# TAX REVOLTS: AN INTERNATIONAL PERSPECTIVE

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## ABSTRACT

The main goal of this study is to investigate whether tax revolts currently taking place and apparently threatening to take place in South Africa follow patterns shown in past international tax revolts or follow a unique pattern of their own.

Tax revolts or tax rebellions are not a new phenomenon; they can be traced back to the beginning of time. Renowned tax revolts of the past include the Magna Carta and the Peasants' Revolt in England, the Boston Tea Party, the Whiskey Rebellion, the Zimbabwean poll tax revolt, the Bambatha rebellion, the Tigre Rebellion, Proposition 13 and Margaret Thatcher's poll tax revolt. These tax revolts were usually caused by the high burden of taxation, excessive government expenditure, corruption of government officials, declining tax morale of taxpayers and taxpayers' perceptions of unfairness. In South Africa, elements of tax revolts have been on the rise. There has been a tax revolt against the e-tolling system in Gauteng since 2013. Non-payment of municipal rates is another form of tax revolt that has been and is happening in South Africa. Trade unions have also threatened strikes and mass action against various tax changes, including the value-added tax increase. Taxpayers, through media reporting, have been witnessing an increase in the use of taxpayers' money for non-governmental agendas or overstated budgets. An increasing number of South Africans have been emigrating financially from South Africa to avoid a high taxation burden.

The study falls within a post-positivist paradigm and an interpretive methodology is applied in the present research. The methodology is based on the fact that the social reality of tax revolts is not singular or objective, instead it is influenced by human experiences and social contexts.

The study finds that tax revolts are currently occurring and threatening to occur in South Africa. The patterns of South African tax revolts are to a great extent similar to the patterns of international tax revolts, indicating the universalism of tax revolts. The study also confirms that South African tax revolts are, to a certain extent, unique.



Key words: taxation; tax revolts; tax rebellions; government's role; South African and international tax revolts

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## CHAPTER ONE

## INTRODUCTION

*"In this world nothing is certain but death and taxes" – Benjamin Franklin.*[1]

### 1.1 RESEARCH CONTEXT

A tax revolt is a political struggle to repeal, reduce or roll back a government-imposed tax. There have been many examples of tax revolts over the centuries. Jack Citrin holds that a tax revolt is a reaction to and rejection of the ineffectiveness of the government (in proper usage of taxpayers' revenue).[2] Other scholars add that an increased taxation burden also leads to tax revolts.[3]

The discontent with taxation has given rise to many tax revolts. In 1441, the Danish peasants' revolt occurred.[4] The revolt was as a result of the peasants reacting against increased taxation and economic pressure from the nobility. The Boston Tea Party is a tax revolt that took place in Boston, Massachusetts in America around the 1770s.[5] The authors explain that amongst the causes of this tax revolt were the high customs duty imposed by Britain and paid for tea, and the imposition of taxation without representation. The British government, in a bid to reduce its debt, had imposed taxation on colonists on tea, yet colonists did not have any representation in Parliament. The colonists believed that this was unfair and dumped 342 chests of tea imported by the British East India Company into the harbour. This marked the beginning of the tea tax revolt against Britain.

Another renowned tax revolt was the Whiskey Rebellion which took place in America in the 1790s.[6] The farmers and distillers were rebelling against a whiskey tax imposed by the government. The tax enacted was unfair to small producers as they paid 3 cents more per gallon of whiskey compared to large producers.[7] In addition, the government

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[1] DF Burg *A world history of tax rebellions: An encyclopaedia of tax rebels, revolts, and riots from Antiquity to the Present* (2004) 2.
[2] D Lowery "The attitudinal consequences of the tax revolt" (1982) *Springer* 4(4) 333 – 352.
[3] M Thornton and C Weise "The great depression revolts revisited" (2001)15 *Libertarian Studies* 3 95 – 105.
[4] H Kitschelt *The radical right in Western Europe: A comparative analysis* (1997).
[5] V Tayne and H Claude *Causes of War of Independence* (1921).
[6] W Hogeland "The biggest modern tax revolt: Proposition 13" (2009) https://roomfordebate.blogs.nytimes.com (Accessed 31 January 2020).
[7] Hogeland "The biggest modern tax revolt: Proposition 13" _.

was aggressive in the collection of the tax, leading to a tax revolt. In contrast to other tax revolts, the Whiskey Rebellion was successful in its advocacy for fairness and built support for the Republicans, who later took over George Washington's political party.[8]

The hut tax revolt in Sierra Leone in 1898, just like the two discussed above, was a resistance movement against a new tax imposed by the colonial governor.[9] The tax imposed a burden on the residents and the native chiefs petitioned against the tax. This led to the outbreak of a revolt against the tax, although some sources argue that it was political activity in the form of an arrest of a native chief that sparked the revolt. Similarly, Zimbabwe's tax revolt during the colonial period occurred when a hut tax was imposed on the black citizenry by the government. The hut tax stirred dissatisfaction leading to a revolt.[10] These tax revolts were successful in frustrating the collection of the revenue due to the government.

The Bambatha poll tax revolt in South Africa was as a result of the general dislike of the newly imposed tax on African farmers, the long-standing grievances between the white settlers and Africans over control of the best farms and pastures in Natal and Zululand, and the general unrest caused by the colonial policies and socio-economic circumstances.[11] The poll tax was resisted by Africans because they also believed that the state had gained more potentially destructive power over them through the census that had preceded the tax. The revolt was intended to overthrow colonial rule.[12]

Most of the tax revolts that occurred during a colonial era or a liberation struggle are hard to assess on their success or failure because of the political upheaval that was concurrent with the tax revolt.

One of the most successful tax revolts was the American Proposition 13, as it succeeded in limiting property taxes to 1% of value and to cap annual assessment

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[8] Hogeland "The biggest modern tax revolt: Proposition 13".

[9] Global Security "Hut tax war the Temne" (2017) https://www.globalsecurity.org/military/world/war/hut-tax-war.htm (Accessed 21 January 2020).

[10] The Patriot Reporter "The struggle for land in Zimbabwe (1890 – 2010)…Hut tax triggers first Chimurenga" (2016) https://www.thepatriot.co.zw/old_posts/the-struggle-for-land-in-zimbabwe-1890-2010-hut-tax-triggers-first-chimurenga/ (Accessed 21 January 2020).

[11] S Redding "A blood-stained tax: Poll tax and the Bambatha Rebellion in South Africa" (2000) 43 *Cambridge University Press* 29.

[12] Redding 2000 *Cambridge University Press* 29.

increases at 2%, unless the property changed hands.[13] Additionally, Proposition 13 gave birth to an era of citizens' petitions to force the government to either enact legislation or hold a public vote in Parliament to put a proposition under referendum, and the anti-tax forces rapidly institutionalised themselves into a permanent and formidable political interest group.[14]

Ola Listhaug and Arthur Miller argue that tax revolts are ubiquitous and therefore no single explanation can adequately explain all tax revolts.[15] The authors suggest that the simple theory for tax revolts is voter rejection of government propositions and, in such instances, the forces determining voters' decisions are typically socio-economic, attitudinal and partisan variables. It has also been argued that the tax revolts by voters do not constitute tax revolts *per se* as the action is an event where voters make their preferences heard pertaining to specific policies.[16] Other tax revolts are as a result of the rejection of a political regime, as with the Zimbabwean Hut Tax. In such instances, tax revolts are only a small battle in a larger on-going rebellion.[17]

The tax distribution theory holds that tax revolts occur on the basis of perceived inequalities within the tax system, as was with the case of Margaret Thatcher's poll tax revolt, where everyone over the age of eighteen was subject to a flat rate tax, such that "the millionaire paid the same as the toilet attendant".[18] The dissatisfaction with bearing a growing share of public financial responsibility by property-owner voters at the time of Proposition 13 is also said to have caused the revolt.[19] The Proposition 13 tax rebellion gave birth to more theories than any other rebellions. Amongst the theories is that a tax revolt occurs as a reaction to perceptions of rampant waste and inefficiency in the public sector. Taxes are considered too high in relation to benefits

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[13] Hogeland "The biggest modern tax revolt: Proposition 13".
[14] Hogeland "The biggest modern tax revolt: Proposition 13".
[15] O Listhaug and A Miller "Public support for tax evasion: Self-interest or symbolic politics" (1985) 13 *Journal of Political Research* 265.
[16] Encyclopedia [sic] "International Encyclopedia [sic] of Social Sciences" (2020) https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/tax-revolts (Accessed 31 January 2020).
[17] Encyclopedia [sic] "International Encyclopedia of Social Sciences".
[18] D Burns *Poll tax rebellion* (1992) 10.
[19] D Lowery and L Sigelman "Understanding the tax revolt: Eight explanations" (1981) 75 *The American Political Science Review* 963.

received, so a tax revolt is to put the government on a "fiscal diet" to redress the imbalance.[20]

In South Africa, it is submitted, the magnitude of misuse and abuse of taxpayers' revenue by government and parastatals is overwhelming. In this context, if one believes that withholding revenue would play a significant role in preventing government waste, corruption, and poor service delivery, it seems justified to withhold the revenue. Elements of tax revolts have been on the rise in South Africa. There have been various forms of revolt by taxpayers against government institutions, including a tax revolt against the e-tolling system in Gauteng since 2013, where the motorists refused to pay this toll fee. Jean du Toit described the e-toll revolt as a success.[21] Non-payment of municipal rates is another form of tax revolt that is threatening in South Africa. Municipal rates are a local tax charged on the market value of immovable property such as land and buildings.[22] Municipalities have been faced with non-payments, which have culminated in a municipal debt of R34 billion in the 2017/2018 period.[23] The Department of Statistics South Africa (2018) reports that the increase in municipal debt reflects the growing dissatisfaction of consumers with service delivery[24]. According to Chief Economist, Mike Schussler, the debts put municipalities under pressure, leading to ineffective and inadequate service provision.[25] Authorities choose to increase rates instead of resolving the problem of non-payment and taxpayers who pay their rates are progressively burdened by those who do not, ultimately leading to further non-payment, thus creating an environment for more rebellion against municipal rates.[26]

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[20] Lowery and Sigelman 1981 75 *The American Political Science Review*.

[21] BusinessTech "E-toll fight shows why a tax revolt will never work: CEO" (2019) https://businesstech.co.za/news/finance/296378/e-toll-fight-shows-why-a-tax-revolt-will-never-work-ceo/ (Accessed 20 January 2020).

[22] Cooperative Governance Traditional Affairs "What are municipal property rates?" (2016) http://www.cogta.gov.za/?p=958 (Accessed 2 February 2020).

[23] Cape Business News "A tax revolt is already happening in South Africa" (2019) https://www.cbn.co.za/featured/a-tax-revolt-is-already-happening-in-south-africa/ (Accessed 20 January 2020).

[24] Department: Statistics South Africa "Debt owed to municipalities reaches R72.4 billion" (2019) http://www.statssa.gov.za/?p=12255 (Accessed 20 January 2020).

[25] BusinessTech "A tax revolt is already happening in South Africa" https://businesstech.co.za/news/finance/295552/south-africas-tax-revolt-is-already-happening/ (Accessed 20 January 2020).

[26] BusinessTech "A tax revolt is already happening in South Africa".

The 2011 Local Government Budgets and Expenditure Review reported that 42 towns had engaged in paying rates and utility accounts into trust funds and delivering the municipal services themselves.[27] This number is likely to have increased substantially since then. The use of trust accounts shows that the ratepayers are willing to pay but only for appropriate service delivery by the municipalities. The trusts hold funds for the municipality until the municipality is restructured for better service delivery.[28] A municipal tax revolt against the Makana Municipality in the form of rates non-payment has been reported. Ron Weissenberg reveals that, amongst the Makana residents, protest and action-minded ratepayers are withholding their payments because of the belief that there is misuse, wastage, patronage, nepotism and corruption.[29] Residents of the KwaZulu-Natal South Coast under Ugu Municipality have also threatened to withhold water payments from the end of February 2020 as a result of the on-going and widespread disruption in supplying water.[30]

Trade unions have also threatened strikes and mass action against various tax changes, including VAT increases. In 2019, the Congress of South African Trade Unions (Cosatu) threatened to strike against the 1 percent hike in VAT. The union explained that the hike put a strain on the poor and demanded that the state impose a wealth tax and increase the corporate tax rate to make the wealthy individuals pay accordingly.[31]

Taxpayers, through media reporting, have been witnessing an increase in the use of taxpayers' money for irregular and wasteful expenditure or overstated budgets for government agendas. The road linking the former President Jacob Zuma's home alone cost taxpayers over R290 million.[32] Cape Business News reports that the media

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[27] Municipal IQ "Better solutions to delivery failure than rates boycotts" (2011) www.municipaliq.co.za/index.php?site_page=article.php&id=47 (Accessed 14 March 2020).
[28] A May and Community Law Centre "The withholding of rates in five local municipalities" (2011) *SoLG* 96 – 110.
[29] R Weissenberg "The Makana rates revolts" (2018) *Grocotts* 1-2.
[30] Herald Mail "No water, no payment say thirsty South Coasters" (2020) www.google.com/amp/s/southcoastherald.co.za/395824/thirsty-south-coasters-threaten-non-payment-say-south-coasters/amp (Accessed 14 March 2020).
[31] J Cronje "Cosatu readies for national strike against job losses, reiterates calls for VAT rate reduction" (2019) https://m.fin24.com/Economy/South-Africa/cosatu-readies-for-national-strike-against-job-losses-reiterates-calls-for-vat-rate-reduction-20190206 (Accessed 17 March 2020).
[32] News24 "R290 million for Nkandla road: Report" (2017) https://m.news24.com/You/Archive/r290-million-for-nkandla-road-report-20170728/ (Accessed 20 January 2020).

provides evidence of the fact that the decline in services by government parastatals such as Eskom provide glaring evidence of the abuse of the taxpayers' money.[33] Additionally, a taxpayer's sense of liability towards the state to pay taxes is affected negatively where the state fails to fulfil its duties towards its subjects.[34]

It can even be claimed that certain instances of tax avoidance and evasion are symptoms of taxpayers' growing dissatisfaction and resistance to paying taxes, and a form of tax revolt.[35]

The present research aims to answer the following question

Are the tax revolts that have taken place or are currently taking place and threatening to take place in South Africa following documented patterns shown in past international tax revolts or do they follow a unique pattern of their own? Whilst there is a great deal of literature regarding tax revolts in the international arena, there is less literature written locally on tax revolts, specifically in South Africa, and no documented comparative analysis with the patterns of international tax revolts. Therefore, this study provides an analysis of tax revolts and threatening tax revolts in the South African context, using examples from the past and instances of threatening revolts reported in the media and elsewhere, and how they relate to other tax revolt occurrences that have happened in the past in other countries.

## 1.2 GOALS OF RESEARCH

The main goal of this research is to investigate whether tax revolts currently taking place and apparently threatening to take place in South Africa follow patterns shown in past international tax revolts or follow a unique pattern of their own. To achieve this goal, the following sub-goals are addressed:

- describe the causes, nature and outcome of tax revolts that have occurred internationally in the past;

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[33] Cape Business News "A tax revolt is already happening in South Africa" (2019) https://www.cbn.co.za/featured/a-tax-revolt-is-already-happening-in-south-africa/ (Accessed 20 January 2020).

[34] Cape Business "A tax revolt is already happening in South Africa".

[35] P Dean, T Keenan and F Kenney "Taxpayers' attitudes to income tax evasion: An empirical study" 1980 *British Tax Review* 28.

- describe the causes, nature and outcome of tax revolts that have taken place and are currently taking place, and are threatening to take place in South Africa; and
- compare the tax revolts and threatening tax revolts in South Africa with tax revolts that have occurred internationally in the past.

## 1.3 METHODS, PROCEDURES, TECHNIQUES AND ETHICAL CONSIDERATIONS

The present research falls within the post-positivist paradigm. The post-positivist paradigm is based on reality as a concept of the human mind, influenced by cultural and social beliefs. Therefore, there may be numerous realities under this paradigm.[36]

The methodology for the present research is interpretive. According to Bhattacherjee, the methodology is based on the fact that social reality is not singular or objective, instead it is influenced by human experiences and social contexts.[37] Interpretive research views social reality as being attached within and impossible to detach from social settings. Reality is interpreted through a "sensemaking" as a substitute for a hypothesis testing process.[38] Through use of a structured literature study, the research will analyse the incidence, causes, nature and outcomes of tax revolts and threatening tax revolts in South Africa and other jurisdictions that have experienced tax revolts, by means of desktop research. Although no formal sampling procedure will be used, where documented tax revolts exhaust the spectrum of causes, nature and outcomes of tax revolts, the literature search will end.

The following sources of information will be used:

i. textbooks, journals and other authoritative writings;
ii. South African Revenue Service (SARS) annual reports; and
iii. media reports (where no other sources are available).

The information gathered will be used to analyse the patterns of tax revolts in South Africa in comparison to patterns of other tax revolts.

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[36] E Stack "Legal research methodology" (2019) Unpublished course notes for the master's in commerce (Taxation) at Rhodes University.
[37] A Bhattacherjee *Social science research: Principles, methods, and practices* (2012).
[38] Bhattacherjee *Social science research* 103.

## 1.4 OVERVIEW OF THE CHAPTERS

Tax revolts or tax rebellions reflect the unhappiness of taxpayers regarding the fairness of the taxation system, the use of tax revenue by the government, and the administrative authority of the fiscus.

Chapter 2 begins with an analysis of causes, nature and outcome of international tax revolts that have happened in the past and those that have happened in South Africa before attainment of democracy. The chapter introduces the concepts of taxation and tax rebellions, discusses nature of tax revolts and the history of past international tax rebellions. The chapter compares the tax revolts that have occurred internationally and those that have happened in the South African pre-colonial era to establish the most common patterns of tax rebellions.

Chapter 3 examines the South African taxation patterns after 1994 to estimate when elements of tax rebellions or tax revolts started. The chapter introduces the concept of tax morality and how morality influences tax revolts or elements of tax revolts. Furthermore, the chapter considers the causes of decline in tax morality such as administration challenges at SARS, corruption and excessive expenditure by government officials and parastatals. The chapter then discusses the tax rebellions threatening and currently occurring in South Africa.

Chapter 4 provides an analysis and interpretation of patterns of past tax rebellions and those that have occurred in the South African context. The chapter then discusses the theoretical and ideological framework into which the tax rebellions fall. Finally, the chapter discusses tax rebellions that occurred in the pre-democratic era and those that occurred during the post-colonial or democratic era.

Chapter 5 provides a summary of the key findings in each chapter. The chapter concludes by making recommendations aimed at reducing the occurrence of tax rebellions in the South African context.

## CHAPTER TWO

## NATURE OF TAX REVOLTS

*The variety and ingenuity of the methods used by heads of state in early times to extract revenues from an unwilling populace is equalled only by their effrontery.*[39]

### 2.1 INTRODUCTION

The goal of this chapter is to discuss the causes, nature, and outcome of international tax rebellions in order to establish the patterns followed by the revolts. This will be achieved by exploring the history of a selection of tax revolts or rebellions.

The chapter starts by defining relevant terms, which is followed by a discussion of accounts of the most written about tax rebellions in history. Then South African examples of tax revolts are considered. The chapter compares the observations of past rebellions with South African instances. The chapter concludes by providing an overview of the chapter and giving a preview of the following chapter.

### 2.2 DEFINITION OF TAXATION

According to John Locke, taxation came about when people voluntarily united to establish a government that would protect its people's property and regulate the relations among the citizens. The people, in response, are obliged to accede to reasonable demands of the government.[40] Consequently, a relationship exists between a government and its governed, which is referred to as a social contract. The contract obliges the citizen to pay taxes while the government provides for the welfare of citizens.[41] Taxes are compulsory contributions to the government's revenue levied on income or property of persons for funding of general expenditure for the advantage of society as a whole.[42] Taxation influences economic growth through the allocation and redistribution of resources funded by taxes.

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[39] AR Ilersic "English Fiscal Lore" (1996) 14 *Canadian Tax Journal* 54 at 54.
[40] WM Simon "John Locke: Philosophy and Political Theory" (1951) 45 *The American Political Science Review* 386 at 386 – 387.
[41] M Stiglingh, AD Koekemoer, L van Heerden, JS Wilcocks and P van der Zwan *SILKE: South African Income Tax* (2019) 1.
[42] Stiglingh *et al SILKE* 1.

The role of taxes has changed over time, from the collection of taxes to support a sovereign ruler and his courtiers or to pay for wars, to the collection of taxes for attaining social, economic and other obligations in a modern democracy.[43] George Goldswain opines that the role of taxation in South Africa is to alleviate the plight of the previously oppressed and disadvantaged. For South Africa, taxation laws follow a more equitable approach that is in line with the Constitution of the Republic of South Africa.[44] The equity principle of taxation suggests that tax should be imposed according to one's taxable ability or capacity. Other principles of taxation include the certainty principle (taxes should be certain and not arbitrary), the convenience principle (taxes should be levied at the times and under the circumstances convenient for their payment), the economic efficiency principle (taxes should be designed to reduce the cost of collection on the part of the tax authority and the compliance cost of taxpayers to the minimum), the administrative efficiency principle (which promotes the economic efficiency of tax collections), the flexibility principle (taxes should be designed in such a way that changes can be made when circumstances change) and the simplicity principle (taxes should be easily understood and applied). All these principles of taxation are essential and the priority of the application of the principles depends on the fiscal policy objective to be attained.[45]

### 2.3 THE GOVERNMENT'S ROLE IN TAXATION

The government needs financial support from its citizens in order to function. Historical observation of governments shows that taxation is so fundamental to governments that a government without financial support from its citizens cannot adequately protect the rights of its citizens.[46] Generally, people are reluctant to pay taxes. Thus, taxation is the most contentious interface between a citizen and one's government, as the citizen taxpayer forgoes some of his liberties in return for government benefits.[47] The power of the government to tax requires legitimacy and confidence of the governed

[43] G Goldswain "Winds of change – III" (2003) 23 *Tax Planning Corporate and Personal* 3.
[44] Goldswain 2003 *Tax Planning Corporate and Personal* 3.
[45] Stiglingh *et al SILKE* 5.
[46] LP Martinez "The trouble with taxes: Fairness, tax policy and the Constitution" (2004) 31 *Hastings Constitutional Law Quarterly* 413 at 415.
[47] R Ramfol "The fine line between tax compliance and tax resistance: the case of South Africa" (2019) at 3 https://www.researchgate.net/publication/336915987 (Accessed 26 June 2020).

that the power will not be abused. Therefore, the government must impose taxes that are fair and as little burdensome as possible to the taxpayers.[48]

Where government does not represent the majority of views of its citizens, the citizens may engage in acts of solidarity in civil disobedience by not paying taxes. The famous case of Henry Thoreau refusing to pay taxes that would pay for wars and slavery is one example of civil disobedience.[49] In America, taxpayers have vowed to not pay federal taxes because they believe that the Trump administration does not represent their beliefs and values. Rather than improving health care the Trump administration gives preference to funds to build the Mexican border.[50]

Taxpayers' perceptions of the fairness of tax policies are determined by an evaluation of the uniformity between the participants involved in the interchange of tax payments to and benefits earned from government. Reciprocity is essential in this exchange between the government and its governed. The point of resisting and revolting against taxes arises where the government continuously receives taxes from taxpayers without honouring its perceived obligation for reciprocal benefits.[51]

It has been observed that, generally, nobody enjoys paying taxes.[52] Voluntary compliance with tax policies is key in achieving successful tax regimes by governments. Therefore, it is essential that a government fosters the values of consent, trust and legitimacy in tax policies through compulsory taxation that is just. Ruanda Oberholzer and Elizabeth Stack hold that the success or failure of the government's fiscal policies primarily depends on the honesty of taxpayers.[53] The authors state that tax compliance improves when tax revenue is applied for the benefit of the taxpayer. In the same regard, where there is evidence of wasteful government

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48 A Smith *The wealth of nations* (1776).

49 J Walters "We will not pay: the Americans withholding their taxes to fight Trump" (2017) https://www.theguardian.com/us-news/2017/feb/15/tax-refusing-pay-protest-trump (Accessed 27 June 2020).

50 Walters "We will not pay: the Americans withholding their taxes to fight Trump" (.

51 R Ramfol "The fine line between tax compliance and tax resistance: the case of South Africa" (2019) at 3 https://www.researchgate.net/publication/336915987 (Accessed 26 June 2020).

52 BS Frey and B Torgler "Tax morale and conditional cooperation" (2007) 35 *Journal of Comparative Economics* 136 at 136.

53 R Oberholzer and EM Stack "Possible reasons for tax resistance in South Africa: A customised scale to measure and compare perceptions with previous research" (2014) 40 *Public Relations Review* 251 at 251.

expenditure, increased tax evasion is found.[54] The need to rebel against taxes arises when a taxpayer's voluntary compliance is compromised, and the tax regime is perceived as unfair and oppressive. Tax revolts or tax rebellions are therefore tools to renegotiate the terms and conditions of the interface between government and taxpayer by applying techniques to mobilise the association that disintegrated between taxpayers and government parastatals.

### 2.4 DEFINITION OF TAX REBELLIONS OR REVOLTS

Revolutions can be a product of frustration in leadership, disenabling laws, and even constitutional order. Usually, the causes of revolutions are the absence of fairness and a sense of desperation. Revolutions effect change in society and for individuals. Paul Samuelson, in Reid[55], defines a (tax) revolt as "(A)n act of protest or rejection," which seeks some discontinuous change".[56]

Economists like David Lowery and Lee Sigelman suggest that tax revolts are reflective of the decay in taxpayers' beliefs in government efficacy.[57] They add that revolts are a "reaction to perceptions of rampant waste and inefficiency in the public sector," and "the perceived inequities of the tax system".[58] Senior tax attorney Jean du Toit defines a tax revolt as "any situation where taxpayers in the act of solidarity resolve to abstain from their civic duty of paying their taxes".[59]

"Tax revolt" can also be described as a tax reduction or tax limitation campaign. Furthermore, the term tax revolts refers to political struggles to repeal, limit or roll back a state-imposed tax.[60] Tax revolts are a means to communicate a message to the government to show disapproval of a form of tax or as opposition to government

[54] P Dean, T Keenan and F Kenney "Taxpayers' attitudes to income tax evasion: An empirical study" 1980 *British Tax Review* 28.
[55] JD Reid "Tax Revolts in Historical Perspective" (1979) 32 *National Tax Journal* 67 at 67.
[56] AP Samuelson "The Pure Theory of Public Expenditure" (1954) 36 *Review of Economics and Statistics* 387.
[57] D Lowery and L Sigelman "Understanding the Tax Revolt: Eight Explanations" (1981) 75 *The American Political Science Review* 963 at 965.
[58] Lowery and Sigelman *The American Political Science Review* 965.
[59] J McKane "How SARS will deal with South Africa's tax revolt" (2020) www.mybroadband.co.za/mews/government/321574-how-sars-will-deal-with-south-africas-tax-revolt.html/amp (Accessed 7 April 2020).
[60] Ballotpedia "Tax Revolt" (2007) https://ballotpedia.org/Tax_revolt (Accessed 23 March 2020).

policy.[61] Tax revolts and tax rebellions, although regarded as synonymous by some, have different nuances and meanings. The objective of tax revolts is not merely the rejection of taxes, but a medium to seek and implement restorative action that ultimately improves government performance and yields reciprocal benefits to citizens.[62]

Additionally, Patricia Williams concludes that tax revolts are legitimate expressions of dissatisfaction with the status quo to which the fiscus must attend to by a show of service rather than a show of power.[63] Nicolas Delalande and Romain Huret state that tax revolts reflect distrust of particular government institutions rather than rejection of the national government as a whole.[64] The authors further suggest that a tax revolt is a social act and a productive mode of negotiation.[65] Contrastingly, E P Thompson rejects the notion that tax revolts are “spasmodic actions” by “irrational mobs”.[66] Instead, the author argues that tax revolts are political acts resembling more creative ways of protest, creative in that the rebellions are able to begin a new era of fiscal policies.

Rebellions are actions of armed opposition against an established form of authority to effect political change.[67] When citizens rebel against taxes, the rebellions represent something more tangible than when they reject other types of public policies.[68] Thomas Slaughter holds that a rebellion is a “climactic event in the process of political

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[61] Businesstech “Why a ‘Tax Revolt is Unlikely in South Africa” (2019) https://businesstech-co-za.cdn.ampproject.org/v/s/businesstech.co.za/news/finance/278033/why-a-tax-revolt-is-unlikely-in-south-africa/amp/?amp_js_v=a3&amp_gsa=1 &usqp=mq331AQFKAGwASA%3D#aoh=15849832578080&referrer=https%3A%2F% (Accessed 23 March 2020).

[62] M Neiman and G Riposa “Tax rebels and tax rebellions” (1986) 39 *Western Political Quarterly* 435.

[63] P Williams “Tax resistance as a demonstration of tax morality” (2017) https://www.bowmanslaw.com/insights/tax/tax-resistance-demonstration-tax-morality/ (Accessed 2July 2020).

[64] N Delalande and R Huret “Tax resistance: A global history?” (2013) 3 *The Journal of Policy History* 301 at 302.

[65] N Delalande and R Huret “Tax resistance: A global history?” (2013) 3 *The Journal of Policy History* 301 at 304

[66] E P Thompson “The moral economy of the English crowd in the Eighteenth century” (1971) 50 *Past and Present* 76.

[67] Cambridge Dictionary “rebellion” 2020 https://dictionary.cambridge,org/dictionary/english/rebellion (Accessed 23 March 2020).

[68] Encyclopedia [sic] “Tax Revolts” (2020) https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/tax-revolts#A (Accessed 29 February 2020).

and social change"[69], indicating that tax revolts are often tools of political and social change. On the other hand, tax rebellions are insurrections against taxation.

The difference between a "revolt" and a "rebellion" is that a revolt refers to something unusual, sudden, and unexpected, which may involve violence, whereas rebellion refers to a prolonged, violent attempt to overpower a government. Often a revolt leads to a rebellion. In this study, the terms "revolt" and "rebellion" are used interchangeably. This study notes that tax revolts and tax resistance are different things, though tax resistance can be a form of tax rebellion.

Tax resistance is the reluctance of taxpayers to pay their taxes, it is easily achievable through passive non-compliance. An instance of tax resistance would be withholding rate payments from a municipality in individual capacities. A tax revolt situation arises when collectively withheld payments are paid into a trust account instead of the municipality account. Tax resistance takes a passive form, whilst tax revolts involves active engagement of disgruntled taxpayers.[70] Tax resistance has been found to be the first phase of tax revolts in the past.[71]

Tax resistance takes two forms, namely: tax evasion and tax avoidance, both of which diminish the governments' revenue receipts.[72] Tax avoidance occurs when a taxpayer arranges his or her affairs in a "perfectly legal or lawful manner" to reduce or remove income payable.[73] Tax evasion is deliberate illegal acts by a taxpayer to escape a tax burden. It constitutes non-payment of tax that is chargeable if a "full and true disclosure of income and allowable deductions" is done.[74] The acceptable form of tax revolt would be an act of defiance by taxpayers against tax policies, rather than an act of deceit against the tax policies. Where non-compliance is influenced by the need to deceive tax authorities, it becomes tax evasion not a tax rebellion. Tax evasion as an illegal activity is influenced by the status of the taxpayer, psychological factors and tax

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[69] TP Slaughter *The Whiskey Rebellion: Frontier Epilogue to the American Revolution* (1988) 10.
[70] AO Hirschman *Exit Voice and Loyalty: Response to decline in firms, organisations and states* (1970).
[71] DF Burg *A world history of tax rebellions: An encyclopaedia of tax rebels, revolts, and riots from Antiquity to the Present* (2004).
[72] P Dean, T Keenan and F Kenny "Taxpayers' Attitudes to Income Tax Evasion: An Empirical Study" (1980) 1 *British Tax Review* 28 at 28.
[73] Dean *et al* 1980 *British Tax Review* 28.
[74] Stiglingh *et al SILKE: South African Income Tax* 1096.

administration. Wasteful spending and corruption by the government increase the incidence of both tax evasion and tax revolts.

Unlike tax revolts, tax resistance (evasion) does not have an ideology; therefore it is difficult to categorise all tax resistance as a revolt because a taxpayer may evade tax because of disliking taxes, not because of dissatisfaction with government's use of revenue. However, when tax complying taxpayers decide to resist paying taxes, it is a form of tax rebellion.[75]

## 2.5 NATURE OF TAX REVOLTS

Joseph Reid holds that tax revolts are as "American as 1776"[76] to show how old they are. Reid holds that tax revolts are political struggles "since limits on taxes are […] political outcomes".[77] He defines a political outcome as any outcome provided coercively by a government. In this context, a revolt is "an act of protest or rejection" seeking change in political outcomes.[78] He adds that a tax revolt may overthrow old rulers but need not do so.[79] Therefore, for Joseph Reid, tax revolts are political struggles.

David Burg believes that tax revolts reflect broader issues, going beyond issues of taxation. Taxation provides the apparent cause for insurgence mainly because taxes provide a "ubiquitous, detested and identifiable target of opposition".[80] Underlying issues motivating rioters may be too "complex" or "subtle" to awaken attention required for "effective protest," yet "everyone understands taxes at the most personal and visceral level".[81] For Burg, tax revolts are a sign of excessive taxation and other underlying issues common to the protesters.

The nature of tax revolts is that they are more likely to result from a form of direct taxation like property tax than they are to result from sales and income taxes. The

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[75] R Ramfol "The Fine Line between Tax Compliance and Tax Resistance: The Case of South Africa" (2019) *Conference Paper* 1 at 2.
[76] JD Reid "Tax Revolts in Historical Perspective" (1979) 32(2) *National Tax Journal* 67 at 70.
[77] Reid *National Tax Journal* 67.
[78] Reid *National Tax Journal* 67.
[79] Reid *National Tax Journal* 67.
[80] DF Burg *A World History of Tax Rebellions: An Encyclopaedia of Tax Rebels, Revolts, and Riots from Antiquity to the Present* (2004) 8.
[81] Burg *World history of tax rebellions* 8.

explanations for tax revolts have been described to include the need to reduce the degree of government's activity, the desire to reduce or remove taxes and dissatisfaction with the incidence of taxation. However, there is no prediction of when dissatisfaction with taxes will be great enough to cause a tax revolt. Taxpayers whom tax increases directly affect are more inclined to support or start tax revolts or tax resistance.[82]

While varying factors lead to tax revolts, David Lowery and Lee Sigelman suggest that tax rebellions carry universal perceptions of deteriorating taxpayers' morale and assurance in a government's capability to handle revenue for the greater good of citizens.[83]

Most tax revolts are based on a rationality model where individual demand for government taxes and expenditures is perceived as a function of self-interest, based on the individual's demographic characteristics like race, income, or social class.[84]

The tax level explanation holds that tax revolts are attempts to dramatically cut what is perceived as an excessive government.[85] It is suggested that since public officials exercise control over government parastatals, citizens' only viable recourse is through extraordinary means, if they are to lower the level of excessive government.[86]

Due to the complex nature of tax revolts, the literature review on tax revolts has been based on specific examples of tax revolts. While there is a vast amount of literature on individual tax revolts, there is little literature providing a systematic review of tax revolts in general, and not much has been said about tax revolts in a unified context. Thus, a gap exists in the literature providing a unified theoretical framework of causes, nature, and outcomes of tax revolutions. This study examines the patterns of the past and looming tax revolts in South Africa against the patterns that have been evident in the

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[82] RM Stein, KE Hamm and PK Freeman "An analysis of support for tax limitation referenda" (1983) 4 *Public Choice* 187 at 187.
[83] Lowery and Sigelman 1981 *The American Political Science Review* 963.
[84] D Lowery and L Sigelman "Understanding the tax revolt: eight explanations" (1981) 75 *The American Political Science Review* 963 at 964.
[85] L Sigelman, D Lowery and R Smith "The tax revolt: a comparative state analysis" (1983) 36 *Western Political Quarterly* 30 at 31.
[86] Sigelman *et al Western Political Quarterly* 31.

most common past tax revolts from around the world to provide a systematic review of tax revolts.

## 2.6 HISTORY OF TAX REBELLIONS OR REVOLTS

Tax rebellions and tax revolts throughout history are evidence of the long struggle against forms of taxation. Taxation has often been burdensome and, in some instances, excessive and punitive. A global view indicates that most of the modern states have experienced tax revolts or some form of tax resistance at one point or another. What differentiates the forms of past tax rebellions or resistances is their ability to negotiate compromise.[87]

The earliest form of taxation ever documented in Europe and Africa was the *corvée*, compulsory labour provided by poor peasants to the state as a substitute for other types of taxation. In Egypt, pharaohs imposed a tax on grain, while in China, *corvée* was in use from 594 BC. Thus, taxation has been a part of human history in both the East and West for at least 2500 and 4500 years, respectively.[88] The incidence of tax revolts and tax rebellions may be equally old. However, there are no records to prove or disprove this, so it would seem tax revolts only started occurring in a specific era.[89]

## 2.7 PROPOSED EXPLANATIONS FOR TAX REVOLTS

The self-interest explanation according to Lowery and Sigelman , posits that the individual is influenced by personal situation regarding taxes paid, and services received from government.[90] The explanation further provides that the individual's expectation of government's usage of taxes is seen as a function of self-interest influenced by gender, race and income. According to this explanation, individuals' decisions to partake in a tax revolt is solely for self-interest. On the other hand, Don

[87] N Delalande and R Huret "Tax resistance: A global history?" (2013) 3 *The Journal of Policy History* 301 at 302.
[88] Burg *A World History of Tax Rebellions* 11.
[89] Burg *A World History of Tax Rebellions* 12.
[90] D Lowery and L Sigelman "Understanding the tax revolt: eight explanations" (1981) 75 *The American Political Science Review* 963 at 964.

Fullerton submits that participation in a tax revolt is less about incentive and more of a public choice.[91]

The tax level explanation provides that taxpayers' demand for tax level reductions is an attempt to cut an excessive government and the government's potential for excessive expenditure. According to Lowery and Sigelman a tax revolt is "a necessary, if unprecedented" reaction to a government's excessive expenditure.[92] Robert Archibald and David Feldman suggest that putting restrains on government's spending is the basic strategy of a tax revolt.[93]

The tax efficiency explanation holds that a tax revolt is a response to observations of unrestrained squander and carelessness in the public sector.[94] According to this view, there is a lack of equal proportion between the taxes collected by the fiscus and the public service delivery received by the taxpayers.

The tax distribution explanation declares that tax evasion occurs where taxpayers try to equalise observed inequities within the tax policies. Schoenblum submits that the fairness in tax policies requires that the tax burden be equally distributed over the tax base.[95] However, the equity principle of taxation suggests that individuals should be taxed according to the "ability to pay" principle.[96]

The economic pinch explanation describes taxpayers' worry and apprehension concerning personal finances and the financial status of the country in general. The stress of taxpayers may result in rising tax resistance.[97] The lack of economic development over a long time also contributes to the frustration of the taxpayers. Inflation and loss of jobs also contributes to the stress leading to tax resistance.[98]

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[91] D Fullerton "On the possibility of an inverse relationship between tax rates and government revenues" (1982) 19 *Journal of Public Economics* 3 at 20.
[92] Lowery and Sigelman *The American Political Science Review* at 964.
[93] RB Archibald and DH Feldman "State higher education spending and the tax revolt" (2006) 77 *The Journal of Higher Education* 618 at 620.
[94] RL Lucier "Gauging the strength and meaning of the 1978 tax revolt" (1980) in C Levine (Ed.) *Managing Fiscal Stress*.
[95] JA Schoenblum "Tax fairness or unfairness – a consideration of the philosophical bases for unequal taxation of individuals" (1995) 12 *American Journal of Tax Policy* 221.
[96] Stiglingh *et al SILKE* 5.
[97] MW Spicer and LA Becker "Fiscal inequity and tax evasion: an experimental approach" (1980) 33 *National Tax Journal* 171.
[98] Lowery and Sigelman *The American Political Science Review* at 965.

The political ideology explanation includes several other explanations for a tax revolt as an indication of the dissatisfaction of the taxpayer with the tax policies and the government's standing. The taxpayer rejects the wasteful spending and inefficiency of the government.[99]

The political disaffection explanation dwells on the shortcomings of government and a declining confidence in the political structures and how they result in a tax revolt. In this regard, factors such as corruption by government, abuse of authority, misappropriation of funds and lack of proper enforcement of the law contribute towards a tax revolt.

According Lowery and Sigelman's information explanation, a certain naivety and a general lack of how a government operates may stimulate a tax revolt.[100]

## 2.8 EXAMPLES OF TAX REVOLTS

The following are examples of tax revolts that have occurred over the ages.

### 2.8.1 Urukagina's Reform c. 2350 BC

In the Third Millenium BC, the Lagashites revolted against the local ruler, *ishakku*, who was charging high taxes. Lagash consisted of a small group of towns in Sumeria, each with its temple. After the revolt against the dynasty, they chose a ruler for themselves, Urukagina. Urukagina effected tax reduction and related reforms to lessen the burden of oppressive tax and policies of his predecessors. During Urukagina's reign, no tax collectors were required as taxes were extremely low. The lives of the Lagashites were significantly improved, and they regained their personal and economic freedom. This marked the first recorded case of tax reduction after a tax rebellion.[101] The revolt was successful. Kramer suggests that the revolt was caused by high taxation and the appropriation by the palace of assets belonging to the temple.[102] The Lagashites suffered "high and multifarious taxes and the appropriation of property belonging to the temple".[103]

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[99] Lowery and Sigelman *The American Political Science Review* at 965.
[100] Lowery and Sigelman *The American Political Science Review* at 966.
[101] Burg *A World History of Tax Rebellions* 49.
[102] SN Kramer "Sumerian Historiography" (1953) 3 *Israel Exploration Journal* 217 at 227.
[103] SN Kramer "From the Tablets of Sumer" (1956).

### 2.8.2 Revolt of Procopius 365 – 366 AD

Another early form of tax revolt was the revolt of Procopius, which occurred in 365 and 366.[104] Diocletian started the tax system, and taxes had unceasingly increased, putting people under strain. Before 365, during Petronius' reign, there was a tax collection system built from arrears owed under the reign of Aurelian in 270 – 275. Therefore, the rate of taxes was excessive, and discontentment and hatred were stirred in the taxpayers. The universal hatred for these taxes and collection policies by Petronius inspired the support of everyday people, leading to the tax revolt in 365. The revolt ended in 366 after Procopius' murder. The Revolt was unsuccessful as the leader of the revolt, Procopius, was murdered before change could be implemented to the taxation system. Similar to the Urukagina Reform, the Revolt of Procopius was caused by high taxation and was supported by ordinary people, indicating how high taxation affected everyone.

### 2.8.3 Magna Carta – the barons' tax rebellion

Like the Urukagina reforms, the Magna Carta rebellion (1215) in England brought economic relief to the taxpayers. The Magna Carta came into being when barons reacted against a failed war and extreme taxation. After the loss of the Normandy in 1204, fiscal exactions were perceived as excessive. Additionally, the continuing development of government's machinery, which was an expensive enterprise, added to the tax burden of the subjects. The manner in which the King pursued fiscal ambitions provoked resentment in the people. The accumulation of grievances precipitated the rebellion of barons.[105] According to Jane Hughes and Lynne Oats the King went from experimenting with new means of tax sources to extortion, leading to the Magna Carta.[106]

The outcome of the rebellion was the Magna Carta or the Great Charter, a document in which the baronial elite limited the King's power to collect revenue from the citizens where there was no "general consent" of the barons.[107]. The Magna Carta also

[104] Burg *A World History of Tax Rebellions* 93.
[105] JF Hughes and L Oats "King John's tax innovations – extortion, resistance, and the establishment of the principle of taxation by consent" (2007) 34 *The Accounting Historians Journal* 75 at 76 – 78.
[106] Hughes and Oats 2007 *The Accounting Historians Journal* 75 at 80.
[107] J Passant "Tax and the Forgotten Classes: from the Magna Carter to the English Revolution" (2016) 10 *Australasian Accounting, Business and Finance Journal* 67 at 68.

established the rule of law. The creation of the Magna Carta marked a new era where taxation became limited not only for barons who were the creators of the document but for other subjects, in varying degrees. The Charter also provided a shield for the king's subjects from arbitrary fiscal exactions.[108] John Maddicott believes the Magna Carta created the nexus between consent [of taxpayers] and taxation, which reverberated down the years.[109]

Unlike the Urukagina, the Magna Carta revolt, although started by barons, garnered support from multitudes across the feudal system and shifted the political authority of the King to citizens.

#### 2.8.4 The Peasants' Revolt of 1381

The Peasants' Revolt, another historic revolt in England, resulted from conflict between feudal lord and the serf, economic and social antagonism, the Hundred Years War, and the poll tax. Some scholars, like Rodney Hilton and Hyman Fagan, hold that the Peasants' Revolt was representative of class conflict between feudal lord and serf.[110] Other scholars like William Ormrod hold that it was the crown's failure to maintain territory in France, restriction of economic and legal rights of the peasantry and the excessive and inequitable poll tax that provoked a widespread peasants' rebellion. In most areas the revolt was targeted at agents of the crown. The revolt was an indication of a serious loss of public confidence in the crown.[111]

Although the revolt was quickly suppressed, the revolt was not a failure. Paul Foot establishes that the next poll tax imposed in 1382 was only applicable to landowners, peasants were excluded. By 1430 serfdom had been obliterated in England; thus, the peasants achieved their aims.[112]

The Peasants' Revolt is different to other revolts in that excessive tax evasion preceded violent rebellion. The revolt provides proof that tax revolts did not always

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[108] D Carpenter "Magna Carta 1215: its social and political context" in ed. L Goldman *Magna Carta: History, context and influence* (2018) 17 at 20.
[109] J Maddicott "Magna Carta and the Origins of Parliament" (2015) 125 *The Historian* 22 at 23.
[110] HR Hilton and H Fagan *The English Rising of 1381* (1950).
[111] WM Ormrod "The Peasants' revolt and the government of England" (1990) 29 *Journal of British Studies* 1 at 1-2.
[112] P Foot "This bright day of Summer: The Peasants' Revolt of 1381" (1981) https://www.marxists.org/archive/foot-paul/1981/06/1381.html (Accessed 3 April 2020).

start through violent eruptions against the government. Tax evasion was a measure to make the government aware of the unhappiness of the peasants. The violent revolt was an extreme measure to make the government address the high taxation.

### 2.8.5 Boston Tea Party 1773 - 1774

The renowned Boston Tea Party was a tax protest against the government of Great Britain that took place in Boston, United States of America and, ushered in the American Revolution. The British Parliament passed a Tea Act in 1773 to rescue the economic fortunes of the East India Company. The British East India Company had monopolised trade between India and other states. The company had experienced financial distress from the effects of military expenditure, corruption, and maladministration. As a response to the problem, the Tea Act came into existence to allow the company to export tea directly to American colonies rather than the standard procedure of selling to English wholesalers who would then resell the tea to American retail merchants.[113] The American colonists were discontented with the fact that Parliament was taxing them without representation in the Parliament. The prevailing sentiment amongst Americans was that the Parliament intended to exploit them. A tax rebellion ensued. In number, 342 chests of tea were destroyed at sea by American merchants as a way of expressing political ideology on rights and authority. The destruction of tea chests was a denial of authority that became an American tradition.[114]

The Boston Tea Party thrived on the ability of ordinary people to mobilise and defeat the unfair tax. The Tea Party, for the first time in the history of tax revolts, illustrates the link between representation in Parliament and taxation. The Party was a political struggle that culminated in a war. Like other revolts, the dissatisfaction of taxpayers was a contributing cause of the revolt.

### 2.8.6 Whiskey Rebellion of 1794

The Whiskey Rebellion, another well-documented tax revolt, took place in the United States. It was a full-scale resistance in 1794 to a state excise tax on spirituous liquors

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[113] P Smith *A New Age Now Begins* (1976).
[114] SE Siry "Defiance of the patriots: The Boston Tea Party and the making of America – BL Carp" (2010) 74 *Historian* 100 at 100.

by farmers involved in whiskey distilling in western Pennsylvania that spread to other frontier locations.[115] In 1791, the state had imposed an excise tax on whiskey as a way to raise money to pay off the national debt of the state and presumably to defray the military costs of the Indian war on the frontier. During those times whiskey was essential to the economy as it was used instead of money because banknotes were few in Pennsylvania whilst whiskey was readily available; almost everyone owned a backyard distiller and farmers often turned surplus grain into whiskey.[116] The unavailability of money of any kind to be used for the payment of the excise became a grievance that led to defiance of the excise.[117]

The excise required the farmers to register with a tax collector and make payments that were proportional to their production volume.[118] Most of the more significant distilling operations complied with the excise, while the protesting farmers did not.[119] The excise was deemed as unjust and as an unreasonable financial hardship as it discouraged agriculture and burdened westerners. Years following the passage of the excise were marked with Pennsylvanian farmers passively carrying on tax resistance acts of not registering their stills. Actively, the farmers attacked the farmers who were suspected of complying with the excise.[120] Mounting pressure crystallised into violent uprisings against the whiskey excise. The rebellion, however, failed to yield meaningful results.

Thomas Slaughter suggests that the failure of the Whiskey Rebellion was because it "lacked a coherent purpose"[121] as some rebels had non-fiscal grievances to rebel against, and others pursued the removal of the whiskey excise tax.

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[115] Slaughter *Whiskey Rebellion*.
[116] MKB Tachau "The Whiskey Rebellion in Kentucky: A Forgotten episode of civil disobedience" (1982) 2 *Journal of the Early Republic* 239 at 241.
[117] JJ Crow "The whiskey rebellion in North Carolina" (1989) 66 *The Carolina Historical Review* 1 at 14 - 15.
[118] RV Gould "Patron-client ties, state centralization and the Whiskey Rebellion" (1996) 102 *American Journal of Sociology* 400 at 405.
[119] Slaughter *Whiskey Rebellion*.
[120] RV Gould "Patron-client ties, state centralization and the Whiskey Rebellion" (1996) 102 *American Journal of Sociology* 400 at 406.
[121] Slaughter *Whiskey Rebellion* 187.

Unlike revolts supported by people from all classes of society, the rebellion was limited to whiskey distilling farmers, making it unpopular. It was easy for the government to contain the revolt.

### 2.8.7 Banten Revolt of 1888

Almost a century later, the Banten revolt took place in Indonesia. The causes of the revolt could be traced back to events ten to fifteen years earlier. Factors leading to the revolt were economic, religious, social, and political, exacerbated by the strain of Westernisation imposed by the Dutch colonial government. The immediate facilitator of the rebellion was the unpopular new taxation.[122] The revolt called for the revisiting of the assessment criteria of the trade tax, replacing the communal assessment with an individual levy of land rent and revisiting of capitation tax regulations based on labour service liability.[123] Despite the reforms put in place, no sweeping changes were effected.[124]

The Revolt followed the general pattern of causes of tax revolts, namely, an overburdened economy, and new taxes. The Revolt was a political struggle by peasants to gain economic, religious, social, and political independence. Its nature was similar to the Peasants Revolt of 1381.

### 2.8.8 Zimbabwean poll tax revolt 1893 – 1894

The Southern Rhodesian (now Zimbabwe) poll tax revolt is an example of white settlers imposing taxation on the African inhabitants. The taxation system was a way to divide and rule Africans. The hut tax imposed on Africans provoked the tax revolt because it was a direct tax on Africans' incomes.[125] The tax was imposed per hut or per household. The hut tax was introduced at the rate of 10 shillings per hut. It was payable in either cash, labour, or grain. The tax grew the economy of the colonial powers whilst disintegrating the Africans' economy.

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[122] Burg *A World History of Tax Rebellions* 501.
[123] Burg *A World History of Tax Rebellions* 501.
[124] S Kartodirdjo *The Peasants' Revolt of Banten in 1888* (1966) 275 - 276.
[125] M Mamdani *Citizen and Subject: Contemporary Africa and the Legacy of late Colonialism* (1996) 11.

The frustration caused by this tax led to a revolt where the Africans withheld their taxes and attacked the tax collecting authorities.[126] The revolt culminated in the First *Chimurenga* – war of liberation against the colonialists.[127]

The poll tax revolt resembles the nature, causes, and outcome of the Banten and Peasants' revolts in that it was taxation that sparked revolts where other problems, ranging from the imposition of colonial rule to strained economies, were present. Furthermore, there was no representation of blacks in the Parliament, so taxation was unfairly imposed on Africans. Africans hated the poll tax because they did not gain anything in exchange. The fact that there was no representation made the revolt a political struggle.

### 2.8.9 Hut tax war - 1898

Similarly, the hut tax in Sierra Leone was imposed by the colonial government on Africans to establish dominance over the territory. The hut tax was introduced to cover the costs of the governing the Protectorate. The tax imposed fell heavily on the African citizens. The Africans petitioned against the tax showing its adverse effects on African societies, to no benefit. Initially, the hut tax was 10 shillings per house of four rooms or more and five shillings for homes of three rooms or less. There were perceptions by the Colonial Office that the introduction of the hut tax by the Protectorate was premature since the Protectorate had just been established. Additionally, there was a serious lack of administrative officials to collect the hut tax and there was not enough currency in use at the time. This led to strong opposition of the hut tax by the Colonial Office. Opposition of the tax by both administrative officials of the Colonial Office and the subjects of the Protectorate culminated in a tax revolt.[128] The immediate cause of the revolt was the hut tax and the use of brutality by British officials to arrest local chiefs.[129]

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[126] Mamdani *Citizen and Subject* 11.

[127] C Manyukwe "MPs Propose Hut Tax" (2014) www.zimbabwesituation.com/news/zimsit_mps-propose-hut-tax/ (Accessed 23 March 2020).

[128] O Takehiko "In a grove? Sierra Leona's 1898 hut tax war reconsidered" (2017) 41 *Asian Journal of African Studies* 55 at 64.

[129] A Abraham "Bah Bureh, The British, and the Hut Tax War" (1974) 7(1) *The International Journal of African Historical Studies* 99 at 106.

Similar to the hut tax of Zimbabwe, the European powers were supporting colonisation through taxing Africans. Taxation was used to drive Africans into working for money.[130]

### 2.8.10 Dog tax war - 1898

The renowned dog tax war of New Zealand was caused by the enforcement of a dog tax. It was an uprising of the Māori and the Pākehā against the British settlers of New Zealand.[131] The dislike of the dog tax was intensified by other problems the natives were facing, like the loss of land and the imposition of the settler authority on the natives.[132] Under the leadership of a native leader, the people of Māori proclaimed the injustice of the newly imposed dog tax to the government and started preparation for a revolt. The government retaliated and sent an army against the natives to subdue the revolt. The leader of the natives was captured, after that peace returned.[133]

Like tax revolts that occurred in a colonial era, the cause of the dog tax revolt was not only fiscal-related but included other socio-political grievances like the lack of independence and freedom. The tax revolt ended without achieving success.

### 2.8.11 Great Depression Tax Revolts - 1930

Unlike the Dog Tax War, the Great Depression tax revolts showed extreme disregard for the revenue authority, as taxes were openly deemed as economic waste. America's Great Depression tax revolts mainly comprised of tax resistance movements against property tax that was implemented during the first few years of the Great Depression.[134] The extensive tax resistance rebellions were caused by inflation and increasing unemployment rates resulting in many property owners not being able to render payment for their property taxes. Farmers who suffered an economic blow in the 1920s now experienced double tax burdens in the space of two years. As a result, a pattern of tax resistance cases ensued.[135] Tax protest organisations were created in rural areas to assist farmers meet their tax obligations. Similarly, tax leagues were

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130 BBC "The Story of Africa: Africa & Europe" http://www.bbc.co.uk/worldservice/africa/features/storyofafrica/11chapter10.shtml (Accessed 14 April 2020).

131 J Cowan *The New Zealand Wars* (1923).

132 Cowan *New Zealand Wars* 499- 502.

133 Cowan *New Zealand Wars* 499- 502.

134 T Hodgkin *Vietnam: The Revolutionary Path* (1981).

135 DT Beito *Taxpayers in Revolt: Tax Resistance during the Great Depression* (1989).

created in urban areas to resist high taxes and property foreclosures.[136] The response to tax resistance was forced sales of farms to raise the tax amounts, thus leaving farm owners homeless. Beleaguered farmers united in revolt.

The tax revolt forestalled tax collections in Chicago for two years.[137] The success of the revolt was short-lived as tax collections resumed as before after the two years. David Beito concludes that the anti-tax rebellion culture of the Great Depression was not ultimately successful because the Rebellion ended quickly due to the absence of a "focused ideological program".[138] Whereas, Mark Thornton and Chetley Weise argued that the Great depression tax revolts were successful because political pressure mounted for taxes to be cut and for imposition of limitations on property tax rates. Furthermore, the authors hold that the tax revolts led to the passage of the Twenty-first Amendment, which removed alcohol prohibition. The Amendment increased revenue to offset cuts in property taxes, which simultaneously decreased the price of alcohol, thus giving the American population a substantial tax cut.[139]

The difference between the Great Depression revolts and other tax revolts is that the excessive nature of the property tax left farmers landless. This shifted the distribution of wealth, making the farmers poorer. The tax rebellions also lacked an ideological basis and had only limited success.

### 2.8.12 Tigre Rebellion - 1943

Fifteen years after the Great Depression, the Tigre Rebellion in Ethiopia started. It was caused by a land tax law that subjected citizens to direct taxation instead of the customary feudal system of taxation. This form of direct taxation alarmed the peasants as it meant they would pay higher taxes. The Rebellion was a direct response to attempts by the state under Haile Selassie to consolidate and standardise the tax system. The Italians had eliminated all the feudal taxes, which Selassie reinstated. The reinstatement caused grievances amongst the peasants and was resisted by the

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136 M Thornton and C Weise "The Great Depression tax revolts revisited" (2001) 15 *Journal of Libertarian Studies* 95 at 98 – 99.

137 Beito *Taxpayers in Revolt* 164.

138 Beito *Taxpayers in Revolt* 164.

139 M Thornton and C Weise "The Great Depression tax revolts revisited" (2001) 15 *Journal of Libertarian Studies* 95 at 96.

greater majority.[140] The tax collectors were corrupt, fraudsters, and made collection unbearable for the peasants. This maladministration triggered resistance and rebellion. The rebels suffered at the hands of the government forces as they lacked arms to fight the state's army. The rebellion eventually led the government to decrease the land tax rates and to change the methods of collection that were present in 1935.[141]

The Tigre rebellion, like other tax revolts, was caused by a change in the taxation system. Additionally, the way in which the tax collectors collected taxes influenced the peasants to revolt. Despite the violence with which the rebellion was met, it achieved success.

#### 2.8.13 Proposition 13 – 1978

In 1978 the United States experienced a campaign to decrease property taxes in California. Proposition 13 came about as 65 percent of the voters of California voted for the reduction of property taxes by 60 percent.[142] Proposition 13 stipulated that any new tax legislation was to be approved by a two-thirds majority vote in the state legislature. The effects of Proposition 13 were instant as the widespread property taxes declined by 57 percent. The Proposition promoted economic growth and hastened the inclination toward a heavier property tax burden falling on homeowners instead of businesses.[143]

Prior to the Proposition 13 revolt, California had experienced a remarkably strong tax compliance. The property tax at the time was the most visible of taxes and the only one collected directly in large, lump-sum amounts, leading to mounting complaints. Proposition 13 revolt put government officials under strain to provide services under severe revenue constraints. The nature of the Proposition 13 revolt raised questions about the functionality of the representative government. [144] Perry Shapiro, Daniel Puryear and John Ross remarked that it is particularly worrying that within a democratic country like America, the government found itself so far off the desires of

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[140] G Tareke *Ethiopia: Power and Protest* (1991).
[141] Tareke *Ethiopia* (1991).
[142] Burg *A World History of Rebellions* 555.
[143] Burg *A World History of Rebellions* 559.
[144] D Lowery and L Sigelman "Understanding the tax revolt: eight explanations" (1981) 75 *The American Political Science Review* 963 at 963.

the citizens.[145] One of the effects of the Proposition 13 was that it constrained local governments' ability to raise taxes.[146]

The Proposition 13 was supported mainly by property owners. Other property owners rebelled simply because the property rates imposed a financial toll they could not bear. In this case, it is difficult to tell apart those taxpayers who revolted as acts of defiance from those who revolted as acts of deceit. The reasons for revolting against the property propositions were personal for most, thus there was no common ideology for most individuals.

Proposition 13 was similar to the Tigre Rebellion in that both are revolts against high taxation on property, and both were successful in achieving a decrease in the tax. However, Proposition 13 was not violent, as was the case with other revolts, it was mainly fought in the Parliament by voters through their votes for propositions.

### 2.8.14 Thatcher's Poll Tax Riots - 1990

Another well-documented revolt is the Poll Tax Riots of Great Britain which, came as a result of a poll tax introduced by the government of Prime Minister Margaret Thatcher.[147] During the 1980s, Thatcher's administration worked on reforming the faulty system of collecting local taxes, which resulted in many taxpayers having a total exemption. Therefore, Thatcher's reforms were designed to make everyone pay taxes through the poll tax. The poll tax stipulated that everyone was to pay an equal sum regardless of income, thus the riots were caused by the regressive nature of the poll tax. This implied that a millionaire's and a paid worker's tax obligations would be the same. This was perceived as unfair and led to massive outrage. The anti-poll tax movement achieved extensive support because of social networks reinforced by geographic proximity. Meetings occurred to organise mass movement against the poll tax properly. Political unrest, perceptions of unfairness and the significant increases in average taxes negatively affected willingness to pay, tax non-compliance rose well

[145] P Shapiro, D Puryear and J Ross "Tax expenditure limitation in retrospect and prospect" (1979) 32 *National Tax Journal* 1 at 1.
[146] BC McCabe "State institutions and city property taxes: Revisiting the effects of the tax revolt" (2000) 12 *Journal of Public Budgeting, Accounting & Financial Management* 205 at 205.
[147] Burg *History of Rebellions* 562.

above fifty percent. The social unrest manifested in the poll tax riots.[148] The poll tax riots were successful in eradicating the unfair poll tax.[149]

The tax riots thrived on the support of ordinary people, as was the case with the Magna Carta revolt. The riots also achieved a political score by removing Thatcher from power. Like Proposition 13, the riots achieved political and economic success. Ordinarily, taxation aims to reduce poverty and inequality, but the regressive poll tax exacerbated poverty and inequality in the country.

### 2.9 SOUTH AFRICAN EXAMPLES

The history of taxation in South Africa was influenced by the relations between native Africans and the colonial settlers. The precolonial communities in South Africa paid tax in varying forms such as levies, death duties, a labour levy, and tributes in the form of portions of harvests or hunter spoils to native chiefs. The native chiefs had to fulfil responsibilities such as solving disputes, providing security, and restoring order in return.[150] In 1849 taxes were imposed on Africans by the colonial authorities to raise revenue and yield labour for mining and agricultural sectors. As the European settlers increased in the country, more revenue was required to finance the colonies. Thus, new and innovative forms of taxation were needed. The Europeans opposed direct taxation, and the most viable solution left was to impose a tax on Africans to raise revenue.[151] Feinstein states that taxation was enforced on Africans to put economic pressure on Africans and force them to work in settlers' mines.[152]

#### 2.9.1 The Transkei Rebellion - 1880

The Transkei Rebellion was a result of the collision of taxation, supernatural beliefs, and political views held by native Africans. The tax was deemed as a ritual by some because the settler authorities regularly came asking for personal details of

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148 T Besley, I Preston and M Ridge "Fiscal anarchy in the UK: Modelling poll tax noncompliance" (1996) *Journal of Public Economics* 137 at 138.
149 Burg *A World History of Rebellions* 564.
150 T Ndlovu "Fiscal Histories of Sub-Saharan Africa: The Case of South Africa" (2017) 2 *Public Affairs Research Institute* 1 at 1 – 5.
151 N Ramdhani *Financing Colonial Rule: The Hut Tax System in Natal 1847 – 1898*, (History Master's Dissertation, University of Natal, Kwazulu Natal, 1985) 18 http://nrfnexus.nrf.ac.za/handle/20.500.11892/87052 (Accessed 3 April 2020).
152 CH Feinstein *An Economic History of South Africa: Conquest, Discrimination, and Development* (2005) 55.

households, while others believed that taxation was European witchcraft. The Thembu and Mpondomise people viewed taxation as a barrier to their economic freedom, and as a way of underpinning colonial authority.[153] This discontent with taxation culminated in the Transkei Rebellion, also known as the Mpondomise and Thembu Revolt of 1880 or Hope's War. By 1881 the revolt had been repressed by whites. The Transkeian Revolt was a failure because it neither ended colonial wrath nor did it eliminate taxation as was desired.

The Transkei rebellion followed a pattern that is similar to what happened in other precolonial tax revolts, like in Sierra Leone and the Zimbabwean poll tax. The rebellion failed, mainly because of a lack of weapons to fight back against the settler government during the revolts.

### 2.9.2 Bambatha Rebellion - 1906

A Zulu Uprising, also named the Bambatha Rebellion, followed in 1906.[154] The immediate cause of the Bambatha rebellion was the imposition of the poll tax in the British colony of Natal of £1 on adult males.[155] The taxes were to aid the Colony to meet the debt caused by the South African War. African young men hated paying the poll tax, older men, many of whom were exempt from poll tax because they paid hut tax, hated the poll tax too because the young men stopped contributing to the hut tax payment and parental control was loosened.[156] There was general dislike of the newly imposed tax, and it added to the long-standing grievances between the white settlers and Africans over control of the best farms and pastures in Natal and Zululand, and the general unrest caused by the colonial policies and socio-economic circumstances.[157] The poll tax was resisted by Africans because they also believed that the state had gained potentially destructive power over them through the census that had preceded the tax. The revolt was intended to overthrow colonial rule.[158] The

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[153] S Marks "Class, Ideology and the Bambatha Rebellion" in D Crummey (ed) *Banditry, Rebellion and Social Protest in Africa* (1986) 249.
[154] S Marks "Class, Ideology and the Bambatha Rebellion" in D Crummey (ed) *Banditry, Rebellion and Social Protest in Africa* (1986) 249.
[155] P Thompson "The Zulu Rebellion of 1906: The Collusion of Bambatha and Dinuzulu" (2003) *The International Journal of African Historical Studies* 36(3) 533 at 533.
[156] Thompson 2003 *The International Journal of African Historical Studies* 533.
[157] S Redding "A blood-stained tax: Poll tax and the Bambatha Rebellion in South Africa" (2000) 43 *Cambridge University Press* 29.
[158] Redding 2000 *Cambridge University Press* 29.

rebellion erupted near Richmond. The colonial government used martial law to defeat the poll tax rebels. The second phase of the rebellion was delayed through the use of militia demonstrations. The third phase was an uncoordinated rebellion in the lower Thukela region, which was quickly defeated by the military.[159] The aftermath of the Bambatha rebellion was the Union of South Africa, which further affected the taxation system by enlarging the taxation regime to include Africans from all homelands, as opposed to Natal and Transkei only. The rebellion was a failure, just like the Transkei Rebellion, because the poll tax remained in place. The Africans had no representation in the Parliament. The colonial government benefitted from revenue collection from Africans, yet the settlers did not pay taxes at all. The European colonial powers experienced difficulty understanding and curbing the Bambatha and Transkei rebellions because they did not perceive the degree of the beliefs in witchcraft and supernatural powers.[160] The pattern of the Bambatha tax rebellion is similar to the Transkei rebellion, Zimbabwe poll tax revolt, the Sierra Leone hut tax revolt and the Dog tax war. The Bambatha Rebellion also shows that tax rebels do not fight only for financial reasons; they also defend their own conceptions of politics, power and social hierarchies.

## 2.10. TAXATION AFTER DEMOCRACY (1990 – PRESENT)

Taxation changed from 1990; legislation unfairly imposing taxation on Africans were repealed. In 1987 the Margo Commission sat and suggested restructuring the tax system in South Africa. After gaining independence in 1994, the taxation system was structured in a way that extracted more revenue fairly.[161] The Katz Commission aimed to put the tax structures on par with international taxation standards. In 1997 the South African Revenue Service (SARS) was established to carry out the mandate of collecting taxes and enforcing compliance.[162]

There were no signs of threatening tax revolts immediately following the establishment of democracy. SARS recorded a gradual increase in tax morality. Tax morality is

[159] P Thompson "A Critical Analysis of James Stuart's A History of the Zulu Rebellion 1906" (2014) 41 *History in Africa* 195 at 200.
[160] N Delalande and R Huret "Tax resistance: A global history?" (2013) 3 *The Journal of Policy History* 301 at 304.
[161] A Hirsch *Season of Hope: Economic Reform under Mbeki and Mandela* (2005) 74.
[162] Ndlovu *Public Affairs Research Institute* at 27.

influenced by various factors that collectively define whether people feel motivated or reluctant to contribute to the tax revenue service.[163]

Lately, there has been an increase in public uproar, indicating dissatisfaction and anxieties pertaining to the management of public finances.[164] The South African current economic, political and social spheres provide multiple causes for the growing tax resistance, namely: a high tax burden, an eroding tax base due to skilled persons emigrating from the country,[165] "loss of confidence, credibility and competency in government," low tax morale and growing frustration about government's rampant waste and misappropriation of revenue.[166]

The present study investigates whether the tax revolts that have taken place or are currently taking place and threatening to take place in South Africa follow patterns of past international tax revolts or a pattern of their own.

## 2.11. PATTERNS OF TAX REVOLTS

The tax revolts discussed above show that the causes of tax revolts included high taxation, changes in the system of taxation, political struggles, perception of unfairness, and a general hatred of tax, overburdened economies, inefficient governments, and even supernatural beliefs. The tax revolts that occurred in the precolonial era were usually unsuccessful and, in most cases, eventually developed into political struggles in a fight for independence. This is shown by the Banten Revolt, Zimbabwean poll tax revolt, the hut tax revolt of Sierra Leone, the Peasants' Revolt of 1381, and the Transkei and Bambatha rebellions.

Additionally, some of the causes of the revolts were a misunderstanding of the role of taxation. The Transkei and Bambatha rebels deemed taxation as witchcraft and as a ritual of some sort. This shows no understanding of fiscal related issues by the rebels.

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[163] S Du Chenne "Tax Morality: The Morals and Ethics of Tax" (2018) 32 *Tax Professional* 1 at 5.

[164] R Ramfol "A theory of a tax revolt: Is South Africa on the brink" (2019) www.moneyweb.co,za/mymoney/moneyweb-tax/a-theory-of-a-tax-revolt-is-south-africa-on-the-brink/ (Accessed 7 April 2020).

[165] J McKane "How SARS will deal with South Africa's tax revolt" (2020) www.mybroadband.co.za/mews/government/321574-how-sars-will-deal-with-south-africas-tax-revolt.html/amp (Accessed 7 April 2020).

[166] McKane "How SARS will deal with South Africa's tax revolt".

Generally, an unfair taxation system attracts displeasure and loathing from taxpayers. The regressive taxation system implemented by Margaret Thatcher during her rule was unpopular and led to the revolt. The Boston Tea Party, too, shows unfair taxation of American traders who did not have representation in the Parliament, attracting violent uprisings. For countries under colonial rule, colonial subjects paid hut tax for the privilege of British administration, yet the collected poll tax was used to pay off war debts.

Proposition 13 followed a decline in confidence in government due to increased expenditure. Californian taxpayers put a halt to the increased expenditure of the government through a tax revolt. The absence of measures to restore taxpayers' confidence in the government affects tax morality and eventually leads to tax rebellions, as evidenced by Proposition 13.

These tax revolts establish a pattern of causes that have changed little over time. The ubiquity of tax revolts, however, demonstrates that not all tax revolts take the same course – some take the form of resistance, some rebellion or open confrontation with the rulers, while others take the form of tax evasion. Therefore, multiple observed and new explanations of tax revolts may emerge.

## 2.12. CONCLUSION

As demonstrated above, almost all tax revolts result from governments' failure to adhere to their side of the social contract, their obligations to provide for the welfare of citizens, and the judicious use of the taxes collected. The variety of tax revolts discussed indicates that they usually originate from events related to fiscality: the imposition of new taxes; extension of a tax to a previously exempt group of people; or even the sight of fiscal agents and collectors.[167] These tax revolts were prevalent in colonial states, where an increase in tax often provided a "scapegoat" for a revolution against the colonial governments. In colonial countries, taxation has been at the root of much political violence as the colonised detested being ruled and taxed by colonial authorities.[168]

[167] P Zagorin *Rebels and Rulers 1500 – 1600* (1982).
[168] S Redding *Sorcery and Sovereignty: Taxation, Power and Rebellion in South Africa, 1880 - 1963* (2006) 2.

Additionally, taxes in colonial states were used to suppress economies of the colonised and as a form of punishment, whereas in independent countries, tax rebellions were a matter of exercising voters' rights, and inefficient usage of revenue justified taxpayers to withhold taxes. In both colonial and post-colonial eras, increases in taxation and inefficiency by the government in using taxpayers' money appear to be the leading causes of tax rebellions.

South Africa appears to be on the brink of a tax rebellion because of the growing dissatisfaction of taxpayers with high taxes, poor service delivery, corruption in government, leading to tax avoidance and tax evasion and a decline in taxpayers' morale.

Chapter 3 investigates the existing and threatening tax revolts in South Africa within the theoretical framework of the established patterns of tax revolts, as postulated by various academics.

## CHAPTER THREE

## EXISTING AND THREATENING REVOLTS IN SOUTH AFRICA

*"To levy tax is to confiscate the taxpayer's money. The imposition of tax thus infringes a fundamental liberty and it is not surprising that taxes generate controversy."*[169]

### 3.1 INTRODUCTION

The goal of this chapter is to describe the causes, nature and outcome of tax revolts that have taken place, and are threatening to take place in South Africa, to ascertain whether South African tax revolts follow patterns shown in past international tax revolts. The chapter begins by discussing revenue collections post-1994, then declining tax morality and the current and threatening tax revolts in South Africa. The chapter concludes by giving a preview of chapter 4.

### 3.2 TAXATION COLLECTIONS POST-1994

After 1994, there was a gradual growth pattern in South Africa's revenue collection, which showed taxpayers' loyalty to their civic duty of paying taxes.[170] Revenue growth increased through improved tax policies, a change in the economic structures and a compliance-enhancing tax administration, which were on par with the best revenue structures in the world, and an excellent level of tax morality of taxpayers.[171]

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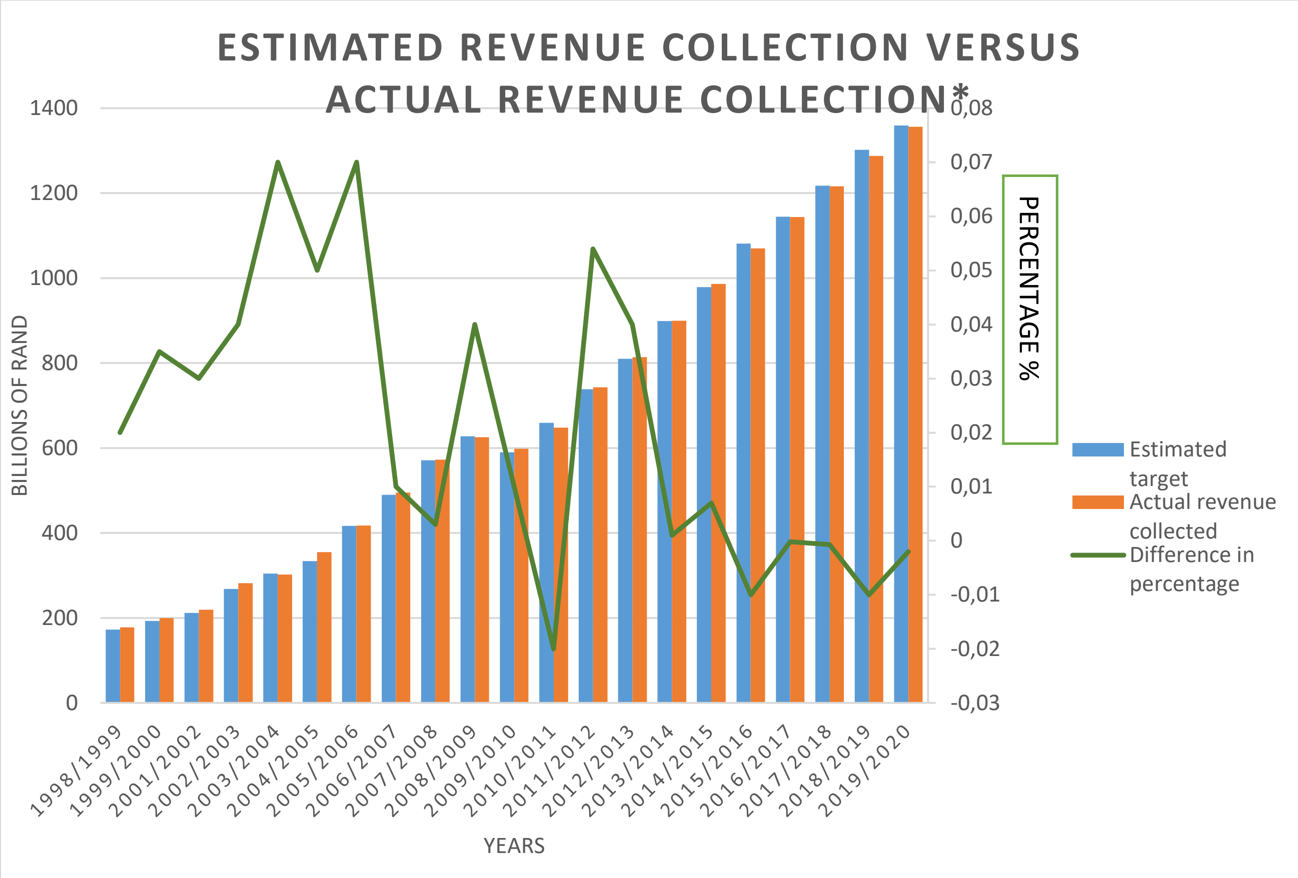
[169] RC Williams in H van Deventer "Tax Morals: Do opposites really attract?" (2008) 12 *TAXTalk* 16 at 16.

[170] I Matthews "Is South Africa experiencing a decline in tax morality?" (2017) www.accountancysa.org.za/is-south-africa-experiencing-a-decline-in-tax-morality/ (Accessed 22 April 2020).

[171] Matthews "Is South Africa experiencing a decline in tax morality?"

**Figure 3.2.1**




Graph information found on the *SARS* website[172]

*2019/2020 shows preliminary results yet to be reconciled and audited.

The graph above, Figure 3.2.1, illustrates the revenue collection patterns in the country from 1998 to 2020. The graph shows amounts of revenue collected against estimated revenue. The secondary line diagram on the graph represents the percentage of the difference between the estimated revenue for a year and the revenue collected for that same year.

During the 1998/1999 period, SARS exceeded its estimated revenue by over R5 billion. SARS stated that the reason for the excess revenue collection was a growing economy, structures fighting tax evasion, and, most importantly, a structure encouraging tax compliance.[173]

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[172] SARS "SARS Annual Report" (2020) https://www.sars.gov.za/pages/Results.aspx?sq=1&k=SARS%20Annual%20Report&start1=1 (Accessed 30 April 2020).

[173] SARS "Annual Report 1998/1999" (1999) at 8

The following years show SARS being able to collect more revenue than anticipated, until the 2003/2004 period when the revenue collected was R2.3 billion lower than the anticipated revenue. The reason for the dip was the weak global demand and the effect of the Rand on exports.[174] In the 2008/2009 period, SARS' total collections fell by 0.41% of anticipated revenue. The reason for the shortfall between estimated and actual revenue collected was the "rapidly deteriorating global conditions".[175] After that, there is a gradual increase in estimated revenues and actual revenue, showing revenue growth until the 2009/2010 period.

The estimated revenue for 2009/2010 was set at R590 billion, whereas the estimated revenue for the 2008/2009 period stood at approximately R627 billion. The revenue collected for 2008/2009 is R625.1 billion, whereas, for 2009/2010, R598.7 billion. The decline in revenue was because of a global economic recession.[176]

The amounts of revenue anticipated and collected gradually grow after the global economic recession. At the beginning of the 2015/2016 period, the revenue collected was less than the estimated revenue. The cause of the negative difference between estimated revenue and collected revenue was a deterioration of economic activity, depreciation of the rand exchange rate by 24.5%, low employment rates, and high consumer indebtedness.[177]

The periods 2015/2016 to 2019/2020 saw SARS failing to meet its estimated revenue targets year after year. What is concerning is that from 2015/2016, the differences between estimated targets and revenues collected were revised. SARS attributes the

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https://www.sars.gov.za/AllDocs/SARSEntDoclib/AnnualReports/SARS-AR-01%20-%20Annual%20Report%201998-1999.pdf (Accessed 1 May 2020).

174 SARS "Annual Report 2003/2004" (2004) at 10 https://www.sars.gov.za/AllDocs/SARSEntDoclib/AnnualReports/SARS-AR-06%20-%20Annual%20Report%202003-2004.pdf (Accessed 1 May 2020).

175 SARS "Annual Report 2009/2010" (2010) at 2 https://www.sars.gov.za/AllDocs/SARSEntDoclib/AnnualReports/SARS-AR-14%20-%20Annual%20Report%202009-2010.pdf (Accessed 1 May 2020).

176 SARS "Annual Report 2009/2010" (2010) at 11 – 12 https://www.sars.gov.za/AllDocs/SARSEntDoclib/AnnualReports/SARS-AR-14%20-%20Annual%20Report%202009-2010.pdf (Accessed 1 May 2020).

177 SARS "Annual Report 2015/2016" (2016) at 25 https://www.sars.gov.za/AllDocs/SARSEntDoclib/AnnualReports/SARS-AR-21%20-%20Annual%20Report%202015-2016.pdf (Accessed 1 May 2020).

revision of estimated targets to changes in the economy, a decline in tax morality, a decline in compliance, and maladministration at SARS.[178]

The continuous negative differences between estimates and collected revenue from 2015/2016 to 2019/2020 appear to have been caused by declining tax morality, as this period coincided with the start of civil disobedience in the form of non-payment of taxes. During the 2018/2019 period, Edward Kieswetter, Commissioner for SARS, who took over from the previous Commissioner, Tom Moyane, reported that SARS was facing extreme failure in governance and integrity, which led to failure in reaching estimated total revenue.[179]

Other factors influencing the increase or decrease in revenue collection have relatively remained the same during 2015/2016 to 2019/2020, yet tax revolts have been on the rise.

## 3.2 DECLINING TAX MORALITY

A tax is an obligatory payment imposed on the governed to raise revenue to fund general expenditure.[180] Morality comprises of principles regarding the distinction between right and wrong or good and bad behaviours.[181] The definition of tax morality is, therefore, the ability to distinguish between what is right and wrong when it comes to required payments to the fiscus by the governed.

Ruaan Van Eeden and Johanci Meintjes question whether tax morality "is a convenient phrase that masks the inability to efficiently collect taxes"[182] by government, or a matter of the "South African tax base fed up with contributing taxes to a government struggling to curb rampant corruption and draining the fiscus as a result?"[183] This suggests that tax morality may not currently be declining, but a failure on the part of the government may explain the inability to collect revenue. The present study argues

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[178] SARS "Annual Report 2015/2016".

[179] A Monteiro and P Naidoo "Sars boss says revenue estimates won't be met" (2019) https://www.iol.co.za/amp/business-report/economy/sars-boss-says-revenue-estimates-wont-be-met-34679484/ (Accessed 1 May 2020).

[180] Stiglingh *et al SILKE: South African Income Tax* 1.

[181] Oxford Learners Dictionary "morality" (2020) https://www.oxfordlearnersdictionaries.com/definition/American_english/morality (Accessed 22 April 2020).

[182] R Van Eeden and J Meintjes "Tax Morality and the Tax Gap" (2018) 72 *TAXTalk* 26 at 26.

[183] Van Eeden and Meintjes 2018 *TAXTalk* 26.

that there is an on-going decline in tax morality in South Africa, which is indicated by the occurrences of tax revolts.

The decline in tax morality is caused by the lack of fiscal confidence and trust in the government's performance in addressing the needs of citizens. Trust is established when government institutions competently deliver on their obligations and when they function within a consistent set of values that is reflective of citizens' expectations of integrity, business ethics, and fairness.[184] The current history of corruption and misappropriation of funds creates an unfavourable impression on taxpayers to the extent that they are discouraged from paying their taxes. Taxpayers are more inclined to pay taxes if there is evidence to show appropriate expenditure by the government.[185]

Various factors influence tax morality. Ettiene Retief suggests that tax morality is influenced by what the taxes are expended on.[186] Furthermore, tax morality depends on taxpayers' views on what they will get in return for the taxes they pay. The tax base in South Africa comprises of a small number of wealthy individuals, yet they realise little or nothing in exchange regarding infrastructure improvement and development.[187] This is because, in most cases, they have financial resources to afford and use private service providers for health and education. In contrast, the poor are reliant on the government for those services.

### 3.2.1 Administration challenges at SARS

Problems within SARS also contributed to the decline of tax morality. SARS was once one of the most well-run revenue collectors in the world in the late 1990s and early 2000s. It gradually deteriorated in capacity resulting in the decline in the level of the collection compared to what was previously collected.[188]

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[184] Organisation for Economic Co-operation and development (OECD) *OECD business and finance outlook 2019: Strengthening trust in business* (2019) https://www.oecd.org/daf/oecd-business-and-finance-outlook-26172577.htm (Accessed 26 June 2020).
[185] S Du Chenne "Tax Morality: The Morals and Ethics of Tax" (2018) 32 *Tax Professional* 1 at 5.
[186] Du Chenne 2018 *TaxProfessional* 5.
[187] Du Chenne 2018 *TaxProfessional* 5.
[188] City Press "Is It possible to turn around SA's tax regime? Dennis Davis lays it out for us" (2019) https://city-press.news24.com/Business/is-it-possible-to-turn-around-sas-tax-regime-dennis-davis-lays-it-out-for-us-20190226 (Accessed 22 April 2020).

The many allegations apparent to the public concerning SARS's failure to effectively collect taxes and manage its affairs eroded the trust of taxpayers, which is essential regarding voluntary tax compliance.[189]

Tax experts van Eeden and Meintjes acknowledge that the decline in tax morality is a sign of a threatening tax revolt. They add that the fall in revenue is because of the administrative challenges at SARS, which are evident in the media. The decline in corporate governance, a considerable drain of highly skilled workers, and an increase in aggressive audits are signs of the administrative challenges SARS is facing.[190] Meintjes and Van Eeden further argue that if SARS can solve its administrative challenges, then the threatening tax revolts may not ensue: "a well-respected, efficient, and technically proficient SARS will automatically change the perception of the South African tax base, and the concept of tax morality will, hopefully, become largely academic".[191]

In addition, the Nugent Commission found that there has been inefficient and partial tax administration at SARS. An example of favouritism occurred when the then Commissioner, Tom Moyane, approved the R70 million VAT payment to the Gupta family in 2017. The refund was paid into an offshore account belonging to the family, which was against the regulations regarding tax refunds.[192]

Another instance showing a decline in the efficiency of tax administration at SARS is the illegal tobacco trade debacle that took place in 2018. The Tobacco Institute of Southern Africa launched a campaign imploring SARS, Parliament, and law enforcement agencies to combat the trade in illicit cigarettes.[193] The campaign was influenced by a survey that found that 27% of cigarettes in South Africa were priced below the excise tax and VAT amount.[194] Reports show that in 2010 illicit trade was at

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[189] Fin24 "Tax resistance a legitimate show of unhappiness – expert" (2017) https://www.fin24.com/Economy/tax-resistence-a-legitimate-show-of-unhappiness-expert-20170519 (Accessed 25 April 2020).

[190] R van Eeden and J Meintjes "Tax Morality and the Tax Gap" (2018) *TaxTalk* 26 at 26 -27.

[191] van Eeden and Meintjes *TaxTalk* 27.

[192] A Serrao "Exclusive: Drama at SARS over R70m Gupta refund" (2017) https://m.news24.com/SouthAfrica/News/exclusive-moyane-okays-r70m-payment-to-guptas-20170604-2 (Accessed 29 April 2020).

[193] K van der Zee, C van Walbeek and S Magadla "Illicit/cheap cigarettes in South Africa" (2019) *Trends of Organized Crime* 1 at 4.

[194] Van der Zee *et al* 2019 *Trends of Organised Crime* 4.

10%, as SARS actively fought against illicit trades. However, when Tom Moyane became Commissioner, most of the structures built for fighting illicit trades were destroyed. This coincided with the rise of illicit cigarette trading to 35% of the market in 2017.[195] Unfortunately, the present ban on the sale of cigarettes and tobacco as a result of the Covid19 pandemic appears to have substantially increased the illicit trade in cigarettes. The fiscus has lost R3.5 billion in excise taxes only so far, as a result of the ban.[196]

Additionally, maladministration and corruption in tender procedures occurred at the institution during the 2014 and 2017 period. The main finding by the Nugent Commission was that the reports of abuse and maladministration are the result of the failure of governance and integrity and "deliberate dismantling of governance elements"[197] and erosion of critical capabilities and a collapse of vital relations of the institution.[198]

Kirsten van der Zee, Corné van Walbeek and Sibanhle Magadla assert that the erosion of critical capabilities at SARS happened under the former Commissioner, Tom Moyane's tenure. This was done through the dissolution of the SARS executive committee resulting in multiple key executives and experienced officials being suspended.[199] The perception is that the appointment of Moyane was part of the process of "state capture". State capture is systematic, extreme political corruption, which influences the government's decisions and in which entities are corrupted to pursue the benefits of a few well-connected politicians and their allies.[200] Moyane's appointment also disabled fundamental structures at SARS like the High-Risk Investigative Unit responsible for pursuing tax evaders.[201]

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[195] Van der Zee *et al* 2019 *Trends of Organized Crime* 5.
[196] Sunday Times "Counting the cost of 100 days of tobacco ban" (2020) 5 July 2020.
[197] D Erasmus "SARS Commissioner: Corruption worse than Nugent Commission" (2019) https://www.thesouthafrican.com/news/sars-corruption-worse-nugent-commission/ (Accessed 26 April 2020).
[198] National Treasury "Revenue trends and tax proposals" (2019) http://www.treasury.gov.za/documents/national%20budget/2019/review/Chapter%204.pdf at 37 (Accessed 26 April 2020).
[199] van der Zee *et al* 2019 *Trends of Organized Crime* 2.
[200] van der Zee *et al* 2019 *Trends of Organized Crime* 2.
[201] van der Zee *et al* 2019 *Trends of Organized Crime* 2.

As shown above, administration inefficiencies, corruption of SARS officials, and partiality affect tax compliance, ultimately reducing tax morality, as taxpayers question the wisdom in paying taxes to SARS, which is riddled with corruption and inefficient administration.

### 3.2.2 Excessive expenditure

Excessive government is a cause of many present and historic tax revolts. Government expenditure is a major element of economies of developing and underdeveloped countries. The source of government funds is largely taxes. According to Alan Peacock and Jack Wiseman's tax-expenditure theory, a change in government expenditure leads to a change in tax revenue. In disaster situations like wars and global pandemics such as the coronavirus, expenditure increases ultimately increasing the level of taxation.[202] In contrast, Hamid Baghestani and Robert McNown added a different dimension by remarking that government expenditure is not related to taxes and institutional difference theory.[203] This study holds that government expenditure is directly related to taxes and that it can cause increase or decrease in tax level, depending on what and how it is spent.

According to the Department of Statistics of South Africa, the total government spending has been on the rise. During the 2017/2018 financial year, it was recorded that the government spent 7.3 percent more than it did in 2016/2017 period.[204] Excessive and inappropriate expenditure of tax revenue caused by corruption has the potential to impact negatively on the taxpayers' perceptions towards the government.

Furthermore, Kimi Makwetu, the auditor-general, identifies R65 billion in irregular municipal spending. During 2017/2018 financial period Sasolburg municipality alone spent R21.7 million on a sports complex, but auditors could only find a fence. Investigation by the municipal public accounts recommended that the project be written off as "fruitless" and "wasteful".[205] The auditor reports that there are not

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[202] AT Peacock and J Wiseman *The growth of public expenditure in the United Kingdom* (1961).

[203] H Baghestani and R McNown "Do revenues or expenditures respond to budgetary disequilibria?" (1994) 61 *South Economics Journal* 311.

[204] Department of Statistics South Africa "Government spending climbs to R1.71 trillion" (2019) http://www.statssa.gov.za/?p=12776 (Accessed 30 June 2020).

[205] A Makinana "If this is not corruption, then what is? – AG" Sunday Times (2020) printed on 5 July 2020.

sufficient funds for municipalities, yet the money is misappropriated. During 2018/2019 period it is reported that irregular expenditure, which is expenditure that did not meet legal requirements, increased by R7 billion to R32 billion.[206]

### 3.2.3 Corruption

Societal order is influenced by perceptions of how a government conducts itself within the basis of its own rules and laws. Wayne Duvenage suggests that it is of paramount importance that the government shows an immaculate observance to the laws of the land before it expects the governed to do the same.[207] Paying taxes is part of the social contract between the people and the government. When the government reneges from the contract, which is to use collected revenue for the benefit of citizens appropriately, it seems justifiable for taxpayers to withhold their taxes.

One instance to show the corruption and misappropriation of collected revenue by the government is the purchase of trains by the Passenger Rail Agency of South Africa (Prasa) from Spain. The trains did not meet specifications of South African railway lines; therefore, they could not function effectively, which means that R3.5 billion went to waste over the lack of research and need to maintain networks through corruption.[208]

In another instance of corruption, Eskom top officials were arrested for gross manipulation of contracts and fraud worth R745 million.[209] Since 2015, there has been a gradual increase in power outages, with the worst ever in the past ten years occurring in 2019. The power blackouts through load shedding are a form of preventive measure to avoid the total collapse of the power utility.[210] The increase in power outages, arguably due to contracts for poor quality workmanship and sub-standard

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[206] A Makinana "If this is not corruption, then what is? – AG" Sunday Times (2020) printed on 5 July 2020.

[207] W Duvenage "Govt's crisis of legitimacy fuels tax revolts – OUTA" https://m.fin24.com/Opinion/govts-crisis-of-legitimacy-fuels-tax-revolts-outa-20170301 (Accessed 25 April 2020).

[208] BusinessTech "This is how much of your money the government is wasting" (2015) https://businesstech.co.za.cdn.ampproject.org/v/s/businesstech.co.za/news/government/97575/this-is-how-much-of-your-money-the-government-is-wasting/ (Accessed 30 April 2020).

[209] BBC "Eskom crisis: Arrests over $50m South Africa power station 'fraud' (2019) https://www.bbc.com/news/world-africa-50854186 (Accessed 26 April 2020).

[210] BBC "Eskom crisis: Arrests over $50m South Africa power station 'fraud' (2019) https://www.bbc.com/news/world-africa-50854186 (Accessed 26 April 2020).

coal, indicates that incidences of corruption like these further discourage taxpayers from contributing to the fiscus, which they regard as a “bottomless pit”; paying taxes becomes meaningless.

The history of corruption and mismanagement of funds by the government does not encourage taxpayers to continue paying their taxes. Examples of fraud in governmental parastatals such as Eskom are disheartening to the taxpayers. The magnitude of misuse and abuse of taxpayers’ revenue by government parastatals is astounding.[211] In 2013 the Democratic Alliance reported that wasteful and fruitless expenditure by the government amounted to R5.780 billion on credit cards, new cars, catering and entertainment, car rentals, budget vote cocktails, and on flights and accommodation.[212]

At Transnet, a government parastatal, the Zondo Commission discovered that there was a siphoning off of hundreds of millions of rand out of the entity.[213] Recently, Stella Ndabeni-Abrahams, a Minister in the Parliament, allegedly spent taxpayers’ money to pay for her seventh wedding anniversary celebrations in New York and Switzerland.[214] The lack of the application of corrective measures by the government affects tax morality and eventually leads to tax rebellions. In this context, the former Finance Minister, Pravin Gordhan, cautioned that maladministration and tax morality pose a challenge to public finances. He added that it is paramount that there be a robust social contract between the government and taxpayers to avoid any form of tax revolts.[215]

The degree of misappropriation and abuse of funds by the government and its institutions is excessive to such an extent that an increasing number of taxpayers

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211 BBC “Eskom crisis: Arrests over $50m South Africa power station ‘fraud’ (2019) https://www.bbc.com/news/world-africa-50854186 (Accessed 26 April 2020).

212 News24 “R9.57 bn in taxpayers’ money wasted – DA” (2013) https://www.news24.com/southafrica/politics/r957bn-in-taxpayers-money-wasted-da-20131127 (Accessed 29 April 2020).

213 S Regter and B Bateman “Zondo ‘horrified’ over abuse of taxpayers’ money at Transnet” (2019) https://www.ewn.co.za/2019/05/17/zondo-horrified-over-abuse-of-taxpayers-money-at-transnet/amp (Accessed 29 April 2020).

214 Techcentral “Ndabeni-Abrahams accused of abusing taxpayers’ money” (2020) https://techcentral.co.za/ndabeni-abrahams-accused-of-abusing-taxpayers-money/95299/ (Accessed 29 April 2020).

215 I Matthews “Minister Gigaba recognises that decline in tax morality may be contributing to the tax revenue shortfall” (2017) www.bravura.net/minister-gigaba-recognises-that-decline-in-tax-morality-may-be-contributing-to-the-tax-revenue-shortfall/ (Accessed 5 April 2020).

continuously wonder if they can still pay their taxes with a good conscience as before.[216] Where a taxpayer believes that the usage of collected revenue by the government is inappropriate and believes that withholding taxes would play a role in stopping wasteful expenditure by the government, then it is morally acceptable to withhold payment.[217]

## 3.3 CURRENT AND THREATENING TAX REVOLTS

Tax revolts are situations where taxpayers, in acts of solidarity, resolve to refrain from the civic duty of paying taxes; thus, it is civil disobedience. A tax revolt may occur if taxpayers do not support how government revenue is spent. In this context, non-payment for governmental services by citizens constitutes a tax revolt, as the non-payment limits the expenditure of the government.

Tax revolts in South Africa only started becoming prevalent around 2010, which coincides with the beginning of the decline in revenue growth. The inevitable question is: what caused the tax revolt culture, and what keeps fuelling the culture as the revolts are progressively increasing? The reluctance to comply with tax legislation on the part of taxpayers could be reported as a cause of the revolts, but a decline in the willingness of taxpayers to pay their taxes is usually a reaction to what their collected revenue is being used for, how it is being used, and perceptions of declining corporate governance, amongst other factors. In short, declining tax morality has led to the occurrence of tax revolts and the possibility of threatening revolts.

### 3.3.1 E-toll tax revolt

The e-toll tax revolt started in 2013 in the Gauteng province. E-toll comprises of an electronic tolling system employed by South African National Roads Agency Limited (Sanral) on selected toll roads in terms of the Sanral Act.[218] In terms of the Act, Sanral

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[216] P Williams "Tax resistance as a demonstration of tax morality" (2017) https://www.bowmanslaw.com/insights/tax/tax-resistance-demonstration-tax-morality/ (Accessed 15 June 2020).

[217] Fin24 "Tax resistance a legitimate show of unhappiness – expert" (2017) https://www.fin24.com/Economy/tax-resistence-a-legitimate-show-of-unhappiness-expert-20170519 (Accessed 25 April 2020).

[218] Act 7 of 1998.

embarked on a project called the Gauteng Freeway Improvement Project (GFIP) to develop road infrastructure for the 185km of the Gauteng Freeway network.[219]

Since the inception of e-tolls, Gauteng road users rejected e-tolls because of the lack of clarity surrounding e-tolls. The original estimated cost for the GFIP project had been announced to fall between R11.8 billion and R11.9 billion. By the time the GFIP project was complete, the value of the project stood at R22 billion, which is almost double the estimated cost of the project, making the GFIP seem inflated.[220] The public questioned why there was a considerable discrepancy between the estimated cost of the project and the actual cost of the project, and this was one of the reasons why e-tolls were unpopular.

After completion of the GFIP first phase, Gauteng taxpayers were required to pay tariffs through the e-toll network.[221] The toll fees were collected on the multi-lane through a series of overhead toll points or gantries. Whenever a vehicle passed beneath a gantry, a toll was charged. The cost per gantry was determined by the kilometre distance, which the gantry represented. This model of tolling was wasteful and unnecessary, and it further enraged the public because a better model of tolling had been suggested before.[222]

When GFIP was first mooted, it was suggested that the most efficient and equitable method to fund the project would be adding a ring-fenced e-toll levy linked to the general fuel levy payable by all road users.[223] However, Sanral used an expensive way to collect the e-tolls, by the installation of gantry points, which elevated the cost

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219 SANRAL "GFIP Toll Tariff and discount structure announcement" (2011) https://www.nra.co.za/live/content.php?Item_ID=4505 (Accessed 22 April 2020).
220 Organisation Undoing Tax Abuse "A brief history of the Gauteng e-tolling system" (2019) https://www.outa.co.za/web/content/71706&ved=2ahUKEwiny7rN2ljAhUKTcAKHYdrAflQFjAAegQIBhAC&usg=AOvVaw3CVifvfNgXqQJtsChq1tJ9&cshid=1587993478370 (Accessed 27 April 2020).
221 Organisation Undoing Tax Abuse "A brief history of the Gauteng e-tolling system".
222 Organisation Undoing Tax Abuse "A brief history of the Gauteng e-tolling system".
223 Wheels24 "Motorists won't pay, 'e-tolls have failed' – AA" (2019) https://www.wheels24.co.za/News/motorists-wont-pay-e-tolls-have-failed-aa-20190725 (Accessed 27 April 2020).

of the project by some billions, which Gauteng road users were also required to pay for.[224]

The current e-toll system attracted more public outrage as the system failed to charge road users proportionally and appropriately. Road users who passed by the gantries more often were charged out of proportion, in comparison to long-distance road users. Taxi drivers were exempted from the e-toll, making it unfair. The system had the potential to widen inequity for low-income road users. Additionally, the system had the potential to restrict many citizens from exercising the right to free movement.[225] The perception of unfairness in the system aggravated the taxpayers. Perceptions of unfairness discourage a high level of compliance, so it would seem that the e-toll was doomed from its inception.[226] Besides, Gauteng road users revolted because there is a perception that the public was not engaged enough on the e-toll journey from the conceptual phase and, most importantly, the policy behind tolling and the advantages e-tolling would bring.[227] Furthermore, the e-tolling was perceived as irrational and unreasonable, because Gauteng's freeways were not new routes, so the base structure capital costs of the freeways have been paid through taxation over time. The repairs and expansion of the freeways should have been provided for through long term financial budgeting of already collected taxes.[228]

There are different types of supporters of the e-toll revolt. The Organisation Undoing Tax Abuse (OUTA) holds an ideological position that fights tax abuses against the government. The e-toll supporters also include individuals from all classes of society who either hate the incidence of e-tolls or those who experience a higher burden of taxation because of the e-tolls. Among the individuals against the e-tolls, there are those who understand the need for the payment of the e-tolls but realise that the tax

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[224] R Cokayne "AA calls on government to suspend Gauteng e-tolls project" (2019) https://www.techcentral.co.za/aa-calls-on-government-to-suspend-gauteng-e-tolls-project/91332 (Accessed 27 April 2020).

[225] R Naidoo "E-toll roads: analysing a case of collective moral disengagement in an e-government project" (2013) 13 *The African Journal of Information and Communication* 108 – 122 at 109.

[226] LM Bătrâncea, R Nichita and L Bătrâncea "Understanding the determinants of tax compliance behaviour as a prerequisite for increasing public levies" (2012) 12 *The USV Annals of Economics and Public Administration* 201 at 202.

[227] W Heynes and M Engelbrecht "GFIP e-toll: What happens if we can get it?" (2014) *Transportation Engineering* 1 at 2.

[228] Organisation Undoing Tax Abuse (OUTA) "E-toll concerns" (2018) https://www.outa.co.za/main-etoll-concerns (Accessed 12 June 2020).

burden is not fairly distributed among citizens. The fiscal regime is viewed as oppressive and unequal and the "tax the other fellow, but don't tax me" argument ensues.[229] OUTA on the other hand, supports the ideology that a thriving economy is contingent on the responsible usage of tax revenue across all levels of government, and regards the e-tolls as irregular and wasteful expenditure which must be stopped.[230] Though the reasons differ for revolting against e-tolls, there is unity of individuals and civil disobedience societies.

There was a lot of media coverage concerning e-tolls that exposed the inconsistencies surrounding the e-tolls; this played an essential role in making the e-tolls unpopular.[231] The Gauteng motorists engaged in e-toll in non-payment, to which Sanral reacted by summoning non-payers to courts of law. OUTA emerged to fight e-tolls. It encouraged the Gauteng taxpayers not to pay their e-tolls, and it had crowdfunding to assist the non-payers where Sanral decided to litigate against a non-payer. As a result, Sanral was collecting fewer tariffs than they ought to. In 2019, Sanral received between 25% and 30% of the value of e-tolls.[232]

The e-toll tax revolt is still happening, and Gauteng road users are still not paying e-tolls. In 2019, the chief financial manager of Sanral reported a loss of R5.7 billion because of non-payment by Gauteng motorist taxpayers[233], with seventy per cent of the Gauteng motorists are not paying e-tolls. The revolt has clearly been partly successful.[234] In July 2019, the government and the provincial African National Congress (ANC) of Gauteng made commitments to remove e-tolls. Ordinarily, the ANC should have been in support of government propositions and projects, yet the ANC wanted the e-tolls scrapped potentially to avoid losing future provincial elections.

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229 N Delalande and R Huret "Tax resistance: A global history?" (2013) 3 *The Journal of Policy History* 301 at 302.

230 Organisation Undoing Tax Abuse "Our vision" (2015) https://www.outa.co.za/about (Accessed 27 June 2020).

231 Heynes and Engelbrecht "GFIP e-toll" 2014 *Transportation Engineering* 2.

232 K Magubane "Sanral: E-toll resistance gave us a bumpy ride" (2019) https://m.fin24.com/Companies/Industrial /sanral-e-toll-resistance-gave-us-a-bumpy-ride-20191128 (Accessed 23 April 2020).

233 Magubane "Sanral: E-toll resistance gave us a bumpy ride".

234 L Gedye "E-toll debt suspension decision isn't clear-cut" (2019) *Finweek* 39 at 39.

There is still uncertainty regarding whether Sanral has finalised putting on hold debt collection from e-toll non-payers.[235]

Tax rebellions show that if a group of people unite, no matter their social status, against tax policies of the government they can extract concessions from the government.[236] This is true about the e-tolls. The e-tolls revolt was supported by individuals from different financial statuses, both the rich and the poor, who did not want the e-tolls as they added tax burden to every Gauteng motorists. The e-toll revolt, driven by discontent with the level and distribution of the tax burden forced the government to scrap the e-tolls as more expense was being incurred instead of generating revenue.

### 3.3.2 Emigration

Tax expert Bernard Sacks argues that there is a current tax revolt taking place through emigration.[237] An emigrant is a natural person who relocates from one country to another. The revolt is being carried out through both financial and physical emigration.[238] Financial emigration entails a process by which taxpayers change status with the South African Reserve Bank from resident to non-resident, whereas physical emigration is the actual relocation from one country.[239]

With this revolt, it is essential to note that leaving the country because of corruption and inefficient use of collected revenue is not the revolt *per se*. The tax revolt may be based on the amendment of section 10(1)(o)(ii) of the Income Tax Act.[240] Prior to its amendment, section 10(1)(o)(ii) provided full tax exemption to South Africans working and living abroad for extended periods (often referred to as expatriates). The background to the revolt is that in 2017, the Taxation Laws Amendment Bill[241] provided for the repeal of the exemption in terms of section 10(1)(ii) of the Income Tax Act.[242] This meant the total income of a South African expatriate earned abroad by way of

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[235] Gedye 2019 *Finweek* 39.
[236] A Steele, C Paik and S Tanaka "Constraining the Samurai: Rebellion and taxation in early modern Japan" (2017) 61 *International Studies Quarterly* 352 at 365.
[237] L Omarjee "A tax revolt will hit everyone's pocket – analyst" (2019) https://m.fin24.com/Economy/South-Africa/a-tax-revolt-will-hit-everyones-pocket-analyst-20191023-2 (Accessed 23 April 2020).
[238] E Retief "Understanding the true cost of financial emigration" (2020) 408 *Tax Breaks* 6 – 8 at 7.
[239] Stiglingh *et al SILKE: South African Income Tax* 30.
[240] Act 58 of 1962.
[241] The Taxation Laws Amendment Bill B18B – 2019 (20 November 2019).
[242] J du Toit "Uncertainty remains for expats" (2019) 406 *Tax Breaks* 5 at 5.

remuneration would be subject to taxation in South Africa. Through the Parliamentary Standing Committee, by way of representation and workshops, R1.5 million was negotiated for, but a R1 million exemption was granted, which was later increased to R1.25 million exemption per annum, effective from 1 March 2020.

Consequently, South African expatriates are being taxed on their foreign employment income once it exceeds R1.25 million. The reality for some expatriates is that the R1.25 million exemption may not be enough, factoring in foreign living costs. Also, expatriates are unlikely to stay in South Africa as the amendment results in them getting less take-home income than before, yet performing the same duties.[243] Thus, the amendment has forced many expatriates to cease their tax residency to avoid being caught by the amendment.[244]

Retief posited that many tax practitioners and financial advisors are recommending that expatriates cease residency to escape partial removal of the exemption on foreign income.[245] This form of revolt deprives SARS of claims to the expatriate's worldwide income and capital gains. Sacks suggests that if high-income earners earning more than R1.25 million annually, choose to leave the country and cease residency, this will leave a gap in the revenue of the fiscus as they contribute about 28% of revenue.[246] According to du Toit, this revolt is more radical and an effective method of defiance. Many taxpayers have ceased their residency from South Africa, and this is a manifestation of a tax revolt that gave SARS "heart palpitations," according to du Toit.[247]

The tax revolt is on-going. Remaining taxpayers will have to fill the gap in revenue created by expatriates leaving the country to escape the amendment. The revolt works for the emigrating expatriates and overburdens the remaining taxpayers. It is too early to determine the success of the revolt.

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[243] J du Toit "Uncertainty remains for expats" (2019) 406 *Tax Breaks* 5 at 5.
[244] Omarjee "A tax revolt will hit everyone's pocket – analyst".
[245] Retief 2020 *Tax Breaks* 6.
[246] Omarjee "A tax revolt will hit everyone's pocket – analyst."
[247] Omarjee "A tax revolt will hit everyone's pocket – analyst."

### 3.3.3 Municipal non-payment revolt

Fiscal stress caused by inflation, unemployment and economic stagnation often precipitates most tax revolts. In other jurisdictions, local or municipal tax revolts arise because of fiscal stress which comes from unemployment, and a significant percentage of residents under a local government depend on the local government for basic goods and services. The local taxes must increase to meet the rising service demands, leading to a heavier tax burden for the taxpayers. The increasing tax burden in the local government leads to tax revolts.[248] This case is different from the municipal tax revolts currently happening in South Africa.

Municipal rates non-payment revolts are currently taking place in South Africa. The taxpayers have engaged in the non-payment of municipal rates as a way of showing dissatisfaction with the government. Municipalities faced with non-payment revolts choose to increase rates instead of resolving the problem of non-payment and taxpayers who pay their rates are progressively burdened by those who do not, ultimately leading to further non-payment, thus creating an environment for more rebellion against municipal rates.[249]

The 2011 Local Government Budgets and Expenditure Review reported that 42 towns had engaged in paying rates and utility accounts into trust funds and delivering the municipal services themselves.[250] A local tax revolt against the Makana Municipality in the form of rates non-payment has been reported. Weissenberg reveals that, amongst the Makana residents, protest and action-minded ratepayers are withholding their payments because of the belief that there is misuse, wastage, patronage, nepotism, and corruption.[251]

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[248] RM Stein "State regulation and the political consequences of urban fiscal stress" (1984) 14 *Publius* 41 at 42.

[249] Cape Business News "A tax revolt is already happening in South Africa" (2019) https://www.cbn.co.za/featured/a-tax-revolt-is-already-happening-in-south-africa/ (Accessed 20 January 2020).

[250] MunicipalIQ "Better solutions to delivery failure than rates boycotts" (2011) https://www.municipaliq.co.za/index.php?site_page=article.php&id=47 (accessed 24 April 2020).

[251] Grocotts "The Makana Rates Revolt" (2018) https://www.grocotts.co.za/wp-content/uploads/2018/09/THE-MAKANA-RATES-REVOLT-September-2018.pdf (Accessed 24 April 2020).

In another related event, the residents of the KwaZulu-Natal South Coast under Ugu Municipality threatened to withhold water payments from the end of February 2020 as a result of the on-going and widespread disruption in supplying water.[252] The residents firmly hold the impression that they should not be compelled to pay for a supply of water, which is at best intermittent, while other residents have not had any water, yet their accounts have doubled.[253] The municipality has a debt of up to R500 million due to the non-payment of rates.[254]

The increase in taxes, combined with a perceived decrease in the provision of municipal services led to the municipal non-payment revolts. The main contention of the revolt came from the perception that better financial management of local government is achievable by these municipalities and better management would result in an overall efficient service delivery for millions of people.[255] An overwhelming number of observed tweets from Twitter shows that the municipal non-payment revolt is because of the increased tax burden and declining infrastructure.[256]

The ratepayers who withhold municipal rates mainly comprise of white, professional individuals from affluent societies. This indicates that it is not that these individuals cannot pay for their taxes but are unwilling to fund corruption and inefficient usage of the collected rates. The use of trust accounts shows that the ratepayers are willing to pay but only for appropriate service delivery by the municipalities. The trusts hold funds for the municipality until the municipality is restructured for better service delivery.[257]

This revolt is still on-going. In one instance it has been successful in taking over municipal administration. Sannieshof residents in North West successfully took over the delivery of services in 2008 after service delivery started deteriorating. The

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[252] South Coast Herald "No water, no payment say thirsty South Coasters" https://www.google.com/amp/s/southcoastherald.co.za/395824/thirsty-south-coasters-threaten-non-payment-orno-water-no-payment-say-south-coasters/amp (Accessed 24 April 2020).
[253] South Coast Herald "No water, no payment say thirsty South Coasters".
[254] South Coast Herald "No water, no payment say thirsty South Coasters",.
[255] H Du Preeze and J Stoman "An analysis of current tax revolt factors in South Africa" (2020) 28 *Meditari Accountancy Research* 455 at 473.
[256] Du Preeze and Stoman 2020 *Meditari Accountancy Research* 473.
[257] A May & Community Law Centre "The withholding of rates in five local municipalities" (2010) https://www.ggln.org.za/media/k2/attachments/SoLG.2011-Community-Law-Centre.pdf (Accessed 24 April 2020).

ratepayers' association provides municipal services such as waste collection, cleaning streets, and maintaining local infrastructure.[258] Forty-two other towns have engaged in similar actions.[259]

### 3.3.4 Fuel levy tax revolt

In 2018, there was a threatening tax revolt by the middle class against fuel levy. The fuel levy tax revolt was also supported by a political party, the Democratic Alliance (DA) and a tax lobby group OUTA. The reason for the threat to revolt was that they wanted R1 taken off the fuel levy in a bid to lessen the financial burden of the rising oil price on the public.[260] At the time the levy was R3.37 a litre, plus the Road Accident Fund levy which stood at R1.93. This meant that 38% of the petrol price was payable in taxes. The hike in the fuel levy was identified as easy target of opposition by political parties because of the record prices the fuel levy had reached.[261] The reasons for the revolt were legitimate; the middle class continue to bear continuously growing tax burdens. It is reported that in 2003, 78 percent of personal income tax was funded by 32% of taxpayers. In 2018, 80 percent of personal income tax was funded by 25.7 percent of taxpayers. As the tax base decreases, the tax burden increases, and this makes the middle class gradually resentful.[262]

The fuel levy contributes a meaningful source of state revenue. In 2018 it provided about 5.5 percent to the general revenue fund. During the 2016-2017 financial year the fuel levy totalled R62.8 billion. The desired R1 cut by the tax protestors would translate to the government losing about a third of the revenue.[263] This revolt had the capability to reconstruct state fiscal policies but it failed as people simply paid for the R1 increase.

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[258] MunicipalIQ "Better solutions to delivery failure than rates boycotts".
[259] MunicipalIQ "Better solutions to delivery failure than rates boycotts".
[260] R Stretch and J Silke "Fuel Levy revolt" (2018) *Taxgram* [Available online] https://www.businesslive.co.za/bd/opinion/editorials/2018-07-26-editorial-fuel-levy-revolt-in-the-making/ (Accessed 28 June 2020).
[261] Stretch and Silke "Fuel levy tax".
[262] Stretch and Silke "Fuel levy tax".
[263] Stretch and Silke "Fuel levy tax".

### 3.3.5 Trade union revolts

In 2018, the National Assembly approved the proposed increase in value-added tax (VAT) of one percentage point from 14% to 15%. The Congress of the South African Trade Unions (Cosatu) threatened a revolt against the increase. The union argued that the VAT increase would affect the poor the most. The union suggested that the state impose a wealth tax and increase the corporate tax rate to make the wealthy individuals pay accordingly.[264]

The proposed VAT increase came nearly 25 years after the previous VAT increase, and Cosatu questioned why the increment was being implemented in 2018. The South African Communist Party also expressed displeasure with the VAT increase, stating that the increment possibly marks the start of regressive taxation.[265] Besides the VAT increase, other taxes were also increased. The fuel levy was increased by 52 cents per litre, putting more financial stress on the poor. Vehicle licence and television licence fees were also increased. Cosatu further requested that all essential commodities and services be zero-rated.[266] The revolt has not been successful as the 1% VAT increment was approved by Parliament, and no further zero-rating was introduced.

### 3.3.5 Other tax revolts

Although on a small scale, a tax revolt also occurs when taxpayers deprive the revenue authority through legal means, such as when taxpayers or consumers use zero-rated goods only and abstain from smoking cigarettes or consuming alcohol, thus depriving the state of VAT and sin taxes.[267] This on-going tax revolt is efficient yet slow to be felt by the revenue authority as a few individuals engage in this revolt. Additionally, this revolt, in comparison to the local municipality revolt or the e-toll revolt, is entirely legal.

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[264] J Cronje "Cosatu readies for a national strike against job losses, reiterates calls for VAT rate reduction" (2019) https://m.fin24.com/Economy/South-Africa/cosatu-readies-for-national-strike-against-job-losses-reiterates-calls-for-vat-rate-reduction-20190206 (Accessed 24 April 2020).

[265] N Goba "' You are playing with fire,' Cosatu warns government on VAT increase" (2018) https://www.timeslive.co.za/amp/news/south-africa/2018-03-01-you-are-playing-with-fire-cosatu-warns-government-on-vat-increase/ (Accessed 24 April 2020).

[266] Duvenage "Govt's crisis".

[267] J du Toit “The tax revolt is already in full swing” (2019) https://www.taxconsulting.co.za/the-tax-revolt-is-already-in-full-swing/ (Accessed 23 April 2020).

## 3.4 WHETHER TAX REVOLTS ARE PRODUCING RESULTS

The e-toll tax revolt has been partly successful. The government has considered scrapping the whole e-toll system and writing off the debts of non-payers, although this has not yet taken place. This means the government has listened to the grievances of taxpayers concerning the e-tolls and is willing to resolve the matter.

Ratepayers' revolts are fuelled by residents wanting their rate payments to be used appropriately in line with budgets and mandates of the municipalities. Some municipal revolts, such as in Sannieshof, have been a success. There is success insofar as the residents are controlling their collected rates money to provide for their own municipal services.

The emigration “revolt”, although it happens over a long period, leaves a gap in revenue collection. The fact that there were ongoing planned changes to section 10(1)(o)(ii), from no exemption, the exemption should be for the first R1 million, the first R1,5 million and a final change to the first R1.25 million, indicates that the government is aware of the grievances of expatriates.

The fuel levy tax revolt that threatened to occur did not yield any tangible results.

The threatening trade union revolt did not yield results in terms of tax-related issues, as the VAT increment was still enforced. The impact of other forms of tax revolts in South Africa, such as changes in buying patterns, is impossible to calculate. The effect of taxpayers engaging in tax evasion as a form of tax revolt can only be indirectly estimated, based on the revenue collections.

## 3.5 CONCLUSION

The threatening tax revolts in South Africa are rooted in tax morality, which appears to be declining. Tax morality is influenced by many factors, including failure by the government to deal appropriately with tax revenue, taxes and tax increases that impact negatively on low-income households, declining corporate governance at SARS and poor service delivery by state parastatals. These discourage taxpayers from fulfilling their civic duty of paying taxes when the state is failing to keep its mandate.

The e-toll tax revolt seems to be yielding fruitful results as the government recently indicated that e-tolls would be scrapped. The emigration tax revolt will have an effect on state revenue over time. The trade union and the fuel levy threats to revolt did not achieve their objectives as the VAT increase was introduced and the fuel levy was not reduced. The success or otherwise of other forms of tax revolt is difficult to judge.

Chapter four analyses and interprets similarities and differences of past international tax revolts and of current and threatening tax revolts in South Africa.

# CHAPTER FOUR

# ANALYSIS AND INTERPRETATION

*"Render therefore to Caesar the things that are Caesar's; and to God the things that are God's."*[268]

## 4.1 INTRODUCTION

The goal of this chapter is to compare the international tax revolts that have occurred in the past and the South African threatening and current tax revolts. The discussion, in addition, explores the underlying ideologies of the revolts. Perceptions of tax revolts, in general, are also discussed

The criterion for discussing the common pattern of tax revolts is divided into eras, that is, tax revolts that occurred in a pre-democratic period are discussed separately, whilst those which took place post-democracy will be separately discussed. The tax revolts falling in neither pre-democratic nor post-democratic era are also discussed. This is befitting as it makes a discussion of tax revolts from the same era more meaningful.

A comparison follows of South African tax revolts with international experiences of tax revolts. The analysis of tax revolts is further expanded to a discussion of the ideologies and theories used to explain them, together with examples of tax revolts that demonstrate these theories. Common perceptions of tax revolts are briefly discussed, and finally the effects of tax revolts are highlighted.

## 4.2 PRE-DEMOCRATIC REVOLTS

Some revolts that are described in this thesis took place while the taxpayers were under colonial rule. These revolts include the Banten revolt, Zimbabwe Poll Tax, Dog Tax war, Transkei rebellion, and the Bambatha rebellion. The recurring factor for most of the pre-democratic revolts is that the taxes were collected directly from the taxpayers by their chiefs through a mandate from the colonial government. This made revolting against taxation relatively easy as it was difficult for the colonial governments to track heads of households, since heads of households could easily disappear during

[268] New King James Version Bible "Matthew 22 verse 21" (2020) https://bible.com/bible/114/mat.22.21.NKJV (Accessed 18 May 2020).

the time of collection of taxes and return after collection.[269] The Shona people in Zimbabwe abandoned their settlements to evade taxation.[270] The lack of databases with information about taxpayers was to the advantage of the colonial subjects as they got away with not paying taxes. Burg reports that flight was the most common form of resisting taxes. Peasants could expect no tax exemptions, so in most instances they found themselves overburdened by taxes. Therefore, the peasants deserted their lands and fled to neighbouring lands, leaving behind relatives and community members to endure the tax collector.[271]

Furthermore, the rebels from the pre-democratic era lacked knowledge of what taxation was. The Africans under colonial rule in South Africa saw taxation as government witchcraft and as a supernatural collection ritual. Though they did not understand the concept of taxation, they knew that in paying the taxes, they were supporting the ritual and the colonial government.[272]

Tax revolts during the colonial era usually encompassed more significant economic, political, social and religious concerns. Taxes proved to be a "scapegoat" for protest and insurrection because of the hatred they attracted, hence an identifiable target for opposition.[273] Underlying matters motivating protests were forced labour and dispossession of land. The Banten revolt was caused by economic, religious, social, and political factors that were exacerbated by the strain of Westernisation imposed by the Dutch colonial government. The cause of the rebellion was the unpopular new taxation.[274] Whereas for the Zimbabwe poll tax, labour coercion and dispossession of the livestock of Africans enraged the Africans to fight against the poll tax.[275] Whilst it is possible that violent wars erupted against the colonial government for different reasons, David Burg suggests that taxes unified people to fight, as taxes were perceived "at the most personal and visceral level".[276] Thus tax revolts represented a

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[269] Burg *A World History of Tax Rebellions*.
[270] D N Beach "'Chimurenga': The Shona Rising of 1896 – 97" (1979) 20 *The Journal of African History* 395 at 403.
[271] Burg *A World History of Tax Rebellions* 13.
[272] S Redding "Government witchcraft: Taxation, the Supernatural and the Mpondo Revolt in the Transkei, South Africa 1955 – 1963" (1996) 95 *African Affairs* 555 at 558.
[273] Burg *A World History of Tax Rebellions* 9.
[274] Burg *A World History of Tax Rebellions* 501.
[275] Beach *The Journal of African History* at 402.
[276] Burg *A World History of Tax Rebellions* 8.

fight not only against oppressive taxation but a fight for freedom and equality across social, economic, and political strata.

Another characteristic of pre-democratic tax revolt is taxation without political representation of the taxpayers in Parliament. A social contract exists between a government and taxpayers. The contract implies that a citizen must pay his or her taxes, in exchange of goods, services and a civilised society.[277] The contract is indicative of representative governments. A representative government is when citizens vote for individuals or parties to represent them and their welfares in Parliament.[278] A colonial government, therefore, lacked the consent of colonial citizens, and there was no representation of the citizens in the Parliament. The taxes were thus perceived as an unfair imposition on colonial subjects, as there was no evident benefit to them by the government in exchange for the taxes. As a result, taxation without consent and representation led to tax revolts.

Moreover, taxation during this era was extracted along racial lines. The colonial subjects, who happened to be non-whites, were forced to pay taxes, whilst settlers were exempted. This unified native taxpayers to fight taxation as they perceived that they bore a heavy tax burden in comparison to the settlers. Sean Redding states that the Africans under white colonial rule reached a point where they could not bear the imposed taxes, especially because the taxes were not benefitting them.[279]

David Sears and Jack Citrin postulate that individuals in similar economic circumstances often team up to fight against perceived economic inequalities. [280] The Dog Tax War shows the Māori and the Pākehā uniting against the dog tax that was imposed by British settlers of New Zealand.[281] The Peasants' revolt in England,[282] the

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[277] R Ramfol "The fine line between tax compliance and tax resistance: the case of South Africa" (2019) https://www.researchgate.net/publication/336915987 (Accessed 22 May 2020).
[278] D Judge "The 'Problem' of representative government" In: *Democratic Incongruities* (2014) Palgrave Macmillan London 107.
[279] S Redding "A blood-stained tax: Poll tax and the Bambatha Rebellion in South Africa" (2000) 43 *Cambridge University Press* 29.
[280] D Sears and J Citrin *Tax revolt: Something for nothing in California* (1982) 16.
[281] J Cowan *The New Zealand Wars* (1923).
[282] P Foot "This bright day of Summer: The Peasants' Revolt of 1381" (1981) https://www.marxists.org/archive/foot-paul/1981/06/1381.html (Accessed 3 April 2020).

Transkei rebellion,[283] Zimbabwe's,[284] and Sierra Leone's[285] poll tax revolts also reveal peasants uniting in the fight against unfair taxation. Thus, individuals who are in the same economic category in terms of taxation will often unite to fight the inequity through tax resistance.

In the pre-democratic revolts, the natives could easily identify each other and come together to fight against the perceived enemy, which was the colonial government. The revolts were racial. In the Bambatha, Transkei, Sierra Leone hut tax, Zimbabwe poll tax, the natives would come together to fight against the taxation imposed on them. In comparison, in the post democratic revolts, it is not easy to garner support against government taxation because no one would know the next person's tax burden unless they provide their tax details. Taxation in the post-democratic era goes beyond racial lines as was the case for revolts in the pre-democratic era.

### 4.3 POST-DEMOCRATIC ERA

It can be said that tax revolts that occurred in the democratic era are a result of the failure of the government to achieve voters' expectations.[286] These revolts can be interpreted from the explanation of tax efficiency ideology.[287] Voters' expectations include (but are not limited to) the anticipation of timely and appropriate service delivery by the government. Expectations are created through the atmosphere in which current members of government operate.[288] The voters entrust the winning political party to meaningfully attend to the social, economic, political needs of the voters. Therefore, where a local or municipal government (or provincial or national) fails to deliver services to citizens, the possible available way to address the failure is to vote for another political party or person in the hope that the chosen person will be able to efficiently deliver services for the people at a lower cost for the voters. A survey

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[283] S Marks *Class, Ideology and the Bambatha Rebellion* in D Crummey *Banditry, Rebellion and Social Protest in Africa* (1986) 249.
[284] M Mamdani *Citizen and Subject: Contemporary Africa and the Legacy of late Colonialism* (1996) 11.
[285] A Abraham "Bah Bureh, The British, and the Hut Tax War" (1974) 7(1) *The International Journal of African Historical Studies* 99 at 106.
[286] D Lowery "Interpreting the Tax Revolt: A Review of the Literature and an Alternative Explanation" (1982) *State & Local Government Review* 14(3) 110 at 111.
[287] Lowery and Sigelman *The American Political Science Review* 964.
[288] JM Buchanan and DR Lee "Politics, time and the Laffer Curve" (1982) 90(4) *Journal of Political Economy* 816 at 819.

taken soon after the occurrence of Proposition 13 in America showed that people who supported the Proposition also supported the notion that the government had failed to deliver voters' expectations, [289] showing that discontented voters generally support reforms that challenge the government. However, elections come at regular intervals of usually four to five years, depending on the nature of the governance system. Thus, tax revolts are the most immediate and available means to show taxpayers' discontentment with existing tax reforms. Helen Zille, in a tweet, reported that the electoral route supports corruption and the only way to draw attention to the corruption and eliminate it is through a tax revolt.[290]

In comparison with the precolonial era, in the post-democratic era, taxpayers are more aware of the taxes they pay, because of the known repercussions of not paying taxes.[291] In South Africa, the penalties and mechanisms available to SARS for unpaid taxes include seizure of property. The far-reaching consequences available to SARS encourage taxpayers to be alert and aware of taxes payable by them.

The present study also observes that a change in the taxation system or policy generally affects the morale of taxpayers. In this context, a change in taxation includes changes in policy regarding taxes and the introduction of new taxes. Margaret Thatcher's poll tax revolt was caused by changing the tax system from progressive to regressive. The poll tax stipulated that everyone was to pay an equal sum regardless of income. The change stirred massive hatred among the taxpayers leading to the tax revolt.[292] The South African e-toll revolt occurred as a result of the imposition of e-toll fees.[293] The emigration of an increasing number of expatriates in South Africa is happening because of a change of legislative framework regarding expatriates.[294] Whilst one may argue that a change in tax systems and the imposition of new taxes are common traits of taxation, what makes the change in tax systems identified in

[289] Lowery and Sigelman *The American Political Science Review* 964.
[290] H Zille tweet https://twitter.com/helenzille/status/1089052239325523968 (2019) (accessed 17 May 2020).
[291] RM Bird and F Vaillancourt *Perspectives on Fiscal Federalism* (2006).
[292] Burg *A World History of Rebellions* 562.
[293] SANRAL "GFIP Toll Tariff and discount structure announcement" (2011) https://www.nra.co.za/live/content.php?Item_ID=4505 (Accessed 22 April 2020).
[294] E Retief "Understanding the true cost of financial emigration" (2020) 408 *Tax Breaks* 6.

these scenarios unique enough to cause tax revolts, is the perception of taxpayers that the change in tax system or policy is unfair or unjustifiable.

As noted earlier, it was easy to evade taxes in the pre-democratic era through abandoning settlements during tax collection periods. In comparison, in the post-colonial era, tax resistance through deserting one's place of residence is not possible due to the nature of taxation systems, which now have electronic databases containing information of taxpayers.

### 4.4 NEITHER PRE-DEMOCRATIC NOR POST-DEMOCRATIC TAX REVOLTS

Other tax revolts like the Magna Carta of 1215, Boston Tea Party of 1773 and the Whiskey Rebellion of 1794 are neither pre-democratic nor are they post-democratic tax revolts. The Magna Carta fixed tax rates, establishing tax neutrality while limiting the King's ability to impose extortionate taxes.[295] The Magna Carta was a political revolution, which established a new political theory of the state.[296] The Tigre Rebellion of Ethiopia was caused by the change from the customary feudal system of taxation to direct taxation.[297]

The Boston Tea Party illustrates that where the government favours the well-connected and the wealthy, at the cost of the ordinary citizens, the government risks populist uprisings. Where there is expectation of equal treatment under the law, the government must honour the expectation. The inequity of taxing American tea merchants caused the looting and destruction of tea boxes belonging to the British government.[298]

The Whiskey Rebellion was caused by the imposition of an excise on alcohol. The functional equivalence ideology explains the occurrence of the rebellion. The rebellion

[295] J Walczak "Magna Carta and Tax Reform" (2015) https://taxfoundation.org/magna-carta-and-tax-reform/ (Accessed 24 June 2020).
[296] Lord Irvine of Lairg "The spirit of Magna Carta continues to resonate in Modern Law" (2002) at 6 https://www.aph.gov.au/binaries/senate/pubs/pops/pop39/lairg.pdf (Accessed 24 June 2020).
[297] G Tareke *Ethiopia: Power and Protest* (1991).
[298] J Cost "Why the Boston Tea Party was such a great event" (2018) https://www.aei.org/articles/why-the-boston-tea-party-was-such-a-great-event/ (Accessed 24 June 2020).

was an attack on existing political institutions as well as an effort to get a meaningful response from government representatives.[299]

These tax revolts are some of the violent tax revolts in the history of tax rebellions. The Magna Carta, Boston Tea Party and the Whiskey Rebellion challenged the principles of government through violent disenchantment.

## 4.5 TAX REVOLTS IN SOUTH AFRICA

Having considered patterns of tax revolts that took place in the international arena and those that are taking place in South Africa, a comparison can be made to establish whether tax revolts occurring in South Africa are following an existing pattern or establishing one of their own.

Tax revolts that occurred in the colonial era led to violent wars against taxation. In South Africa, during the colonial era, tax revolts consisted of violent uprisings against the colonial government. The factors leading up to the Transkei and Bambatha tax revolts during this era follow the pattern of the Zimbabwean poll tax, the Sierra Leone hut tax, and the Dog Tax war.

Tax revolts that fall within the post-democratic era (including South African tax revolts) are indicative of causation ranging from high tax, perceptions of unfairness, attempts to cut expenditure of the government, and corrupt officials. In the post-democratic era, taxpayers are aware of what the government must provide when citizens pay their taxes dutifully. Thus, it seems that outcries against taxation are political when viewed from the perception of a voter who is engaging in a revolt because his or her voter expectations were not met.

Current South African tax revolts follow some of the patterns of international tax revolts. The e-toll revolt was caused by taxpayers' perception that the e-tolls were excessive. Additionally, there were perceptions of corruption by the board governing the implementation of e-tolls, which, it can be argued, lowered the morale of Gauteng road users resulting in non-payment of the e-tolls. This is similar to the Tigre rebellion, which was caused by high taxation and the fraudulent behaviour of the tax agents,

[299] GE Connor "The politics of insurrection: A comparative analysis of the Shays', Whiskey and Fries' rebellions" (1992) 29 *The Social Science Journal* 259 at 268.

which enraged the taxpayers to revolt. [300] Proposition 13 was also caused by a high tax burden for property owners in California. The Magna Carta revolt caused by high taxation and corruption by the King is another example of the same trend. Therefore, the current South African e-toll revolt follows the pattern of revolt against high taxation. Thus, there is widespread taxpayer resistance to higher taxes across the world.

The financial emigration in South Africa was and is being influenced by the change in expatriate taxation through the amendment of the exemption enshrined in section 10(1)(o)(ii) of the Income Tax Act.[301] The amendment provides that expatriates will be liable for tax in South Africa on their foreign employment income to the extent that it exceeds R1.25 million. Financial emigration is common for developing countries. Skilled workers continuously emigrate financially from developing countries with the result that ways of taxing skilled migrants have been developed, in order to internalize negative externalities they create in the countries from which they depart.[302] The cause of this revolt is a change in taxation system, which is a common cause of international tax revolts. The Whiskey Rebellion was caused by the change in the taxes marked by an introduction of an excise duty on spirituous liquor. The Thatcher revolt resulted from a change in the taxation system. Margaret Thatcher introduced a poll tax that required everyone to pay the same amount for the poll. A street sweeper and a lawyer paid the same amount of tax.

Municipal tax revolts in South Africa are different in nature to tax revolts that have happened in the international sphere. Residents of local municipalities who are not getting efficient service delivery from their municipalities withhold payment of the rates due to the municipalities. Instead, the rates are paid into a trust account administered by a ratepayers' association. The association provides a detailed account of the amounts paid to the municipality once they become accountable and efficient enough to provide better service delivery.[303] This form of revolt is distinctive in that the unpaid amounts of rates are still collected on a monthly basis to be handed over to the municipality in question. There is no accumulation of debt from unpaid rates, which is

[300] G Tareke *Ethiopia: Power and Protest* (1991).
[301] Act 58 of 1962.
[302] MA Clemens "A case against taxes and quotas on high-skill emigration" (2014) 5 *De Gruyer* 1 at 3.
[303] A May and Community Law Centre (CLC) "The withholding of rates in five local municipalities" https://www.ggln.org.za/media/k2/attachments/SoLG.2011-Community-Law-Centre.pdf (Accessed 19 May 2020).

a positive difference from other forms of revolts which create debts and may ultimately result in increased rates of tax.

International tax revolts like the Magna Carta rebellion incorporated other issues such as oppression and unfair treatment by the baronial elite. Whereas, South African tax post-democratic revolts are caused by fiscal-related and service delivery issues. The revolts do not arise because of other issues of public concern like the increasing unemployment, lack of water or power, or crime, as these are usually dealt with individually as service delivery protests by citizens.[304]

### 4.6 IDEOLOGICAL AND THEORETICAL EXPLANATION OF TAX REVOLTS

The political disaffection ideology explains that tax revolts use tax as a focus to show discontentment towards "corruption, change unfair taxes, stop new taxes or draw attention to unreliable governments".[305] Under the Urukagina reform, the Lagashites revolted against the local ruler, *ishakku*, who was charging high taxes. The Revolt of Procopius was caused by high taxation and was supported by ordinary people, indicating how high taxation affected everyone. The Peasants Revolt was an extreme measure to make the government address the high taxation. The political disaffection ideology best describes the unfair taxes causing Thatcher's poll tax revolt and the Boston Tea Party.

The tax distribution theory suggests that tax revolts happen because of taxpayers' perceptions of inequalities within the tax system. The Boston tea party is an example where American tea merchants were being taxed by the British government without representation in the Parliament. The Whiskey Rebellion, which was a result of unfairly imposed taxation on farmers producing whiskey, illustrates the theory of tax distribution, as the excess taxes was limited to farmers only. The frustration of an increasing share of public financial responsibility leads to tax revolts.[306]

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[304] Polity "The reasons behind service delivery protests in South Africa" (2009) https://www.polity.org.za/article/the-reasons-behind-service-delivery-protests-in-south-africa-2009-08-05 (Accessed 19 May 2020).
[305] H Du Preeze and J Stoman "An analysis of current tax revolt factors in South Africa" 28 (2020) 3 *Meditari Accountancy Research* 455 at 461.
[306] Lowery and Sigelman *The American Political Science Review* 963.

The equity theory suggests that tax revolts occur because of the dissatisfaction with inequity in society. The two components of the theory are allocation and reciprocation. Allocation denotes the just distribution of resources over a society, whilst reciprocation describes a situation where a taxpayer will only deem the tax system as fair where his or her tax payments equal the benefit he or she gets from the government.[307] In this regard, a tax revolt represents the dissatisfaction of taxpayers in their relationship with the government, including the tax system and policies. The theory explains most tax revolts. The municipal tax revolts in South Africa clearly depict a situation where ratepayers believe that they are not getting what their money entitles them to get; therefore, they withhold rate payments.

The economic theory of tax compliance states that individuals weigh up the gamble of the penalty for non-payment against the benefit of not paying the tax. Tax non-compliance can take the form of deceit or defiance.[308] In the municipal non-payment tax revolt, the non-payment is an act of defiance rather than deceit. When citizens under municipalities with poor service delivery withhold payments, they are defying the municipalities and not trying to deceive the municipalities out of payments due.

On the other hand, the voter rejection theory holds that tax revolts are a culmination of voter rejection of government policies on taxes. The driving forces determining voters' rejection are typically socio-economic factors. [309] In this regard, tax revolts are the final stage of unwillingness to pay taxes after futile attempts to get the tax policies changed.[310] It has also been argued that the tax revolts by voters do not constitute tax revolts *per se* as the action is an event where voters make their preferences heard pertaining to specific policies.[311] The present study holds that tax revolts can also take the form of voter revolts, because taxation is a political issue, and where the

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[307] SA Belay and P Viswanadham "Tax fairness perceptions and compliance behaviour: evidence from the metropolitan cities of the Amhara regional state of Ethiopia" (2016) 5 *International Journal of Science and Research* 1173.
[308] T Besley, I Preston and M Ridge "Fiscal anarchy in the UK: Modelling poll tax noncompliance" (1996) *Journal of Public Economics* 137 at 140.
[309] Encyclopedia [sic] "Tax Revolts" (2020) https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/tax-revolts (Accessed 18 May 2020).
[310] H Du Preeze and J Stoman "An analysis of current tax revolt factors in South Africa" (2019) 28 *Meditari Accountancy Research* 455 at 458.
[311] Encyclopedia [sic] "International Encyclopedia of Social Sciences" (2020) https://www.encyclopedia.com/social-sciences/applied-and-social-sciences-magazines/tax-revolts (Accessed 31 January 2020).

government implements unfair fiscal policies, taxpayers, who are also the voters, can withhold their votes or vote for a different political party to influence change in fiscal policies. The American Proposition 13 is one example of taxpayers/voters using direct democracy to end a dysfunctional property taxation system.[312] Margaret Thatcher's poll tax was a clear rejection of the regressive taxation that had been introduced by Mrs Thatcher and resulted in ending her role as Prime Minister.

Other tax revolts were as a result of the rejection of a political regime, as with the Zimbabwean Hut Tax. In such instances, tax revolts are only a small battle in a larger on-going rebellion.

## 4.7 PERCEPTIONS OF TAX REVOLTS

The current perceptions of tax revolts in South Africa can be found in the titles of recent internet articles, for example, "A tax revolt will hit everyone's pocket,"[313] "4 reasons why a tax revolt won't work",[314] "The tax revolt is already in full swing,"[315] "Is South Africa on the verge of a tax revolt?",[316] and "'Murmurs of a tax revolt': Outa on state's R62bn irregular expenditure".[317] The titles are an indication of the divided perceptions of tax revolts in South Africa.

The then South African Western Cape Premier, Hellen Zille, in her personal capacity, observed that the point of a tax revolt is to achieve effective action and prosecution against corrupt government officials - therefore necessary. According to the then Premier, a tax revolt is the only way the corrupt officials can be stopped from abusing

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[312] D Laycock "Tax revolts, direct democracy and representation: populist politics in the US and Canada" (2019) 24 *Journal of Political Ideologies* 158 at 168 – 170.

[313] L Omarjee "A tax revolt will hit everyone's pocket – analyst" (2019) https://m.fin24.com/Economy/south-Africa/a-tax-revolt-will-hit-everyones-pocket-analyst-20191023-2 (Accessed 18 May 2020).

[314] Q Qukula "4 reasons why a tax revolt won't work" (2016) http://www.capetalk.co.za/articles/14989/4-reasons-why--a-tax-revolt-wont-work (Accessed 6 June 2020).

[315] J du Toit "The tax revolt is already in full swing" (2019) https://www.taxconsulting.co.za/the-tax-revolt-is-already-in-full-swing/ (Accessed 31 May 2020).

[316] BusinessTech "Is South Africa on a verge of a tax revolt" (2019) https://businesstech.co.za/news/business/357387/is-south-africa-on-the-verge-of-a-tax-revolt/ (/Accessed 31 May 2020).

[317] D Meyer "'Murmurs of a tax revolt': Outa on state's R62bn irregular expenditure'" (2019) https://www.timeslive.co.za/amp/news/south-africa/2019-11-21-murmurs-of-a-tax-revolt-outa-on-states-r62bn-irregular-expenditure/ (Accessed 31 May 2020).

funds meant for poor people's welfare.[318] By contrast, the Democratic Alliance disapproves of tax revolts because the tax revolts exacerbate the poverty of those suffering, and the corruption will not suddenly stop. The party suggested that voting for other political parties could reduce corruption in the government.[319]

Bernard Sacks states that where a group of taxpayers do not pay their taxes, the created deficit will be funded through other forms of taxes.[320] Coenie Vermaak agrees with Sacks that tax revolts result in pools of debt, which increase tax rates and therefore nullify tax revolts.[321] The present study proposes that tax revolts are essential tools in drawing attention to problems of public concern and effecting reforms in taxes, as in the case of the Magna Carta rebellion, which successfully reformed taxation policy by establishing that taxation could only be levied where there is the consent of taxpayers.[322]

The long-term effect of tax revolts, however, is inevitably increased taxes. The e-toll tax revolt has been successful, in that the government is considering cancelling e-tolls and absolving non-payers without prosecution. SANRAL is owed about R11 billion in unpaid tolls by Gauteng taxpayers plus the R20 billion it invested to pay for the installation of the toll system. With only 20% of Gauteng road users paying their tolls, SANRAL is unable to pay its debts.[323] Unfortunately, this debt shortfall created by the revolt will be funded by everyone, as tax revenue from other sources will be required to maintain the roads. Thus, the e-toll tax revolt will ultimately be unsuccessful.

The present study suggests that whilst tax revolts can bring about major tax reforms in a country, they create a financial burden to be carried by taxpayers, thus, taking one

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318 O Mjo "Helen Zille wants a tax revolt, but not everyone is convinced" (2019) https://www.timeslive.co.za/politics/2019-01-28-helen-zille-wants-a-tax-revolt-but-not-everyone-is-convinced/ (Accessed 17 May 2020).

319 Mio "Helen Zille wants a tax revolt, but not everyone is convinced".

320 L Omarjee "A tax revolt will hit everyone's pocket – analyst" (2019) https://m.fin24.com/Economy/south-Africa/a-tax-revolt-will-hit-everyones-pocket-analyst-20191023-2 (Accessed 18 May 2020).

321 C Vermaak "After the tax revolt, who will pick up the pieces?" (2019) https://www.dailymaverick.co.za/article/2019-01-31-after-the-tax-revolt-who-will-pick-up-the-pieces/ (Accessed 13 May 2020).

322 J Maddicott "Magna Carta and the Origins of Parliament" (2015) 125 *The Historian* 22 at 23.

323 G Nicolson "E-tolls have failed: Now for the R20bn question – how to pay the debt?" (2019) https://www.dailymaverick.co.za/article/2019-07-09-e-tolls-have-failed-now-for-the-r20bn-question-how-to-pay-the-debt/amp/ (Accessed 18 May 2020).

step forward and two steps backward, as the unpaid tax through revolts must still be collected by the government as it is reliant on taxation to provide services. The deficit created by the tax revolt will be transferred to the already paying taxpayers, increasing their burden.[324] Instead of imposing heavier or more taxes, a government can become more efficient and more competent or scale back on expenditure, cutting the budget for non-essential items. It is submitted that there is little evidence of this.

## 4.8 EFFECTS OF TAX REVOLTS

Tax revolts are ubiquitous; thus, their effects are multiple. From the analysis of tax revolts in the present study, it can be said that tax revolts can cause positive reform in taxation. This is true in the case of the Magna Carta rebellion, which established taxation with the consent of the taxpayers and limited the King's power to collect revenue from citizens. Another revolt that resulted in positive reform is the Proposition 13 revolt in America. The revolt had the result that any new tax legislation was to be approved by a two-thirds majority vote in the state legislature. This ensured that no arbitrary taxation could be imposed without approval.

The e-toll tax revolt may also be successful in achieving the goal if the e-toll system is discontinued. The Whiskey Rebellion was also successful. The financial emigration effects "an accelerated cessation of tax residency"[325] which impacts a decline in the South African economic growth in favour of tax havens.[326] The 2020 Budget Review shows that already there is desperate effort to change the minds of expatriates in South African who are financially emigrating from doing so, through the increase of the exemption cap on the foreign income from no exemption to an exemption of R1.25 million. Although the increase on the exemption cap is welcomed, financial emigration is already in full swing.[327]

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324 LP Martinez "The trouble with taxes: fairness, tax policy and constitution" (2004) 31 *Hastings Constitutional law Quarterly* 4 413 – 416.

325 J Leon and J du Toit "Bid to avert financial emigration 'won't work'" (2020) https://www.iol.co.za/amp/personal-finance/bid-to-avert-financial-emigration-wont-work-43670549 (Accessed 26 June 2020).

326 D Dharmapala and JR Hines "Which countries become tax havens?" (2009) 93 *Journal of Public Finance* 1058 at 1058.

327 J Leon and J du Toit "Bid to avert financial emigration 'won't work'" (2020) https://www.iol.co.za/amp/personal-finance/bid-to-avert-financial-emigration-wont-work-43670549 (Accessed 26 June 2020).

Tax revolts lead to the loss of the country's tax base as individuals and companies emigrate to tax havens. This is particularly true of the emigration revolt. Essential contributors towards tax revenue are financially emigrating. This means that the tax burden will be spread over a smaller tax base. simultaneously making the taxes even higher per individual.

However, tax revolts may cause a widespread economic crisis, putting an extra burden on the paying taxpayers. Ferdie Schneider suggests that service provision may stop following the occurrence of tax revolts and it may be too expensive for the government to borrow more money following South Africa's downgrade to junk status, and the economy could collapse.[328] Governments, including South Africa, would therefore tend to close the gap created by the unpaying tax rebels by means of other forms of tax.

Additionally, the effect of tax revolts is that the culture of noncompliance with tax policies by taxpayers intensifies. Martin Daunton argues that the government must put in place mechanisms that foster the trust of the citizens in order to make tax policies effective. Effective tax policing can be achieved where there is legitimacy and fairness. Generally, most people are reluctant to pay taxes, where taxpayers believe that the tax policies are unfair and illegitimate.[329] The perception of fairness and legitimacy are hard to find in a tax system where elements of tax revolts and tax revolts are present. There is need for taxpayers to believe that the government has the right to levy and collect taxes, and that the taxes are fair.[330] The distrust toward government parastatals and officials and taxes shown by taxpayers in a revolt "create a pervasive atmosphere of societal approval"[331] of illegal behaviour such as tax evasion. Thus, tax revolts encourage noncompliance with tax policies in the form of tax evasion.

Tax evasion is the deliberate acts done by a taxpayer to illegally free himself or herself from a tax burden. It involves non-payment of a tax that would be chargeable if the

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[328] F Schneider "How practical is a South African tax revolt" (2019) https://www.bdo.co.za/en-za/insights/2019/tax/how-practical-is-a-south-african-tax-revolt (Accessed 2 June 2020).

[329] JAS Román "Resistance without revolt: shaping a tax culture in modern Argentina, 1930 – 1955" (2013) 25 *The Journal of Policy History* 422 at 422.

[330] Román *The Journal of Policy History* at *422 – 423*.

[331] Román *The Journal of Policy History* at 423.

taxpayer made a full and true disclosure of income and allowable deductions.[332] Furthermore, tax evasion is a product of the development of historical events such as tax revolts or tax rebellions and the way institutions have been influenced and shaped by the historical events - tax rebellions. The tax revolt of emigration increases the economic growth of low tax rates countries, also known as tax havens and decreases economic growth in host countries as tax noncompliance increases.[333]

## 4.9 CONCLUSION

This chapter has compared patterns of tax revolts that have occurred in the international arena with those which have occurred, are currently occurring, and those threatening to occur in South Africa. What has been consistent throughout this study is that the tax revolts have been seen to occur where there is excessive government expenditure, corruption in government institutions, economic recessions, high taxation, perceptions of unfair tax policies and declining tax morality caused by a lack of confidence in governments' abilities to perform. Other tax revolts are not caused by economic reasons but by people's beliefs and understandings of taxation. The people of Bambatha rebelled against poll tax because they believed that taxation was a supernatural ritual by the government.

Many tax revolts, both international and South African, thrived on the support of ordinary people. The support by a large majority gives the government no option but to engage with tax protestors and rearrange tax policy in a manner that addresses the needs of the tax rebels.

Observed amounts of estimated revenue and received revenue in South Africa over the past 20 years show that the difference has been increasing over time. This indicates that tax morality is decreasing amongst South African taxpayers. South African threatening and current tax revolts have also been centred on declining confidence of taxpayers in the government, excessive expenditure, administrative issues at SARS and corruption and increased taxes. All these show that for any tax policy to thrive, the government must be as efficient as possible, be fair and show capability to responsibly use the taxpayers' money. As incidences of tax revolts

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[332] Stiglingh *et al SILKE* 1096.

[333] D Dharmapala and JR Hines "Which countries become tax havens?" (2009) 93 *Journal of Public Finance* 1058 at 1058.

increase in South Africa, the tax base keeps getting smaller. Consequently, the tax burden on individuals' increases.

The e-toll tax revolt seems to be yielding fruitful results as the government recently indicated that e-tolls would be scrapped. The emigration tax revolt will have an effect on state revenue over time. The trade union and the fuel levy threats to revolt did not achieve their objectives as the VAT increase was introduced and the fuel levy was not reduced. The success or otherwise of other forms of tax revolt is difficult to judge.

The effects of tax revolts include increased taxation shifted to other taxes. The Proposition 13 achieved a significant decrease of property taxes, but other rates increased. If the e-tolls are successfully scrapped, the cost of Gauteng road maintenance still needs to be funded. Tax revolts also promote tax evasion

The tax revolts that have occurred in the pre-democratic era, including the Bambatha and Transkei rebellions, were unsuccessful in changing tax policies under colonial rule. Patterns of tax revolts that have occurred in the democratic era differ in nature, cause, and degree of success. Current and threatening tax revolts in South Africa follow international patterns of revolt against high taxation and changes in tax policy. Additionally, the withholding of payments for rates due to local municipalities appear to be a pattern unique to South African tax revolts.

Whilst tax revolts may succeed in cutting back expenditure of the government and drawing attention to issues of public concern, they are potentially unsuccessful in the long-term in the macro-economic sphere.

Chapter 5 concludes this study by providing a summary of the findings.

## CHAPTER FIVE
## CONCLUSION

*"Nothing but a tax revolt will turn this ship around."*[334]

### 5.1 INTRODUCTION

The main research goal of this study was to investigate whether tax revolts currently taking place and threatening to take place in South Africa follow patterns shown in past international tax revolts or follow a unique pattern of their own. From the discussions in this study, it was shown that tax revolts or tax rebellions are currently occurring and threatening in South Africa. Some of the patterns shown in the tax revolts have similarities with patterns shown in tax revolts that have occurred in the international arena. Other South African tax revolts indicate that South African tax revolts differ from international tax revolts.

The thesis sets out to achieve the following sub-goals:

- to describe the causes, nature, and outcome of tax revolts that have occurred internationally in the past;
- to describe the causes, nature, and outcome of tax revolts that have taken place and are currently taking place, and are threatening to take place in South Africa; and
- to compare the tax revolts and threatening tax revolts in South Africa with tax revolts that have occurred internationally in the past.

### 5.2 ACHIEVING THE RESEARCH GOALS

The purpose of chapter 2 was to explore the history of a selection of tax revolts or tax rebellions that have occurred internationally over time. In doing so, the chapter described the causes, nature, and outcome of those tax revolts to establish the patterns followed by the revolts. A total of fourteen international tax revolts and two South African tax revolts are considered. In the analysis, a tax revolt or tax rebellion was defined as a situation where taxpayers, in solidarity, reject their civic duty of

[334] I Lamprecht "Tax revolt: The frustration is growing" (2017) https://www.citizen.co.za/business/1486546/tax-revolt-the-frustration-is-growing/amp/ (Accessed 31 May 2020).

paying taxes. A tax revolt indicates the decay of taxpayers' confidence in the government's efficacy and is a reaction to excessive waste and perceived inequalities in the taxation system. The chapter demonstrated that tax revolts are as old as taxation. David Burg suggested that tax revolts represent broader issues beyond taxation, which is an easily identifiable target of opposition to bring people together to fight against.[335] The Table 5.1 below describes the causes, nature and outcome of tax revolts discussed in chapter 2.

**Table 5.1**

| **Name of the tax rebellion** | **Causes, nature, outcomes** |
|---|---|
| Urukagina's Reform, 2350 BC | - Caused by excessive taxation<br>- The nature of the revolt was not violent<br>- The revolt successfully achieved tax reduction |
| Revolt of Procopius, 365 – 366 AD | - Caused by excessive taxation, taxpayers' dissatisfaction, and hatred of taxes.<br>- The revolt was violent<br>- The revolt was unsuccessful as the leader of the revolt was killed |
| Magna Carta Rebellion, 1215 | - Caused by extreme taxation and a failed war<br>- The revolt was a political struggle<br>- The revolt successfully limited the King's power to collect revenue<br>- The revolt successfully established the link between consent of taxpayers and taxation |
| Peasants of England Revolt, 1381 | - The immediate cause for the revolt was the unpopular new tax |

[335] DF Burg *A world history of tax rebellions: An encyclopaedia of tax rebels, revolts, and riots from Antiquity to the Present* (2004)

| | |
|---|---|
| | - Representative of class conflict between feudal lords and serfs<br>- Successfully exempted serfs from taxation for a while |
| Boston Tea Party, 1773 – 1774 | - It was caused by the dissatisfaction of American tax merchants being taxed by the British government without representation in Parliament.<br>- The revolt was a violent political struggle<br>- The unfair tax was removed, hence successful |
| Whiskey Rebellion, 1794 | - Caused by an unfair and excessive tax<br>- The revolt was violent and was confined to farmers<br>- The revolt was unsuccessful because of it did not have many supporters |
| Transkei Rebellion, 1880 | - Was caused by the imposition of the poll tax<br>- Was violent<br>- The revolt was unsuccessful |
| Banten Revolt, 1888 | - Caused by socio-economic factors and the strain of Westernisation<br>- The effects of the revolt were short-lived |
| Zimbabwean poll tax revolt, 1893 - 1894 | - Caused by the newly imposed hut tax<br>- The revolt was violent<br>- The revolt was unsuccessful |
| Sierra Leone's hut tax war, 1898 | - The immediate cause was brutality and the poll tax<br>- The revolt was not successful |

| | |
|---|---|
| Dog tax war of New Zealand, 1898 | - Caused by the introduction of the dog tax<br>- The revolt was violent<br>- The revolt was not successful |
| Bambatha Rebellion, 1906 | - Caused by the imposition of poll tax<br>- The revolt was violent and unsuccessful |
| Great Depression tax revolts, 1930 | - Caused by excessive taxation<br>- Forestalled tax collections for two years |
| Tigre Rebellion, 1943<br>Margaret Thatcher's poll tax riots, 1990 | - Caused by a change in the taxation system<br>- Both revolts were successful in getting taxes reduced |
| Proposition 13, 1978 | - Caused by high property tax<br>- Successfully reduced property taxes through Parliamentary voting |

**Source: own design**

The chapter observed that tax rebellions result from the failure of the government to honour its obligations under the social contract and the failure to use collected taxes judiciously. The finding of the chapter is that most successful past international tax rebellions succeeded in uniting ordinary people against a hated tax. The uniting of people against a tax system in a tax revolt often gave the government no option except to give in to the demands of the revolt. The Magna Carta Rebellion was successful because the baronial elite united with serfs to limit the King's power in taxing citizens. The Proposition 13 of America was also successful because of the unity of Californian voters against excessive property taxation, leaving the legislature no choice but to give in to the demands of the Propositionists. The outcome of current tax revolts is dependent on the support the tax revolts garner from citizens. Margaret Thatcher's unpopular poll tax united taxpayers across all classes to reject and defeat the poll tax. On the contrary, unsuccessful revolts like the Whiskey Rebellion failed because the supporters of the revolt were easily contained by the government. Therefore, the success of tax revolts relies on the unity of taxpayers across all classes against hated taxes.

Chapter 3 addressed the second goal of the research and discussed the tax revolts that have taken place, are currently taking place, and threatening to take place in South Africa. The taxation collections post 1994 are considered and show that there has been a gradual increase in the differences between SARS's estimated revenue collections and the actual revenue collected. This gradual increase in the difference may point to the decline on taxpayers' morale and the effect of other socio-economic factors. The decline in tax morality is influenced by the history of corruption by the government, mismanagement of funds, and administration challenges at SARS. The instances that demonstrate the nature and extent of the problems include the illegal trade in tobacco in 2018, maladministration and corruption in tender processing, and allegations of "state capture" of SARS. Instances of corruption by governmental such as Prasa, Transnet, and Eskom further show how, clearly, the government is failing.

The chapter then discussed the current and threatening tax revolts in South Africa. The e-toll tax revolt started around 2013 in Gauteng. The e-tolls were unpopular because of the lack of clarity about the actual cost of the implementation of the e-tolls project and the deemed unfairness of the payment of e-tolls. There is an ongoing emigration "revolt" caused by the amendment of section 10(1)(o)(ii) of the Income Tax Act. The result of the amendment is that South African expatriates would be taxed on their foreign employment income exceeding R1.25 million. The chapter also reports on municipal non-payment tax revolts. These revolts comprise of resident taxpayers withholding their rates payments from municipalities with poor service delivery. The amounts withheld are paid into ratepayer associations' trust accounts, and the associations provide services to the taxpayer residents. In 2018 the trade unions threatened a revolt against the increase of 1% in the VAT rate. There were also threats of a revolt against the fuel levy. These threats did not materialise and brought about no change. The e-toll revolt has yielded success as the undertaking has been given that the e-tolls will be scrapped by the government. Municipal non-payment revolts have been successful for certain municipalities in achieving better service delivery. The threat of an emigration "revolt" has been noted by the government, which has led parliamentarians to change the exempt foreign income of expatriates from no exemption to an exemption of R1.5 million and then to R1.25 million.

In achieving the third goal of the research, chapter 4 provided an analysis and interpretation of patterns of past international tax revolts and current and threatening revolts in South Africa. The discussion explored the patterns of the revolts and underlying ideologies of the revolts. Additionally, perceptions of tax revolts, in general, were briefly looked at. The criterion used for setting out the common pattern of tax revolts was a discussion by eras, that is, tax revolts that occurred in a pre-democratic period were discussed separately, whilst those which took place post-democracy were discussed separately. Table 5.2 below presents a comparison between pre- and post-democratic tax revolts.

**Table 5.2**

| **Pre-democratic tax revolts** | **Post-colonial tax revolts** | **Neither pre-democratic nor post-colonial** |
|---|---|---|
| Included:<br>- Peasants Revolt of 1381<br>- Transkei Rebellion, 1880<br>- Banten Revolt, 1888<br>- Zimbabwean poll tax revolt, 1893 - 1894<br>- Sierra Leone's hut tax war, 1898<br>- Dog tax war of New Zealand, 1898<br>- Bambatha Rebellion, 1906 | Included:<br>- Great Depression tax revolts, 1930<br>- Proposition 13, 1978<br>- Margaret Thatcher's poll tax riots, 1990<br>- E-toll revolt<br>- Emigration "revolt"<br>- Municipal non-payment revolt | Included:<br>- Magna Carta 1215<br>- Boston tea party 1773-1774<br>- Whiskey rebellion<br>- Tigre rebellion |
| - Taxes collected by local chiefs | - Taxes collected by the government | - Taxes collected by government |
| - Taxation system susceptible to taxpayers | - Less susceptible to tax evasion through disappearing | - Less susceptible to tax evasion |

| | | |
|---|---|---|
| disappearing during the time of tax collection | | |
| - Taxpayers did not understand what taxation was, and some believed it was witchcraft | - Taxpayers generally understand taxation systems | - Taxpayers generally understood tax systems |
| - Tax revolts were caused by a lack of understanding of taxation, the need to be liberated from colonial rule, the financial burden, and a need to stop forced labour | - Tax revolts caused by the change in the taxation system, like the Tigre Rebellion and emigration "revolt"<br>- Introduction of new taxes like Margaret Thatcher's tax riots<br>- Excessive taxation, for instance, Proposition 13<br>- the Whiskey Rebellion and the E-toll revolt<br>- Taxpayers' perceptions of unfairness in new taxes, for instance the Boston Tea Party<br>- Need to cut the government's excessive expenditure | - Tax revolts caused by lack of representation in Parliament like the Boston Tea Party<br>- Lack of consent between citizens and the crown caused the Magna Carta rebellion<br>- Excessive taxation and inflation as in the Magna Carta and Whiskey rebellions |
| - Taxation was without representation in Parliament | - Taxation was with representation in Parliament | - For the Boston tea party and the Magna Carta rebellion taxation was without representation<br>- Under the Whiskey rebellion taxation was without representation |

| | | |
|---|---|---|
| - Tax revolts represented political struggles | - Cries against taxes also political | - Tax revolts were also political and economic struggles |

**Source: own design**

The chapter discussed the ideological reasons for the occurrence of tax revolts. The disaffection ideology explains that tax revolts use tax as a focus to show discontentment towards issues of public concern like corruption and unfair taxes. The tax distribution theory describes tax revolts that happen because of taxpayers' perceptions of inequalities within the tax system. The equity theory suggests that tax revolts occur because of the dissatisfaction with inequity in the taxation system. The voter rejection theory holds that tax revolts are a culmination of voter rejection of government policies on taxes. Lastly, other tax revolts happen as a result of the rejection of a political regime. The perceptions of tax revolts in South Africa described include the view that the point of a tax revolt is to achieve effective action and prosecution against corrupt government officials - therefore necessary. However, other perceptions show that tax revolts result in pools of debt that still require taxpayers to pay. The long-term effect of tax revolts is increased tax revolts, even where positive reforms are implemented.

## 5.3 FINDINGS

The thesis demonstrates that tax revolts are currently occurring and threatening to occur in South Africa. The patterns of South African tax revolts are to a great extent similar to the patterns of international tax revolts. The table 5.3 below provides a comparison of patterns of revolts between South African revolts and international tax revolts.

**Table 5.3**

| SOUTH AFRICAN TAX REVOLTS | INTERNATIONAL TAX REVOLTS |
|---|---|
| <u>Causes</u><br><br>- High taxation, as in the e-toll revolt<br>- Perceptions of unfairness in the tax system, as in the e-toll revolt<br>- Excessive government expenditure, as demonstrated by the Prasa debacle<br>- Corruption in government, as demonstrated by Eskom and other parastatals<br>- A change in taxation system, as in the emigration "revolt"<br>- Poor service delivery, as in municipal revolts<br>- Supernatural beliefs as in the Bambatha rebellion | <u>Causes</u><br><br>- High taxation, as in the Magna Carta Rebellion and Proposition 13<br>- Perceptions of unfairness in the tax system, as in the Boston Tea Party<br>- Excessive government expenditure, for instance Proposition 13<br>- Corruption as in the Magna Carta revolt<br>- A change in the taxation system, as in Margaret Thatcher's poll tax revolt |
| <u>Nature</u><br><br>- Non-violent<br>- Not based on political issues<br>- Revolts supported by many citizens, as in the e-toll revolt<br>- Exodus of expatriates to other countries<br>- Withholding of municipal payments by using trust accounts | <u>Nature</u><br><br>- Most revolts were violent<br>- Most pre-democratic revolts were also political struggles<br>- Some revolts garnered widespread support of citizens, like Proposition 13, others like the Whiskey Rebellion did not<br>- Fleeing from tax collectors to neighbouring lands, as in hut taxes<br>- Non-payment of taxes, as the Margaret Thatcher revolt |
| <u>Outcome</u> | <u>Outcome</u> |

| | |
|---|---|
| - Removal or reduction of undesired taxes, as in the scrapping of e-tolls<br>- Change in tax amendments, as in the change of the exempt foreign income for South African expatriates<br>- Improved service delivery at local government level, as in Sannieshof | - Removal or reduction of undesired taxes, as in the removal of Thatcher's regressive poll tax<br>- Reform, as in the Urukagina reforms, the Magna Carta rebellion, the Boston Tea Party<br>- Political change, as in Proposition 13 |

**Source: own design**

Using the framework of a post-positivism paradigm it can be concluded that tax revolts reflect the reality of the social situation. Even if the patterns of the tax revolts are the same, their contexts differ, and it is important to understand the contexts in which they occur. Since social reality is not singular or objective, the interpretation of tax revolts depends on the reality and beliefs of taxpayers, for instance the native taxpayers of the Bambatha rebellion believed that taxation was witchcraft and supernatural, leading to the revolt. For other tax revolts, beliefs of unfairness in the taxation system led to the revolts. The reality of South African taxpayers makes it hard for them to "flee" from taxes as was done during the colonial era, due to the existence of electronic databases populated with taxpayers' information. Tax revolts are attached to social settings and the contexts in which they arise.

## 5.4 FINAL COMMENTS

Tax revolts remain effective in pointing out problems of public concern, such as dissatisfaction caused by excessive spending by government, a decline in taxpayer morale, corruption of government officials, high taxes and poor corporate governance at SARS.

This study agrees with Roshelle Ramfol's recommendations that transparent governance should be put in place to hold the government accountable for effective spending. This can be done by supporting civil society groups that contest the effectiveness of government propositions and the use of tax revenue.[336] Considering

[336] R Ramfol "Is South Africa on the verge of a tax revolt?" (2019) https://businesstech.co.za/news/business/35787/is-south-africa-on-the-verge-of-a-tax-revolt/amp/ (Accessed 19 May 2020).

that most of the tax revolts in South Africa occurred because of a lack of confidence in the government and SARS, it would assist if programs are put in place to restore trust and confidence of the taxpayers in the government and SARS.

Tax revolts should not be the first solution to stopping corruption by government officials. Taxpayers should demonstrate for the prosecution of corrupt government officials. This can be done by putting more pressure on relevant authorities through protests or social media, or “hashtag” campaigns, until something has been done about the corrupt individuals.

Future research can be conducted on the long-term effects of the current tax revolts on the fiscus and on the developmental needs of the country. Additionally, research could be done to establish effective ways to build the confidence of taxpayers in the government and SARS.

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