

TAX COLLECTION POLICIES: A COMPARISON BETWEEN ANTIQUITY AND MODERN SOUTH AFRICA

by

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ABSTRACT

TAX COLLECTING PRACTICES: A COMPARISON BETWEEN ANTIQUITY AND THE MODERN AGE

by

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South African policymakers are challenged by the limited resources that can be consulted in the field of tax policy proposals that address the needs of the public. Despite the importance of studying tax history as a reference for modern tax systems, decisions regarding current tax collection policies in South Africa have not been informed by effective historical policies. It is imperative that historical tax policies be studied to identify tax policies that produced the desired or intended results, which could then serve as a benchmark for South African tax collection policies.

The purpose of this study was to compare the current South African tax collection policies with efficacious tax collection policies implemented in ancient China, Egypt, Greece and Rome. Both similarities and differences between the ancient policies and current policies were found and possible improvements that could contribute to optimising the effectiveness of South African tax legislation were highlighted.

The research conducted for the purpose of this study confirmed that similarities exist between current tax collection policies implemented in South Africa and those implemented in ancient civilizations. One particular improvement that South Africa could adopt is to revise the policy relating to the progressive tax system to ensure that all South African citizens, irrespective of their ability to pay, contribute, as was the case in Ancient Egypt. Processes could be implemented to hold the government accountable for the

responsible and transparent spending of tax revenue according to the tax budget, as applied by the ancient Romans. It was also determined that the policies regarding tax refunds should be applied by SARS in terms of the relevant legislation and in the pursuance of a fair and stable tax system. By adopting any of the efficient tax collection policies of antiquity, South Africa could initiate steps to optimise the effectiveness of the tax system.

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DEFINITION OF KEY TERMS

This study employs a number of key terms, which are listed and defined in Table 1 below.

Table 1: Definition of key terms used in this document

<u>Key term</u>	<u>Definition</u>
Antiquity	“The ancient past, especially the period of classical and other human civilizations before the Middle Ages” (English Oxford Living Dictionaries, 2016). In this study, antiquity will refer to the past until the year nil.
Corvée	Forced, unpaid labour exacted in lieu of taxes (English Oxford Living Dictionaries, 2016)
Dynasty	A series of rulers belonging to the same family that passes the right to rule a nation from one generation to the next (Cambridge Dictionary, 2016)
In kind	Payment in the form of goods or services and not in money (Cambridge Dictionary, 2016)
Tithe	One tenth of annual produce or earnings (English Oxford Living Dictionaries, 2016)

LIST OF ABBREVIATIONS AND ACRONYMS

The abbreviations used in this study are listed in Table 2 below.

Table 2: Abbreviations and acronyms used in this document

Abbreviation	Meaning
ACAS	Anti-corruption and security division
AD	Anno domini (after Christ)
ADR	Alternative dispute resolution
BC	Before Christ
CMO	Complaints Management Office
SAICA	South African Institute of Chartered Accountants
SAIT	South African Institute of Tax Professionals
SARS	South African Revenue Service
TAA	Tax Administration Act, No. 28 of 2011

CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

Tax revenue enables the state to meet the expectations of its citizens (Nene, 2015). An effective tax system is therefore essential to the functioning of any state. In order to ensure a robust tax system, tax policies need to be designed in a way that will encourage participation in the economy. Since the tax policy and tax legislation of a country should provide certainty to business enterprises, the South African government adopts a consultative approach over many years before a tax policy is legislated and implemented.

In this context, government implemented an objective process to be advised on necessary changes to reform the tax system (Nene, 2015). This objective process includes the contributions made by the Davis Tax Committee, whose function is to assess South Africa's tax policy framework and its role in supporting the objectives of inclusive growth, employment, development and fiscal sustainability (Nene, 2015; Davis Tax Committee, 2013). This process also includes public comments, such as inputs from experts in the field.

Although policymakers receive input from various sources, Nene (2015) suggests that the challenge faced by policymakers is that very few independent economists actually participate in this process. Most of the comments received are made from a public finance perspective and are contributed by affected stakeholders who have a vested interest and tend to provide comments that relate to narrower interests, rather than to the interest of the broader public. To serve the interest of the public, tax revenue should be applied productively towards, for example, funding for schools, the provision of health services and good infrastructure and safety. Thus the resources available for consultation regarding tax proposals to address the needs of the public are very limited.

Given these findings, it is suggested that a study of tax history could be a valuable source to consult regarding tax policy proposals. In fact, Adams (2001:54) is of the opinion that modern tax fiascos might be due to the general obliviousness of tax history and points out

that since history repeats itself, Greek historians believed that history is one of man's most important tools for survival as there are valuable lessons to be learnt from it. In the light of this, it is imperative that historical tax policies be studied to determine which policies produced the desired or intended results. These results can serve to guide the drafting and implementation of tax policies that address the interest of the public.

An efficacious tax policy requires, amongst other things, the improvement of the efficiency of tax collection (Steenekamp, 2012:48). Therefore, the aim of this study is to determine whether South African tax collection policies address the public's interest. By comparing the tax collection policies applied by the South African Revenue Service (hereafter referred to as SARS) to effective historical tax collection policies applied in ancient civilizations, deficiencies can be identified and possible improvements to current tax policies can be suggested.

1.2 PROBLEM STATEMENT

Extensive research has been conducted by, among others, Adams (2001), Burg (2004) and Weiming (2015), to identify parallels between the tax collection policies of ancient and modern civilizations. Although Adams (2001) emphasised the importance of studying tax history as a reference for modern tax systems more than a decade ago, an extensive search of previous theses and dissertations, academic journals and books did not provide proof of a single study undertaken to compare South Africa's current tax collection policies with historical policies. The current study may therefore provide useful insights and information in this regard.

1.3 PURPOSE STATEMENT AND IMPORTANCE OF THE STUDY

The main purpose of this study is to compare South Africa's current tax collection policies with the effective policies implemented for this purpose by the ancient Chinese, Egyptian, Greek and Roman civilizations. This comparison will highlight any similarities, which will indicate that South Africa is continuing to build on the successes of the past, as well as differences in order to identify potential improvements that could be introduced to optimise the tax system. From a practical point of view, the study should demonstrate to South

Africa's policymakers the importance of researching all the aspects of any policy they plan to implement. The effect of a policy might be predicted by looking at the results achieved by the same policy in history.

The four ancient civilizations studied for the purpose of this study were selected, since Adams (2001:xxii, 5, 45) suggests that tax originated in the great ancient civilizations of China and Egypt, and reached a zenith in ancient Greece and Rome, where the roots of modern civilization are found. Consequently, the ancient tax histories of these four civilizations have many significant parallels in the modern world (Adams, 2001:3).

1.4 RESEARCH OBJECTIVES

This study will be guided by the following research objectives:

- To analyse the tax collection policies of ancient China, Egypt, Greece and Rome in order to learn more about the tax collection policies of these ancient civilizations and their effectiveness
- To analyse current tax collection policies in South Africa to determine whether parallels can be confirmed between ancient and modern tax collection policies, and to determine where improvement is required

1.5 LIMITATIONS AND ASSUMPTIONS

1.5.1 Limitations of the study

The following limitations apply to this study:

- Many documents containing information about the ancient civilizations have unfortunately been lost to time and decay, and to some extent the extant historical records are inadequate and at best provide only incomplete information (Burg, 2004:iv). However, even though exact information on their systems of taxation is no longer available, funerary art and written records reveal that taxation has been part of human history for thousands of years. Nonetheless, an appreciation of the overall context of the civilizations of the ancient world, together with years of research by historians, should compensate for the absence of the contextual details of the

accounts and render the arguments more than credible interpretations (Ezzamel, 2002:37).

- Since only the antique civilizations listed in the purpose statement are studied, namely those of China, Egypt, Greece and Rome, the findings of this study are not representative of all the civilizations of the antique world.
- Conclusions are drawn only with regard to efficacious historical tax collection policies.
- Carmona and Ezzamel (2005:2-3) conclude that it is almost impossible to give a true account of historic events as “[r]esearchers of the ancient world face what seems to be the intractable problem of describing and analysing practices so remote from their contemporary eras and using linguistic terms that may bear little or no resemblance to how the ancients described or understood their world. Lying at the heart of this concern is the constitutive power of language and its effect on forging a picture of the remote past; contemporary researchers may not be reproducing the past so much as re-creating it through their inscriptions”. Therefore the proposed study is limited to the interpretations of previous researchers and the understanding of these interpretations by the researcher conducting this study.

1.5.2 Assumptions

This study makes certain assumptions regarding the research that dealt with the tax collection policies of antiquity and modern times, for example:

- Carmona and Ezzamel (2002:5) contend that the constitutive power of language cannot be avoided, and this applies to the ancient as well as the modern contexts. Hence, one has to divert from such a misconception of what constitutes historical proof and acknowledge that a concrete history cannot be captured, but is rather written. Therefore, in the context of this study, what is presented is the researcher’s own account of these ancient histories based on the reconstructions that are presented in the work of previous researchers, which is assumed to be correct.
- The term ‘tax’ has the same meaning in modern South Africa as in ancient China, Egypt, Greece and Rome.

1.6 RESEARCH METHODOLOGY

The research methodology that was applied in this study to meet the research objectives are explained in this section.

As indicated in Chapter 1.2, no previous research involving a comparison between the South African tax collection policies and those of ancient civilizations could be identified. In order to achieve the objectives of this study, the research was qualitative in nature and it was concluded that a non-empirical research method would be the most appropriate for this purpose.

Non-empirical research methods imply conceptual analysis, theory-building studies, philosophical analysis and literature reviews (Mouton in Stander, 2013:51). A critical literature review is a “detailed and justified analysis and commentary of the merits and faults of the literature within a chosen area, which demonstrates familiarity with what is already known about your research topic” (Saunders, Lewis & Thornhill, 2009:590). The purpose of critically reviewing the relevant existing literature was to establish the basis on which the research on the tax collection policies was built, and to gain insight into the most relevant research previously conducted on this topic.

Literature that refers to the tax collection policies of ancient China, Egypt, Greece and Rome was evaluated. Detailed reasons for selecting these civilizations are discussed in Chapter 1.3. The outcome of the literature review will serve as a benchmark for the evaluation of current tax collection policies in South Africa. The analysis of South Africa’s current tax collection policies was based on reviews of various acts and of practical scenarios in commerce in which SARS applied these acts, as well as the work of commentators on this topic.

The data for this study is representative of events over thousands of years; therefore this is a longitudinal study (Saunders *et al.*, 2009:155). Since the aim of this study is to compare tax policies in ancient civilizations with those applied in modern South Africa, data was not limited to a specific date.

Once all the relevant material had been obtained, an analysis was performed to gain an understanding of the tax collection policies of ancient China, Egypt, Greece, Rome and modern-day South Africa. Any similarities and deficiencies were highlighted in order to suggest possible improvements to current South African tax collection policies.

The similarities and deficiencies identified during the analysis were evaluated against the Davis Tax Commission's guidelines (2016:4-7) for good tax policy design. In this regard, The Davis Tax Committee suggests that the principles on which these guidelines are embedded should serve as a benchmark for an analysis of the proposals for tax policies.

The principles underlying these guidelines are listed below:

- **Neutrality and simplicity**
 - *Economic efficiency*: The distortionary effect that tax legislation has on the choice of the form or substance of taxpayers' activities must be limited.
 - *Administrative efficiency*: Low administrative and compliance costs must be imposed.
 - *Equity and fairness*: Differentiation between the taxation of similar activities must be limited. For tax purposes, individuals in similar economic circumstances should be treated similarly (the ability-to-pay principle).
- **Stability:**
 - *Transparency and certainty*: Tax policies must be relatively transparent and simple in order to ensure that they can be understood by taxpayers. The policies should also be unambiguous and administratively convenient, must clearly indicate when tax should be paid, what amount is to be paid and in what manner payment is required. Furthermore, the amount of economic resources used to handle tax affairs should be minimised. Any tax policy reform must follow a transparent, consultative process.
 - *Revenue buoyancy*: Tax policies should not restrain economic growth and efficiency.

1.7 STRUCTURE OF MINI-DISSERTATION

The structure of this mini-dissertation is discussed and summarised below.

1.7.1 Chapter 1: Introduction

Chapter 1 provides an introduction and background to the current research. The purpose of the research, the problem statement and the research objectives are discussed, the delimitations and assumptions of the present research are explained, and the research design and methodology are briefly summarised. This chapter concludes with a brief overview of the chapters in the study.

1.7.2 Chapter 2: Tax collection policies of the ancient world

Chapter 2 provides a general discussion of taxation, and specifically the tax collection methods applied in the four selected ancient civilizations. The focus will be on the origin of taxation, the nature of the tax base, how taxes were paid and the methods used to collect taxes.

1.7.3 Chapter 3: Tax collection policies in ancient China

Chapter 3 analyses the prevailing tax collection practices of ancient China. This includes a brief examination of the history of this civilization; a discussion of how the tax philosophy originated from ancient Chinese methodology; and the tax collection methods applied. These different categories are all classified under the collective term tax collection practices. Finally, a conclusion is reached on the effectiveness of the tax collection policies of the ancient Chinese civilization.

1.7.4 Chapter 4: Tax collection practices in ancient Egypt

This chapter provides a detailed analysis of the tax collection policies applied in ancient Egypt. A brief history of ancient Egypt is followed by a discussion of the tax philosophy and an analysis of the methods used for the collection of taxes. The chapter concludes with a discussion of the efficacious tax collection policies applied by the ancient Egyptian civilization.

1.7.5 Chapter 5: Tax collection policies in ancient Greece

Chapter 5 contains a synthesis of the literature on the prevailing tax collection policies of ancient Greece. The synthesis is organised around key aspects, such as the history, tax philosophy and tax collection methods applied. The chapter concludes with a discussion of the efficacious tax collection policies of the ancient Greek civilization.

1.7.6 Chapter 6: Tax collection policies in ancient Rome

Chapter 6 analyses the tax collection practices of the ancient Roman civilization. This includes a brief examination of the history of the civilization, an explanation of how the tax philosophy developed from ancient Roman methodology, and the tax collection methods applied. Finally, efficacious tax collection policies applied in ancient Rome are highlighted.

1.7.7 Chapter 7: Tax collection policies currently applied in South Africa

This chapter presents the results of the comparison between current tax collection policies in South Africa and efficacious tax collection practices applied in ancient China, Egypt, Greece and Rome by highlighting similarities and deficiencies. The efficacious tax collection policies identified in each of the four ancient civilizations relate to the tax burden, the tax collection agents, the integrity of the tax systems and assessments, the drafting of tax policies, tax budgets, tax refunds, forums for tax disputes, write-off or compromise of tax debt and the monitoring of tax collectors. Finally, suggestions are made with regard to improving the tax system to address the discrepancies identified.

1.7.8 Chapter 8: Conclusion

This chapter contains a detailed summary of the literature review and a discussion of the findings and limitations of the study. Finally, suggestions are made for future research on this topic and an overall conclusion is presented.

CHAPTER 2

TAX COLLECTION POLICIES OF THE ANCIENT WORLD

2.1 INTRODUCTION

This study focuses on identifying and analysing tax collection policies applied by ancient civilizations and comparing them with the current tax collection policies in South Africa. Since the purpose of this chapter is to provide a general background with regard to the tax collection policies applied by the ancient civilizations of China, Egypt, Greece and Rome, it contains a discussion of how taxes originated, what the tax base was, how taxes were paid and by what methods taxes were collected.

2.2 THE ORIGIN OF TAXES

The introduction of taxes appears to have coincided with the development of the advanced civilizations of antiquity (Burg, 2004:vi). Antiquity is defined as “the ancient past, especially the period of classical and other human civilizations before the Middle Ages” (English Oxford Living Dictionaries, 2016). For the purposes of this study, antiquity will refer to the distant past, going back to the year nil. Higgings (not dated:4) suggests that as ancient villages evolved, a more structured body of leadership became necessary, which eventually led to the development of sophisticated governments that strove to meet the needs of their growing populations. Governments introduced a system of taxation to obtain funding with the sole purpose of providing in the needs of their people.

The tax revenue generated by ancient governments included taxes levied on sales when goods were transported through different regions along trade routes, taxes on land or its produce, and taxes on inheritances and customs duties (Burg, 2004:iv; Higgings, not dated:4). The revenue thus generated was used to fund, among other things, the maintenance of irrigation systems and construction projects, such as the building of temples and palaces (Higgings, not dated:4).

2.3 TAX COLLECTION PRACTICES

The taxes needed to fund government expenses could be paid in the form of either physical labour or goods (Burg, 2004:iv). The first recorded and most common form in which tax was paid was the *corvée*, which was enforced labour provided to the government (English Oxford Living Dictionaries, 2016), mostly by peasants who could not afford to pay other forms of taxation (Burg, 2004:iv). Such labour included farming, the maintenance of canals or military service (Higgings, not dated:4). Wealthier men would often send their slaves or pay others to perform their service obligations (Higgins, not dated:4). It is remarkable that in the ancient Egyptian language the word labour is a synonym for taxes (Burg, 2004:iv).

The value of land provided the basis for the calculation of taxes payable in the form of goods. Burg (2004:iv) and Higgings (not dated:4) explain that since from the most primitive times land was the basis of wealth, taxes were levied on land or its produce. Therefore, they suggest that the earliest method of paying tax in the form of goods was the *tithe*, which amounted to a certain percentage of each landholder's crops (English Oxford Living Dictionaries, 2016). The *tithe* became widespread and in many places included a tax not only on grains and other crops, but also on cattle.

The collection of the *corvée* and the *tithe* in the ancient civilizations required the creation of a method of assessment and an administrative bureaucracy (Burg, 2004:x). In some states the bureaucracy was centralised under the direct control of a ruler, while in others it became decentralised and the control of tax collection was awarded to provincial governors (Burg, 2004:x). Decentralisation emerged due to the lack of administrative capability and resources in ancient governments, which made tax administration a challenging task (Stella, 1992:iii).

Tax administration comprised of a vast variety of tax collection policies. A policy can be most appropriately defined, in the context of this study, as the declared objectives that a government seeks to achieve and preserve in the interest of national community (BusinessDictionary.com; not dated). The actual application or use of a policy in a particular field or profession is defined as a practice (English Oxford Living Dictionaries,

2016; BusinessDictionary.com, not dated). Therefore, a tax collection practice is the method applied to collect taxes.

The tax collection practices of ancient governments were not always executed by government officials, but often by private individuals who collected taxes on behalf of the government under an agency relationship (Coşgel & Miceli, 2009:399, 415). According to Coşgel and Miceli (2009:399, 415), various types of contractual relationships existed. First, there were share contracts, in which case the tax revenue was shared between the government and the collectors at fixed proportions. Rent contracts were the second type and allowed the collector to pay the government a negotiated amount based on the value of the tax base. The third type, wage contracts, specified a fixed wage that the government would pay the collector for his labour.

Under the share contract arrangement, the government assigned the right to collect taxes to agents, subject to the tax revenue being divided according to a predetermined ratio (Coşgel & Miceli, 2009:402). This type of arrangement was observed less frequently than wage or rent contracts, and only during certain periods in history.

As mentioned above, the fixed rent contract entailed private agents paying the government a fixed amount that was based on the tax base and determined prior to collection, in exchange for the right to collect the taxes and keep the residual after the taxes had been collected (Coşgel & Miceli, 2009:403). An arrangement of this nature is generally referred to as tax farming. The *Shuiwu cidian* (A History of Taxation) in Weiming (2015:253) defines tax farming as follows: “The government or administrative body does not collect tax directly from the tax bearers based on fixed rates, but takes a bidding and contract way to contract the tax amount to be collected with the local rich merchants or powerful families, who, as the contractor, will use the power of tax collection authorized by the government to work out his own method to collect tax from the taxpayers.” Conventional wisdom suggests that this technique minimised administrative costs for governments and maximised tax revenue collection (Stella, 1992:iii). The concept of tax farming will be elaborated on in the chapters in which the tax collection methods of the respective civilizations are discussed.

The fixed payment was determined either at a competitive auction during which the government would lease the right to collect certain taxes to the highest bidder, or was directly bargained between the government and the tax collectors (Coşgel & Miceli, 2009:402). Where the latter method was applied, the government granted tax revenues to groups in exchange for military and administrative services. The direct negotiation mechanism required knowledge of the tax base to ensure the accurate determination of the payment.

In the case of auction-determined rent contracts, the government had to rely on the auction process to generate a desirable payment amount (Coşgel & Miceli, 2009:403). The bid amount was either paid as a single payment in advance of tax collection, or as an initial advance deposit followed by a series of instalments according to a jointly agreed schedule that may have coincided with the periods of tax collection. Rent contracts determined by auctions have been commonly observed in tax collection throughout history (Coşgel & Miceli, 2009:402).

Lastly, in the case of fixed-wage contracts, the tax collector received a salary that depended on the intensity of his labour when the revenue collected was handed over to the government (Coşgel & Miceli, 2009:403). As an explicated feature of this type of collection method, the governments would appoint supervisory agents to observe the efforts of salaried collectors.

In the light of the above discussion, it is evident that in order to apply the concept tax collection practices, one also has to consider how these taxes originated, what the tax base was, how taxes were paid, and what collection methods were applied to collect taxes. Irrespective of the method applied, the collection of taxes has, through the ages, often been onerous and the enforcement thereof, in many cases, excessive and cruel (Burg, 2004:vi, ix). For citizens who were overburdened by taxes, with no expectation of tax exemptions and a lack of crops or funds to pay, the most common form of tax avoidance in antiquity was probably to abscond. Peasants deserted their lands and fled into adjoining territories, leaving behind families and neighbours to endure the menace of the tax collector.

2.4 CONCLUSION

This study would have had no substance without an initial discussion of the rationalisation of collecting taxes, the tax bases of the ancient world, and the methods applied to collect taxes. This chapter focused specifically on agency relationships formed to facilitate the collection of taxes, as the research indicated that this is a tax collection method applied by all the ancient civilizations included in this study. It can therefore be concluded that although early governments started out as centralised bureaucracies, at some point or other they all decentralised.

By decentralising the collection of taxes, governments required only a relatively modest administrative capacity to negotiate contracts and enforce payment of the contract fees. Therefore, it is suggested that decentralisation emerged due to a lack of administrative capability and resources in ancient governments, as well as the fact that governments believed that it would minimise administrative costs and maximise tax revenue collection. However, decentralisation meant that governments had to employ supervisors, which added to their expenses. For this reason, it can be argued that decentralisation did not serve the intended purpose and was in actual fact six of one and half a dozen of the other.

The next step is to analyse the tax collection policies of each respective civilization. The following four chapters contain entries categorised under the four ancient civilizations and arranged in chronological order; a brief history of each civilization; a discussion of how each civilization's tax philosophy evolved from methodology; and the methods used for collecting tax. In the final chapter, similarities and differences between the tax collection policies of the four ancient civilizations and those currently applied in South Africa are highlighted and interpreted.

CHAPTER 3

TAX COLLECTION POLICIES IN ANCIENT CHINA

3.1 INTRODUCTION

The objective of this study is to compare South Africa's current tax collection policies with efficacious tax collection policies implemented in ancient China, Egypt, Greece and Rome. To address this objective, this chapter analyses the tax collection practices that were implemented in the ancient Chinese civilization. This includes a brief examination of the history of the civilization to provide some historical context; explanations to show how the tax philosophy stemmed from ancient Chinese methodology; and the tax collection methods applied. These different categories are all classified under the collective term tax collection practices. Finally, a conclusion will be drawn regarding efficacious tax collection policies applied in the ancient Chinese civilization.

3.2 HISTORY OF ACIENT CHINA

With their more than 5 000 years of legendary history, the Chinese people are among the world's oldest continuous civilizations (BBC, not dated). A succession of kings from three dynasties, namely the Xia, Shang and Zhou Dynasties, have ruled these unique people since 2100 BC (East Williston Union Free School District, not dated:3; Columbia University, 2009; Saylor.org Academy, not dated). A dynasty is a series of rulers belonging to the same family that passes the right to rule a nation from one generation to the next (Cambridge Dictionary, 2016). During the next 1 879 years of dynastic reign, a writing system, the practice of divination, walled cities, bronze technology, the use of horse-drawn chariots and a hierarchical political and social system were developed (Columbia University, 2009). The first written records from Chinese history date back to the Shang Dynasty, which ruled between 1600 and 1050 BC (Columbia University, 2009).

The Zhou Dynasty (1046 to 256 BC) succeeded the Shang Dynasty and aristocratic families were assigned as regional rulers who owned land that was worked by the peasants (East Williston Union Free School District, not dated:11; Columbia University, 2009). Over time, this bestowment of power proved to be fatal. Although this decentralised

system of government worked well, the kings gradually lost power to the aristocratic families (East Williston Union Free School District, not dated:12). These powerful men simultaneously proclaimed themselves kings as they competed for control of China (Saylor.org Academy, 2012).

One such nobleman was Qin (Ch'in), who defeated the Zhou Dynasty in 221 BC, unified China under the self-proclaimed kings and declared himself the first emperor of all of China (East Williston Union Free School District, not dated:14; Saylor.org Academy, 2012). Qin was so influential that even the word 'China' is a derivative of his name (East Williston Union Free School District, not dated:15). He introduced a centralised administration system and his government was characterised by harsh ruling methods with military enforcement in every region of China (East Williston Union Free School District, not dated:17; Columbia University, 2009).

By enslaving the Chinese people he became the architect of one of the most splendid nations in civilization (East Williston Union Free School District, not dated:19). He built roads, bridges, canals and buildings, but his most famous building project was the connection of various independent walls built by previous kings to form the Great Wall of China (East Williston Union Free School District, not dated:19-20). This wall, which measures 21 196.18 km and is the world's largest man-made structure (Gardener, 2012), can even be seen in radar images taken from space (Lulla, 2005).

Although Qin was such a successful emperor, his formidable leadership forced the enslaved peasants to overthrow him and from 207 BC until 220 AD the Han Dynasty became the ruling family (East Williston Union Free School District, not dated:22-23; Columbia University, 2009). The Han Dynasty continued with the concept of a centralised government, but their goal was the prosperity of the Chinese people (East Williston Union Free School District, not dated:32). The Han Dynasty also implemented the merit-based appointment of government officials, as opposed to appointments based on social status (East Williston Union Free School District, not dated:34).

During the 427-year reign of the Han Dynasty, China became one of the wealthiest and most powerful nations on earth as trade with the West was established and expanded

(East Williston Union Free School District, not dated:24, 31). By following the route to the West, known as the Silk Road, Chinese merchant traders took silk to the West and brought glass, linen and gold back to China (East Williston Union Free School District, not dated:29).

The next section will focus on the tax collection methods applied by the ancient Chinese and how those methods were influenced by their methodology.

3.3 FROM ANCIENT CHINESE METHODOLOGY TO TAX PHILOSOPHY

The earliest governments of China were headed by kings. The king, who was believed to be the Son of the Heavens representing the gods (Adams, 2001:45), had immense power since the people were naturally eager to please the gods and their moral desire to be obedient to the will of the gods resulted in compliance with the king's demands (Higgings, not dated:4). Unfortunately there was no force that could compel a king to reign justly, except for the Mandate of Heaven (Adams, 2001:45-46).

The Mandate of Heaven was a philosophical idea that the right to rule society was granted to an emperor by heaven (Cohen, not dated). De Bary (not dated) explains that the mandate emphasised above all the ruler's responsibility for the welfare of the people. Furthermore, the emperor had to maintain harmony between the human sphere and heaven (Oxnam, not dated). An emperor was therefore instrumental in linking the human social order with other domains of the cosmic order (Cohen, not dated). Consequently, any natural disaster was interpreted as an indication that the emperor had lost the Mandate of Heaven as he had failed to protect his subjects and promote their wellbeing.

It can be assumed that the Mandate of Heaven established a moral law, but did not provide guidance for emperors on aspects of taxation. To address this need, a philosopher named Confucius (551 to 479 BC) developed tax guidelines that could be followed by all emperors to maintain their mandate to rule (Adams, 2001:48). Although obedience to the emperor was of the utmost importance, Confucius developed tax principles based on justice that would deny emperors total freedom in the formulation of tax policies and ensure that the greatest concern of the government would always be the wellbeing of its

people (Adams, 2001:48). An emperor would forfeit his right and heaven would condemn him to death if he ruled oppressively by departing from the Confucian ideal and abusing the tax system (Adams, 2001:45-46). Confucius was therefore the inventor of Chinese tax wisdom and his philosophy of tax would be applied for at least the next 2 000 years (Adams, 2001:48). The tax collection methods applied by the ancient Chinese were therefore based on their tax philosophy.

3.4 TAX COLLECTION METHODS

As discussed in Chapter 2, Burg (2004:iv) explains that since the dawn of Chinese civilization the *corvée* was the method by which peasants paid taxes to overlords. A significant change in the tax base occurred in 594 BC, when peasants began to pay the overlords *in kind*, in other words, by offering them goods or services rather than money (Cambridge Dictionary, 2016). Later, the payment of taxes *in kind* evolved into the payment of *tithes*. Written records reveal that grain was taxed in Ch'in, an early Chinese state, as early as in 408 BC. Even though the method used for the payment of taxes in ancient China evolved over time, tax farming already began at least as early as during the reign of King Hammurabi (1792 to 1750 BC) (Burg, 2004:x).

All citizens had to pay taxes to the central government, but the taxes were not collected by the civil bureaucracy (Stella, 1992:4). The *makisum* (tax director) was tasked to travel throughout the kingdom to ensure that taxes were collected (Burg, 2004:x). Hammurabi ordered that the task of collecting taxes be delegated, for a brief period at least, to local assemblies of elders (Burg, 2004:x; Stella, 1992:4). The members of these local assemblies, who held positions in the civil service of the country, belonged to the Shi social hierarchy of ancient China (Hierarchy Structure, 2013). This social class consisted of aristocratic scholars who were recognised for their warrior skills, scholarship and administrative abilities (Hierarchy Structure, 2013). The task of tax collection was rotated amongst the members to ensure the equitable distribution of the burden and risk (Stella, 1992:4).

For an advanced fixed contract fee, these local officials devolved the task of collection to local merchants and bankers who then sent their agents to do the actual tax collecting.

These local merchants and bankers then became the so-called tax farmers (Burg, 2004:x; Stella, 1992:4).

Weiming (2015:253) suggests that the three characteristic features of the tax farming system in ancient China were: first, the government or administrative body chose the tax farmers on the basis of the bidding and contracts offered; second, the contractor or the tax farmer made a profit by collecting over-quota tax (the difference between the farming quota and the amount actually collected); and third, the contractor or tax farmer determined tax collection methods independently in accordance with the degree of power authorised by the government or administrative body.

Stella (1992:3) is of the opinion that the government benefitted from tax farming by delegating the tedious task of tax collection to the private sector, which suggests that the government was less concerned about social welfare than about maximising its revenue. He also states that one of the goals of any state is to administer justice. Therefore, by granting the private sector the right to make the rules with regard to the collection of taxes and determining the method of collection, the state's actions were contradictory and created a conflict of interest (Stella, 1992:7).

The result was that tax farming by merchants was eventually forbidden by law (Weiming, 2015:254). The rationalisation for this law could quite possibly have been the conflict of interest that tax farming by merchants created, as described by Stella (1992:7). Although tax farming by merchants was against the law, some local officials still succeeded in obtaining contracts for the collection of the business tax in certain trades with the merchants as they were most familiar with the operations in those trade (Weiming, 2015:254-255). Weiming (2015:255) therefore concludes that in the case of tax collection, convenience prevailed over compliance with the law. While tax farming reduced various complicated procedures and administrative costs incurred through direct governmental check and collection (Weiming, 2015:255), additional costs had to be incurred as those who were appointed to monitor the process of tax collection had to be remunerated.

To ensure justice in the administration of tax law, extensive monitoring procedures had to be implemented by government to ensure that the legally obligated taxes were ethically

collected by tax farmers (Stella, 1992:7). Stella (1992:8) furthermore points out that although this administrative structure was implemented, tax farming in China still facilitated only the *outcome* of tax collection, and not the *process* of tax collection, hence taxpayers' rights were not safeguarded. Tax farmers would set up many checkpoints along routes or raise the tax at their own discretion (Weiming, 2015:255). There was even a system of tax spying and informers would report citizens who were trying to evade harsh taxes (Adams, 2001:50). As is inevitable under such circumstances, the taxpayers suffered immensely as the result of the tax farmers' greed and over-quota collection.

Taxpayers did not suffer only financially as, for instance, nobles who were unable to pay their taxes in full were deprived of their aristocratic status (Adams, 2001:50). Physical punishment was also meted out for tax evasion. Legalism was a pragmatic, political philosophy characterised by strict laws and harsh punishments, believed to have been practised since the Qin Dynasty came to power in China (Duhaime, 2008; Mastin, 2008). This philosophy left a bloody legacy as it brutally punished any crime, regardless of the seriousness of the offence or whether it was civil or criminal in nature (Duhaime, 2008).

Duhaime (2008) provides a detailed description of the punishment, which included public whippings or the winding and twisting of arms around a pole while the accused was being beaten. The level of torture increased if the accused refused to plead guilty. Witnesses were reluctant to come forward to give testimony as they too were likely to be punished. An accused could also be put in a cage, have a chain attached to a heavy stone fastened around his neck, have his ears cut off, or be exiled to remote parts of China to serve a sentence of life-long hard labour. The most revolting form of punishment, however, was when criminals were cut up alive into as many as 120 pieces, starting with the eyebrows, then the shoulders, the breasts, the arms, the legs and finally the heart. These executions were documented in bizarre detail. In the light of this, it can be assumed that the tax collectors of ancient China reverted to the same type of physical torture to ensure that taxes were paid.

3.5 CONCLUSION

In order to achieve the research objectives discussed in Chapter 1.4, the above information was studied and the following conclusions were drawn regarding the effectiveness of the tax collection policies applied in ancient China:

Tax compliance by the people of ancient China was inspired by religion. The Mandate of Heaven, combined with the Confucian ideal, ensured that the emperors ruled justly, did not have a free hand in setting tax policies and truly sought to promote the well-being of the people. It can therefore be said that tax compliance and tax collection methods were guided by an internal morality. Furthermore, the practice of paying taxes by way of the *corvée*, *tithe* or *in kind*, indicates that people were individually assessed and could therefore pay taxes according to their abilities and means.

Lastly, although forbidden by law, business tax farming by local merchants and bankers seemed to make some sense. As they were familiar with operations in the trade, it can be assumed that those individuals took into account the specific circumstances of each trade. In other words, the tax base and assessment could be determined depending on the industry, and the most effective tax collection methods could be applied. The risk of inequality was abolished and justice promoted.

CHAPTER 4

TAX COLLECTION POLICIES IN ANCIENT EGYPT

4.1 INTRODUCTION

In order to achieve the objective of this study, which is to compare South Africa's current tax collection policies with efficacious tax collection policies implemented in ancient civilizations, this chapter contains an analysis of the tax collection practices of the ancient Egyptian civilization. As an introduction, the history of this civilization will be briefly discussed to provide some historical context. This will be followed by an explanation of how the tax philosophy stemmed from ancient Egyptian methodology and the tax collection methods that were applied. The different points of discussion are all classified under the collective term tax collection practices. Finally, a conclusion will be drawn regarding the effectiveness of the tax collection policies that were applied in ancient Egypt.

4.2 HISTORY OF ANCIENT EGYPT

The Egyptian civilization, which developed along the banks of the River Nile, dates back more than 6 000 years (Janick, 2002:23). Egypt, being one of the most spectacular civilizations of antiquity, was governed by a long succession of approximately 400 hereditary kings, known as pharaohs, who were divided into 31 dynasties (Anon, 2011; Anon, 2012; Metz, 1990).

The first dynasty was established around 3100 BC, under the rule of the first pharaoh, King Menes (History.com, 2009; New World Encyclopedia, 2016), who unified the upper and lower parts of Egypt into a single kingdom. The new capital, Memphis, was located just outside the modern city of Cairo (Anon, 2011; New World Encyclopedia, 2016). This event in Egyptian history marked the beginning of a period known as the Old Kingdom, which was to last until 2180 BC (Anon, 2011). It was during this period that the first pyramids appeared at Saqqara, near Memphis, and Giza, near Cairo. At roughly the same time the irrigation of farmlands and hieroglyphic writing also developed, as did many of the rituals and practices of ancient Egypt, which were to last for the next three millennia (Anon,

2011; Anon, 2012; History.com, 2009). The Old Kingdom was also characterised by a centralised government and the pharaohs were autocratic rulers (Anon, 2012).

By approximately 2181 BC, the power of the pharaohs had declined considerably and many parts of the country had fallen under the control of local tribal leaders with their own small kingdoms (Anon, 2011). During this interval, referred to as the First Intermediate Period, central authority was debilitated and the kingdom was once again divided (History.com, 2009; New World Encyclopedia, 2016). This turmoil was ended by a warlord from Upper Egypt, Mentuhotep II (2040 BC) of the Eleventh Dynasty (Anon, 2011; History.com, 2009). Mentuhotep defeated the kings of Lower Egypt and reunited the country into a single kingdom (Anon, 2011; New World Encyclopaedia, 2016). This unification ushered in a period of great wealth and prosperity, known as the Middle Kingdom (Anon, 2011). Under Mentuhotep's rule, the capital was moved south to Thebes, near today's city of Luxor (Anon, 2011).

However, 600 years later, due to a rapid succession of kings failing to consolidate power, fragmentation and political turmoil returned to Egypt as Lower Egypt was invaded by, among others, the Hyksos people from Syria and Palestine (Anon, 2011; Anon, 2012; History.com, 2009; New World Encyclopedia, 2016). During this time, known as the Second Intermediate Period, Egypt was again divided into two parts until 1550 BC, when it was reunited by the pharaohs of the Sixteenth and Seventeenth Dynasties (Anon, 2011). The most prosperous and successful era of ancient Egypt, known as the New Kingdom, emerged from this unification (Anon, 2011; New World Encyclopedia, 2016).

Tutankhamen, the boy pharaoh of the Eighteenth Dynasty and probably the best known of all the pharaohs, lived during the New Kingdom Period. He was followed some 50 years later by the great Ramses II (Anon, 2011). During this era, the building of pyramids as royal burial sites was replaced by the construction of deep underground tombs, located just outside of Thebes, in the area that became known as the Valley of the Kings (Anon, 2011).

By 1070 BC, the power of the pharaohs was weakened once more and the country again became fragmented (Anon, 2011). Native Egyptian rule was to come to an end during the

Third Intermediate and Late Periods as the country was dominated for long periods by the Assyrians and Persians, until Egypt was finally conquered and reunited in 332 BC by the leader of the Greek Empire, Alexander the Great (Anon, 2011; New World Encyclopedia, 2016). He established a new capital, Alexandria, on the Mediterranean coast (Anon, 2011).

When Alexander the Great died, one of his generals, Ptolemy I (323 BC), became the first of a Greek line of pharaohs and founded the Ptolemaic Dynasty (New World Encyclopedia, 2016). Ptolemaic Dynasties were to survive for a further 300 years until 31 BC, when Queen Cleopatra committed suicide after surrendering to the armies of the Roman Emperor Augustus and Egypt finally became a vassal state of the Roman Empire (Anon, 2011; History.com, 2009).

The following section will focus on the tax collection methods applied by the ancient Egyptians and how this was influenced by their methodology.

4.3 FROM ANCIENT EGYPTIAN METHODOLOGY TO TAX PHILOSOPHY

The ancient Egyptians believed that the pharaohs were born as divine beings and acted as the link between men and the gods until, upon their death, they became gods and joined Ra, the great Sun god, in the heavens (Anon, 2011; New World Encyclopedia, 2016). However, the Egyptians were not obsessed with death, but were rather so in love with life that they desired it to continue forever (National Geographic, 2010). It was believed that after death, the heart of the deceased would be weighed and, if found to be just, it would be permitted to dwell in the realm of Osiris, the chief god of the dead and the afterlife (Australian Museum, 2015; New World Encyclopedia, 2016). As the Egyptians had a profound belief in an afterlife, the ruling pharaohs were guided by religious principles (Anon, 2012; New World Encyclopedia, 2016).

One of the main concerns of the ancient Egyptian religion was to prevent order from deteriorating into disorder (New World Encyclopedia, 2016). The term *Maat* was used to describe the important order of the universe, and the Pharaoh was responsible for maintaining this order by justly applying the rule of law (Metz, 1990). Since *Maat* was so

important that it represented an eternal principle to which even the gods had to submit, the pharaoh had to ensure that the political, social and economic systems of ancient Egypt were characterised by integrity, fairness and morality (Ezzamel, 2002:19; New World Encyclopedia, 2016).

More specifically, the pharaoh's duty was to ensure that the tax bureau functioned effectively and in accordance with the heavenly orders (Ezzamel, 2002:19). Brewer (in Ezzamel, 2002:18) states that this administrative bureaucracy functioned by "a complex system of measurement and bookkeeping, organized as a rigorous hierarchy based on experience and ability, and subject to strict discipline from its central office". According to Adams (2001:7) and Ezzamel (2002:18-22), the scribes received training on the ethical methods for measuring taxable entities. It can therefore be deduced that the Egyptian tax system was applied fairly and justly and that the tax collection methods were also just.

4.4 TAX COLLECTION METHODS

Ancient Egypt was governed by an autocratic pharaoh, served by a powerful chief minister called a vizier, who represented the pharaoh in the administration of the country, the treasury and the legal system (TimeMaps, 2016). The vizier was responsible for tax assessments and collection, which were conducted on his behalf by scribes (Ezzamel, 2002:19), who therefore acted as the tax collection agents or tax farmers.

The scribes were well-educated and belonged to the middle class of ancient Egypt, which included skilled artists, rich traders, teachers and doctors (Okon, 2012:95). Their particular skill made the scribes the obvious choice to execute the vizier's responsibilities, so that the levying and collection of taxation became one of the main functions of scribes throughout the history of ancient Egypt (Ezzamel, 2002:17).

But how exactly was tax defined in the ancient Egyptian language? According to Adams (2001:7) and Ezzamel (2002:18-22), no particular word existed in ancient Egypt that was comparable to the modern term tax. These researchers suggest that the term that was used implicated, among other things, the result of labour counted, various types of produce collected from different subjects, dues imposed on state officials and the working

class, sales, slaves, foreigners, imports, exports, businesses, temples, harvest yields and tributes or gifts to the state. They conclude that despite the numerous interpretations of the term, it is generally accepted that it refers to the collection of revenue for the state.

This collection of revenue for the state took place around the annual audit (Adams, 2001:6-7). The annual audit required a taxpayer to appear before the scribes, who kept detailed records that served as the tax base upon which an assessment was raised. Attendance of audits was via “staves”, the ancient equivalent of a tax subpoena. Since taxpayers were not allowed to be represented by an attorney in the scribes’ tax court when appealing against defalcated tax assessments, little opportunity existed for the majority of underprivileged or illiterate citizens to dispute assessments.

Although the scribal profession was honoured as a reputable occupation within the social hierarchy of ancient Egypt and the scribes received significant monetary rewards, some scribes did unfairly enriched themselves (Ezzamel, 2002:20; Carmona & Ezzamel, 2005:9). Consequently, the Pharaoh had to train special scribes to monitor the process of tax assessments and collection so as to combat corruption within this tax bureau. These special scribes had to ensure that no false measurements, weights or accounts were used to raise assessments and had to assist with dealing with taxpayer complaints.

Unfortunately corruption is the inevitable consequence of having too much power. Internal conspiracies between the scribes and special scribes were discovered (Adams, 2001:10) and brutal punishments were meted out by Pharaohs to urge scribes to act honestly and with integrity (Ezzamel, 2002:35). Offenders were sentenced to have their noses cut off, after which they were banished to Tharu, an isolated part of Arabia (Adams, 2001:10; Ezzamel, 2002:35). The Bible confirms the existence of a colony in Arabia occupied by people with deformed faces (Adams, 2001:10).

Ezzamel (2002:36) is of the opinion that even though the processes of monitoring and punishment were in place, complaints against unethical scribes were a luxury that could be afforded only by people who were well connected, had tax knowledge or could afford to obtain the services of another scribe. The majority of Egyptian taxpayers, being the lower class, were never in a position to object to an assessment perceived to be unfair. Scribes

therefore generally had a free hand to brutally and unyieldingly enforce the pharaoh's taxes (Adams, 2001:6), which was in direct contrast with the concept of *Maat* (Ezzamel, 2002:36).

In ancient Egypt, the ideal and reality were worlds apart. The lawlessness of the Pharaohs' overly ambitious scribes, which manifested through the intrusiveness of the all-encompassing surveillance of Egypt's scribes (Adams, 2001:3), was one of the main stumbling blocks (Adams, 2001:19). By referring to Ecclesiastes 10:20: "A bird might carry the message and tell them what you said" (Bible, 1979), Adams (2001) expresses the opinion that the Jews were being severely oppressed by the ubiquitous scribe informers who reported all matters remotely relating to tax to the vizier.

Furthermore, the lawlessness was evident in the ferocity with which taxes were collected by the scribes. A papyrus scroll written in around 1200 BC, in which an Egyptian teacher advises his students against becoming farmers, depicts the cruelty of the scribes' tax collection methods (Adams, 2001:7; Ezzamel, 2002:22; Janick, 2002:35). The teacher explains that when the harvest tax is collected, the scribes do not take the farming conditions of the past year into account, and if farmers are unable to pay the harvest tax they are chastised with spears and rods, beaten, tied up, thrown into a well and held under, while their wives are also tied up and their children put in shackles. However, Adams (2001:7) points out that not all scribes acted fiercely as officials of the great Pharaoh were expected to act sympathetically towards struggling farmers and to remit two-thirds of any harvest taxes that were in arrears.

Others were not so lucky to come off with just a beating, not even to mention having their taxes remitted. Those who did not have the means to pay were summoned to painful services to the royal institutions in exchange for wages that consisted of only food and beer (Al-Rajhi, not dated:212-213). The quantity was determined by the worker's social rank. Since the population consisted mainly of peasants who had hardly any political rights and were profoundly burdened by taxes, they were the ones forced into obligatory labour, which included the building of pyramids and canals (Okon, 2012:95-96). Peasants who refused to submit to obligatory service and chose to flee, and those who assisted their escape, were incarcerated in the great prison at Thebe (Al-Rajhi, not dated:213-214). This

proves that Egypt was in fact nothing like one of its ancient names, *Misr*, meaning the safe and civilized country, would suggest (Janick, 2002:23).

Burg's (2004:x) research reveals why taxes were collected so viciously in ancient Egypt and what had led to those circumstances. Tax farming and other administrative tasks in Egypt eventually evolved into a system of official posts termed liturgies. Officials serving under the liturgy system were members of the wealthier classes. Wealth and power played a prominent role in ancient Egypt and these individuals enjoyed many privileges, which included that they themselves were exempt from manual labour but were expected to collect taxes on behalf of the state (Okon, 2012:95-96). However, although liturgy officials received little or no remuneration, they were held responsible for the payment of any taxes that they were unable to collect from taxpayers. If such an official was unable to pay the taxes himself, his property was confiscated and sold to cover the state's loss of tax revenue. Consequently, the pressure at the top of the hierarchy was inevitably passed down to the lowest peasant at the bottom (Adams, 2001:22).

4.5 CONCLUSION

The above discussion addressed the research objective of identifying and analysing tax collection policies implemented in antiquity by concluding on the following efficacious tax collection policies applied in ancient Egypt:

The Pharaohs of ancient Egypt ruled very religiously and according to the principles of *Maat*. Like the Mandate of Heaven, the concept of *Maat* ensured that the tax system of ancient Egypt was characterised by integrity, fairness and morality.

The fact that scribes sometimes remitted the outstanding taxes of farmers to some extent, reveals that rather than to figuratively cut the throats of farmers who were unable to pay extreme taxes, the system was in fact fairly accommodative. It can therefore be assumed that the scribes took environmental and economic conditions into account when taxes were remitted.

The special scribes that were appointed to monitor the scribes support the idea that fraud was not tolerated within the Egyptian tax system, whether it be when assessments were raised or taxes collected, and the severe punishment that was meted out to offenders is further evidence that if they stole from their own, they had to face the full force of the law.

Lastly, it is suggested that where the liturgy system required wealthy Egyptians to collect taxes for the government because they were exempt from manual labour, the state treated all citizens equally. Although wealth and power played a dominant role in Egypt, when it came to taxes, everyone was expected to contribute in one way or another, irrespective of social status.

CHAPTER 5

TAX COLLECTION POLICIES IN ANCIENT GREECE

5.1 INTRODUCTION

This study now continues its focus on identifying and analysing tax collection policies applied in ancient civilizations and current South African tax policies by looking at the tax collection practices implemented in ancient Greece. The history of the Greek civilization will be briefly examined to provide some historical context. Before discussing the tax collection methods that were applied, we will look at how the tax philosophy stemmed from ancient Greek methodology. These different categories are all classified under the collective term tax collection practices. Lastly, a conclusion will be made regarding efficacious tax collection policies applied by the ancient Greeks.

5.2 HISTORY OF ANCIENT GREECE

Not much is known about the earliest periods of Greek civilization, in other words, the period from 6000 BC to 800 BC, and written records dating from that time tend to focus on Athens alone (Encyclopaedia Britannica, not dated). The current research quite interestingly revealed that whereas the histories of ancient China and Egypt are categorised into time periods marked by various ruling dynasties, the time periods in Greek history are marked by important events. This could perhaps be attributed to the influence of democracy and the fact that rulers did not inherit their positions, but were elected by the people. The phenomenon of democracy appeared very late in the Greek history when compared to ancient China and Egypt, which were both ruled only by dynasties. Glowacki (2004) presents the four major time periods of the history of ancient Greece as follows: the Geometric Period (900 to 700 BC); the Archaic Period (700 to 480 BC); the Classical period (480 to 323 BC); and the Hellenistic Period (323 to 31 BC).

During the Geometric Period, colonisation of the Greeks occurred due to the development of city-states, each comprising of a town or city and its surrounding countryside, which usually functioned independently of each other (Encyclopaedia Britannica, not dated; Glowacki, 2004; Hull, 1999:6; Macdonald, 1999:30-31). The city-states were ruled by

warlords, kings or *oligarchs* (un-elected wealthy men) (Macdonald, 1999:30-31). Furthermore, this period is characterised by the development of writing and fine arts, as well as the rise of trade between Greece and other Mediterranean cultures (Glowacki, 2004). Greece exported olive oil, wine and pottery to Egypt, Babylon and Cyprus, and in return received alabaster, gold, ivory, ostrich eggs, linen, ebony, iron knives, axes and slaves (Hull, 1999:5-7).

Glowacki (2004) explains that Greece's political, religious, philosophical and artistic systems developed during the Archaic Period. The artistic development included monumental sculptures, stone temple architecture and civic building programmes. Tyrants ruled Greece by popular support and not by constitutional authority. Although the Persian Empire conquered Greece in 490 BC, the Persian forces were defeated in 480 BC, bringing an end to the Archaic Period.

The Classical Period marked the zenith of ancient Greece as literature, drama and the arts, which included the building of the famous Parthenon and other temples on the Acropolis, flourished throughout the Greek world (Glowacki, 2004). The Golden Age of Athens (479 to 404 BC) was marked by the invention of democracy and the attainment of great wealth from silver mines and tributes from other city-states (Glowacki, 2004; TimeMaps, 2016). The Golden Age of Athens ended after Greece had been weakened by civil wars, leaving it stripped of riches, power and independent city-states (Macdonald, 1999:42). Between 357 and 336 BC, Philip II, King of Macedonia, gradually conquered and again unified all of Greece (Encyclopaedia Britannica, not dated; Hull, 1999:28; Macdonald, 1999:42; TimeMaps, 2016).

Philip's son, Alexander the Great, succeeded his father and built Greece into an empire by defeating numerous enemies and conquering widespread territories, including Egypt, thereby creating an extraordinary legacy (Hull, 1999:28-29). The Greek Empire declined after Alexander's death in 323 BC, but Greek philosophy and political ideas not only had a powerful influence on the emerging Roman Empire, but also left an imprint on Western civilization that is still evident today (Encyclopaedia Britannica, not dated; Macdonald, 1999:42; TimeMaps, 2016). The ancient Greeks are renowned as the inventors of the gymnasium, the theatre and the Olympic Games.

During the Hellenistic Period, after the death of Alexander the Great, the Greek Empire was divided into three territories, namely the Seleucids in Asia Minor, the Ptolemies in Egypt and the Macedonian Dynasty in Greece (Glowacki, 2004). During this period, the rule by kings of dynasties began in Greece; therefore these territories were referred to as the Hellenistic Kingdoms, which were centres of learning and artistic patronage. In 146 BC, Greece came under the rule of the Roman Empire (Hull, 1999:29; TimeMaps, 2016). After Antony and Cleopatra were defeated and died in 31 BC, the last of the Ptolemaic rulers, the Roman Emperor Octavian (Augustus), incorporated much of what had been Greece into the Roman Empire, thereby ending the world of Ancient Greece. Athens ceased to be a political centre of note, but was still home to important philosophical schools.

5.3 FROM ANCIENT GREEK METHODOLOGY TO TAX PHILOSOPHY

The ancient Greeks' view of religion was rather different from that of the ancient Chinese and Egyptians. They prayed and made sacrifices to the gods, took part in religious festivals and consulted oracles at holy places, all in anticipation of being blessed during their lifetime, and not in heaven after their death (Hull, 1999:24; Macdonald, 1999:35). Although prosperity in their current lives mattered immensely, the ancient Greeks strove to live good lives in order to ensure that after death they would be sent to the Elysian Fields – a place of clear blue skies where they would live forever in perfect happiness (Hull, 1999:9). Religion was indeed part of the everyday life of Greeks, but the tax philosophy of ancient Greece was influenced by the concept of democracy, rather than by religion (Macdonald, 1999:31, 35; Hull, 1999:12).

During the sixth century BC, a new form of government emerged in Greece as democracy developed in the city-state of Athens (Macdonald, 1999:30-31). Athenian male citizens had the right to vote for government leaders and could participate in the legislative assembly where policies were discussed (Macdonald, 1999:30-31; TimeMaps, 2016). Government officials and juries for the courts were randomly chosen at assemblies to ensure that power was spread amongst ordinary people and that every person had an equal opportunity to rule (Macdonald, 1999:31; Study.com, not dated). A councillor served

a term of only two years and for urgent decisions and routine administration there was a council of 500 men, also chosen by lot (Macdonald, 1999:31).

Nonetheless the ancient Greek democratic society did not foster the concept of equality with regard to civic burdens (Burg, 2004:xi; Waterfield, 2004:151). They believed that the privileged should bear the expenditure of the state by a peculiar combination of voluntary and involuntary taxation, and that the poor should not be directly taxed (Burg, 2004:xi; Waterfield, 2004:151). The revenue raised for the state by way of involuntary taxation was not enough to maintain the flamboyant lifestyles of the Greeks, so the wealthy also contributed by way of liturgies (Waterfield, 2004:151).

Liturgy had a totally different meaning in the Greek cities of the fifth century BC than in ancient Egypt (Adams, 2001:55). The Greek democrats were opposed to the levying of direct taxes, which were regarded as a token of slavery and offensive to their character and dignity as free men. For the ancient Greeks the tax system was the barometer of the liberty of any society. Residents were willing to pay indirect taxes, but the state had to allow them to contribute in their own way (Burg, 2004:x). This voluntary contribution to the state coffers was in the form of a free gift or liturgy, which in this context meant a public work (Burg, 2004:x). The liturgy system provided the funds needed for endeavours such as producing plays, equipping ships, staging games, festivals and music contests, and organising chariot and horse races (Burg, 2004:x). This contribution was not regarded as a burden, but rather as a privilege (Waterfield, 2004:152), and was enforced by pure tradition and public sentiment (Adams, 2001:66).

In the Greek system, generosity was the rule in public matters (Burg, 2004:xi). There was a high degree of competitiveness among liturgists, who donated more than was expected of them for glory and to secure the reputation of their family name in future generations (Waterfield, 2004:152). People took pride in the scale of their contributions and paid immense amounts for the privilege of a public memorial (Burg, 2004:xi, xv). These generous payments allowed the wealthy to boast about their contributions and earn the gratitude of the entire community for their “acts of kindness”, merely to maintain their social status as free men. Nothing quite like this has ever been seen again in the history of public

finance and this great tradition of antiquity only fell into decline with the fall of the Roman Empire (Burg, 2004:xi).

In the next section, the tax collection methods applied by the ancient Greeks, based on their tax philosophy, will be analysed.

5.4 TAX COLLECTION METHODS

In 450 BC, all the city-states paid a regular allied tribute, usually in silver, to the government of Athens (Macdonald, 1999:30). Apart from this tribute, the other major sources of income in ancient Greece were law court fines, revenue from the silver mines, import and export taxes, the annual poll tax and the proceeds of auctioning the collection of various taxes (Waterfield, 2004:151).

Adams (2001:57, 73) emphasises the ingenuity of the machinery used for the operation of the Greek tax system to assess and collect taxes. Greek citizens were divided into one hundred groups, equal in number. Each group administered and disciplined itself and the members elected a president and two vice-presidents. Each citizen made a declaration of his wealth and an assessment was then raised, based on this declaration and the oath that accompanied it. The three leaders had to immediately pay the total amount for which the group was liable, according to the assessments, over to the government and then collected the individual debts from the group members. As they had to reimburse themselves, they were very meticulous and conducted the process expertly. There were no tax farmers and there was also no intervention by a government bureau.

Unfortunately, discrepancies were sure to emerge, even where citizens paid and collected their own taxes. Burg's (2004:xi) research revealed that the idealistic liturgy system was not without its flaws. The undermining of this state policy by the wealthy took a somewhat different form as they withheld the funds that they would normally have paid by way of taxes or voluntary contributions. Liturgy avoidance was motivated by greed and selfishness and was held up to public scorn. Formally, these acts could result in charges of treason, and any citizen had the right to bring charges against another (Burg, 2004:xi; TimeMaps, 2016).

Court cases were tried by large, randomly selected juries made up of citizens and were presided over by a magistrate (TimeMaps, 2016). The accuser put his case to the jurors and, as was the procedure in Egypt, the accused had to defend himself without any legal representation (TimeMaps, 2016). Litigation records of that time show that litigants claimed that opponents had either failed to share their immense wealth with the state, had made contributions that were inadequate considering their net worth or, where opponents had indeed made contributions, they had done so only to advantage themselves (Burg, 2004:xi). In order to limit false accusations, any accuser who failed to convince one fifth of the jurors faced a heavy fine (TimeMaps, 2016). The jurors cast their votes as they left court by each dropping a pebble into one of two jars – one for guilty and one for innocent (TimeMaps, 2016). Verdicts were then based on majority votes and the punishment for unacceptable behaviour was the withholding of civil rights, including the right to vote (Macdonalds, 1999:30).

From the above it is evident that the once liberal and generous ideals of ancient Greece were not immune to corruption. Consequently, the Greek government, which lacked a formal civil service to take charge of tax collection, was forced to regularly make use of tax farming to collect tax revenue (Adams, 2001:71). Adams (2001:70) explains that tax farming proved to be superior to government tax administration as the private sector did a more efficient and cost-effective job of collecting taxes.

As this revenue system developed, those in charge of collecting taxes, *corvées* and other contributions to the state, made use of more brutal methods (Burg, 2004:xi-xii). The debtor, poor or wealthy, could anticipate harsh methods to extort taxes, such as imprisonment, corporal punishment, torture, confiscation and other kinds of trickery. Outstanding taxes not only meant punishment and torture for the taxpayer who could not pay his dues, but the state also held families, neighbours and communities responsible for the unpaid taxes.

Fragments of an Athenian tax decree found on the Acropolis in Athens reveal the darker side of the tax collection procedures of ancient Greece (Adams, 2001:62). From this document it seems that tax debtors were paid a visit by a gang of five Athenian League officials who would take hostages to ensure tax collection. Leaders of city-states who

opposed tax collections would be accused and charged with treason. Cities that opposed tax collections would be left barren as their male citizens would be slaughtered and the women and children would be sold into slavery (Adams, 2001:60). The more extreme the demands of the government, the more ruthless the tax collectors became (Burg, 2004:xi).

The exact degree of brutality exercised in the collection of taxes will never be known as only upper-class interests are represented in the surviving historic literature (Waterfield, 2004:152). The poor were never educated to write, therefore their experiences of the tax collection methods died with them, and in most cases they were the ones on whom the tax collectors inflicted their vengeance.

5.5 CONCLUSION

In order to address the research objectives discussed in Chapter 1.4, the following conclusions regarding efficacious tax collection policies of ancient Greece can be drawn from the above discussion:

Democracy in ancient Greece ensured that every male Greek could have his voice heard in government, whether directly or indirectly via chosen representatives. Given the fact that every Greek could participate when policies were discussed, they most probably had the right to vote for, or against, certain tax collection practices. It can then be assumed that citizens were more tolerant towards the way taxes were collected, as they chose the methods themselves.

The Greek democrats did not believe in the equal distribution of the tax burden, therefore they fostered a progressive tax system. Indirect taxes were therefore imposed on wealthy Greeks in order to lessen the tax burden on people who were less able to pay.

The liturgy contributions made by wealthy citizens provided the funds for producing plays, equipping ships, staging games, festivals and musical contests, and organising chariot and horse races. Despite the fact that the wealthy contributed generously and voluntarily, primarily to enhance their social status, other Greek citizens could also enjoy the benefits

provided by the government in using that money. This should have encouraged them to pay their taxes more readily as their tax money benefitted the entire community.

With regard to the division of Greek citizens into groups, with each citizen declaring, under oath, his wealth, which was then assessed to determine the taxes payable by each, democracy can once again be seen to have triumphed. No intervention by government was necessary to administer this process. This is in sharp contrast with the practices seen in ancient Egypt. The Greek scribes kept detailed records, which served as the tax base upon which assessments were raised and taxes collected. The individual had no input in the matter. This is further proof that democracy in Greece brought some humanity to the tax system.

CHAPTER 6

TAX COLLECTIONG POLICIES IN ANCIENT ROME

6.1 INTRODUCTION

As part of this study, which focuses on identifying and analysing tax collection policies applied in ancient times, which will serve as a benchmark for the evaluation of current tax collection policies in South Africa, the tax collection practices that were implemented in the ancient Roman civilization will be analysed in this chapter. The history of the Roman civilization will be briefly discussed to provide some historical context. This will be followed by a look at how the tax philosophy stemmed from ancient Roman methodology and a discussion of the tax collection methods applied. To conclude the chapter, the attention will be focused on the efficacious tax collection policies applied by the ancient Romans.

6.2 HISTORY OF ANCIENT ROME

Garneri (1999:16), Mark (2009) and Trueman (2015) all agree that the best-known legendary version of the founding of Rome claims that the twin brothers, Romulus and Remus, were left to die by the river Tiber, where a female wolf found and raised them. They decided to build a city where they had been found, but quarrelled over who would be its ruler and Remus was killed. Romulus named the city after himself and became the self-proclaimed king of Rome.

In reality however, Rome originated from a group of villages that were located on the seven hills beside the river Tiber and were populated by tribal people who had migrated into Italy from central Europe more than a thousand years before the legend of the mythical twins was first recorded (Ganeri, 1999:44). Rome was officially established in 753 BC and six other kings were to succeed Romulus (Ganeri, 1999:44; Mark, 2009). In about 510 BC, the last king, Tarquinius Superbus, was defeated and the system of government was reformed to establish the Roman Republic (Ganeri, 1999:44; Mark, 2009).

The history of ancient Rome is therefore divided into two main periods, namely the Roman Republic (510 to 44 BC) and the Roman Empire (27 to 393 AD) (Ganeri, 1999:44). Rome

initially flourished and expanded as a result of lucrative trade. During the years of the Roman Republic, Rome emerged as the dominant power in the region through a series of wars, and by 264 BC the whole of Italy had been conquered (Ganeri, 1999:44; Mark, 2009; Trueman, 2015).

One of the most powerful military commanders was Julius Caesar, who became the ruler of Rome in 58 BC (Trueman, 2015). According to Mark (2009) and Trueman (2015), the extremely popular Caesar, who was believed to be favoured by the gods, took advantage of his social status and convinced the Senate to proclaim him dictator. He succeeded in establishing a stable central government and as a result Rome prospered during his rule. A group of senators, led by the conspirators Brutus and Cassius, resented Caesar's power and alternative way of thinking. This led to his assassination in 44 BC.

Mark (2009) provides insight into the power struggles and civil war that followed between forces led by Mark Antony, Caesar's right-hand man and cousin, and Octavian, Caesar's adopted son and heir. In around 31 BC, Octavian seized power and defeated his rivals, Mark Antony and his lover, the Egyptian Queen Cleopatra, to become the sole ruler of Rome, Greece and Egypt, as a result of which he was given exceptional powers by the Roman Senate (Mark, 2009). In 27 BC, the Roman Empire was effectively established when Octavian took the name of Augustus, which means "admired one", and became the first Emperor of Rome (Garneri, 1999:44).

During Augustus' rule and until his death in 14 AD, Rome was at peace and the Roman Empire expanded abroad (Garneri, 1999:44). The expansion of the Roman Empire led to the undertaking of the astronomical task of building roads over a distance of 85 000 kilometres in order to move the Roman army and to facilitate trade (Ganeri, 1999:34; Trueman, 2015). As all roads led to Rome, merchants and travellers took advantage of the improved communication and trade with the provinces flourished (Ganeri, 1999:34).

Apart from the economic developments, Greece was also consolidated into the Roman Empire during the expansion and the development of Roman civilization was sure to be greatly influenced by the Greek culture. Roman literacy came from the Greeks, as Greek tutor slaves educated Roman boys from wealthy families (Ganeri, 1999:26; Mark, 2009).

Roman religion also had its roots in Greek religion, because many of the Greek gods were adopted by the Romans (Garneri, 1999:26; Mark, 2009). Not only did the Romans copy Greek architecture, but the Greeks also inspired Roman art forms as Greek theatrical performances were copied by the Romans (Garneri, 1999:31; Mark 2009). The liturgy system of Greece also found its way to Rome as the government or wealthy nobles sponsored the *ludi* (games), which provided public entertainment and included chariot races, gladiator fights and shows featuring wild beasts (Garneri, 1999:30).

Likewise, the influence of ancient Rome on modern society can still be seen in art, architecture, engineering, religion, language, literature and law (National Geographic, not dated). South Africa's tax law, for example, is based on Roman-Dutch law (Du Toit, 2014:278). Seeing that modern society is significantly influenced by the ancient Roman civilization, which in turn is indebted to the ancient Greek civilization, it can be anticipated that the results of this study will reveal that significant parallels can be confirmed between the tax collection policies of these two ancient civilizations and those currently applied in South Africa.

The next section will focus on the tax collection methods applied by the ancient Romans and how they were influenced by their methodology.

6.3 FROM ANCIENT ROMAN METHODOLOGY TO TAX PHILOSOPHY

The ancient Romans indeed believed in many gods and goddesses, of whom several were adopted from the Greeks (Ganeri, 1999:38). The gods were feared by the people and many offerings and sacrifices were made to appease them (Ganeri, 1999:38). However, the advent of the Roman Empire also introduced a new cult, which was established by Emperor Augustus (The British Museum, not dated). Spurred on by a desire to be worshipped after death, some emperors emphasised the link between them and the gods and strongly promoted ruler worship (The British Museum, not dated).

Rome was originally ruled by the Senate, which consisted of important upper-class families who were voted into office each year by an assembly of citizens (Ganeri, 1999:32; Trueman, 2015). Later on, ordinary citizens were also allowed to stand for office (Ganeri,

1999:32). Hence it is evident that democracy, born in Greece, also came to fruition in Rome. However, as the Roman Republic increased its power, the legal system became increasingly more complicated and a vast number of laws were promulgated by the Senate and the Assemblies (Ganeri, 1999:32). These laws were then interpreted and applied by magistrates and judges according to their own judgment (Cartwright, 2013).

After Augustus became Emperor, he became the all-powerful head of state and the Senate, Assemblies, magistrates and judges lost some of their influence (Garneri, 1999:32). The Emperor now devised many of the laws or had to attach his seal of approval to any laws passed by the Senate (Garneri, 1999:32). Judges had less authority and power as they had to rely on the opinions of legal experts who were incorporated within the general bureaucracy that served the emperor (Cartwright, 2013; Ganeri, 1999:32). Even though there was constant interference by emperors in the Roman law, close scrutiny of court procedures in ancient Rome reveal that democracy still triumphed over dictatorship.

Cartwright (2013) and Ganeri (1999:32) explain that the sequence of events during court hearings commenced when a Roman citizen was summoned to court for a crime committed. Lawyers could only be contracted to defend those accused of serious crimes, otherwise the accused parties had to represent themselves. Once each of the parties involved had presented their case, a jury would vote to decide whether the accused was guilty or not. The judge then announced the punishment, which was designed as a deterrent rather than a corrective measure. Such punishment could include fines, compensation payable to the other party for any losses suffered, imprisonment, scolding, confiscation of property, loss of citizenship, exile, forced labour or the death penalty (Cartwright, 2013; Ganeri, 1999:33).

During the Republic Period, an accused could not appeal against verdicts, but during the Imperial Period a system was introduced whereby an appeal could be lodged to a high official to re-evaluate a case (Cartwright, 2013). An interesting and unique twist to Roman law was that in the event of a defendant dying before court proceedings were finalised, that defendant's heir could be summoned to stand trial in civil cases, which could include

tax-related cases (Cartwright, 2013). The tax collection methods applied by the Romans were just as peculiar.

6.4 TAX COLLECTION METHODS

Bartlett (1994:290-291) explains that taxes were quite modest during the earliest days of the Roman Republic, rating between 0.03 and 0.1 percent. Taxes comprised mainly of a wealth tax on property, which included land, houses, slaves, animals, money and personal effects. These taxes were paid to support the army during times of war and were often rebated afterwards. Taxes were levied directly on individuals and periodic censuses were held to determine the size of the population. In 272 BC, however, the tax base changed because Rome expanded considerably and censuses could no longer be conducted so often, thus making direct taxation impossible. The main form of tax was replaced by a *tithe*, as defined in Chapter 2, which was levied on communities in the main provinces. The administrative burden of the *tithe* tax was also less, as local communities would decide for themselves how the tax burden should be divided among the citizens.

Bartlett (1994:295-296) further explains that taxes were later levied mainly on the wealthy, but once the wealthy were no longer financially able to pay the state's bills, the burden inexorably fell onto the lower classes so that ordinary Roman citizens also suffered. Hence, there was a direct relationship between the pressure placed by the state on the upper classes and the intolerable conditions of the lower class. As a result, the state implemented a new concept whereby its needs were measured in terms of the *annona*, which represented the cost of maintaining a single Roman soldier for a year (Bartlett, 1994:298). Taxable capacity was measured in terms of the *caput*, representing what a single man, his family and his land could produce. A budget could therefore be drafted based on this information and taxpayers now knew well in advance the amount of tax they would be liable to pay, rather than being subjected to ad hoc seizures. But why did the Romans draft national budgets based on the annual cost of maintaining a Roman soldier?

Rome became the supreme power in the Western World as the Roman legions invaded Greece and Egypt (Moore, 2002:43). It is therefore evident that the economic prosperity of the Roman Republic depended greatly on military success. This phenomenon produced a

whole new Roman business class with a military origin (Moore, 2002:44). Roman law discouraged aristocrats from involvement in business, but no such prohibition affected any *equite* (knight) who was wealthy enough to own a horse and was prepared to ride it into battle. Many Roman knights and their families, slaves, and partners became managers of private companies known as *publicani*. The *publicani* made togas, shields, helmets, weapons and other provisions for the legions. Rival firms bid for state contracts to produce uniforms and weapons in the open market. The profit margins on these military contracts were minimal, but the great number of contracts let out on an annual basis guaranteed a rich market for the *publicani*.

The growing Roman Republic was forced to maintain its legions and fleets, pay its governors, maintain the vital road networks and the remarkable public works, but the Republic lacked the bureaucratic machinery to raise revenues (Moore, 2002:44). Governments of antiquity were so limited that privatised tax collection was rationalised and public contracts were let out to private firms, in other words the *publicani*. Consequently, the *publicani* markets gradually took over the administration of the collection of taxes. The *publicani* were most suited to fulfil this role, as they provided “capital and top management, based on general business experience” (Badian in Moore, 2002:45). Tax farming was profitable and produced investment opportunities for the wealthy citizens of Rome (Bartlett, 1994:291).

The *publicani* utilised rent contracts for tax farming as early as in the third century BC (Coşgel & Miceli, 2009:402). The system worked, but corruption thrived (Adams, 2001:75). Scholars have often described Roman tax collection as organised theft by a gang of robbers (Adams, 2001:75). Tax farming left a large hole in the Roman citizens’ pockets as the *publicani* had to collect enough revenue to cover the advances paid to the state at auctions, plus enough to cover the opportunity costs (interest) of the funds (Bartlett, 1994:291). The cost of transactions to convert *in kind* collections into hard cash was also a factor and the trade obviously had to produce a profit (Bartlett, 1994:291). The *publicani* could keep any surplus taxes once they had paid the Roman officials a lump sum (Moore, 2002:46). Consequently, the *publicani* used intolerable measures to extort tributes owed in order to ensure a return on their investment.

The wicked ways of the *publicani* did not go unnoticed by the people of Rome. They resented the fraudulent *publicani* so much that assaults on the latter were so frequent that soldiers had to escort the tax collectors, not for assistance, but for protection (Adams, 2001:104). Special agents were also hired to spy on corrupt revenue officials and when fraud was discovered, the revenue officials were crucified on the spot or burned alive in public (Adams, 2001:104, 123). When a corrupt official was not sentenced to death, a penalty was charged in the amount of ten times the tax excessively collected (Adams, 2001:104).

Despite the dire consequences of fraudulent actions, the abuse of the tax farming system continued until ultimately the Senates and magistrates were no longer willing to tolerate obnoxious *publicani* (Burg, 2004:xi-xii). Caesar ordered that the burden of tax collection in the various districts be shifted from the *publicani* to the Senates and magistrates of the provincial cities. Fixed direct taxation was once again introduced (Bartlett, 1994:291-292). The burden of taxation was significantly lessened by this partial abolition of tax farming and the regulation of taxes (Bartlett, 1994:288). The Senates and magistrates were responsible for collecting only the direct taxes, while indirect taxes remained in the hands of the *publicani* (Burg, 2004:xi-xii).

The city magistrates initially carried out their new task very efficiently, but eventually showed the same cunning behaviour as the *publicani*, and so the compulsory liturgy system prevailed in the Roman Empire (Burg, 2004:xi-xii). The recovery of debts owed to the state was entrusted to the wealthy, who benefited greatly from the liturgy system while brutally pursuing the collection of taxes from the peasants. However, the system had no limit and over time the *honestiores* (the wealthy and powerful) and the *humiliores* (the poor and weak) all had to face the same fate if they defaulted on payments.

The tax farming system and the liturgy system both effectively encouraged corruption by extorting undue and unreasonable payments from unfortunate and powerless victims (Adams, 2001:117). Tax collectors were often accompanied by soldiers, supposedly for protection, but their presence actually served as a mechanism of intimidation and punishment for non-compliant taxpayers. Fear of the harshness of the system was so great that some men who were unable to pay their taxes due to poverty sold their children

into slavery. Others abandoned their farms to escape the agonising punishment meted out by the tax collectors (Burg, 2004:xi-xii) and made their way to Rome, where they lived on social grants paid by the government (Burg, 2004:xiv). Their families, left behind, were physically abused until they either told the collector where the fugitive could be found, or settled the outstanding liability on his behalf (Burg, 2004:xiv). Family members who were unable to meet the collector's demands were racked and tortured, or killed. The tax collectors were so determined to extort the taxes that the farmers' neighbours, and eventually even entire villages in the region, were brutalised (Burg, 2004:xi-xii). Unless you could afford to bribe your oppressors, taking flight was the only option besides enduring these vicious punishments. It seems that while the wealthy bribed their way out of paying taxes, ordinary citizens were powerless against the demands of the increasingly brutal tax collectors.

The extortion methods used by the Roman tax collectors were more brutal than those encountered in any of the other three ancient civilizations researched in this study. Strangely enough, some victims apparently took pride in their victimisation and would show off the scars on their backs caused by the tax collector's whip (Burg, 2004:xi-xii). Bartlett (1994:301) concludes that the fall of Rome was eventually due to a weakening economy, which was in turn caused by excessive taxation and the overregulation of tax collection.

6.5 CONCLUSION

By studying and analysing the tax collection policies implemented in four ancient civilizations in order to achieve the research objective of this study, the following efficacious tax collection policies applied in ancient Rome were identified:

Before judges could reach a verdict during civil court cases, they had to consult with, and rely on the opinions of experts. In addition to being biased, these judges probably were not experts in all fields and cases relating to tax could very well have been outside of their scope of practice. Therefore, when they were forced to take into account the opinions of tax experts, it was guaranteed that independent and technically correct verdicts would be

reached and that appropriate procedures would be implemented to collect the taxes, if applicable.

The fact that taxpayers could appeal against verdicts proves once again that democracy was at work and that opportunities existed to remedy assessments issued in error, or inappropriate measures taken to collect taxes.

According to information researched in the current study, the concept of a tax budget was unique to the ancient Roman civilization. With a budget to guide the government, the risk of collecting taxes in excess of what was required, thereby causing undue financial hardship to taxpayers, was limited. A tax budget also enabled taxpayers to do better forecasting and to manage their money better to ensure that they would be able to pay their taxes. It would not be surprising to discover that some taxpayers made good use of tax planning opportunities to avoid paying certain taxes.

The occasional rebate of taxes already paid once a war was over should have given taxpayers great confidence in the integrity of the Roman tax system. Rebating should have also benefitted the state immensely as it would have encouraged loyalty and increased its leverage with the taxpayers.

Finally, the integrity of the Roman tax system was demonstrated when, as in the case of fraudulent scribes in Egypt, special agents were hired to spy on corrupt tax collectors. The Roman authorities applied extreme measures to punish unethical acts within its bureau.

CHAPTER 7

TAX COLLECTION POLICIES IN MODERN SOUTH AFRICA

7.1 INTRODUCTION

In this study, South Africa's current tax collection policies are compared with efficacious tax collection policies applied by four ancient civilizations. According to the Davis Tax Committee (2016:4-7), the principles of an effective tax policy should be incorporated in a comparison of the various tax collection policies to ensure an effective tax system based on good principles. These principles were discussed in Chapter 1.6 and require that a policy should be neutral and simple, and should promote not only economic and administrative efficiency, but also equity and fairness. To ensure the stability of the tax system, tax policies and revenue buoyancy should be clear and transparent. The efficacious tax collection policies identified in the four ancient civilizations that were studied and which contain these principles relate to the tax burden, the tax collection agent, the integrity of the tax system and assessments, the drafting of tax policies, tax budgets, tax refunds, forums for tax disputes, write-off or compromising of tax debt and the monitoring of tax collectors.

This section presents the results of the comparison by analysing current tax collection policies applied in South Africa, highlighting any similarities between the different tax systems, as well as deficiencies, and making recommendations based on the findings. It should be noted that this comparison is not exhaustive.

7.2 TAX BURDEN

The ancient Chinese practice of paying taxes by way of the *corvée*, a *tithe* or *in specie* indicates that people were individually assessed and the taxes they had to pay were determined according to their abilities and means. Similarly, the Greek democrats believed that indirect taxes were to be imposed on wealthy citizens in order to lessen the tax burden of the poor. This shows that these two civilizations fostered a progressive tax system as the tax burden was not equally distributed amongst taxpayers.

South Africa also applies a progressive tax system. Currently the tax rates for natural persons in South Africa vary between 18% and 41%, depending on the size of the taxable income (SARS, not dated:2). Taxpayers who earned less than R73 650 in the 2015/2016 year of assessment were exempt from taxes (*BusinessTech*, 2015). Furthermore, the 2016 tax budget provided relief of R5.5 billion to lower- and medium-income earners in the three lowest tax brackets (National Treasury, not dated:4). The tax type that makes the biggest contribution to the tax revenue is personal income tax, which accounts for 37.5% of the total tax revenue (National Treasury, not dated:3). Figures suggest that this revenue is collected from the wealthiest 10% of the population (Orthofer, 2016).

Although the concept of taxing people according to their ability to pay is noble, one may well ask how constitutional it is. The founding provision in section 1(a) of the Constitution of the Republic of South Africa (108/1996) (hereafter referred to as the Constitution) states: “The Republic of South Africa is one, sovereign, democratic state founded on the following values: Human dignity, the achievement of *equality* and the advancement of human rights and freedoms.” It is suggested that discrepancies emerge with regard to the principle of *equality* if one argues that the efforts of those who work harder to earn more are penalised as they have to pay a higher tax rate.

Should all citizens not contribute in some way, irrespective of their ability to pay, in order to comply with the equality principle of the Constitution? Tax revenue is used, among other things, to fund state hospitals, infrastructure and education. It can therefore be said that only those who pay taxes contribute to society. The ancient Egyptians addressed this situation ingeniously when citizens who were exempt from paying taxes were appointed in the civil service to collect taxes on behalf of the government (Okon, 2012:95-96).

In light of this, citizens of South Africa with a low ability to pay could be required to contribute to society by giving of their time to do something cooperative or altruistic for the benefit of their communities or society at large. This could be compulsory military service, volunteering at a hospital or retirement home, assisting with homework at a children’s home or community service. Such a tax policy should promote equity and fairness.

7.3 TAX COLLECTION AGENT

The research conducted for the purpose of this study revealed that although early governments started out as centralised bureaucracies, they all eventually decentralised due to a lack of administrative capability and resources, and to minimise administrative costs and maximise tax revenue collection. It was concluded that the evolution from centralised to decentralised tax collection had definite benefits. The practice whereby taxes were collected by local merchants and bankers, who were most familiar with trade activities and could apply the most effective tax collection methods, is considered to have been efficacious.

In South Africa, the government regulates the cost and risk of tax collection by indirectly controlling the collection of taxes via SARS. SARS is established as an organ of state within the public administration, but as an institution outside the public service (section 2 of the South African Revenue Service Act (34/1997, hereafter referred to as the SARS Act)). Among others, the function of SARS is to effectively and efficiently collect revenue (section 3 of the SARS Act) and pay it into the National Revenue Fund (SARS, 2016). As taxes are not collected by the civil bureaucracy directly, but by an organ set up by government in terms of an agency relationship, it can be concluded that the South African bureaucracy is classified as a hybrid bureaucracy in terms of revenue collection. The collection of taxes is partially centralised and partially decentralised.

The task of collecting taxes is then executed by SARS employees. Indirectly, SARS therefore has an agency relationship with individuals. Coşgel and Miceli (2009:403) suggest that, because of the existence of stronger bureaucracies, it is a general tendency that wage contracts that depend on the intensity of the tax collector's labour constitute the dominant contractual form in modern systems of tax collection. However, these contracts differ from the ancient wage contracts in that as the cost of measuring the tax base and revenue increased over time, the cost of measuring the collectors' efforts decreased, so that *fixed-wage* contracts became the dominant form of tax collection everywhere (Coşgel & Miceli, 2009:415-416).

Since tax collectors in South Africa receive fixed salaries, it can be argued that some traces of traditional tax systems remained and that South Africa still practices tax farming, as discussed in Chapter 2. It is deduced that fixed-wage contracts eliminate the risk that tax collectors may collect over-quota tax, as happened in the case of the share-and-rent contracts of the ancient civilizations, and promote the administrative efficiency, transparency and certainty of the tax system.

SARS also collects taxes by appointing third parties to settle a debtor's tax debt. This is reminiscent of the custom in ancient China according to which local merchants and bankers were appointed to collect taxes. This method of tax collection is very cost effective for SARS as the cost of collecting taxes is redirected to the third party. According to section 179 of the Tax Administration Act (28/2011) (hereafter referred to as the TAA), if a third party fails to provide valid reasons for failing to comply with SARS' request to settle a debt, the third party becomes personally liable for the payment. Consequently, the compliance cost to both the third party and the taxpayer could be rather high. Fortunately there are ways to control this tax collection practice by entering into an instalment payment agreement with SARS (SARS, 2013), or even applying the remedies as discussed below in Chapter 7.8, which relate to the write-off or compromise of tax debts.

7.4 INTEGRITY OF THE TAX SYSTEM AND ASSESSMENTS

The principles of *Maat*, the Mandate of Heaven and the Confucian ideal served as a benchmark to ensure the integrity and fairness of the tax systems of ancient China and Egypt. Therefore, it can be concluded that tax compliance was inspired by internal moral values.

Morality is defined by Gibson (in Murphy, 2011:27) as the belief relating to what is "right or wrong, good or bad, fair or unfair, just or unjust". Morality, specifically in the field of tax, can be defined as "the intrinsic motivation to pay taxes. It is individuals' willingness or moral obligation to pay taxes or their belief in contributing to the society by paying taxes. Tax morale also includes the ... guilt over cheating on taxes. If a taxpayer's ... feeling of guilt is strong, she/he will be more willing to pay the taxes" (Torgler, 2005:526). Individuals

have different perceptions of the concept of tax morality as it applies to the payment of taxes (Van Zanten, 2012:3).

To counteract these individual perceptions, tax collection practices in South Africa are regulated by a legal framework that serves as a benchmark. Moral conduct with regard to taxation is therefore measured against a standard, irrespective of the internal ethical values of individuals. Although there is a legislative framework to regulate taxes in South Africa, morality still plays a vital role in the assessment of taxes. With regard to assessments, South Africa again has a hybrid bureaucracy. Assessment is defined as “the determination of the amount of a tax liability or refund, by way of *self-assessment* by the taxpayer or *assessment* by SARS” (section 1 of the TAA). Self-assessment is defined as when a taxpayer submits a return in which he himself determined his liability or the amount to be refunded (section 1 of the TAA). Assessments by SARS apply to income tax, and the mechanism of charging, collecting and paying VAT and PAYE is based on self-assessments (SARS, 2015:2).

Self-assessment requires a high level of tax morality (Bell, 2015). It is therefore presumed that there can be a high risk of fraud, misrepresentation or non-disclosure of material facts where self-assessments are based on different perspectives of tax morality. Therefore, it should be a matter of concern that the income tax system will soon be changed to a self-assessment system, as announced in the 2015 Budget Speech. A system that is based completely on self-assessment could mean an increase in the burden of compliance costs, as the responsibility to holistically consider all tax provisions potentially applicable, and to accurately determine the tax liability, will in future rest on the taxpayer (Cliffe Dekker Hofmeyr, 2011). This is likely to decrease the administration cost for SARS, but the taxpayers’ compliance cost will increase.

Mazansky (not dated) suggests that it would be practically impossible to adopt a system of self-assessment as SARS lacks the human resources that would be required to assess each and every tax return in detail. Their administration of the process will still require government intervention, but SARS will be concerned only with verifying the correctness of the taxpayers’ assessments by way of a combination of risk-based and random audits. This adjustment in focus will ensure that they will be able to compensate for the risk posed

by the different perceptions of tax morality. It seems apparent that while SARS' administration cost will not decrease, taxpayers will inevitably have to pay more in order to be tax compliant.

7.5 DRAFTING OF TAX POLICIES

In ancient China a combination of the Mandate of Heaven and the Confucian ideal ensured that emperors were denied a free hand in determining tax policies. In ancient Greece, it was democracy that ensured that every male Greek could participate when policies were discussed, either directly or indirectly via chosen representatives.

The drafting and implementation of tax policies in South Africa are very similar to the practices applied in ancient China and Greece. The South African Minister of Finance, Mr Pravin Gordhan (National Treasury, not dated) reaffirmed government's commitment to sound economic, fiscal and monetary policies, and encouraged the public to participate in policy-making (Leuvenink, 2016).

South Africans indeed participate in tax policy-making via controlling bodies that ensure that the public's voice is heard. The two best-known controlling bodies in the tax environment are the South African Institute of Tax Professionals (SAIT) and the South African Institute of Chartered Accountants (SAICA). SAIT, the largest of the professional tax bodies in South Africa, plays a leading role in developing sound tax policy and shaping fiscal legislation through participation in, and dialogue with Parliament (SAIT, not dated). As the leading accountancy body in South Africa (SAICA, not dated), SAICA influences National Treasury on issues of tax design and policy, and SARS on issues of tax administration and efficiencies (SAICA, 2015:34). Thus it is evident that the drafting of tax policies follows a transparent consultative process.

7.5 TAX BUDGET

The concept of a tax budget was unique to the ancient Roman civilization. The budget guided the government and reduced the risk of collecting taxes in excess of what was needed and causing undue financial hardship to taxpayers.

In the South African Minister of Finance's budget speech, which is presented annually in February, the government's expenditure for the year ahead is announced and the ways in which this expenditure will be financed are explained (Croome, 2001:16). According to Mr Gordhan (2016:2), "The budget rests on the idea of an inclusive social contract, encompassing an equitable burden of tax and a progressive programme of expenditures. The Budget relies on institutions of good governance and a public ethic that values honesty and fairness." Even though he showed confidence in the tax budget, Mr Gordhan confirmed that although the government attempts to spend taxpayers' money responsibly, it does not always succeed (Leuvennink, 2016).

Where a government spends tax money irresponsibly, it is not easy for taxpayers to believe in the credibility of the budget. Mr Gordhan admitted that tough decisions had to be made about how finances should be managed in South Africa (Gordhan, 2016) and emphasised the fact that government recognises that it is accountable to the public with regard to how tax revenue is spent (Gordhan, not dated:2).

Unfortunately corruption has already undermined the efficacy of the budget. The public certainly does not have a favourable opinion of the way in which taxes are spent by the government. Responses to an article that asked whether South Africans pay too much income tax (*BusinessTech*, 2015) revealed that citizens do not believe that their tax money is being spent wisely. Revenue that was earmarked for education and health services is used by the fiscus for unnecessary luxuries. Even though they pay taxes, taxpayers still have to pay for private health care, security, education and infrastructure because of the poor state of services provided by government. Consequently they feel that there is no return on the money paid to the government. Taxpayers would be willing to pay as much as 40% of their taxable income if this would ensure access to a pension, medical aid, child grants and security, and the proper maintenance of infrastructure. Taxpayers want to see and experience the benefits of the tax they pay.

Based on these opinions, it appears that the public is less concerned about how much tax they pay than about how the money is spent and the undue financial hardship it causes for taxpayers. Therefore, even though the tax budget is supposed to ensure economic growth, very little progress is being made in this regard. Irrespective of the perceptions of the

public, Gordhan attempted to reassure South Africans that most of the money collected through taxes is being used for the correct purposes and for the benefit of all (eNCA, 2016). He added that when the calculations are made, there is not a lot of money that can be manipulated, so that much of the available money is actually spent where it is most needed (Clark, 2013). It is suggested that measures be implemented to ensure the responsible use of tax revenue by government and to hold government accountable for the way it is spent.

As mentioned in Chapter 7, a tax budget enabled the ancient Romans to do better tax forecasting and manage their money more effectively in order to be able to save some for the payment of taxes. A provisional tax system has been implemented in South Africa, which requires qualifying taxpayers to pay taxes based on estimated taxable income in advance, either monthly or in lump sums during the year of assessment (Croome, 2013:305). This spreads liability over the year of assessment and assists taxpayers to maintain a cash flow by ensuring that they do not have to pay significant amounts on assessment (SARS, 2016). Hence, this policy ensures administrative convenience for taxpayers.

7.6 TAX REFUNDS

In July 2016 it was reported that the South African central government has a gross loan debt of R2 115 732 000 000 (South African Reserve Bank, 2016). Therefore, it is highly unlikely that taxes already paid will ever be rebated to taxpayers due to an excess of funds, as was the case in ancient Rome after the wars had ended.

Nonetheless, taxpayers are entitled to refunds if the tax they paid was in excess of what they were liable for. Sections 189(2) and 190(1) of the TAA stipulate that SARS must refund any person who is entitled to it, and that the refund must include interest at 4% below the prescribed rate. It is worth noting that in the event of a taxpayer owing SARS money, interest is payable at the prescribed rate. This seems to be unfair and definitely does not demonstrate the integrity of the tax system, nor does it encourage loyalty or increase the government's leverage with taxpayers.

Furthermore, the SAIT raised an issue with SARS regarding the special stoppers that are placed on refunds due to taxpayers until proof of their banking details and addresses is received, even when these details have not changed (SAIT, 2016). In terms of section 190(3) of the TAA, SARS may only withhold the authorisation of a refund until “such time that verification ... has been finalised”. The letter of completion of an SARS audit serves as confirmation that the verification of the tax assessment has been finalised. Despite this, SARS still places special stoppers on taxpayers’ accounts even in cases where completion letters have been issued. SAIT is of the opinion that it is illegal to use a “special stopper” to delay a refund. It is evident that this practice applied by SARS is ambiguous and does not help to assure taxpayers of the stability of the tax system.

7.7 FORUMS FOR TAX DISPUTES

In Chapter 6 it was found that the ancient Romans were free to object to assessments issued or inappropriate measures taken to collect taxes, and that judges had to consult with experts in the relevant field before reaching their verdicts.

Tax law in South Africa is the source of many disputes, but as this is a very specific and highly complicated form of law with its own technical terminology, these disputes are heard in forums created by law specifically for this purpose (SAIT, not dated:5). The framework within which specific disputes arising from a tax matter can be addressed is provided in Chapter 9 of the TAA and includes the rules made under section 103, being the alternative dispute resolution rules (ADR rules), together with the rules regarding the Complaints Management Office (CMO), Tax Ombud, Tax Board or Tax Court and the High Court.

The function of the Tax Court is to fairly and justly interpret and apply tax law, and to resolve tax disputes in an independent manner on the principle of fairness and equity (Nobili Accounting and Tax Law Offices, not dated). The tax court will hear all cases where the tax involved exceeds the amount of R200 000, and where the matter could not be resolved in terms of the ADR rules process between SARS and taxpayers. The tax court’s pivotal role is strengthened through an appeal procedure that could go to the High Court, the Supreme Court of Appeal and, potentially, to the Constitutional Court.

However, to minimise the cost of litigation, SARS has implemented various mechanisms to deal with tax disputes that are administrative in nature (SAIT, not dated:5-7). Once a taxpayer has exhausted all the available internal remedies and has still not received a satisfactory resolution from SARS within a reasonable time after lodging a complaint, the case can be escalated to the CMO. If the CMO is unable to resolve the complaint, a complaint can be lodged with the Tax Ombud. Matters to be raised with the Tax Ombud are limited to service matters, procedural matters or administrative matters. However, if a matter cannot be reviewed by the Tax Ombud, such decision can also be taken on review to the High Court as the TAA provides for no other remedy.

The Office of the Tax Ombud is an instrument of government that works closely with, but independently of SARS, to resolve taxpayers' complaints against the revenue authority (Office of the Tax Ombud, not dated:2). The leadership of the Tax Ombud includes employees who are experts in tax law and have solid academic backgrounds and relevant experience (Office of the Tax Ombud, not dated). However, some concern exists with regard to the extent to which the office of the Tax Ombud operates independently from SARS, as section 15(2) of the TAA requires that the staff of the office of the Tax Ombud be employed in terms of the SARS Act and must be seconded to the office of the Tax Ombud at the request of the Tax Ombud. Furthermore, the expenditure connected with the functions of the office of the Tax Ombud is paid from SARS funds (section 15(4) of the TAA). Even though there are concerns about the independence of the Tax Ombud, it can be concluded that the process of dealing with complaints is unambiguous.

7.8 WRITE-OFF OR COMPROMISE OF TAX DEBT

As discussed in Chapter 4, the scribes in ancient Egypt remitted outstanding taxes of farmers to some extent, which indicates that the tax system did consider the circumstances of poorer taxpayers.

Chapter 14 of the TAA stipulates the circumstances under which a senior SARS official may write off or compromise tax debts, either completely or partially. This section also explains and distinguishes between temporary and permanent write-offs.

A tax debt may be temporarily written off if it is uneconomical for SARS to pursue its collection. In this case, uneconomical means that the total cost of recovery of a tax debt will most probably exceed the anticipated amount to be recovered. A temporary write-off of a tax debt is merely a suspension of recovery and does not absolve the taxpayer from liability for that particular debt. Section 171 of the TAA stipulates that a tax debt may be recovered during the prescription period of 15 years. Furthermore, to permanently write off a tax debt, it must be confirmed that the tax debt cannot be recovered by action or judgment of a court.

Lastly, a senior SARS official may also authorise the compromise of a portion of a tax debt at the request of a debtor if the purpose of the compromise is to secure the highest net return from the recovery of the tax debt and the compromise is consistent with considerations of good management of the tax system and administrative efficiency.

Factors that will be considered in a request for a compromise of tax debt include savings in the cost of collection, the earlier collection of taxes, collection of a greater portion of the debt, the present value of the taxpayer's assets, the diversion of future income or assets, past transactions and the positions of persons connected to the taxpayer. Factors such as financial hardship, saving a business from bankruptcy, employees who are dependent on the income received from the business and the business serving a national interest will also be considered (Du Toit in De Jager, 2014:44).

The request must be accompanied by evidence supporting the debtor's claim that he/she is unable to pay the full amount of the tax debt. The evidence consists of a disclosure of the value of the taxpayer's assets and liabilities, an income statement for the previous 12 months, assets disposed of, future interests in assets, details of persons connected to that taxpayer, present and future sources and level of income, and reasons for seeking a compromise.

SARS will not consider compromising debt if other creditors will be prejudiced; if liquidation or sequestration proceedings are about to be initiated or the tax affairs of the taxpayer are not up to date; if such compromise may adversely affect broader taxpayer compliance; if the taxpayer had entered into any compromise of debt with SARS in the preceding three

years; and if SARS has not attempted to recover the personal assets of the relevant persons of a trust or company. A taxpayer is not allowed to be present or make recommendations to the SARS committee that reviews a request for a tax compromise. Croome (2013:485) suggests that it is for this reason that it seems that the process is not transparent. Should SARS and a taxpayer compromise a tax debt, SARS may not pursue recovery of the balance of the tax debt. In the light of this, it can be reasoned that policies regarding the write-off or compromise of tax adhere to the fairness principal of a good policy.

7.9 MONITORING OF TAX COLLECTORS

The integrity of the Egyptian and Roman tax systems is demonstrated by the fact that special agents were appointed to monitor tax collectors. The Egyptian and Roman authorities applied extreme measures to punish unethical acts within its bureau.

Section 4(2) of the SARS Act states that SARS must perform its functions in the most cost-efficient and cost-effective manner, and in accordance with the values and principles mentioned in section 195 of the Constitution. These values and principles of public administration include a high standard of professional ethics; the efficient, economic and effective use of resources; services that are rendered impartially, fairly, equitably and without bias; accountability; and transparency (section 195(1) of the Constitution). Therefore, SARS employees are restricted to collecting taxes according to the Constitution and do not have the power to determine tax collection practices independently, but must be able to measure their behaviour against a specific set of rules. SARS has a Code of Conduct that governs the standard of professional ethics among employees (SARS, not dated).

Paragraph 2.7 of the SARS Code of Conduct indicates that any SARS official who fails to comply with any provision or standard of the Code will be subject to the SARS Disciplinary Code. What exactly the SARS Disciplinary Code entails could not be established. Nonetheless, to administer and monitor compliance with SARS' Code of Conduct and ethics-related policies, SARS implemented an anti-corruption and security division (ACAS), which is an unrelated entity that has been given the power to investigate and

monitor SARS's own staff members (Gordhan in Sole, 2016; SARS, not dated:8). Despite measures implemented to prevent and remedy unethical behaviour, the media have reported on various instances in which SARS employees had contravened this Code of Conduct.

In the most recent incident, an investigation was launched into suspicious deposits of at least R1.2 million made from unknown sources into the personal bank account of Jonas Makwakwa, Chief Officer for business and individual taxes at SARS (SARS, 2016). Claims have been made that the accused and his girlfriend, who is also a SARS employee, are involved in, or are facilitating corrupt activities, including money laundering (Thamm, 2016). Makwakwa has since been suspended by SARS while the case is being investigated by an international law firm and the Financial Intelligence Centre (*fin24*, 2016).

Another SARS employee who had attempted to claim almost R400 000 in fraudulent VAT refunds, first attempted to bribe and then threatened the SARS employee who investigated the case (SARS, 2012). This employee was sentenced to a jail term of 15 years on charges of corruption and intimidation. It is evident from these two incidents that SARS and the criminal justice system do not tolerate fraud, corruption or the intimidation of SARS employees. SARS appears to follow due process and to deal aggressively with unethical behaviour. Nevertheless it seems that despite the serious consequences for SARS employees who commit fraud, some still take the risk to unfairly enrich themselves.

Finally, it is worth mentioning that SARS unfortunately sometimes deals too aggressively with unethical behaviour, as demonstrated by the establishment of the so-called Rogue Unit as part of the SARS ACAS division (Nhleko, 2016). During an investigation into this Unit, it was reported that it had been established unlawfully and had created an environment of secrecy, panic and subterfuge within SARS (Sikhakhane in Nhleko, 2016). Therefore there are indications that all-pervading surveillance is a feature of both ancient and modern tax systems.

7.10 CONCLUSION

The purpose of this chapter was to analyse current tax collection policies in South Africa in terms of the nine efficacious policies identified in a study of the tax collection policies applied in four ancient civilizations. This comparison was done to determine whether parallels can be confirmed between ancient and modern times, and to make suggestions about possible improvements.

In terms of the tax burden, similarities can be identified between the humanitarian nature of the tax burden placed on citizens of ancient China and Greece, and of South Africa. However, South Africa could consider the possibility of incorporating the principle of equality with regard to the tax burden, as was done by the ancient Egyptians, in order to promote the equity and fairness of the tax system.

As far as the tax collection agent is concerned, SARS' practice of applying fixed-wage contracts for the collection of taxes, as opposed to the share-and-rent contracts of the ancient world, ensures a fair tax system as nobody pays more than is legally required. It also promotes administrative efficiency, transparency and certainty of the tax system. Although the appointment of third parties to collect taxes holds a cost benefit for SARS, the compliance cost of both the third party and the taxpayer increases. It was noted that ways do exist to lighten the compliance burden.

South Africa has the best of the ancient Greek and Egyptian worlds in terms of the integrity of the tax system. Unlike the situation in ancient Egypt, South African taxpayers do have an input when assessments are raised and taxes collected through the system of self-assessment invented by the Greeks. The monitoring of this process by SARS ensures compliance with the tax laws in cases where taxpayers do not feel morally obliged to pay taxes.

It can be concluded that, like in ancient China and Greece, the policymakers in South Africa do not have a free hand in drafting and implementing tax policies. The public's voice is heard via the inputs of experts in the field of tax law, and the drafting of tax policies follows a transparent consultative process.

It was found that even though the collection of taxes in South Africa is based on the concept of a tax budget invented by the Romans, undue financial hardship is still the fate of South Africans as the government does not spend the tax revenue as outlined in the budget. Government should be held accountable for the responsible use of taxes and the process should be more transparent and should promote economic growth. Furthermore, the South African practice of expecting certain taxpayers to pay provisional tax compares favourably with a similar practice implemented in ancient Rome, and is also much better regulated.

With regard to tax refunds it is evident that the utopia of ancient Rome is not presented in the tax collection practices of South Africa. It is suggested that SARS review its policies regarding refunds to ensure a more fair system. Current refunding practices applied by SARS are ambiguous and do not ensure the stability of the tax system.

It is noted that even though concerns are raised about the independence of the office of the Tax Ombud, the process of dealing with tax disputes in South Africa is much more sophisticated than it was in ancient Rome. The specific forums created to resolve tax disputes ensure that the dispute process is unambiguous and is handled technically correctly.

It can be concluded that the humanitarian nature and the fairness of the tax laws of ancient Egypt are reflected in the South African tax system's policies regarding the write-off or compromise of tax debts.

Lastly, similarities are identified in the Egyptian, Roman and South African practices for monitoring tax collectors. Measures are implemented to punish unethical acts within SARS, although the public requires greater transparency regarding what exactly the Code of Conduct entails.

CHAPTER 8

SUMMARY, RECOMMENDATIONS AND CONCLUSION

8.1 INTRODUCTION

The research objectives of the study were:

- To analyse the tax collection policies of ancient China, Egypt, Greece and Rome in order to learn more about the tax collection policies of these ancient civilizations and their effectiveness
- To analyse current tax collection policies in South Africa to determine whether parallels can be confirmed between ancient and modern times and to determine where improvement is required

For the purpose of this study, existing literature dealing with tax collection policies was examined. Once the relevant information had been obtained, an analysis of the literature was performed to acquire an understanding of the various tax collection policies applied by antique civilizations and in modern South Africa. Any similarities and deficiencies between the efficacious tax collection policies of the four ancient civilizations and the current tax collection policies of South Africa were highlighted. Where deficiencies were identified in the South African system, recommendations were made to improve the system to ensure that it will function optimally.

This chapter presents a summary of the findings of each of the sections addressed in the study. The limitations of the study are also pointed out and suggestions are made for future research. Finally, an overall conclusion will be presented.

8.2 SUMMARY

The findings based on the researcher's discussions of the examination of the tax collection policies of four ancient civilizations and modern South Africa are summarised below. Similar policies are highlighted and aspects of the South African system that need improvement are pointed out.

8.2.1 Tax burden

The progressive tax system applied in South Africa shows some similarity to the systems applied by the ancient Chinese and Greeks as the tax burden is not equally distributed among citizens. It was concluded that although much is to be said in favour of the philanthropic principle of taxing individuals according to their ability to pay, this would be in direct conflict with the equality principle of the Constitution. It was suggested that, like in ancient Egypt, all citizens of South Africa, irrespective of their ability to pay tax, should contribute in some way or other in order to promote the principle of equality.

8.2.2 Tax collection agent

The South African government indirectly controls tax collection through SARS, which is an organ of state, but an institution outside the public service. Since the collection of taxes is undertaken by the employees of SARS, one could say that fixed-wage contracts are applied, as opposed to the share-and-rent contracts used by ancient governments. This practice eliminates the risk of tax collectors collecting over-quota tax and ensures fair tax collection; administrative efficiency; transparency; and certainty of the tax system. SARS also appoints third parties to settle debtors' tax debts, which can be compared with the ancient practice of appointing local merchants and bankers to collect taxes as they were most familiar with trade activities and could apply the most effective tax collection methods. The appointment of third parties to collect taxes holds a cost benefit for SARS, but increases the cost of compliance for third parties and taxpayers. It was noted that ways do exist to lighten the compliance burden.

8.2.3 Integrity of the tax system and assessments

While tax morality served as a benchmark to ensure the integrity and fairness of the Chinese and Egyptian tax systems, the South African tax system is regulated by legislation. This ensures that the different perceptions that exist regarding tax morality are counteracted by a fixed standard against which behaviour can be measured. However, despite the existing tax legislation, tax morality still plays a role in self-assessments;

therefore the functions of SARS will include the verification of tax returns completed by taxpayers.

8.2.4 Drafting of tax policies

A parallel can be confirmed between the drafting and implementation of tax policies in South Africa and in ancient China and Greece since South Africans participate in tax policy-making via controlling bodies such as SAIT and SAICA. The drafting of tax policies therefore follows a transparent, consultative process. These controlling bodies comprise of experts in the tax industry, who ensure the development of sound and effective tax policies.

8.2.5 Tax budget

The South African tax budget shows a strong similarity to the tax budget invented by the Romans. The overwhelming opinion of the South African public is that the budget does not rely on institutions of good governance, which undermines confidence in the credibility of the budget. It was suggested that the government should be more responsible and transparent in spending tax revenue in order to promote economic growth and reduce the risk of collecting taxes in excess of what is needed, thus causing undue financial hardship for taxpayers. It was also found that the payment of provisional taxes in South Africa assists taxpayers with tax forecasting and cash flow. This efficacious tax collection practice borrowed from the Romans is more strictly regulated in South Africa.

8.2.6 Tax refunds

It was deduced that, due to the enormous debt accumulated by the South African central government, it is highly unlikely that the taxes collected will ever be rebated to taxpayers, as happened in ancient Roman when the wars were over. Furthermore, it was noted that the policies applied by SARS to refund taxes are unfair, do not show integrity and do not develop taxpayer loyalty or increase the government's leverage with taxpayers. SARS also currently applies special stoppers to withhold the payment of refunds, which is unlawful. It

can therefore be stated that current practices applied by SARS are ambiguous and do not ensure the stability of the tax system.

8.2.7 Forums for tax disputes

Like the Romans of ancient times, South African taxpayers are free to object to assessments issued or inappropriate measures taken to collect taxes. In South Africa, tax disputes are heard in forums that consist of tax experts and are created by law specifically for this purpose. In the Roman system, judges hearing tax-related cases had to consult with experts in the field before a verdict could be reached. However, to minimise the cost of litigation, SARS has implemented various mechanisms, such as the Office of the Tax Ombud, to deal with tax disputes that are administrative in nature. The introduction of the Tax Ombud increased the efficiency of tax administration. However, the Tax Ombud's independence from SARS is a concern. It was concluded that the process of dealing with tax disputes in South Africa is much more sophisticated than the process followed in ancient Rome, which ensures the unambiguous, fair and technically correct interpretation and application of the law.

8.2.8 Write-off or compromise of tax debt

The TAA makes provision for the total or partial write-off or compromise of tax debts, either temporarily or permanently. This relates to the way the ancient Egyptians remitted outstanding taxes when citizens were unable to pay. SARS will write off a tax debt only if it will be either uneconomical to pursue its collection, or it has been confirmed that the tax debt cannot be recovered by legal actions. A tax debt will be compromised only if the purpose is to secure the highest net return from the recovery, and if it promotes good management and the administrative efficiency of the tax system. The request must be accompanied by sufficient evidence supporting the debtor's claim that he/she is unable to pay the full tax debt. It was concluded that the humanitarian nature and fairness of the tax laws of ancient Egypt are also reflected in South Africa's current tax system.

8.2.9 Monitoring of tax collectors

It was determined that with regard to professional ethics, SARS employees are guided by the Constitution and the SARS Code of Conduct. SARS introduced the ACAS to investigate and monitor SARS employees' ethical conduct. Unethical conduct by SARS officials is subject to the SARS Disciplinary Code. However, it was noted that the SARS Disciplinary Code is not transparent. SARS employees who are found to be guilty of unethical behaviour are charged in terms of the criminal justice system, as was also the case in ancient Egypt and Rome. It was further found that the Rogue Unit established within the ACAS is unlawful, therefore it was concluded that the all-pervading surveillance of tax collectors is as inherent in modern tax systems as it was in ancient systems.

8.3 RECOMMENDATIONS FOR FUTURE RESEARCH

This study was limited to confirming similarities between efficacious tax collection policies in history and in modern South Africa and to point out deficiencies. It is recommended that future studies be undertaken to identify ineffective historical tax policies that resulted in tax fiascos. These results could be used as a framework against which to evaluate South Africa's tax policies.

Future research could also be undertaken to conduct more precise analyses that will provide more exact findings. Tax collection policies include many facets of tax, therefore specific tax policies may need to be scrutinised in order to obtain a more comprehensive understanding of the contributions that history can make to the modern era.

8.4 FINAL CONCLUSION

The comparison between efficacious tax collection policies of ancient civilizations and the tax collection policies currently applied in South Africa revealed similarities between the tax collection policies discussed. This comparison was based on the principles of a good tax policy, as listed by the Davis Tax Committee.

Four policies that are currently employed in South Africa for purposes of tax collection proved to be more efficacious than the tax collection policies of ancient times. These policies relate to the tax collection agent, the integrity of the tax system, the drafting of tax policies and forums for tax disputes. In the light of these findings, it can be concluded that South Africa is continuing to build on the successes of the past.

A further three current tax collection policies were found to be less efficacious than those employed in the ancient civilisations discussed in this study. These policies relate to the tax burden, the tax budget and tax refunds. After analysing these tax collection policies, improvements were considered to increase the efficiency of the South African tax system. In terms of the tax burden, it was recommended that the policy of a progressive tax system be revised to enable all South African citizens, irrespective of their ability to pay, to contribute in some way to the tax system. With regard to the tax budget, it was suggested that measures be implemented to ensure that the government would be held accountable for the responsible and transparent spending of tax revenue. Lastly, it was suggested that the policies regarding the refunding of taxes be applied by SARS in accordance with the relevant legislation and in the pursuance of a fair and stable tax system.

To conclude, these results emphasise the importance of knowing how ancient civilizations were affected by tax collection policies. Since history repeats itself, tax policymakers should be guided by the past when drafting and implementing tax collection policies to ensure the optimisation of the South African tax system.

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