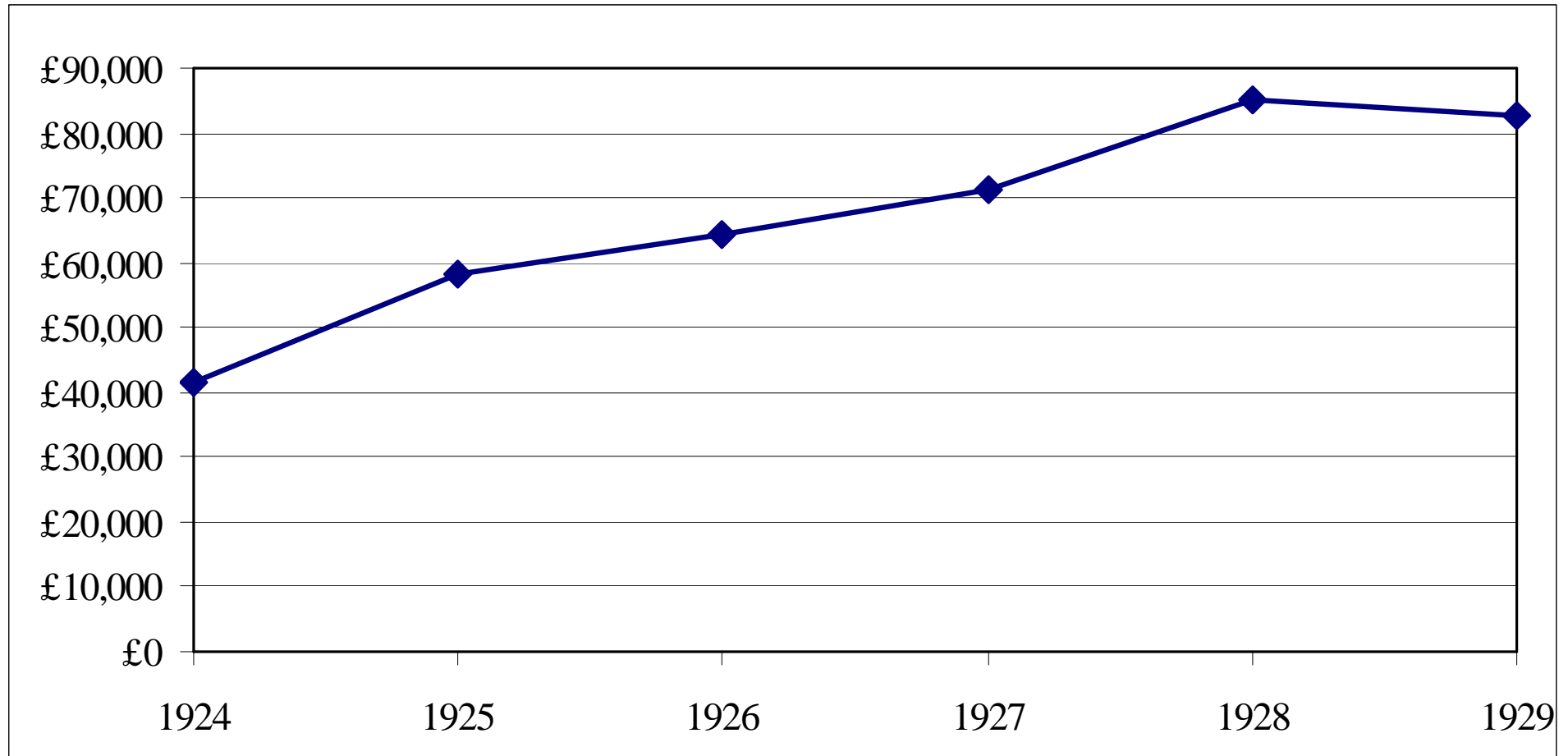
# Tax Collection

- Income tax requires at least 'quasi-voluntary compliance' (Levi). Without compliance enforcement too expensive.
- Kenya and Northern Rhodesia:
  - Returns to be submitted within a set period following a public announcement by Tax Commissioner.
  - Limited capacity for monitoring income.

# Collecting the Tax: N. Rhodesia

- £17463 in 1921/22 (7% of total revenue)
- £49,801 in 1922/23 (18% of total revenue)
- Most income tax revenue paid by mining companies
- £15,000 in first two years paid by settlers

# Northern Rhodesia Income Tax Revenue, 1924-9



# Collecting the Tax: Kenya

- 'European Taxpayers' Protection League' Called on Europeans to refuse to fill in forms provided by Tax Commissioner
- 1921: Collected £95,703 of £328,413 assessed. Most paid by government employees.
- Tax abandoned in 1922
- Prevented introduction of income tax until 1937



## Why was Kenya's tax unsuccessful?

- Wealth → incentive to avoid progressive tax on income.
- Social cohesiveness → collective action
- Bates: Settlers used this ability to influence other areas of policy (labour, transport infrastructure, agricultural marketing, etc.).

# Why didn't N. Rhodesia's settlers revolt?

- Voiced support for Kenya's settlers.
- Lower levels of income + higher levels of abatement → incentive for fewer settlers to object
- Diverse origins made political cooperation more difficult.

# Consequences of Revolt

- Limited Kenya's tax base during the inter-war period
- Lower levels of revenue per capita limited spending on services
- Increased tension over respective contribution of different racial groups

# Conclusions

- Structure and incidence of inter-war income tax illustrates that not all settler communities were alike
- Influence (and therefore impact) different depending on origins and role within the colonial economy
- Effect of local conditions on settler influence and colonial policy makes generalizing about impacts difficult