

Lessons from history predicting a possible tax revolt in South Africa

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SUMMARY

South Africa is experiencing harsh economic circumstances, which negatively affects the economic environment of its citizens. Literature shows that historical tax resistance or tax revolts were mostly sparked by citizens burdened by their economic living conditions. South Africans' disgruntlement has been voiced in many ways, from resistance to E-tolls to increasing numbers of violent service protests. This article explores the economic factors present in three historical tax revolts to assess the possibility of tax resistance and/or a tax revolt in South Africa. The three historical tax revolts were identified through a purposive selection process. A systematic review was then followed to identify the economic factors present in each historical tax revolt. Finally, the economic factors deduced from the historical tax revolts were applied to the current economic situation in South Africa. The findings are that all the economic factors identified from history are currently present in South Africa, indicating the imminent possibility of a tax revolt. Whilst previous research has focused mainly on explaining past events, this article attempts to anticipate and prevent a future event. The contribution of this article is thus to underline possible economic factors that may lead to tax resistance and/or a tax revolt in South Africa. The aftermath of COVID-19 may further worsen the current economic situation, especially with the exacerbation of the already high unemployment rate that may just be a tipping point for a possible tax revolt.

1 Introduction

Can South Africa learn from the wisdom of George Santayana (1863-1952), who said: "Those who cannot learn from history are doomed to repeat it"?

Resistance to and revolt against the imposition of taxes by governments are as old as taxation itself. History is scattered with examples of both tax resistance and tax revolts,¹ which date back as far as the Hammurabi era in Babylon (BC 1792–BC 1750), the Late Han

1 The terms "tax resistance" and "tax revolt" have a specific meaning in the context of this article and are defined in Section 2.

Dynasty in Asia (25 AD–220 AD) and the Roman Empire in Europe (BC 27–337 AD).²

Since 2013, some evidence and many current debates about whether South Africa is encountering unusual tax resistance or is even heading for a tax revolt have been observed. Tax resistance is evident, for example, in the attitudes and behaviour of citizens towards electronic tolling (E-toll) in Gauteng.³ South Africa has seen increasing numbers of social protests such as the resistance of vehicle owners to pay their E-toll accounts.⁴ The media has recently speculated on the possibility of a tax revolt and has identified factors that can be classified as political (such as perceived corruption), social (such as service delivery protests) and economic (such as high unemployment).⁵ Understanding the prospects or likelihood of tax resistance and/or of a tax revolt is of critical importance, because such a resistance or revolt may lead to a decline in income for the fiscus, which may have a negative effect on the provision of public goods and services.⁶

Non-compliance is a form of tax resistance and leads to a disintegration of trust in government and to the possibility of a breakdown in the rule of law. The maintenance of democratic institutions and the building of state capacity are thus critical for the continuing development of South Africa in the twenty-first century.⁷

2 Burg *A World History of Tax Rebellions* (2004) vi.

3 Gauteng Provincial Government, “The socio-economic impact of the Gauteng Freeway Improvement Project and E-tolls report” Report of the Advisory Panel appointed by Gauteng Premier, Mr David Makhura 2014 <http://www.gautengonline.gov.za/Campaign%20Documents/E-%20Toll%20Report.pdf> (last accessed: 2017-06-06) 41.

4 Nkrumah “We’ll fight this little struggle’ alleviating hunger in South Africa” 2020 *De Jure* 194-211.

5 Online newspaper articles have discussed the probability of a tax revolt in South Africa: *Moneyweb* “Is SA heading for a tax revolt?” 2015 <https://www.moneyweb.co.za/mymoney/moneyweb-tax/is-sa-heading-for-a-tax-revolt/> (last accessed: 2017-03-13); *Fin24* “Tax revolt threat heed the signs” 2016 <http://www.fin24.com/Opinion/tax-revolt-threat-heed-the-signs-2016-0106> (last accessed: 2017-03-13); *Biznews* “Gordhan’s killer blow to SA? expect higher debt, tax revolt as tax hikes take effect – Legwaila” 2017 <http://www.biznews.com/budget/budget-2017/2017/02/28/gordhan-higher-debt-tax-legwaila/> (last accessed: 2017-03-13); *BusinessTech* “The real state of South Africa’s economy and why a tax revolt is coming” 2017 <https://businesstech.co.za/news/government/163011/the-real-state-of-south-africas-economy-and-why-a-tax-revolt-is-coming/> (last accessed: 2017-03-13).

6 Lowery & Sigelman “Understanding the tax revolt: eight explanations” 1981 *Am. Political Sci. Rev.* 963.

7 McKerchar & Evans “Sustaining growth in developing economies through improved taxpayer compliance: challenges for policy makers and revenue authorities” 2009 *eJTR* 170.

Research has been conducted to understand historical tax resistance and tax revolts.⁸ Burg⁹ studied historical tax rebellions¹⁰ from Antiquity until the twenty-first century.

Lowery and Sigelman¹¹ focus on the period from 1978 to 1980, attempting to explain the Proposition 13 Californian Revolt. Findings emerging from these studies suggest that tax resistance and tax revolts share many characteristics and causal factors.

The causes of tax resistance and tax revolts are usually found in a combination of political, social, economic and even religious factors.¹² Although the influence of political, social and religious factors cannot be ignored, this article only focuses on the economic factors influencing tax resistance and tax revolts. However, the article acknowledges that political, social and religious factors are fundamentally interlinked with economic factors.

The research question is: Can historical events provide evidence of a possible tax revolt in South Africa?

The purpose of this article is to use history as a determinant of possible tax resistance and/or of a tax revolt in South Africa. More particularly, this article explores the underlying economic factors present in the identified historical tax revolts that may serve as factors influencing the potential for tax resistance and/or a tax revolt in modern-day South Africa.

The value of this contribution can be found in the fact that previous research has focused mainly on explaining past events, whilst this article attempts to anticipate and prevent a future event. The intended contribution is to highlight possible economic factors that may lead to tax resistance and/or a tax revolt in South Africa. These economic factors can also enlighten and caution the government against possible tax resistance and/or a tax revolt.

This article is a systematic literature review, which involves a detailed and systematic analysis of the content of the historical material in order to identify significant economic factors.¹³ A systematic review integrates or compares qualitative studies with an aim to identify themes or constructs found in the studies.¹⁴ Through the systematic review of the historical material, history was divided into three eras, namely:

8 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 963; Burg 6.

9 Burg 6.

10 Tax rebellions include tax resistance and tax revolts.

11 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 963.

12 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 963; Listhaug & Miller "Public support for tax evasion: self-interest or symbolic politics?" 1985 *Eur. J. Political Res.* 265; Burg.

13 Leedy & Ormrod *Practical Research Planning and Design* (2014) 341.

14 Grant & Booth "A typology of reviews: an analysis of 14 review types and associated methodologies" 2009 *HILJ* 91-108.

Antiquity, the Dark and Middle Ages, and the Modern times. Due to the large number of tax resistance or tax revolt events that occurred in these eras,¹⁵ a purposive approach was followed in this study to identify one of the most prominent instances of tax resistance or of a tax revolt from each of the three eras. The selected event was then analysed to deduce the economic factors present during that period.

The selected historical events are the Jewish Revolt of 66 AD–70 AD against the Roman Empire, the Great Spanish Revolt of 1520–1521 against the rule of King Charles IV and the Proposition 13 Californian Revolt against the United States of America’s government in 1978. These events offer insight into the economic factors that were present historically in instigating tax resistance or tax revolts.

This article commences by defining the concepts of “tax resistance” and “tax revolt”. Thereafter, the three historical events are discussed according to the economic factors identified through the systematic literature review. The identified economic factors are then evaluated against the current economic environment in South Africa. Finally, the article concludes by highlighting the possibility of tax resistance and/or a tax revolt in modern-day South Africa.

2 Tax resistance and tax revolts

“Tax resistance” and “tax revolt” are terms which are often used interchangeably, although they refer to different concepts. Tax resistance can be achieved through passive non-compliance and typically takes effect as tax avoidance or tax evasion. Tax avoidance involves using legal methods to reduce one’s tax liability: Taxpayers reduce the payment of tax by identifying loopholes in the tax legislation. Meanwhile, tax evasion involves the illegal structuring of one’s tax affairs to reduce the payment of taxes. An example of tax resistance is driving through an E-toll gantry without paying the toll.

History¹⁶ reflects an overarching theme that when tax resistance does not yield the anticipated results, citizens may resort to a tax revolt. A tax revolt would thus involve action (and sometimes violence) against a tax or tax system. An example of a tax revolt would be the burning down of the gantry upon which the E-toll charging mechanism is located.

In the South African tax system, all salaried taxpayers have their taxes deducted as a form of withholding tax (PAYE). A tax revolt would thus not be the non-payment of taxes, but rather the non-submission of tax returns or non-payment of additional taxes (for example: taxes on interest, etcetera).

15 Burg 6.

16 Burg 6.

For this article, “tax resistance” is defined as an objective achieved through passive noncompliance in the form of tax avoidance or tax evasion,¹⁷ whilst “tax revolt” is defined as an objective achieved through active opposition. Tax resistance transitions into tax revolt in progressive stages on a continuum that ranges from general, passive non-compliance on one end (tax resistance) to active opposition on the other end (tax revolt).¹⁸ Three historical tax revolts are now analysed in light of the definition of “tax resistance” and “tax revolt”. The focus of these analyses is the identification of economic factors that may in turn assist in the identification of possible tax resistance and/or a tax revolt in South Africa in the present day.

3 Three historical tax revolts

Tax revolts have a long history and were seen for the first-time during Antiquity. Accordingly, this article focuses on three periods in history and on a corresponding tax revolt during each of the three periods. The discussion commences with the Jewish Revolt of 66 AD–70 AD (during Antiquity), then looks at the Great Spanish Revolt (during the Middle Ages) and finally at the Proposition 13 Californian Revolt (during post-modern times). These three historical incidents, all of which had moved beyond tax resistance and culminated in tax revolts, are considered here in order to identify the economic factors that led to the spark of the tax revolts: The historical background for each revolt is discussed; the economic factors are analysed; and the root causes underpinning the reasons for the tax resistance/revolts are examined with their resulting effects. The main purposes of the tax revolts were to change the tax system, to demand accountability from rulers and to change the economic situation of citizens to a more favourable one.¹⁹

3 1 The Jewish Revolt of 66 AD–70 AD

3 1 1 *Historical background*

Josephus was a first century historian who fought alongside the Jews during the revolt and provided first-hand evidence of the circumstances and events. Extensive research and analyses have been done of this incident based on the work of Josephus.²⁰ Scepticism exists around the objectivity of this source and the events leading up to the revolt instigated by the Jewish people against the Roman Empire.²¹ Josephus states that

17 Oberholzer & Stack “Possible reasons for tax resistance in South Africa: a customised scale to measure and compare perceptions with previous research” 2014 *Public Relations Review* 251.

18 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 963.

19 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 963; Beard *The Administration of Spain Under Charles V, Spain's New Charlemagne* (MA thesis 2005 UNT) 165.

20 Lopez *Jewish War and the Causes of the Jewish Revolt: Re-examining Inevitability* (Masters dissertation 2013 UNT) 47.

21 Lopez 47.

the incompetence and corruption of the Roman governors, the oppressiveness of the Roman rule, the impoverishment and indebtedness of the Jewish peasantry, Jewish religious susceptibilities and quarrels with local gentiles were some of the main reasons for the revolt.²² In contrast with the ideas of Josephus, however, Goodman²³ argues that the Jewish revolt was caused mainly by class tensions between the elite and the poor in Judea: The Jewish elite supported the Romans and thus gained access to privileges offered by the Romans.²⁴ Lopez²⁵ argues that Josephus tried to conceal the distinction between the poor and the elite in Judea. According to Lincoln,²⁶ the “Jewish peasantry was largely illiterate, desperately poor, increasingly landless and burdened by taxes that were mainly spent on supporting the lifestyle of the priestly elites and other aristocratic groupings”.

Josephus’ account also has a religious perspective, when he states that God was also punishing the Jewish people for their sins. Scholars²⁷ indicate that the aforementioned religious tensions were both external (between Romans and the Jewish people) and internal (between the Jewish poor and their priests). Furthermore, temple priests ceased to bring sacrifices for the emperor, indicating the Romans’ loss of control over the temple.²⁸

The factors discussed above had negative consequences for the Jewish people. The Jewish people, especially the peasants, were forced into poverty because of their excessive debt. In order to pay their debt, they gave up their land as security. These debts were caused by the punitive taxes imposed on them by the Romans, the temple and by other religious taxes they had to pay. Therefore, these factors resulted in socioeconomic challenges for the Jewish people, namely, high unemployment, high indebtedness, inequality, and an excessive tax burden.

3 1 2 Economic factors

3 1 2 1 High unemployment

The employment of Jewish peasants flourished through Herod’s great building projects, inter alia, the building of several temples, including the Jerusalem temple and royal palaces at the peak of Jerusalem’s economic growth.²⁹ Nevertheless, this stimulus for employment through the growth of the economic infrastructure was not sustainable. Crisis ensued

22 Horsley in Berlin & Overman *The First Jewish Revolt: Archaeology, History and Ideology* (2002) 87; Silberman in Berlin & Overman *The First Jewish Revolt: Archaeology, History and Ideology* (2002) 237.

23 Goodman *The Ruling Class of Judaea* (1987) 3.

24 Oates “The Great Jewish Revolt of 66 CE” 2015 <https://www.ancient.eu/article/823/> accessed (last accessed: 2020-04-10).

25 Lopez 50

26 Lincoln *A Socio-Historical Analysis of Jewish Banditry in First Century Palestine 6 to 70 CE* (MPhil dissertation 2005 US) 14.

27 Goodman 237; Lopez 37.

28 Burg 7; Lopez 3.

29 Goodman 64; Lincoln 102.

upon the completion of the temple in 64 AD, when 18 000 workers were left unemployed.³⁰ According to Lincoln,³¹ the masses of Jewish peasants left unemployed created fears within the Roman government of civil disorder.

3 1 2 2 High indebtedness

There is a possible correlation between the high unemployment and the high indebtedness of the Jewish people. Rich Jewish people and landowners took advantage of the deteriorating conditions of the Jewish peasants and farmers.³² The Jewish peasants and farmers were still required to pay their religious taxes and tithes.³³ The Jewish farmers borrowed from the rich and used their own land as security. Farmers then forfeited their land to their creditors,³⁴ resulting in the farmers' becoming outlaws.³⁵ The rich became richer and the poor became poorer.

3 1 2 3 Inequality

The Jewish people suffered unfairness at the hands of the Romans and the imperial Jewish family. Romans regarded the Jewish people as peculiar and handled them differently because of their religious customs. Inequality came through double taxation, including both Roman tributes and Jewish taxes in support of the temple and priests. The famine during 48 AD resulted in a decline in the economic status of the Jewish people: The land owned by the Jewish peasants and farmers was taken over by the wealthy gentry and the imperial family. The Jewish farmers and peasants became labourers on their own farms when they forfeited their lands due to debt payments.³⁶ Due to the decline in the economic situation of the peasants and farmers, they became hostile towards the rich, who only became richer. This inequality in their economic situations led to class tensions.³⁷

3 1 2 4 Excessive tax burden

Herod's building projects birthed a new burden of more taxes for the Jewish people, especially for the farmers and peasants.³⁸ Romans imposed poll tax, land tax and a range of indirect taxes on the Jewish people, and Jewish religious tax and tithes still had to be paid.³⁹ The

30 Goodman 64; *The Testimony* (2005-01-01) 23.

31 Lincoln 102.

32 Lincoln 102.

33 Tithe means "one-tenth". Tithing was introduced as a law in the book of Leviticus in *The Bible* (NIV 2011).

34 Horsley "The zealots: their origin, relationships and importance in the Jewish Revolt" 1986 *Novum Testamentum* 176.

35 *The Testimony* (2005-01-01) 23.

36 Lincoln 106.

37 Horsley "Ancient Jewish banditry and the Revolt against Rome, AD 66–70" 1981 *CBQ* 413; Goodman 13; *The Testimony* (2005-01-01) 26.

38 Horsley "The Sicarii: ancient Jewish 'terrorists'" 1979 *Journal of Religion* 446; *The Testimony* (2005-01-01) 26.

39 Horsley 1979 *Journal of Religion* 447; *The Testimony* (2005-01-01) 26.

peasants and farmers were taxed up to 40 percent of their income,⁴⁰ which contributed significantly to their excessive tax burden.

3 1 3 Summary

When a man cannot work, is indebted, treated unequally when compared with others and burdened by taxes, he is bound to act.⁴¹ Jewish people had a history of resistance against the Roman Empire. Before the Jewish Revolt of 66 AD–70 AD, the Jewish people revolted in the Maccabee Tax Revolt in BC 160–BC 167 and in the Hyrcanus Opposition in BC 67.⁴² The economic conditions and status of the Jewish people may have been a motivation for them to revolt.

The Jewish Revolt of 66 AD–70 AD did not yield the anticipated result for the Jewish people. Instead, they were more oppressed by the Roman Empire and more burdened with taxes. Although the revolt was deemed unsuccessful, the violent actions of the Jewish people were a “voice” loudly heard by the Roman Empire.⁴³

3 2 The Great Spanish Revolt of 1520–1521

3 2 1 Historical background

The Revolt of the *Comuneros* against King Charles V between 1520 and 1521 is hailed as one of the most dangerous and history-making rebellions.⁴⁴ To the discontent of the Spanish population, Charles V was appointed the sole ruler of the Spanish Kingdom in 1516. Having been born and educated in Ghent, Belgium, he was regarded as a foreigner.⁴⁵ King Charles V arrived in Spain in 1517. In 1520, the public was further outraged by the announcement that King Charles V would be absent from Spain for a long period whilst visiting Germany. The public viewed the absence of the King as abandonment. In addition to his absence, taxes were increased to fund the state visit to Germany. The increase of taxes resulted in a greater burden for the citizens who were already heavily burdened by the existing taxes (thus culminating in an excessive tax burden).⁴⁶ The rebel movement, *Comuneros*, instigated the Great Spanish Revolt in the Castilian cities – the core of the Spanish

40 *The Testimony* (2005-01-01) 26.

41 Lincoln 9; *The Testimony* (2005-01-01) 26.

42 Horsley 1979 *Journal of Religion* 448; Burg 18.

43 Goodman 3.

44 Szaszdi “The Castilian resistance to the imperial ideal (1520–1522)” 2014 *JEHL* 57.

45 Espinosa “The grand strategy of Charles V (1500–1558): Castile, war, and dynastic priority in the Mediterranean” 2005 *Journal of Early Modern History* 254.

46 Beard 183.

Kingdom.⁴⁷ The *Comuneros* consisted mainly of the low and middle classes of the Castile.⁴⁸

The *Comuneros* openly rebelled against the monarchical authority.⁴⁹ They aimed to make Constitutional changes, which would result in King Charles V's being dethroned.⁵⁰ A petition sent to the King by the rebels cited the following grievances: Taxes should not be increased; money should not be taken out of Spain to foreign countries; the King's absence from Spain was objectionable to the citizens; and offices in government should not be given to foreigners. The King ignored the petition, and riots and violence erupted.⁵¹

The purpose of the Great Spanish Revolt was to demonstrate the Spanish people's discontent by listing their grievances and petitioning the King. The main economic factors present in the Great Spanish Revolt were an excessive burden of taxes and inequality.

3 2 2 Economic factors

3 2 2 1 Excessive tax burden

According to Beard,⁵² King Charles crippled Spain's economy through an excessive tax burden exacted in order to fund wars in other parts of his Empire. King Charles inherited an existing problematic tax system from the Catholic Monarchs, but his imposition of excessive taxes crippled the economy of the Castile and, ultimately, of Spain.⁵³

In Spain, new taxes had to be approved by the *Cortes*, a body of taxpayer representatives. King Charles exercised substantial influence over the *Cortes* and they subsequently approved his demands for revenue. King Charles kept them under his influence by giving them lucrative pensions, offices and "benefits". The revolt was sparked when King Charles persuaded the *Cortes* to approve the introduction of a new tax called *servicio* (a direct tax on farmers). The *Comuneros* rebel movement protested against *servicio*. *Servicio* replaced the traditional *encabezamiento* (a fixed tax levied on each city according to the proportion of households). Queen Isabella (1451–1504) had instituted *encabezamiento*, and King Charles committed himself to continue with this. The public perceived this tax as fair; however, King Charles changed his mind because he needed to increase his income, and he therefore instituted *servicio*. The *Comuneros* called for the abolishment of *servicio* and the reinstatement of the traditional *encabezamiento*.⁵⁴

47 Burg 146; Beard 80.

48 Crews "Juan de Valdes and the Comunero Revolt: an Essay on Spanish Civic Humanism" 1991 *SCJ* 238; Beard 170.

49 Burg 149; Beard 170.

50 Burg 149.

51 Burg 149.

52 Beard 162, 187.

53 Beard 183.

54 Burg 148; Beard 183.

The tax system of the Castile⁵⁵ also included *alcabala* tax (a 10 percent excise tax on the transfer of all real and personal property). *Alcabala* contributed a large portion of revenue to the state coffers and could therefore not be abolished. It was even expanded to include food, resulting in increased local food prices that made food prices too expensive in comparison with those of imported foods which were often smuggled in and excluded *alcabala*.⁵⁶

Since the clergy and nobility were exempt from *servicio*, it was a tax that proved more burdensome than *alcabala*, specifically for the common people.⁵⁷ Another reason for the Castilians' disgruntlement was the fact that these burdensome taxes were used to support foreign wars.⁵⁸

3 2 2 2 Inequality

According to Beard,⁵⁹ the Great Spanish Revolt was initially across all classes, but later, the noble and wealthy stepped back. Therefore, the Great Spanish Revolt became a class action with the lower and middle classes at the forefront. The intention of the lower and middle classes was to re-establish their political, social and economic status. King Charles was perceived as pursuing political power at the expense of the lower and middle classes. The middle class in Castile was quite small before King Charles took office, but it increased due to the heavy burden of taxes.⁶⁰ The burdensome taxes led to the decline of the economic status of the Castilians, increasing the levels of inequality.

3 2 3 Summary

The success of a revolt depends on the government's response. The Great Spanish Revolt had a bittersweet ending.⁶¹ Many of the leaders of the *Comuneros* were executed, and others were silenced when King Charles returned to Spain⁶² and declared war on the *Comuneros*. The violent suppression of the revolt by King Charles led to greater stability in his authority, and he obtained greater political power. According to Adams,⁶³ the revolt appeared to have failed when King Charles crushed the rebels. However, Adams⁶⁴ also states that the "revolt taught the monarchy a lesson – taxes still had to be tolerable for the taxpayer, regardless of what their corrupt representative might do". After the

55 Kingdom of Castile. King Charles V assumed the crown of Aragon and Castile of Spain.

56 Adams *For Good and Evil: The Impact of Taxes on the Course of Civilization* (2001) 192.

57 Ames & Rapp "The birth and death of taxes: a hypothesis" 1977 *J. Econ. Hist.* 165.

58 Beard 162.

59 Beard 170.

60 Beard 179.

61 Beard 174.

62 Burg 150.

63 Adams 193.

64 Adams 193.

revolt, King Charles established a “no new taxes” policy. Therefore, although the *Comuneros* rebel movement was crushed, their voices were heard.⁶⁵

3 3 The Proposition 13 Californian Revolt of 1978

3 3 1 Historical background

The Proposition 13 Californian Revolt was the result of an anti-tax campaign by a grassroots movement called the United Organization of Taxpayers, chaired by Howard Jarvis. Although Jarvis spearheaded the campaign, the tax revolt had been looming since the 1960s due to seemingly unfair political practices and shifts in taxation levels. The purpose of the Proposition 13 Californian Revolt was to reduce property taxes by curbing increases in tax rates and government spending. Californians were heavily burdened by taxes, and 60 percent of property owners viewed the property taxes as inequitable.⁶⁶ Proposition 13 stated that new tax legislation must be approved by a two-thirds majority vote of the state legislature before being introduced. Proposition 13 set a 1 percent maximum limit on property taxes.⁶⁷ The economic factors of the Proposition 13 Californian Revolt were high inflation and an excessive tax burden.

3 3 2 Economic factors

3 3 2 1 High inflation

Lowery and Sigelman⁶⁸ found that one of the possible explanations for tax revolts relates to the anxiety people experience over the economy in general and in their personal finances. An increase in the inflation rate decreases household disposable income. This may in turn serve as a motivation over the long term for a tax revolt due to the lack of economic progress. Inflation and recession play vital roles in the instigation of tax revolts. California experienced high inflation in the 1970s. In 1974, consumer prices increased by 10.3 percent. The inflation rate also increased by an average of 6 percent annually from 1975 to 1978.

3 3 2 2 Excessive tax burden

Californians experienced an increasing tax burden⁶⁹ because of the high inflation rate and personal income taxes that increased to 48 percent between 1975 and 1978. Californian homeowners, most of whom were middle-class citizens, faced high property taxes and a 6 percent sales tax. California used a progressive income tax system, resulting in the

65 Adams 193.

66 Ladd, Potter, Basilick, Daniels & Suszkiw “The polls: taxing and spending” 1979 *Public Opin. Q.* 127; Burg 410.

67 Baratz & Moskowitz “Proposition 13: how and why it happened” 1978 *Phi Delta Kappan* 11; Burg 410.

68 Lowery & Sigelman 1981 *Am. Political Sci. Rev.* 965.

69 Burg 410.

overburdening of the highest tax bracket earners. State revenue from all taxes rose by 40 percent between 1975 and 1978.⁷⁰ According to Baratz and Moskowitz,⁷¹ perceptions at the time “among middle-class voters [were] that taxes [were] too high and government [was] both uncontrollable and unaccountable”. The government was unresponsive to the cries of the citizens regarding the citizens’ tax burden.

3 3 3 Summary

The outcome of the Proposition 13 Californian Revolt was experienced immediately. State revenue decreased by 57 percent in 1978.⁷² Government spending was modestly reduced and continued to decrease until the 1990s. The success of the Proposition 13 Californian Revolt against excessive tax burden due to property taxes and high inflation indicates that when citizens voice their grievances, government can be forced to listen.

4 Economic factors present in South Africa

In South Africa, the first known tax revolt was the 1906 Bambatha Rebellion.⁷³ The Bambatha rebellion was against a poll tax imposed by the British colony of Natal, and the rebellion ultimately opposed the colonial rule.⁷⁴ Ndlovu⁷⁵ focuses on the history of taxation in South Africa and the imposition of excessive taxes on South Africans. Violent protests against regressive apartheid government policies and excessive tax burden on Africans were experienced between 1960 and 1990.⁷⁶ A continuation of such protests can be found in 1991 when the Congress of South African Unions (Cosatu) protested against the enactment of Value-Added Tax (VAT).⁷⁷

Protests, especially of a violent nature, are common in South Africa, spurning from the unequitable policies of the British since the nineteenth century. More recently, South Africa experienced a number of service delivery protests. Hough⁷⁸ analysed these events in order to conclude on whether these protests had a revolutionary potential. He found that some of the factors instigating the service delivery protests are cultural cleavage, land tenure and economic development. Economic development is hindered by poor service delivery. Service delivery protests often occur in poor communities (grassroots protests) and

70 Baratz & Moskowitz 1978 *Phi Delta Kappan* 10.

71 Baratz & Moskowitz 1978 *Phi Delta Kappan* 12.

72 Baratz & Moskowitz 1978 *Phi Delta Kappan* 11; Burg 411.

73 Burg 375.

74 Burg 375.

75 Ndlovu “Fiscal histories of Sub-Saharan Africa: the case of Botswana” 2016 *WITS Working Paper Series* 13.

76 Ndlovu 24.

77 Ndlovu 26.

78 Hough “Violent protest at local government level in South Africa: revolutionary potential?” 2008 *South African Journal of Military Studies* 1.

provide a voice for the frustrations of the poor.⁷⁹ Manyaka⁸⁰ argues that the primary cause of service delivery protests is rooted in frustration with socioeconomic conditions in South Africa. He further states that a lack of basic service delivery is a symptom and is not the root cause of protests. The root cause can be attributed to high levels of unemployment, poverty and inequality. The National Development Plan of 2030⁸¹ states that the eradication of poverty and inequality are the plan's desired outcomes. South Africa is facing a poverty crisis, as more than 49.2 percent of the population live below the upper-bound poverty line⁸².

When comparing the root causes of protests in South Africa with the economic factors of the historical revolts identified, it seems as if there are similarities. This article assumes that a comparison between historical economic tax revolt factors (together with the root causes of service delivery protests) and the current economic environment in South Africa may provide an indication and even a prediction of the possibility of a tax revolt. The following economic factors were found to be present in all or some of the three historical revolts and/or the service delivery protests in South Africa: high unemployment, high indebtedness (together with an increase in poverty), inequality, high inflation and an excessive tax burden.

4 1 High unemployment

South Africa's unemployment rate at the end of 2019 was 29 percent. This figure is expected to rise to 50 percent after the COVID-19 pandemic.⁸³ The unemployment rate amongst graduates between the ages of 15 and 24 was 55.2 percent in 2019. The youth unemployment rate (15–34 years) accounts for more than 63.4 percent of the unemployed people in South Africa. The high unemployment rate amongst the youth stifles the economy, as it means that a large share of the potentially active population is inactive.⁸⁴ The National Development Plan of 2030 lists unemployment as a critical challenge for South Africa and aims to reduce the overall unemployment rate to 19 percent by 2030.

79 Mkhize "Is South Africa's 20 years of democracy in crisis? examining the impact of unrest incidents in local protests in the post-apartheid South Africa" 2015 *ASR* 192.

80 Manyaka "Making sense of community protests in South Africa: issues for consideration" 2018 *Journal of Public Administration* 57.

81 South African Government "National Development Plan 2030 'Our Future—Make it work'" 2012 <https://www.gov.za/issues/national-development-plan-2030> (last accessed: 2020-04-10).

82 StatsSA "Five facts about poverty in South Africa" 2019 <http://www.statssa.gov.za/?p=12075> (last accessed: 2020-05-03).

83 *IOL* "Covid-19: South Africa's unemployment rate expected to reach 50 as economy keeps plummeting" 2020 <https://www.iol.co.za/news/south-africa/covid-19-south-africas-unemployment-rate-expected-to-reach-50%-as-economy-keeps-plummeting-48457893> (last accessed: 2020-07-02).

84 Aflagah "Failed promises of a wage subsidy: youth and South Africa's employment tax incentive" 2020.

McClelland and MacDonald⁸⁵ highlight that unemployment causes poverty, debt, housing stress and crime. Unemployment negatively affects living conditions and contributes to the high poverty rate in South Africa. A further result of unemployment is an increase in indebtedness to cover day-to-day living expenses.

4 2 High indebtedness

High unemployment has a negative impact on household disposable income, and people often turn to debt to cover their daily expenses, which contributes to a rise in the indebtedness of South Africans.⁸⁶ According to Dimant,⁸⁷ South Africa's household-debt-to-disposable-income-of-households ratio increased from 54.8 percent in 1994 to 74.3 percent in 2016. The debt-to-disposable-income-of-households ratio was 72.5 percent in the 2019 fourth quarter.⁸⁸ During the COVID-19 pandemic, many people have not received employment income. Although the government has provided a solution to some extent, the household debt is predicted to increase substantially due to a need for daily necessities. Individuals with a low disposable income are encouraged to use credit in order to cover their living expenses.⁸⁹ A study by the National Planning Commission in collaboration with World Bank in 2018 highlighted that individuals who can be described as lower income earners in the young to middle age groups have high rates of indebtedness.⁹⁰ Household debt in South Africa was 72.8 percent of gross income in 2019.⁹¹ The National Credit Act⁹² was introduced in 2005 to assist over-indebted consumers through debt relief measures such as debt counselling.⁹³ An increasing number of consumers applying for debt counselling is a witness to the high indebtedness of South

85 McClelland & Macdonald "The social consequences of unemployment" Report for the Business Council of Australia 1998 http://library.bsl.org.au/jspui/bitstream/1/266/1/social_consequences_of_unemployment_AMcClelland.pdf (last accessed: 2020-04-14).

86 Bond "Debt, uneven development and capitalist crisis in South Africa: from Moody's macroeconomic monitoring to Marikana microfinance mashonisas" 2013 *TWQ* 585.

87 Dimant "The economy" 2018 *South African Survey: South African IRR* 140.

88 South African Reserve Bank "Quarterly bulletin" 2019 <https://www.resbank.co.za/Lists/News%20and%20Publications/Attachments/9328/01Full%20Quarterly%20Bulletin%20E2%80%93%20June%202019.pdf> (last accessed: 2020-04-19) 25.

89 Fanta, Mutsonziwa, Goosen, Emanuel & Kettles "The role of mobile money in financial inclusion in the SADC region" 2016 *FinMark Trust Policy Research Paper No 03/2016* 5.

90 Hurlbut "Overcoming poverty and inequality in South Africa: an assessment of drivers, constraints and opportunities" 2018 *World Bank* xvi.

91 Trading Economics "South African household debt" <https://tradingeconomics.com/south-africa/households-debt-to-income> (last accessed: 2020-04-17).

92 National Credit Act 34 of 2005.

93 Boraine, Van Heerden & Roestoff "A comparison between formal debt administration and debt review – the pros and cons of these measures and suggestions for law reform (Part 1)" 2012 *De Jure* 82.

Africans.⁹⁴ The level of indebtedness is on the rise, and high unemployment is a contributing factor to this challenge.

4 3 Inequality

“Inequality is [South Africa’s] defining feature” is an opinion expressed recently about the gap between the rich and the poor in South Africa.⁹⁵ The Gini coefficient⁹⁶ of 0.65 calculated in 2014⁹⁷ (the most recent figure) supports this opinion, showing that South Africa is one of the most unequal countries in the world.

The two most prominent factors affecting inequality in South Africa are education and the labour market. Employment income is by far the biggest contributor to income inequality.⁹⁸ To illustrate the extent of inequality in South Africa, The World Bank states the following: “The bottom 50 percent of households account for only 8 percent of incomes, 5 percent of asset values, and 4 percent of net wealth. Conversely, the top 10 percent of households account for 55 percent of household incomes, about 69 percent of total household asset values, and 71 percent of household net wealth.”⁹⁹ Therefore, wealth inequality is greater than income inequality.

Income inequality declined during the period between 2006 and 2015 due to the social welfare system. There are currently seven types of social grant, and these are used to substitute employment income. Although the current welfare system has little effect on the wealth inequality level, social grants aim to reduce the levels of income inequality.¹⁰⁰ Inequality is a challenge that frustrates society, as it impacts the very livelihood of its people.

4 4 High inflation

Inflation is a well-known phenomenon in the world of economics – it is a measure of the overall increase in prices or of the increase in the cost

94 Masilo & Marx “Assessment of debt counselling services: a case of Gauteng, South Africa” 2015 *JEF* 194.

95 *News24* “SA is a country of two nations – and evictions lay bare its injustice” 2020 <https://www.news24.com/news24/Columnists/GuestColumn/opinion-sa-is-a-country-of-two-nations-and-evictions-lay-bare-its-injustices-20200702?isapp=true> (last accessed: 2020-07-02).

96 The Gini coefficient is a measure used to calculate income inequality over time with a distribution between 0 and 1, where 0 means total equality and 1 means total inequality.

97 World Bank “The World Bank in South Africa: Overview” 2019 <http://www.worldbank.org/en/country/southafrica/overview> (last accessed: 2020-08-17).

98 World Bank “Overcoming poverty and inequality in South Africa” 2018 <https://openknowledge.worldbank.org/handle/10986/29614> (last accessed: 2020-07-13).

99 World Bank “The World Bank” 2019 <https://data.worldbank.org/indicator/SI.POV.GINI?locations=ZA> (last accessed: 2020-08-08) 52.

100 Lehohla & Shabalala “Inequality in South Africa” 2014 *Development* 501.

of living in a country. The inflation rate target for South Africa is set by the South African Reserve Bank and has been set between 3 percent and 6 percent, based on the Consumer Price Index.¹⁰¹ In 1994, the inflation rate was 9 percent, and it had risen to 11.5 percent in 2008 after the financial crisis. Since 2010, inflation has remained within the set target range of between 3 percent and 6 percent. In March 2020, the inflation rate was 4.1 percent, representing a decrease from 4.6 percent in February 2020.¹⁰²

An increase in the cost of goods has a negative impact on the disposable income of citizens. South Africa has a high number of poor households living below the poverty line. National poverty lines are used as statistical monetary measures of poverty and are calculated approximately every five years.¹⁰³ Important factors in determining poverty lines are changes in the cost of goods and household consumption expenditure. There are three poverty lines in South Africa that were established using April 2019 prices. These poverty lines are the food poverty line (FPL), the lower-bound poverty line (LPL) and the upper-bound poverty line (UPL). FPL, also known as the extreme poverty line, represents the minimum amount an individual needs for required daily energy intake and amounts to R561 per month. LPL represents FPL plus an average amount for non-food items whose **total** expenditure is equal to the FPL and amounts to R810 per month. UPL represents FPL plus an average amount for non-food items, where **food** expenditure is equal to the FPL and **total** expenditure amounts to R1 227.¹⁰⁴ The South African government aims to eradicate poverty by 2030,¹⁰⁵ whilst the welfare system assists poor households in living above the poverty line. Between 2006 and 2015, the standard of living of 2.3 million South Africans improved to above the LPL, and 1.2 million improved to above the UPL. There was also an increase of 343 000 in South Africans that lived on the FPL.¹⁰⁶ Furthermore, the social wage provided access to the social grant system to 17 million low-income earners in 2015.¹⁰⁷

The living conditions of South Africans may worsen after the COVID-19 pandemic. Prices may rise due to suppliers' and retailers' desperately trying to make ends meet. The inflation target of 4.1 percent excludes the effects of COVID-19, as it was calculated using the February 2020 figures in South Africa. Countries are implementing measures to neutralise the impact of COVID-19 on the economy and its citizens. Will the worsening

101 South African Reserve Bank "Inflation target" 2017 <https://www.resbank.co.za/monetarypolicy/decisionmaking/Pages/InflationMeasures.aspx> (last accessed: 2017-08-17).

102 StatsSA "Consumer Price Index report" 2020 http://www.statssa.gov.za/?page_id=1854&PPN=P0141&SCH=7922 (last accessed: 2020-05-01).

103 StatsSA "National poverty lines 2018" 2018 <http://www.statssa.gov.za/publications/P03101/P031012018.pdf> (last accessed: 2020-05-01).

104 StatsSA "National poverty lines 2019" 2019 <http://www.statssa.gov.za/publications/P03101/P031012019.pdf> (last accessed: 2020-05-05).

105 World Bank 2018.

106 Hurlbut xix

107 Hurlbut xxv

living conditions, poverty and income inequality create a surge in service delivery protests?

4 5 Excessive tax burden

The South African population currently consists of approximately 59.4 million people.¹⁰⁸ The number of individual taxpayers registered increased to 22.2 million in 2019 from 21.1 million in the 2018 tax year. There are 4.9 million active personal income taxpayers in South Africa.¹⁰⁹ VAT and personal income tax (PIT) are the largest sources of tax revenue for SARS, with a combined contribution of 64.6 percent of the total revenue. PIT contributes 39 percent of the total tax revenue.¹¹⁰

An indication of the tax burden in South Africa can be found in the analysis of the tax-to-GDP ratio. When the percentage of this ratio is high, it is an indication that the tax collected is higher relative to the size of the economy. Thus, the higher the percentage, the greater the tax burden.¹¹¹ For the 2017/2018 tax year, the tax-to-GDP ratio for South Africa was 25.9 percent. According to the IMF, this percentage places South Africa on the list of top 10 countries with the highest tax-to-GDP ratios.¹¹² This percentage is troubling considering the persistent high inequality and poverty in South Africa.

A number of civil movements have risen in South Africa in an attempt to voice the dissatisfaction of citizens with the current tax burden. Examples of such movements are the Organisation Undoing Tax Abuse (OUTA) and service delivery protests.¹¹³ The small proportion of the population contributing towards the tax revenue is a result of the high level of income inequality.¹¹⁴ Ndlovu¹¹⁵ indicates that South Africans have always experienced excessive tax burden. Her study shows that the oppressed taxpayers instigated resistance, even in the form of protests, against the tax burden and other policies implemented by the government. This behaviour is evident in historical tax revolts in South Africa. A study conducted by Statistics SA¹¹⁶ on the perceived impact of COVID-19 indicated that 93.2 percent of respondents were very or

108 Worldometer “World population prospects” 2020 <https://www.worldometers.info/world-population/south-africa-population> (last accessed: 2020-07-06).

109 *BusinessTech* “This is who is paying South Africa’s taxes” 2020 <https://businesstech.co.za/news/finance/386931/this-is-who-is-paying-south-africas-taxes/> (last accessed: 2020-07-06).

110 *BusinessTech* 2020.

111 StatsSA “A breakdown of the tax pie” 2019 <http://www.statssa.gov.za/?p=12238> (last accessed: 2020-07-06).

112 StatsSA “A breakdown of the tax pie” 2019 <http://www.statssa.gov.za/?p=12238> (last accessed: 2020-07-06).

113 Manyaka 2018 *Journal of Public Administration* 57.

114 World Bank Group 2019.

115 Ndlovu 3.

116 StatsSA “Behavioural and health impacts of the COVID-19 pandemic in South Africa” 2020 http://www.statssa.gov.za/?page_id=1854&PPN=Report-00-80-02&SCH=72636 (last accessed: 2020-05-03).

extremely concerned about an economic collapse as a result of the COVID-19 pandemic, and 79.7 percent were concerned about possible civil disorder.

6 Concluding remarks

The aim of this article was to use history as a determinant of possible tax resistance and/or of a tax revolt in South Africa. The five economic factors identified in the historical revolts studied (the Jewish Revolt of 66 AD–70 AD, the Great Spanish Revolt of 1520–1521 and the Proposition 13 Californian Revolt of 1978) were systematically identified as high unemployment, high indebtedness, inequality, high inflation and an excessive tax burden. The analyses of the five economic factors assisted in answering the research question: Can historical events provide evidence of a possible tax revolt in South Africa?

In South Africa, the five economic factors were found to be present and integrated within one another. High unemployment is evident in the 29 percent unemployment rate calculated in 2019. This figure is expected to rise to 50 percent after the COVID-19 pandemic.¹¹⁷ Ministers of Finance have acknowledged that unemployment, inequality and poverty due to slow economic growth are concerns. High unemployment negatively affects the living conditions of South Africans; therefore, households need to borrow money for their day-to-day expenses, plunging citizens into high levels of indebtedness. Household debt in South Africa was 72.8 percent of gross income in 2019. Such high indebtedness leads in turn to high levels of income inequality within a society. This is evident from the Gini coefficient of 0.65 for South Africa in 2014. High inflation rates further decrease disposable income and economic growth.¹¹⁸ Additionally, the living conditions of South Africans may worsen after the COVID-19 pandemic. Prices may rise, and the inflation rate of 4.1 percent may be distorted, as it excludes the effects of the COVID-19 pandemic. Finally, the tax-to-GDP ratio indicates a high tax burden. With less disposable income and with the simultaneous increases in taxes, citizens are prone to be more disgruntled. This can already be seen in the fact that 79.7 percent of respondents on a Statistics SA survey on the perceived impact of COVID-19 indicated that they are concerned about civil disorder.

Citizens use different methods to voice their displeasure. Tax can be one of the tools used by citizens to show their dissatisfaction when their government is perceived as failing in the improvement of the economic environment of the average citizen. The economic factors deduced from the historical events can thus be seen as lessons from history.

117 *IOL* 2020.

118 Vermeulen “Inflation and unemployment in South Africa: is the Phillips curve still dead?” 2017 *SABR* 5.

The economic factors identified through history also confirm that South Africa is currently experiencing a harsh economic environment. Fiscal policy in South Africa should thus earn credibility by prioritising growth-enhancing spending. The government should improve the cost of spending to assist in curbing the ever increasing public debt. Additionally, South Africa needs structural reforms in order to boost productivity for employment to raise the income and living standards of South Africans: A sustained job creation programme should be able to increase household disposable income and therefore improve the living standards of citizens. According to the Organisation of Economic Co-operation and Development, South Africa is facing a tough monetary policy change.¹¹⁹

The contribution of this research can be found in its attempt to anticipate and prevent a future event that may delay the tough monetary policy changes needed in South Africa, whereas previous research has focused mainly on explaining past events. However, as evident from the recent outbreak of the COVID-19 pandemic and its extraordinary impact on the international community, one can merely attempt to pose suggestions for possible future events.

Anticipating and preventing a possible future tax revolt may be possible, but one should never predict more than what is deduced from the research. The COVID-19 pandemic has changed the world's view of what the future may hold. Thus, whilst the five economic factors may be an indication of a future tax revolt, the COVID-19 pandemic may just be the tipping point of the scale.

119 OECD "Developments in individual OECD and selected non-member economies" 2017 <http://www.oecd-ilibrary.org/docserver/download/1216021ec042.pdf?expires=1477311052&id=id&accname=oid011488&checksum=E9FDC2779EB08937DD537467880EAFAB> (last accessed: 2016-10-24).