

**TAX REVOLTS: ANALYSING THE SOUTH AFRICAN GOVERNMENTS' RESPONSE
TO THE COVID-19 PANDEMIC AND TAXPAYER COMPLIANCE**

by

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(In the name of Allah, the Most Gracious, the Most Merciful)

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ABSTRACT

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Background: South Africa faces challenges with regard to unemployment, inequality and poverty. These triple challenges have been exacerbated due to the Coronavirus 19 disease (Covid-19) lockdown restrictions and its impact on the economy. Faced with the challenge of growing the economy while citizens suffer under the burden of excessive taxes, the 2021/22 Budget Speech sought to create growth and combat unemployment and poverty, while taking care not to place too much of a burden on its citizens.

Main purpose of the study: This study provides an overview of the factors which lead to tax revolts and looks at the public perception of the 2021/22 Budget Speech to determine if tax policies have been structured fairly. A tax revolt would have a devastating effect on the economy given the current slow growth in Gross Domestic Product (GDP) as well as high levels of unemployment, thus it is important to analyse trends and determine if South Africa is at risk of a tax revolt.

Method: Data will be analysed by reviewing the existing literature on the subject as well as comparing this literature to trends found over microblogging platforms such as Twitter as well as infoveillance tools such as Google Trends. The data will be systematically analysed and sourced through pre-selected key-words to scope out the most relevant information.

Findings: In this study, Google Trends and Twitter were the selected platforms through which public opinion insight was obtained. The findings of the research suggested that

though the Budget Speech appeared to implement fair tax policies, public perception changed based on announcements of increases in levies and government inefficiencies. Such announcements lead to low levels of tax morale and ultimately an interest in the implementation of a tax revolt.

Conclusion: The public perception of state policy is important for the growth of the economy. Corruption and poor levels of service delivery are key elements towards how taxpayers will respond to changes in tax policy. While the Budget Speech may have allayed the scepticism of the public, the state should do well to ensure that they meet their obligations and not further stunt growth through irrational decision making and not doing enough to combat corruption.

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LIST OF ABBREVIATIONS AND ACRONYMS

Table 1: Abbreviations and acronyms

Abbreviation	Meaning
AGSA	Auditor General of South Africa
ARET	Association of Real Estate Taxpayers
CIT	Corporate Income Taxes
Covid-10	Coronoavirus-19
GDP	Gross Domestic Product
OECD	Organisation for Economic and Cooperative Development
OUTA	Organisation Undoing Tax Abuse
PIT	Personal Income Taxes
SABC	South African Broadcasting Corporation
SAIRR	South African Institute of Race Relations
SARS	South African Revenue Services
TAA	Tax Administration Act
TV	Television
VAT	Value Added-Tax

CHAPTER 1: INTRODUCTION

1.1. INTRODUCTION

"It is a paradoxical truth that tax rates are too high today and tax revenues are too low, and the soundest way to raise the revenues in the long run is to cut the tax rates."

– John F. Kennedy

The statement was extracted from President Kennedy's speech to the Economics Club of New York on 14 December 1962, in which he highlighted his rationale for reducing taxes (Sundquist, 2010:44).

The implication behind President Kennedy's statement is that higher taxes discourage investment, resulting in lower levels of employment and ultimately lower tax revenue. This leads to less funding for good intended social programmes that a higher tax rate is meant to address. A lower tax rate will thus imply more funding available in the long term to address socio-economic challenges (Rolling Alpha, 2016).

The 'triple challenge' in South Africa relates to the socio-economic factors which consist of unemployment, poverty and inequality. These challenges require urgent attention from policymakers and leaders in the country to address these issues and uphold the values of the Constitution of the Republic of South Africa, 1996 (Centre for Development and Enterprise, 2017:5). The Constitution of the Republic of South Africa, 1996 (the Constitution) places a civil duty on the state to address these socio-economic challenges, however, this is subject to the availability of resources. Thus, taxation plays a crucial role in government's fulfilment of its duty per the Constitution (Fritz & Van Zyl, 2019:230).

To deal with the immediate challenges described above against the background of South Africa's socio-economic challenges, tax policies should be structured to increase revenue collection in the long-term.

The current tax structure in South Africa has undergone extensive reforms over the past two decades following the abolishment of apartheid. Between 1994 and 1999, the burden of personal income taxes (PIT) was reduced by raising indirect taxes and the South African Revenue Services (SARS) was established to administer taxation in the Republic. Other sources of tax reforms in tax legislation included the introduction of a Capital Gains Tax, rules around the source of income and worldwide income used as a basis for taxation as well as environmental taxes (Lewis & Alton, 2015:7).

The tax reforms over the past two decades produced a proportionate and competitive tax system (Lewis & Alton, 2015:7). However, the Organisation for Economic and Cooperative Development (OECD) (OECD, 2015:18) noted that South Africa had experienced wasteful expenditure linked with corruption and poor fiscal management. Notwithstanding the unprecedented expenditure incurred by government and its track record on service delivery to communities, the economy experienced unprecedented failure and decline, for example electrical power cuts which have negatively impacted on growth, investment and job creation. As communities become poorer due to wide scale unemployment, service delivery protests are on the rise, such as the 'fees must fall' campaign with the funding of free tertiary education being made possible by an increase in the rate of VAT by 1% (Greenham, 2019:1; Moolman & Jacobs. 2019:23).

As per the South African Budget Review, the current budget deficit is projected at 14% of Gross Domestic Product (GDP) in 2020/21, which re-emphasises the need for additional government revenues (National Treasury, 2021a:5). Increased government spending against the backdrop of attempts to reduce poverty and the inequality gap plays a major role in tax structuring and the tax burden on an ever-decreasing tax base and underwhelming economic growth rate which is clearly insufficient to address unemployment in any significant way. Based on a report by the Commissioner of SARS in 2017, it was noted that despite growth in the South African economy over the past two decades, South Africa experienced slower growth rates than growth achieved in many developing economies (Pidduck, Odendaal, Kirsten, Pleace & De Winnar, 2019:3).

From 2015/16, there have been a number of tax rate increases in a range of tax programmes which include (Werksman Attorneys, 2020):

- Increase in the personal income tax bracket from 41% to 45%;

- Increase in the capital gains tax rate from 66% to 80%;
- Increase in the dividends tax rate from 15% to 20%;
- Increase in the Value-Added Tax (VAT) rate from 14% to 15%; and
- Increase in the donations and estate duty tax rate from 20% to 25%.

In the interim review by South Africa's previous Minister of Finance, Tito Mboweni, announced the plan to collect an additional R40 billion in tax generated revenue within the next four years, however, this plan was put on hold until after the 2021/22 Budget Speech. Notwithstanding, the actual income tax collection exceeded the budgeted collection due to increasing commodity prices. South Africa's personal income tax rates is amongst the highest in upper middle-income countries, with the top personal income tax bracket rate amongst the highest in the world. This puts additional pressure on households and poses a challenge for the economy to realise its full potential (National Treasury: 2021b:45).

In the 2020/21 Budget Review, it was noted that a substantial increase in the tax rate in previous years had raised less revenue than anticipated due to the impact on taxpayer behaviour and constrained growth (Ndlovu, 2021:6). This means that the increased tax rates in previous years resulted in taxpayers adapting their behaviours to pay less taxes and in cases where no adaption was made, this impacted on the growth of businesses and ultimately lower tax collections than what was forecasted.

No major tax increase was announced during the 2021/22 Budget Speech. The personal income tax bracket, rebates and medical tax credits will be adjusted to countervail the impact of inflation, this relief amounted to R2.2 billion. The corporate income tax rate will be reduced from 28% to 27% from 1 April 2022, this will be done alongside the limitation of interest deductibility and assessed losses (Norden, 2021).

While the Constitution provides for the imposition of taxes and tax policies having been reformed in light of this, there is no provision in the Constitution which expressly imposes a responsibility to pay tax. The duty to pay tax is imposed by the provisions of the relevant tax legislations. Section 17 of the Constitution does, however, grant the right to assemble, demonstrate, picket and present petitions peacefully and unarmed (Fritz & Van Zyl, 2019:235).

Taking a holistic view of this right, the withholding of taxes could be considered as a demonstration against an oppressive tax regime (Fritz & Van Zyl, 2019:235). This civil disobedience has been aptly demonstrated in the non-payment of e-tolls where the collection system is not as developed as the legal tools available to SARS in collecting other taxes (Du Preez & Stoman, 2019:456). The nature of these civil disobediences raises concerns on tax compliance levels within the Republic.

Tax compliance decisions are based on taxpayer's 'tax morale' as well as trust in the government (Ramfol, 2020:2). A taxpayer's attitude towards tax evasion or the inherent motivation to pay tax is defined as tax morale (Torgler, Demir, Macintyre & Schaffner, 2008:316). A history of poor service delivery in South Africa coupled with a heavily burdened tax base could lead to low taxpayer morale, declining tax revenue and ultimately the potential of a tax revolt (Du Preez & Stoman, 2019:457).

Tax revolts originate from people's perception of an unfair tax system, thus if the government received revenue in the form of taxes, but fails to deliver services based on their obligation imposed by the Constitution, the tax regime is seen as oppressive and unfair. This could lead to a tax revolution which aims to seek restorative justice in order to improve government performance (Ramfol, 2020:1).

1.2. RATIONALE FOR THE STUDY

Since the outbreak of the Coronavirus disease 2019 (Covid-19) which has spread around the globe, South Africa recorded its first case in March 2020. The first official 'lockdown' in South Africa saw a total closure of economic activities which were deemed non-essential (Chitiga-Mabugu, Henseler, Mabugu & Maisonnave, 2020:1).

According to Statistics South Africa (2020), the country's economy retracted by over 16% in the first half of 2020 with an annualised growth rate of negative 51% due to the pandemic, with the second quarter of 2020 representing the biggest fall in GDP since 1960. The reduction in economic activities affected major revenue sources resulting in a reduction of sales and ultimately a reduction in income tax collection (Joyce & Suryo Prabowo, 2020:745).

A study by the Southern Africa Labour and Development Research Unit shows that the Covid-19 pandemic together with the national lockdown, saw a 40% decline in active employment, with an estimated 20% to 33% (roughly 1- to 1.7 million South African's) of those that lost their jobs and have fallen into poverty (Jain, Budlender, Zizzamia & Bassier, 2020:19).

In his address to the nation on 21 April 2020, President Cyril Ramaphosa outlined an economic recovery plan to address the economic and social impact of the virus on the South African economy. President Ramaphosa noted that a support package of R500 billion (amounting to 10% of GDP) will be made available to fund health responses to the pandemic, provide direct support to individuals and businesses in distress and protect jobs by supporting workers' wages. Funding will be obtained from the Unemployment Insurance Fund, together with borrowings from the World Bank and the International Monetary Fund (Tromp & Kings, 2020). The relief package focuses on short-term relief and the 2021/22 budget deficit is expected to increase (De Villiers, Cerbone & Van Zijl, 2020:804).

Based on a survey conducted by the Southern Africa Labour and Development Research Unit, only 20% of those who lost active employment by April 2020 received relief through the new Covid-19 social insurance mechanisms, namely the Temporary Employee/Employer Relief Scheme (Jain *et al.*, 2020:3).

On 22 December 2020, the Department of Health announced a R283 million down payment to secure the Covid-19 vaccine for 10% of the population. This was paid through the solidarity fund. The down payment represents 15% of the total cost of R1.86 billion to secure access to vaccines for 10% (roughly six million) of the South African population (BusinessTech, 2020b).

The vaccine programme is considered as a sustainable response to the pandemic on the understanding that if a high percentage of the population is vaccinated, there will be less opportunity for the virus to spread, this is known as herd immunity (D'Souza & Dowdy, 2020). In the president's address to the nation on 11 January 2021, where the country's progress in a national effort to contain the Covid-19 pandemic was addressed, it was noted that 67% of the South African population would need to be vaccinated to achieve herd immunity

(National Institute for Communicable Diseases, 2021). Thus, an estimated R12.46 billion will be required to secure the additional vaccines.

South Africa faces a challenge in increasing tax revenue in the years ahead without limiting growth or exacerbating inequality, however, broadening the tax base is the only sustainable way to increase tax revenue (OECD, 2015:95). It was further noted that tax policies can play an important role in increasing tax revenue collection in the long term to deal with the recovery of the economy (OECD, 2020:13). However, an overly burdened tax base with the economic, political and social factors currently present in South Africa may result in taxpayers morally justifying a tax revolt which could potentially stunt revenue collection (Du Preez & Stoman, 2019:477).

South Africa is facing severe economic decline and the potential of a tax revolt raises much concern in dealing with economic recovery. Du Preez and Molebalwa (2021:47) note that the following factors may lead to a tax revolt based on historical evidence:

- High unemployment;
- High indebtedness and subsequent high levels of poverty;
- Inequality;
- High inflation; and
- Excessive tax burdens.

All of the factors above can affect taxpayers in that they perceive the tax system as unfair. If a taxpayer does not perceive the system as fair, it will result in low levels of tax morale and tax compliance. Taxpayers will be more willing to comply if they feel that the taxes they pay, are being equitably returned in the form of efficient government services (Torgler *et al.*, 2008:329).

It is imperative that taxpayer morale is assessed to determine if a tax revolt is imminent in South Africa. Maintaining a tax-paying culture is critical to raising revenue and addressing the budget deficit as well as ensuring that the effects of the Covid-19 pandemic is dealt with adequately (OECD, 2019). This concern seems to be a consideration of the Minister of Finance who limited tax increases in the 2021/22 budget against the background of a declining economy and tax base (Norden, 2021).

According to Gcabo and Robinson (2007:368), South Africa, unlike other developing countries, has a tax paying culture in place which benefits the revenue authority. However, there has been a history of passive non-compliance with the implementation of the e-tolls – where motorists do not apply for the e-tag which facilitates the payment of the e-toll for use of the highway (Du Preez & Stoman, 2019:456). It follows, that one of the reasons for this difference in behaviour is the fact that SARS have a robust conventional tax collection system while government have a less than adequate system for collecting electronic e-tolls, with citizens assuming that they can get away with not paying e-tolls.

According to the Electronic Toll Collection Chief Executive Officer Coenie Vermaak, the civil disobedience in paying e-tolls is costing taxpayers 200% more. Electronic Toll Collection is the company contracted by the South African National Roads Agency to collect e-tolls (Bartl, 2019).

Based on the research conducted by Du Preez and Stoman (2019:477), there is persuasive evidence indicating that South African's are on the brink of a tax revolt. One form of a tax revolt could manifest in taxpayers emigrating out of South Africa, ultimately narrowing the tax base.

This research seeks to identify if the average South African taxpayer perceives the tax system as being fair and whether South Africa is on the brink of a tax revolt following the recent budget which aims to aid economic recovery after the effects of the Covid-19 pandemic.

1.3. RESEARCH PROBLEM

This study seeks to systematically analyse the South African taxpayers' response to the Budget Speech made by the previous Minister of Finance, Tito Mboweni on 24 February 2021 in addition to the South African governments' response to the Covid-19 pandemic. The findings of this study will seek to determine public opinion on the fairness of the tax strategies put into place to aid economic recovery and assess whether this could potentially lead to a tax revolt.

1.4. RESEARCH QUESTION

The research question guiding the study, is:

To what extent do the tax policies, proposed by the South African Minister of Finance in his 2021/22 Budget Speech lead to a perception of unfairness by taxpayers?

1.5. RESEARCH OBJECTIVES

The research question is supported by the following research objectives:

- To determine the perceptions of tax fairness of the tax policies as announced by the Minister of Finance in the 2021/22 Budget Speech, taking into consideration the economic impact of the Covid-19 pandemic on job losses and poverty in South Africa.
- To understand the factors that could potentially lead to a tax revolt in South Africa, where taxpayers choose to resist paying taxes.
- To evaluate if a tax revolt is imminent based on public perceptions on the fairness of tax and economic strategies put into place in light of the South African governments' spending and its response to the pandemic.

1.6. RESEARCH METHODOLOGY AND DESIGN

Social media platforms such as Twitter provide insight into public opinion which can be used to determine trends or certain inclinations towards a particular behaviour (Nlabano, 2019:53). These platforms are popular 'microblogging' tools which allow a user to create, spread and obtain information quickly and effortlessly (Gussenhoven, 2014:11).

Using social media allows participants to answer questions such as: What is happening in the world right now? (Nlabano, 2019:53). In other words, social media will paint a picture of current world events transpiring in real time.

Another useful instrument for assessing public trends is the 'inveillance' tools such as Google Trends which analyse trends in Internet searches over certain periods of time (Rovetta, 2021:3).

This research will adopt a systematic review approach in obtaining and analysing data relevant to the literature from the pre-selected microblogging and infoveillance platform as well as existing literature to analyse trends that might contribute to a tax revolt.

1.6.1. Nature of the study

The current study, to a certain extent, will be based on the South African taxpayers' opinion on the fairness of taxes. The research will take into account many factors such as gathering information from social media as well as Google Trends. The existing literature on the topic will also be examined keeping in cognisance the social and economic circumstances under which this study is being conducted.

In this study, the following microblogging and infoveillance tools have been selected as the platforms through which public opinion data is gathered and analysed:

- Twitter
- Google Trends

A social media platform was used to obtain the data analysed in Chapter 3 of this study over a certain period of time. This was obtained by making use of the advanced search and filter options available on the preselected platforms and using specific keywords relevant to the study.

In addition to the advanced filtering, the researcher posted the following question Twitter: "Do you think the tax measures put in place by the Minister of Finance are ideal in dealing with the economic crisis management following Covid-19? Do you feel that the taxes we pay are fair? If not, why do you think it's unfair and what can we do about it?"

The post was made public and all social media users were allowed to comment.

The nature of the study can be described by looking at the three types of research being conducted (Dulock, 1993:150):

- Historical research which focuses on a narrative of the past which provides a solution on current issues (Vithal & Jansen, 2010:10).

- Experimental research which looks to identify an issue that might be prevalent in the future through manipulating variables (Vithal & Jansen, 2010:10).
- Descriptive research which aims to identify patterns, characteristics, etcetera. (Dulock, 1993:154).

This study falls mainly under the category of descriptive research, as the aim is to identify taxpayer behaviour based on an analysis of behavioural patterns through social media to assess whether a tax revolt is forthcoming in South Africa.

1.6.2. Method of reasoning

Zalaghi and Khazaei (2016:23) note that there are methods to determine how a study will be concluded based on data collected and analysed. These can fall under three main categories:

- Inductive reasoning which looks at patterns or repetition to determine the outcome of a certain study.
- Deductive reasoning determines that x cannot be false, given that y is true. It places reliance on variables in the study to reach a conclusion.
- Abductive reasoning explains data available to a formulated hypothesis.

Prevalent to this study is the assessment of taxpayers' opinions and reasoning to determine the possibility of a tax revolt, thus an inductive reasoning will be applicable to this study.

1.6.3. Time horizon

The time horizon is the time that will be taken to conclude the research (Levin, 2014:20). There are two types of time horizon which are described below:

- Cross-sectional study looks at data which will be analysed at one point in time.
- Longitudinal studies analyse data over different points in time.

(Levin, 2014:20)

This study will apply a cross-sectional time horizon as the taxpayers' behaviour will be analysed in response to the 2021/22 Budget Speech and will thus only apply around this timeframe.

1.6.4. Nature of the data

According to Bacon-Shone (2016:13), the nature of data can be classified under 4 main categories:

- Qualitative data is data which is not numerical in nature and gathered from documents and questionnaires, etcetera (Bacon-Shone, 2016:13);
- Quantitative data is numerical in nature and expressed numerically (Bacon-Shone, 2016:15);
- Primary data is data which is collected and used on a specific study for the first time (Johnston, 2014:620); and
- Secondary data has been used in previous studies (Johnston, 2014:621).

This research will collect both primary and secondary data as it will use existing data as well as data gathered from microblogging and infoveillance platforms. The data will be qualitative in nature as it seeks to identify the likelihood of a certain event occurring.

1.6.5. Systematic Review

According to Khallaf, Naderpajouh and Hastak (2017:10), a systematic review seeks to identify evidence pointing towards a certain outcome of a study. This is done through the use of questions which aim to analyse the outcome of a specific behaviour. The following steps need to be followed to conduct a systematic review:

- Firstly, a focused question should be formulated. The research question prevalent to this study is: "To what extent do the tax policies proposed by the South African Minister of Finance in his 2021/22 budget speech, lead to a perception of unfairness in the minds of taxpayers?"
- Secondly, development of a criteria for the search of literature. The criterion for expanding on the question was to analyse which microblogging and infoveillance platform will be most relevant in conducting the study. In addition to this, determining

which existing literature is appropriate to expand and elaborate on based on the data obtained to recognise trends and behavioural patterns.

- Thirdly, searching the literature and assessing quality, relevancy and reliable literature. This involved identifying keywords which are relevant to the study and ensuring that sources were credible and up to date.
- Finally, synthesising the information using literature which has met the criteria. All relevant literature was analysed and sorted systematically.

1.7. STRUCTURE OF THE MINI-DISSERTATION

The main outcomes of the present study are presented in the format of a mini-dissertation. The structure of the mini-dissertation is summarised below.

Chapter 1: Introduction

Chapter 1 sets the tone for the rest of the study by giving a brief overview of the mini-dissertation. The need for high tax morale within the country is outlined and discussed and the importance of the topic is explained.

The research question and the main objectives of the study were identified in this chapter as well as the methodology used in the remainder of the study to determine whether there is a risk of a tax revolt in South Africa. The research methodology defined the criteria for gathering data and how it would be analysed for purposes of this study.

Chapter 2: Literature review

The aim of this chapter is to discuss and analyse the available literature on tax revolts. Chapter 2 will look at the constitutionality of tax revolts, common themes throughout history and previous research done to identify trends in tax revolts and seeks to answer the following questions:

- What are tax revolts and why are they important to the study?
- What trends are noticeable in tax revolts based on historical events?
- What trends are emerging in South Africa that could lead to a tax revolt?

This chapter distinguishes the type of data required to be analysed in Chapter 3.

Chapter 3: Data analysis and presentation of results

The data analysis builds on the literature review discussed in the previous chapter, exploring and analysing the available data resources which are applicable to this study. The discussion will seek to provide answers to the following questions:

- What data is available to analyse the tax morale and tax revolt climate in South Africa following the 2021/22 Budget Speech?
- How can this data be used to foresee a tax revolt in South Africa?
- Based on the data analysed, is a tax revolt forthcoming, and if yes, what factors contribute to the potential tax revolt?

Chapter 4: Conclusion

This chapter concludes the study by summarising the findings and conclusions and seeks to answer the following questions:

- Is a tax revolt forthcoming in South Africa?
- Do the tax policies communicated by the Minister of Finance, contribute to any emerging tax revolt behaviour?
- Are the tax policies that are put in place by the government fair and ideal in dealing with crisis management?

In addition, Chapter 4 explains the limitations of this study and makes recommendations for future research.

CHAPTER 2: LITERATURE REVIEW

2.1. INTRODUCTION

A tax revolt takes place when taxpayers choose to resist paying taxes and where restorative justice is used as a tool to renegotiate tax policies which are currently in place (Ramfol, 2019:4). Tax morale is seen as the motivating factor for taxpayers to pay their taxes. Individuals are generally not motivated to pay taxes unless there is trust in the tax system, thus the government must ensure that tax policies are fair and beneficial to citizens (Greenham, 2019:12).

There is limited literature available on the perception of taxes in South Africa from a taxpayers' point of view (Oberholzer & Stack, 2014:227). In a recent poll conducted by non-profit organisation Sakeliga, it was found that 95% of respondents indicated that the lockdown has reduced their willingness to pay taxes (Mail & Guardian, 2020).

There is a need for high levels of tax compliance together with an effective tax system as well as the need for collaboration between the revenue authority and the taxpayer (Davis Tax Committee, 2017:26). These factors indicated a need to review the current literature surrounding the typical factors that contribute to a tax revolt, the probability of a tax revolt in South Africa and the public perception on the most recent budget presented by the former Minister of Finance.

Higher levels of tax compliance thrive in a socio-economic environment where citizens perceive societal and personal benefits received from the state (OECD, 2013:2). It then follows, that services provided by a capable state will result in an effective tax system, as citizens perceive value in paying their taxes. The consequence of an incapable state will result in an ineffective tax system, as citizens will not perceive value in paying taxes and ultimately result in a resistance to pay taxes.

According to Du Preez and Stoman (2019:478), when a mutual resistance is identified using social media platforms, ordinary people can become powerful. In Chapter 3, data from selected social media platforms will be used to analyse public opinion on a perceived fair tax system and the possible outcomes of any retributive actions.

2.2. CONSTITUTIONALITY AND THE DUTY TO PAY TAXES

Laws are created to ensure peaceful co-existence amongst groups of people living together. Societies thus enter into a 'social contract' to sustain a peaceful existence. A government or similar authority lays down laws which the citizens of the country must follow in exchange for security and enforcement of the rules by the elected government or authority (Kleyn & Viljoen, 2010:2). These laws should ideally reflect the shared values of the society, which are based on a free market, democracy, equality and moral values - amongst others. When the laws do not reflect the shared values of the majority of the population, a legitimacy crisis occurs (Kleyn & Viljoen, 2010:3).

A legitimacy crisis arises when the citizens lose their trust and confidence in the existing laws as these laws do not reflect the shared values of the people (Kleyn & Viljoen, 2010:3). Such a legitimacy crisis may also give rise to tax revolts.

In South Africa, the shared values of the people and the legitimacy of the state is reflected in Chapter 2 of the Constitution – known as the Bill of Rights. This chapter sets out the rights of all citizens of the Republic of South Africa which includes education, healthcare, access to food and water, housing and social security within a safe environment - amongst others. A civil duty is placed on the state to enforce the rights of its citizens in terms of the Constitution (Fritz & Van Zyl, 2019:230). However, to enable the state to perform its duties in terms of the Constitution, the 'Money Bill' contained in Section 77 of the Constitution imposes "national taxes, levies, duties, or surcharges" on South African citizens (Brickhill & Bishop, 2009:143). This gives the state the power to enforce the Constitution and protect its citizens (Brickhill & Bishop, 2009:143). The Constitution, while protecting the rights of its citizens, also imposes a duty on citizens to pay taxes that will enable the state to enforce these rights.

If South African citizens feel that their rights contained in Chapter 2 of the Constitution is not being sufficiently protected, this will cause a legitimacy crisis to arise on the purpose of the 'Money Bill' and subsequently lead to a tax revolt.

In 1994, when South Africa transformed from a parliamentary state to a constitutional state, there was a need to relook at the existing legal policies, including tax policies. The

government elected the Katz Commission to study the South African tax system and make recommendations on reform in line with the Interim Constitution (Aaron & Slemrod, 1999).

The Katz Commission noted that “the tax system is subject to the Constitution and must conform to society’s commitment to the Rule of Law” (cited in Mkhawane, 2015:1). The South African tax system should be designed, not only to effectively enforce the tax laws of the country equally for all citizens, but that a citizen’s right to be taxed in terms of those tax laws should be protected. Thus, careful consideration was needed for the implementation and design of the tax system and its laws to ensure conformity with the Constitution (Keulder, 2012:4).

In *First National Bank of SA Ltd t/a Wesbank v C:SARS 2002 (7) JTLR 250 (CC)*, it was established that no matter how crucial tax provisions are for the economic well-being of the country, the Constitution is supreme and that every organ of state (including SARS) and all statutory regulations had to conform to the provisions of the Constitution (Keulder, 2011:4). This case clearly demonstrates that while government has an obligation to impose taxes to address the social challenges, government is not at liberty to tax in a manner that will infringe on the constitutional rights of citizens. Citizens’ rights may not be undone by unfair tax policies.

Unfair tax policies are not an uncommon theme, there have been numerous instances where tax policies were perceived as unfair and which ultimately led to a tax revolt. For the purposes of this study, a few of these instances will be analysed to identify trends that lead to tax revolts.

2.3. ANALYSIS OF HISTORICAL TAX REVOLTS AND THE LESSONS LEARNT

Tax Revolts and protests are a continuous theme throughout history (Fritz & Van Zyl, 2019:233). One of the first tax rebellions in South Africa was the Bambatha Rebellion. In the early 1900s, the East Coast fever epidemic which decimated cattle was widespread in South Africa, along with a swarm of locusts and floods due to severe storms which lead to an economic depression. In 1905, the Natal government imposed a £1 Poll Tax on African men above the age of 18 years, this was done in an attempt to increase the supply of labour to

farms and mines, forcing African men into becoming agricultural labourers and miners (Alcock, 1980:36).

The imposition of the Poll Tax ultimately led to an armed rebellion which was led by Chief Bambatha kaMancinza, who refused to pay the Poll Tax. The Chief, together with a small group of supporters rallied against the colonial government. This rebellion was in response to the discriminatory policies against the Zulu people by the colonial administrators in Natal (Redding, 2000:31).

Another largely successful tax revolt was the Association of Real Estate Taxpayers (ARET). In 1933, the Great Depression saw a downturn in economic activity with property prices dropping and unemployment rising (Chang, 2018). In Chicago, to protest against rising tax burdens, United States citizens formed taxpayer leagues, the most famous of which is ARET. This league was created by a group of several wealthy land owners. The ARET organised one of the largest tax revolts in the United States (Encyclopedia.com, 2021). The organisation consisted of 30 000 members and their efforts were impactful to the point where the mayor of Chicago threatened to cut off their access to water should the league continue with the revolt (Chang, 2018:).

The concept of 'no tax without representation' is a clear theme in the Bambatha tax revolt, emphasising the need to tax citizens with no regard to social, religious or ethnic background. While this tax revolt is important in the South African context as it represents the country's past on which it is possible to gain insight, such unequitable tax laws have been reformed since 1994 in line with the Constitution (Lewis & Alton, 2015:7).

The tax revolt by ARET, on the other hand, shows similarities with the themes currently recognised in South Africa – being a high tax burden imposed during a downturn in the economy. While the tax policies announced in the Budget Speech aimed to reduce taxes, this comes together with an increase in Eskom tariffs, fuel levies and most recently, the intention of the government to introduce a 12% payment of earnings to a National Social Security Fund (South African Institute of Race Relations [SAIRR], 2021:7; Head, 2021). Such high tax burdens will lead to a perception by taxpayers that the tax policies are unfair.

2.4. FAIRNESS OF TAX

One of the earliest philosophies on justice (and by extension – tax justice) is the Rawls Theory which perceives everything through a ‘veil of ignorance’. Under this theory, each person is taxed equitably with no consideration to any social or economic disadvantages, this approach is known as Legal Positivism. Accordingly, income and wealth are distributed equally amongst the population unless an equal allocation is to the advantage of the least favoured (Kornhauser, 1996:623).

In contrast, the Natural Law approach takes into consideration a moral dimension, which raises the question: “Should the law be obeyed even if it is unjust or unfair?” (Kleyn & Viljoen, 2010:11). This approach is closely linked to the African cultural perspective which takes into account the values of the majority of South Africans. This perspective was incorporated into the Constitution which introduced the concept of *ubuntu* meaning humaneness or morality (Kleyn & Viljoen, 2010:309).

The Gini Coefficient is a measure of the distribution of income across a population and is used to determine economic inequality. As per data available, South Africa had a Gini Coefficient of 63 in 2014 (World Bank, 2014). This is one of the highest income inequality rates in the world, meaning that South Africa has one of the biggest gaps between the highest and lowest income earner.

Inequality is palpable in the cities of Cape Town and Johannesburg – two of the richest cities in the country – which is surrounded by thousands of squatters. Due to the extreme inequality, PITs are collected from a relatively small portion of the population. This is implemented through a progressive tax table which places a greater burden of taxes on the rich while providing relief to the poor (Aaron & Slemrod, 1999).

VAT on the other hand, poses a concern as a disproportionate burden is placed on poorer households who spend a larger portion of their income on necessities. In South Africa, a VAT rate of 15% is levied on the purchase of goods and services with the ultimate burden falling on the end consumer (SARS, 2019:1). A relief exists in the form of zero-rated VAT which imposes a tax at 0% on basic foods and products (Visser, 2014).

Adam Smith, an 18th century Scottish philosopher, noted that a good tax system is based on the fairness principle (Kleyn & Viljoen, 2017:2). Kleyn and Viljoen (2017:2) noted that perceived fairness of a tax system and tax compliance goes hand in hand.

A study conducted by Muli and Steyn (2015:195) explored how the perception of a fair tax system influenced an individual taxpayer's subjective appraisal of their tax returns. The perceived fairness of a tax system is known as tax morale. Tax morale is the motivating factor upon which taxpayers pay their taxes (Greenham, 2019:12).

2.5. TAX MORALE

The 'Cologne school of tax psychology' first developed the concept of tax morale in the 1960s and 1970s. Tax morale can be categorised into three main concepts, namely:

- Personal and social norms;
- Socio-demographic controls; and
- Trust in tax authorities.

(Rodriguez-Justicia & Theilen, 2018:19)

Horodnic (2018:870) states that individuals are not investigated by themselves, but rather consideration is given to their social groups, religion and cultures. It is important to consider the African cultural perspective as this view incorporates the spirit of community and is reinforced by the African proverb *Umntu Ngumuntu Ngabantu* – A person is a person through other people (Iñarra, 2017). A person's decisions are based on the society they belong to and the norms they conform to. This is seen as a personal and social norm which can play a role in tax morale. In specific cases tax revolts will be seen as bad or not morally justifiable.

Consideration is also given to socio-demographic controls where people belonging to a particular socio-demographic group, such as age, gender, marital status or level of education projecting similar levels of tax morale (Rodriguez-Justicia & Theilen, 2018:20).

For the purposes of this study, the analysis will be limited to trust in the tax authorities as well as the perceived effectiveness of government to address service delivery and social inequalities.

2.6. TAXATION: TRUST BETWEEN THE STATE AND TAXPAYER

The Merriam-Webster dictionary (2021) defines tax as “a charge usually of money imposed by the authority on persons or property for public purposes”.

While a person has a duty to pay taxes, this is done with an expectation of getting something in return from the government (Torgler *et al.*, 2008:329). A taxpayer’s willingness to comply with tax legislation is linked to the taxpayer’s satisfaction in the supply of public goods and services as well as the power held by the tax administrator (Siglé, Goslinga, Speklé, Van der Hel & Veldhuizen, 2018:13).

A state’s ability to collect revenue through taxes depends greatly on its relationship with its citizens. What is also important is the state’s commitment to contribute to the common good. Government credibility plays an important role in tax compliance decisions where a taxpayer will only be willing to pay taxes if they trust their government (Siglé *et al.*, 2018:3). A behavioural study conducted by Kirchler, Hoelzl and Wahl (2008:223) note that taxpayers perceive a tax rate as “too high” or unfair if the trust in the state is low, whereas the same rate of tax is seen as reasonable when there is a high level of trust in the state. When a government’s rule is associated with corruption and inefficiency, then the legitimacy of the state is undermined and taxpayer morale is lowered (Ramfol, 2019:9).

Fritz and Van Zyl (2019:237) argue that the relationship between government and taxpayer does not require either one of the parties to complete its obligation towards the other before the other party can perform its duties. Thus, a taxpayer cannot raise a defence in this regard to legally justifying withholding of taxes. Despite tax morale being a motivating factor in a tax revolt, consideration should also be given to the power of the tax authority.

2.7. THE TAX ADMINISTRATION ACT

While high burdens of tax on taxpayers may present a motivating factor for a tax revolt, it should be noted that embarking on a tax revolt is considered a civil offence and the mechanisms available to SARS to ensure compliance are harsh and unavoidable (Ramfol, 2019:11).

The Tax Administration Act No. 28 of 2011 (TAA) confers power to SARS to enforce tax compliance and make administrative decisions to further its mandate (Ramfol, 2019:10).

One of these conferred powers is reflected in Section 172 of the TAA in conjunction with Section 164, which incorporates the pay-now-argue-later principle. In terms of this principle, a person who wishes to dispute tax due to the revenue authority is still obliged to pay over the taxes to SARS and this will be retained by SARS until a resolution is reached on the applicable tax in dispute (Fritz & Van Zyl, 2019:239).

SARS is also granted the power to file a statement with the clerk or registrar of a court which reflects the outstanding tax due with interest and penalties. In the case of non-compliance, SARS may obtain a court order to attach and sell the taxpayers property (Fritz & Van Zyl, 2019:239).

Furthermore, a court order can be issued to rescind an offending taxpayer's right to travel as well as seize any offshore assets. Section 59 of the TAA, further authorises a senior SARS official to obtain a warrant and search a taxpayer's house if the taxpayer is suspected of a tax offense (Ramfol, 2019:11).

These conferred powers listed above was criticised by the Katz Commission for being unconstitutional, as it breaches the fundamental rights listed in section 34 of the Constitution which states that each person has the right to justifiable disputes settled by the court of law (Van Schalkwyk, 2001:296).

The Constitution is the supreme law of the land, which can override the provisions of the TAA and the relevant tax legislations if these are deemed unconstitutional. However, the high costs involved in disputing as well as the risk of not being able to discharge the onus

of taxes are factors which deter taxpayers from exploring this avenue (Van Schalkwyk, 2001:297). There has been some resistance though, in the form of the anti e-toll and television license campaigns.

2.8. ON-GOING TAX REVOLTS: THE CASE OF E-TOLLS AND TV LICENSES

According to Duvenage (2018) the South African government is more often than not the cause of declining tax morale amongst tax paying citizens. This is due to flawed decisions and error in judgements on the part of policymakers. The Organisation Undoing Tax Abuses (OUTA) was established with a mandate to improve the performance of government and government departments with regards to the delivery of services to society (OUTA, n.d.[b]). OUTA covers numerous projects with the aim of combating corruption and maladministration, two of these projects are discussed below, namely the South African Broadcasting Corporation (SABC) TV license and the e-toll gantry controversy.

The SABC is governed by the Broadcasting Act 4 of 1999. In terms of the Broadcasting Act, any person that owns a television (TV) set capable of receiving broadcasting signals must have a valid TV license and make annual payments to the SABC (SABC, 2019).

The license fee is not a service contract or purchase from the SABC, but rather an official authorisation for the right to own a TV set. The Broadcasting Act makes no obligation on the SABC to meet any demands or provide any services to the license holder. The SABC is, however, mandated by law to provide broadcasting services to all South Africans taking into account their ethnicity, languages and diversity (OUTA, n.d.[b]).

Despite its mandate to promote access to information to all South African's, the SABC has been accused of censorship of certain footage, dismissal and suspension of journalists who question the SABC's policies, biased reporting and other cases of maladministration and corruption (OUTA, n.d.[b]). This has led to public concern on the abuse of taxpayer money and questions regarding the justification of paying a TV license. Duvenage (2020) faults the downward spiral in collection of TV licenses on the following factors:

- Lack of trust in the purpose of the levy;
- Poor leadership decisions; and

- Poor administration and controls in place.

The purposes of the TV license in combination with the maladministration of the SABC's powers have resulted in a low level of tax morale in South African TV license holders. Pairing this with the relatively weak control in administering the license fee has resulted in many feeling that they could get away without paying the TV license. The SABC is unable to administer who has a TV set and ensuring compliance will be too costly and impractical. The current compliance rate stands at an estimated 30%, whereas TV licenses in most other countries that impose having a TV license stands at more than 90% (Duvenage, 2020).

Another example of an on-going tax revolt is the controversial e-toll system. The e-toll gantries have been set up since 3 December 2013 and used as a tool to collect tolls from motorists using several urban freeways in Johannesburg and Tshwane (OUTA, n.d.[a]). The gantry structure cost the South African National Roads Agency SOC Ltd R22 billion, however, the on-going tax revolt has caused the figure to inflate to R45 billion. This debt continues to mount and places an additional burden on taxpayers – requiring taxpayers to pay 200% more than initially estimated (BusinessTech, 2019).

OUTA (n.d.[a]) has challenged the e-toll system in court noting that the gantries are “irrational, inefficient, costly and largely unworkable”. While OUTA acknowledges the need for road improvement and the efforts by the state to find solutions that address the needs of the citizens, they believe that the e-toll system was too costly. The schemes levels of compliance ranged from 43% to 27% and the system was not practical due to the unenforceable environment and inefficient postal systems. OUTA has instead suggested a fuel levy as a more viable solution and a more effective tool in ensuring compliance.

Both the SABC TV license and the e-toll controversy highlight the need to ensure that the implementation of tax policies is rational and justifiable. Tax policies cannot be regarded as justifiable where tax compliance is required to be followed strictly by taxpayers while the state does not meet its own obligations – this is supported by the fact that hundreds of requests were sent to OUTA with calls to start a tax revolt. Despite the high levels of tax revenue collection, these funds are being squandered and spent wastefully (Duvenage, 2018).

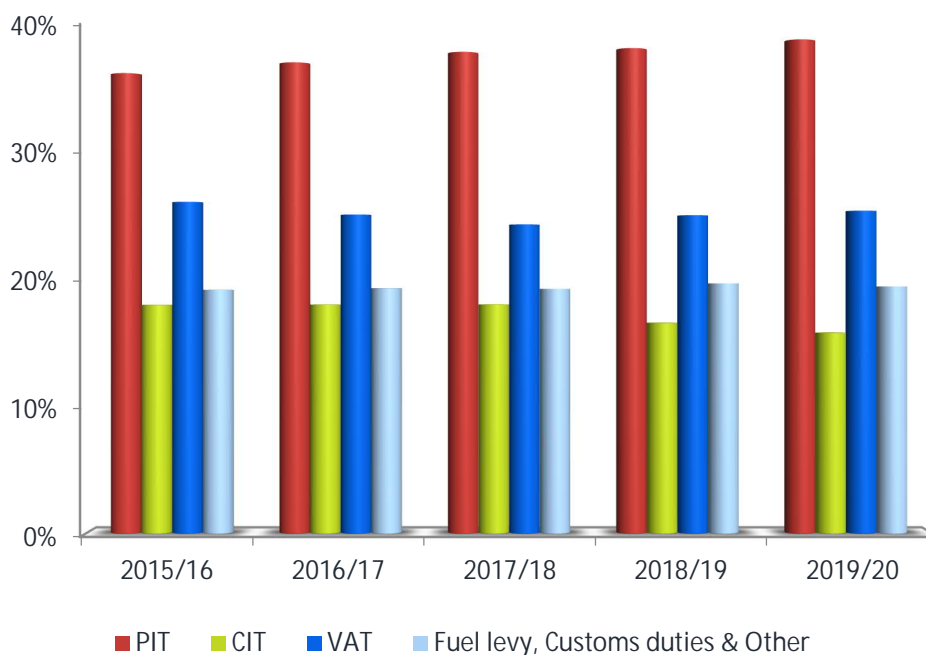
2.9. TAX REVENUE COLLECTION VERSUS TAX SPENDING IN SOUTH AFRICA

Tax policies are geared to provide an efficient and equitable basis for deriving adequate tax revenues required for government expenditure (Amusa, 2004:117). As per data released by the OECD (2021), revenue from tax collection made up 98% of total government revenue in 2018 which suggest that tax policies are mostly effective with the exception of a few occurrences. The high percentage of tax revenue to total government revenue suggests that taxes are a single source that enables the sustainability of the nation, without which there is a likelihood of untold negative outcomes in society.

Tax revenue while effectively collected, is far from effectively spent and the main reason for discontent of taxpayers. While revenue collection is one of the elements that forms the basis of a capable state, more importantly is the impactful disbursement of tax collected which must promote services delivery to meet the social challenges of society (OECD, 2013:2).

It is against this background that tax revenues and expenditure trends are analysed in Figure 1 below.

Figure 1: Composition of main sources of tax revenue 2015/16 - 2019/20



Source: SARS (2021b)

Based on Figure 1 above, PIT contributes almost 40% of total tax revenue and makes up the bulk of tax revenue for the past five years. This is followed by VAT which makes up more than 20% of total tax revenue. CIT contribute less than 20% of total tax revenue. In the 2021/22 Budget Speech, it was announced that the corporate tax rate is expected to be reduced from 28% to 27% in 2022 - this could potentially affect the composition of tax revenue in future (Norden, 2021).

Tax revenue continues to grow year on year, however, according to the Auditor General of South Africa's (AGSA) Citizen Report (2019:12), irregular government expenditure in the 2018/19 fiscal year amounted to R61.35 billion. R1.37 billion was wasted due to poor decision making and R849 billion was lost in fruitless and wasteful expenditure. Fruitless and wasteful expenditure occurred at 223 government departments and state-owned entities in 2018/19.

Based on the outcome of the Auditor General's audit of government departments (AGSA, 2019:14), only 26% of auditees could show that the revenues allocated to them have been adequately used for their intended purposes. The Citizens Report further found that government contracts are being awarded to employees and families of employees without the required declarations of interest - this is strictly prohibited by law (AGSA, 2019:15).

State-owned enterprises continue to make headline news due to their poor financial conditions and maladministration. These enterprises are still operating due to multibillion-rand bailouts by government which are being funded through taxpayer revenue. Not one of the state-owned enterprises audited by the AGSA received a clean audit in the 2018/19 fiscal year, this included the Development Bank of South Africa and the Industrial Development Corporation. Transnet, Eskom, the SABC, Airports Company of South Africa and Denel contributed the most to irregular expenditure during the 2018/19 fiscal year (AGSA, 2019:33).

Although corruption and tax morality are separate issues, they can become intertwined and reinforcing which is in turn detrimental for the growth of the economy (Alm, Martinez-Vazquez & McClellan, 2016:3). From the AGSA report discussed above, it is clear that corruption in government is a concern and a motivating factor of taxpayers' calls for a tax revolt (Duvenage, 2018).

2.10. CONCLUSION

Looking at the factors above, it appears as though tax compliance is ensured through harsh protocols put in place by the TAA as well as certain socio-economic considerations (Ramfol, 2019:11; OECD: 2013). However, taking into account that government inefficiency and poor service delivery is extremely prevalent in South Africa with low accountability, the tax system can be presumed to be unfair to a vast majority of South African taxpayers. It can be documented that tax morale in South Africa is low, however, considering the penalties that will apply for non-compliance, it is difficult to tell whether a tax revolt is imminent.

Based on the literature review, tax policies, where administration is weak, is exploited due to the fact that taxpayers are most likely to get away with non-compliance (Duvenage, 2020). Given that the bulk of the South African tax burden falls upon the rich, it is unlikely that a tax revolt will gain popular support by the bulk of the population (Rolling Alpha, 2017:). A tax revolt could manifest itself in high earners taking up foreign jobs; however, the reason for migration could include a number of considerations including better job opportunities, safety as well as income tax considerations (SAIRR, 2021:6).

A tax revolt is likely to be more effective if it has mass support with weak administration as demonstrated in the e-toll and TV licence revolts. Regardless of the factors mentioned above and the trends on tax revolt, there is a potential risk for a revolt in South Africa due to the low morale amongst taxpayers, thus reliance will be placed on social media and infoveillance methods to assess the tax revolt climate amongst South African taxpayers in Chapter 3.

CHAPTER 3: DATA ANALYSIS AND RESULTS

3.1. INTRODUCTION

“Revolution will not be televised, it will be tweeted” (Hounshell, 2011).

Moral behaviours of citizens may reinforce or hinder democratic progression. It is for this reason that tax administrations across the world should ensure that their taxpayers’ beliefs, values and customs are consistent with the revenue authority’s code of conduct as well as the norms existing in society. Culture and values play an important role in the development of democratic processes and taxpayers will promote values that conform to their belief in a social pact that reflects in the tax system (Vásconez, 2011:1).

While it can reasonably be argued that taxpayers’ beliefs, values and customs are in line with the Constitution, it is arguable that these common values reflect in the tax system in the Republic. Headlines are widespread with news of corruption and maladministration in state-owned enterprises and low rates of accountability which naturally lead to frustrated taxpayers who receive poor service delivery in return for their taxes paid (AGSA, 2019:33).

These headlines have traditionally been reported on media channels such as radio, television, online websites and newspapers which predominately entails one-way communications channels (Nhlabano, 2019:11). With the introduction of social media channels such as Twitter, information can be conveyed directly to a large group of people allowing two-way communication and can provide insights into taxpayer’s opinions and behaviour (Nhlabano, 2019:11).

Social media analytics is a term used to describe the investigation of structured and unstructured data in social media platforms. Social media sites hold large quantities of valuable data which can be useful in predicting the tax revolt environment in the country (Nhlabano, 2019:12). However, it is reasonable to expect that not all taxpayers post their opinions on social media platforms, thus infoveillance methods will also be used to investigate factors that initiated search volumes relevant to the study on Google over specific periods of time.

3.2. MICROBLOGGING AND INFOVEILLANCE

Social media networks are virtual communities where members with common interests share unlimited and unrestricted information. It provides channels for socialising and offers unique ways for users to express opinions and information instantly (Nhlabano, 2019:13). Microblogging is described as a platform through which users can post short opinions and ideas which can influence communities, with Twitter being noted as a popular microblogging platform.

On the other hand, an infoveillance tool such as Google Trends has been widely used by scientific communities for monitoring disinformation and predictions on the spread of diseases (Rovetta, 2021:3). This tool can also be used to monitor and predict the attitude of taxpayers in South Africa following the 2021/22 Budget Speech.

Both these tools are analysed below.

3.2.1. Twitter as a microblogging tool

Twitter is a free social networking platform that has 554.7 million active users with 500 million tweets per day (Nhlabano, 2019:19). Twitter was established in October 2006 and has since become one of the most popular forms of microblogging globally. It allows users to follow any public profile and interact freely with other users globally over a number of platforms and devices (Walck, 2013:66). Tweets posted over twitter are searchable – meaning that any person whether a twitter user or not, can access tweets. These tweets (if not deleted or removed) are made permanent and public (Nhlabano, 2019:19).

Besides allowing users to convey their independent thoughts, Twitter also allows users to promote a thought through retweets, likes and comments – these interactions allow a tweet to be displayed over a larger platform of people and can contribute towards wider discussions through the use of hashtags (McCormick, Lee, Cesare, Shojaie & Spiro, 2017:6).

While there are a large number of Twitter users across South Africa, these users only represent a fraction of the population. It is undisputed that Twitter is a powerful tool for

historical data analysis, however, analysing tweets can be time consuming and costly as it requires additional tools to extract the data from twitter into a presentable format (Nhlabano, 2019:19).

For the purposes of this study, Tweets are selected and downloaded over a period of time containing certain keywords and analysed to determine public opinions on South African taxpayers following the 2021/22 Budget Speech.

3.2.2. Google Trends as an infoveillance tool

Google Trends is also a freely accessible tool that allows users to obtain Internet search data and use this data for insight into population behaviour. This tool is made available by Google Incorporated without the need for subscriptions and is freely available to the public. Google Trends analyses approximately three billion daily Google searches and provides data relating to geographical location and patterns in search trends (Nuti, Wayda, Ranasinghe, Wang, Dreyer, Chen & Murugiah, 2014).

Google Trends quantifies Internet users' interests by returning a value of between 0–100 based on searched keywords. These quantified ranges are known as Relative Search Volume and compare the keywords search to the total number of web queries over a period in time (Rovetta, 2021:3). This data can be easily exported and is useful in comparative research.

Despite the proven results of Google Trends as a tool to assess behavioural patterns and the ease at which data can be extracted and compared, there are some limitations to its use. One such limitation is that the data provided is relative and no absolute figures are presented. Another limitation being the context of a search may not be relevant to the study and thus needs to be validated – for example a search into a specific keyword could be for academic purposes and not necessarily relate to a behavioural pattern emergence. It should also be considered that though Google is the most used search engine, not all taxpayers have access to the Internet (Scheffold, 2016:57). However, holistically, Google Trends provides easy access to a large database and is useful for deriving insight into population behaviour (Nuti, Wayda, Ranasinghe, Wang, Dreyer, Chen & Murugiah, 2014).

For the purposes of this study, a quantitative analysis of tax revolt searches through Twitter and Google Trends will be used to analyse the following:

- Studying the attitude of taxpayers following the 2021/22 Budget Speech;
- Studying the tax compliance climate amongst South African taxpayers;
- Understanding taxpayers' interests in tax revolts; and
- Predicting the possibility of a tax revolt in South Africa.

3.3. TAX REVOLTS: TWEET ANALYSIS

From the literature, one of the common factors which gave rise to a tax revolt was low levels of tax morale amongst the population. This mostly stems from taxpayers' beliefs that the taxes they are paying are not fair or that they do not receive enough benefits from the state in return for their taxes paid.

To assess the tax compliance attitude amongst taxpayers in South Africa, the researcher posted the following question on Twitter: "Do you think the tax measures put in place by the Minister of Finance is ideal in dealing with economic crisis management following Covid-19? Do you feel that the taxes we pay are fair? If not, why do you think it's unfair and what can we do about it?" These questions were aimed at understanding the trends among respondents towards their perceptions of tax policies.

All South African taxpayers that had access to Twitter at that point in time and read the post were invited to respond. While a total of 141 people expanded the details of the tweet on Twitter, only 10 responses were received.

The responses are categorised as follows:

- **Not enough knowledge on the topic to contribute**

This category is made up of twitter users who have responded to the post by tagging other people to join the discussion or noting that they do not have enough of a finance background to sufficiently contribute to the topic.

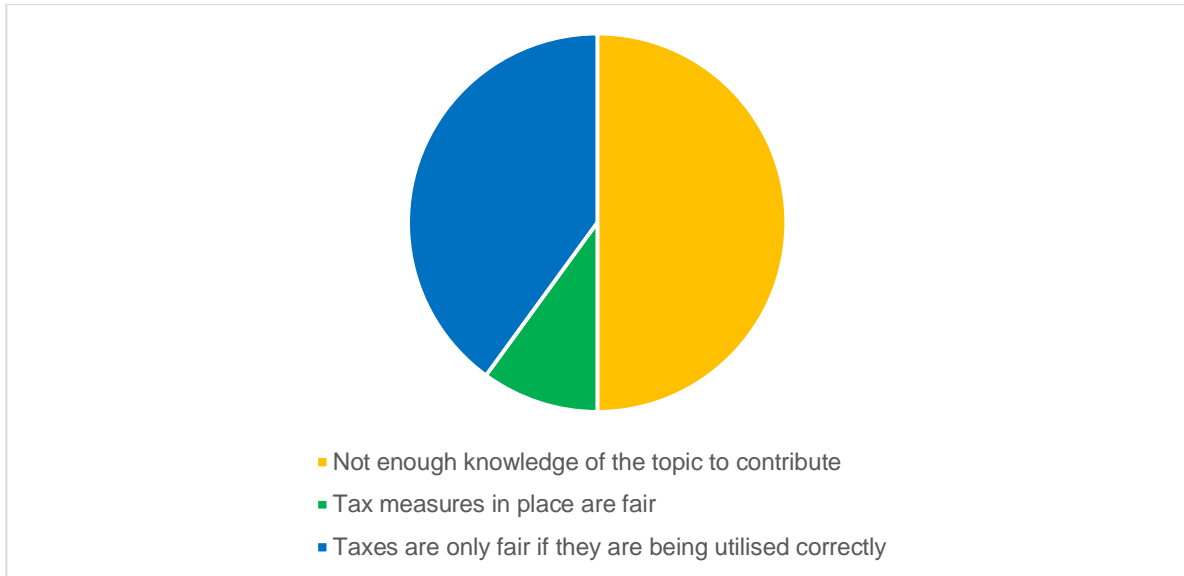
- **Tax measures in place are fair**

Twitter users who have outright noted that tax policies are fair have been allocated to this category.

- **Taxes are only fair if they have been utilised correctly**

Any tweets conceding that tax policies are fair but highlighted issues such as corruption, mismanagement and other political factors were categorised to this heading.

Figure 2: Are the tax measures put in place by the Minister of Finance fair?



The responses to the social media questions will be addressed below.

3.3.1. Not enough knowledge on the topic to contribute

From the social media users that have seen the post, only 7% have responded to the tweet. Of the respondents, 50% noted that they do not have a tax background and therefore cannot comment whether tax policies are fair or not.

According to the National Treasury and SARS (2020:24), Pay-As-You-Earn (PAYE) made up 97.9% of total PIT, with PIT being the biggest cut of the total tax revenue collected, this suggests that a large proportion of taxpayers are employed in the formal sector and taxes are deducted directly by their employers and paid over to SARS. This is a form of withholding taxes to ensure compliance amongst taxpayers (SARS, 2021a).

Due to this method of withholding taxes, some taxpayers who are employed in the formal sector and have no other sources of income are required to file an annual tax return while making a few adjustments relating to travel, donations and medical aid claims - amongst others (SARS, 2021a).

Notwithstanding the fact that a high number of taxpayers are individuals, there seems to be apathy on the impact of taxes on people's income, as suggested by the findings of the undermentioned survey.

While taxpayers have some knowledge on how much taxes they pay and how this is calculated, the process is streamlined so that they are not required to know much about tax policies to successfully file a tax return. It is for this reason that a large portion of respondents noted that they cannot effectively determine if the tax policies in place are fair.

3.3.2. Taxes are only fair if they are being utilised correctly

Of the Twitter users who responded to the tweet, 40% noted that tax policies are fair, however, if the taxpayers' money is being used wastefully, this changes their perspective with one user noting that they would rather pay the taxes to a charitable organisation such as Gift of the Givers.

The Gift of the Givers Foundation is one of the largest disaster response non-government organisations in Africa. In June 2021, the Foundation assisted the Rahima Moosa Mother and Child Hospital – a state hospital – by digging boreholes to counter water shortage problems in the area. The water shortages resulted in surgeries being cancelled, patients not being able to wash and dirt not being cleaned from the floors of the hospital leading to unhygienic conditions (Haffajee, 2021).

Similarly, in Feni Village in the Eastern Cape Province of South Africa, households had to rely on dirty water from the river. After protests, the Amathole District Municipality installed a water tank in the area which failed to supply the required amount of water to meet the needs of the communities. The Gift of the Givers Foundation assisted with the digging of boreholes for the communities before the municipality could resolve the problem (Isaac & Damba-Hendrik, 2020).

Haffajee (2021) stated that charitable organisations continue to do a significant amount of government work. It was further noted that tax payments are “grudge payments” and that “until the thieving stops, I want the option to pay my taxes straight to the Gift of the Givers” (Haffajee, 2021).

This theme seemed to have caught on quickly on Twitter with more than 70 tweets – the top tweet having close to 800 likes and over 150 retweets – stating that taxpayers want to pay their taxes to Gift of the Givers and that the Foundation should be administering government departments instead of corrupt politicians.

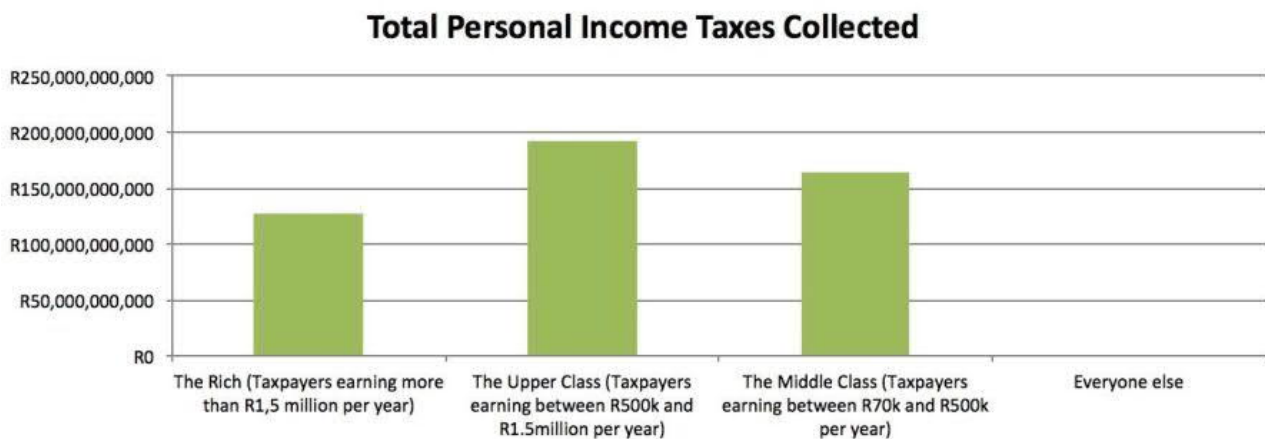
While the penalties relating to a tax revolt act as a deterrent to taxpayers – tax structuring is a tool which is legal and taxpayers are allowed to structure their tax affairs in a way that is most beneficial to them. Based on the tweet analysis relating to the payment of taxes to Gift of the Givers, it appears likely that taxpayers will take advantage of the Income Tax Act’s Section 18A donations deduction and try to limit the amount of taxes paid and defer 10% to charitable organisations (Ngwenya, 2021).

3.3.3. Tax policies are fair

Only 10% of respondents to the question noted that tax policies are fair. This clearly distinguishes that tax morale amongst taxpayers is low in South Africa. The response noted that tax policies are fair as they benefit the poor.

In South Africa, 1% of the population is responsible for two-thirds of all tax revenue. The tax system is meant to be highly progressive and is intended to act as a redistribution tool. This means taxes are based on the ability to pay and that taxes are collected from high income earners and redistributed to the poor (Jankie, 2019:4).

Figure 3: Total amount of income tax collected per income range



Source: Rolling Alpha (2017)

According to Rolling Alpha (2017), taxpayers who earn in the top 1%, contribute 61% to the total income tax bill. From Figure 3 above, it can be seen that most tax revenue is generated from the upper class and middle class of the population. However, on average, taxpayers that earn more than R1.5 million a year contribute the most to tax revenue.

Are the tax rates really progressive for individuals? The concept of progressive taxes was first introduced by Adam Smith in his book “*The Wealth of Nations*” (cited in Forslund, 2016: 6). The Davis Tax Committee noted that those who earn more income should pay more taxes based on the ability of pay principle – this is known as vertical equity. Vertical equity declares that the wealthier a member of society is, the more they enjoy the benefits of government services and should thus be taxed more (Forslund, 2016: 4).

In South Africa, individuals are taxed based on a sliding scale and categorised based on the income they earn. For the majority of South African’s, however, a low tax society means poor levels of state services, informal settlements, and lack of access to safe living conditions or access to health and educational facilities (Forslund, 2016:3). Corruption undermines the legitimacy of tax policies in place and ignores the purpose of the redistributive qualities intended.

3.4. PUBLIC INTEREST IN TAX REVOLTS

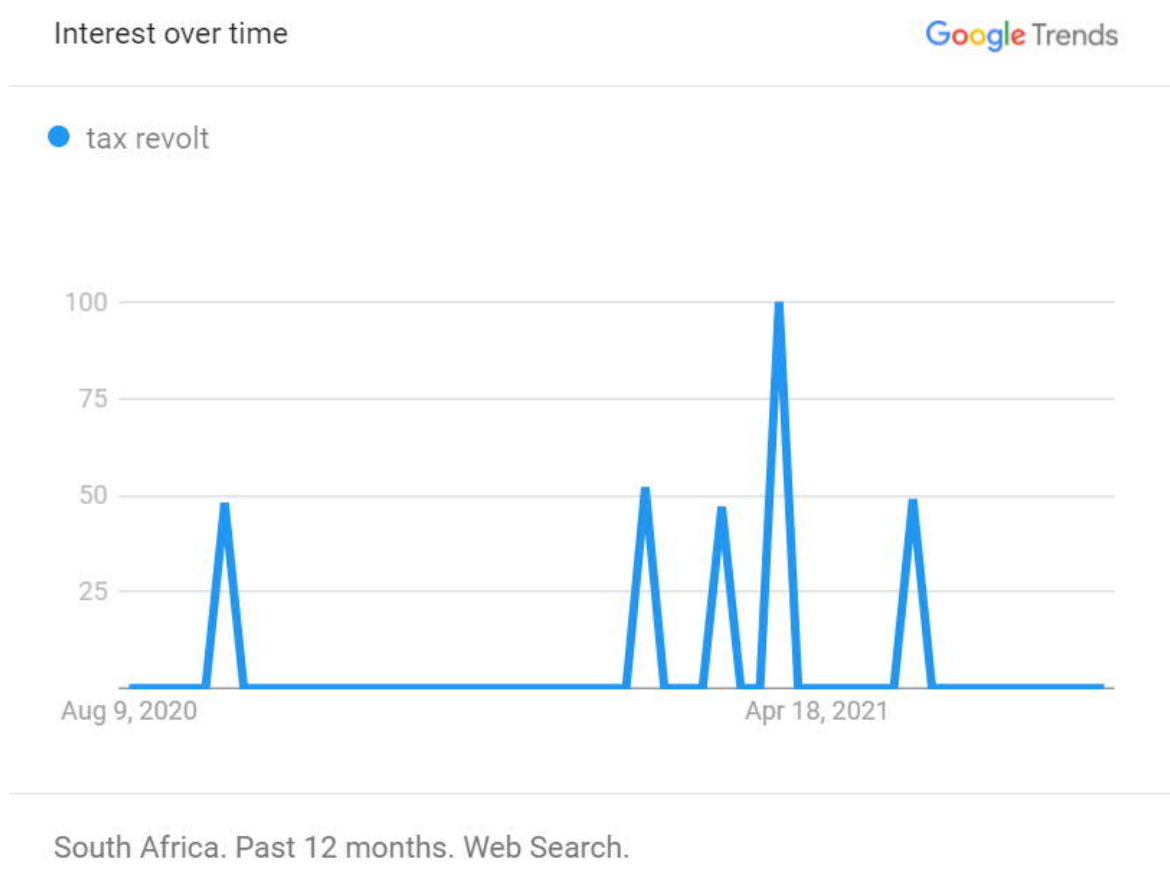
Amidst political and economic uncertainty, Covid-19, unemployment and service delivery protests – the idea of a tax revolt is not a new concept to taxpayers. There are a number of articles written on the possibility of a large-scale tax revolt, however, this idea is easier to theorise than to apply in practice (Schneider, 2019).

3.4.1. Google Trends analysis

Based on information from Google Trends, the topic has reached peak popularity over the last 12-months between the period 4–10 April 2021 (see Figure 4 below).

The second highest number of searches were recorded between the period 14–20 February 2021. This timeline was a few days before the 2021/22 Budget Speech was delivered.

Figure 4: Trends on tax revolts from August 2020 – August 2021



Source: Google Trends (2021)

The trend in 'tax revolt' searches decreased in popularity during the week of the 2021/22 Budget Speech which took place on 24 February 2021. President Cyril Ramaphosa's address to the nation took place a few days later on 28 February 2021, where the transition from Coronavirus Alert Level 3 to Alert Level 1 was announced at the end of the second wave of the virus in South Africa (SA Coronavirus, 2021). It appears as though the Budget Speech as well as the President's address to the nation was effective in easing the minds of taxpayers. Based on this analysis, it can be assumed that in its entirety, the perception of the Budget Speech was regarded as fair to South Africans. Each of the trends will be discussed below.

3.4.1.1. September 2020

The trends in the aforementioned topic surged in September 2020, this was in tandem with Statistics South Africa's release of the GDP results for the second quarter of 2020 as well as an announcement by Eskom that load shedding has been escalated to stage 4 (BusinessTech, 2020a).

The then Minister of Finance, Tito Mboweni, announced on 13 September 2020 that policymakers predict that the economy would retract by more than 7% in 2020 following lockdown restrictions implemented in March 2020. Public finances have been overstretched following the pandemic and the situation would require more borrowings to sustain economic activities (Bosch, 2020).

The former Minister further highlighted government's commitment to provide a reliable source of electricity to the people (Bosch, 2020). Eskom, the South African state-owned electricity provider, implemented a process called load shedding which began in 2008. This process strategically implements power outages across the country to prevent a total blackout of the power supply. This was done as Eskom is not able to meet the electricity demands of the population due to poor strategy, planning and deteriorating infrastructure. The result is substantial losses to businesses and stunts in economic growth (Blom, 2017:19).

On 2 September 2020, Eskom announced that it will escalate load shedding to stage 4 due to exceptionally high demands and a breakdown of 10 units at its power stations (BusinessTech, 2020a:).

It should be noted that the provision of electricity to the community is part of Eskom's mandate and the logic behind paying taxes while not receiving a service in return could have led to frustrations on the part of taxpayers and ultimately the spike in interest on the topic of tax revolts during this period.

3.4.1.2. February 2021

On 16 February 2021, the National Energy Regulator of South Africa announced that the High Court of South Africa ruled in favour of Eskom being able to recover R10 billion in revenue from consumers, which would ultimately raise electricity tariffs by approximately 16% (BusinessTech, 2021). This is against the backdrop of poor service delivery from the energy regulator as well as high levels of inflation following the Covid-19 pandemic (Stoddard, 2021).

The rising prices in electricity tariffs will not only burden middle-income groups but will further place an additional burden on business which were already suffering substantial losses due to load shedding (BusinessTech, 2021).

The injustice of the price hike is apparent as Eskom continues to fail to meet electricity demands in the country. This is exacerbated by declining economic growth and the loss of investment in the country following lockdown restrictions. The anticipation of the Budget Speech in the following week could have led to speculations that a tax rise was imminent and thus the idea of a tax revolt could have sparked interest.

It is apparent, however, that the interest in the topic has declined following the Budget Speech, where it was announced that the personal income tax bracket, rebates and medical tax credits will be adjusted to counteract the impact of inflation, with a relief amounting to R2.2 billion. A further 1% reduction in the corporate income tax rate was announced, with effect from 1 April 2022, this will be done alongside the limitation of interest deductibility and assessed losses (Norden, 2021).

The tax policies introduced in the Budget Speech was successful in dispelling unrest amongst South African taxpayers, however, despite the Budget Speech being well received by South African's, there are certain aspects of the tax policies announced that did not gain as much acceptance as discussed below.

3.4.1.3. March 2021

The SAIRR (2021:3) published a memorandum to the presidency following the Budget Speech in early March, in which it was announced that the policies introduced are seeking to:

- Increase existing taxes;
- Introduce new taxes;
- Increase borrowings; and
- Utilise savings and pension funds of South African citizens to fund government.

SAIRR further noted that no previous South African government has placed such a burden on its citizens and the burden is further exacerbated by electricity and anticipated spikes in fuel levies. As part of the rising burden of taxes, research indicates that middle income earners are struggling to pay off debts and businesses are struggling to meet all regulatory and license requirements which form part of the tax burden. Even lower-income earners who are relatively indifferent to tax rate increases are being affected by the 1% increase in the VAT rate (SAIRR, 2021:3).

These excessive burdens will ultimately lead to many South African's who have the ability to do so, leaving the country. For those who remain, the legitimacy of the state will be diminished and will see citizens resort to tax revolts. SAIRR warned that if government does not cut out corruption, South Africa may be heading towards a tax revolt which will have a devastating effect on the economy (SAIRR, 2021:5).

This report by the SAIRR appears to have gained public attention which explains the peak in the subject during March 2020. This arousing interest can also explain why the peak was the highest in April as discussed below.

3.4.1.4. April 2021

While the Budget Speech appears to have been well received by South Africans, Figure 4 on page 35, presents that there are other aspects to consider while assessing public opinion. Looking back at Figure 4, we see that the trend in tax revolts was at its highest at the beginning of April 2021. This peak was simultaneous with the announcement of a spike in the price of petrol which was said to take effect from 7 April 2021. The announcement was in combination with the Budget Speech declaration that with effect from April 2021, fuel levies will increase by 27 cents per litre. This is broken down as follows:

- 15 cents a litre for the general fuel levy;
- 11 cents towards the Road Accident Fund levy; and
- 1 cent a litre for the carbon fuel levy.

(Wagiet, 2021)

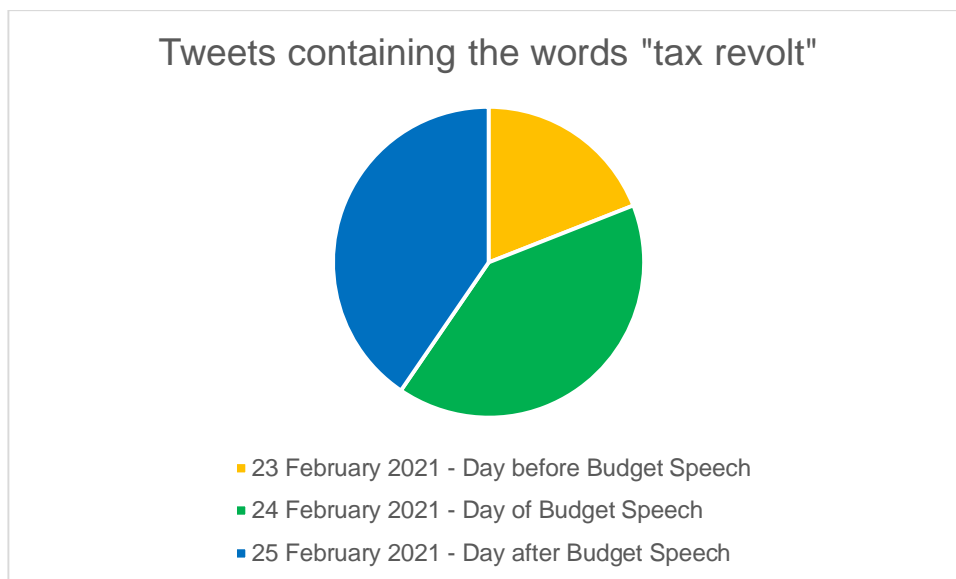
According to Daniel (2021), only 35% of the cost paid for pumping fuel relates to the actual fuel. Petrol users have questioned the exorbitant costs for petrol when they do not see the result of what they are paying for. This led to a call to change the way petrol prices are determined and to limit fuel levies.

3.4.2. Twitter analysis

Using an advanced filtering feature on Twitter, tweets posted the day before, the day after and on the day of the 2021/22 Budget Speech were filtered for any references made to a tax revolt.

The results are reflected in Figure 5 below.

Figure 5: Analysis of tweets relating to tax revolts before, during and after the Budget Speech



Source: Own

While Figure 5 shows that interest has grown in the concept of tax revolts on the day of the Budget Speech, it should be noted that there was a relatively small number of tweets on the topic.

On the day before the Budget Speech, only eight tweets related to tax revolts. The attitude surrounding tax revolts was mostly to promote the cause due to increasing corruption. One user noted that a tax revolt will only take-off if it is structured and campaigned by institutions such as labour unions. Another tweet noted, however, that the concept of a tax revolt is too politicised for a labour union to organise.

On the day of the Budget Speech, the number of tweets relating to tax revolts rose to 17. This was due to the then Minister of Finance announcing in his speech that there is “no need for a tax revolt” (Morton & Blair, 2021). This statement has garnered interest on the topic and although the number of tweets raised from the day before the Budget Speech, this was mostly in response to the statement made by the Minister.

The number of tweets remained constant at 17 on the day after the Budget Speech. The views on Twitter were mostly balanced, meaning that there were a number of tweets still promoting the tax revolt movement while other users wondered how a tax revolt will be possible.

One user noted that the only way they can see a tax revolt being successful is if companies carry it out – otherwise it is impossible. Another user asked if there is any indication on Twitter of a tax revolt taking place and one of the responses received was that it is not possible unless people are willing to be jailed for tax evasion – in general, South African taxpayers have a compliance culture and the movement will need mass support in order to take off successfully.

Based on the Twitter analysis, although there is some interest in undertaking a tax revolt, there is much uncertainty on how this should be executed and how to gain mass support on the movement. Although tax morale is low in South Africa, a tax revolt is very difficult to plan and mobilise.

3.5. CONCLUSION

The trends in social media as well as web searches were conducted to determine the public opinion on the 2021/22 Budget Speech and if the tax policies imposed by the state would likely lead to a tax revolt.

While there seems to be an indication that the Budget Speech was received fairly well by South Africans, there are still aspects of the tax policies proposed that were perceived as unfair by taxpayers. One such policy that emerged on the analysis above was the fuel and skills development levy as well as Eskom price hikes which were seen as exorbitant and not being put to good use.

Another recurring theme is that while tax policies are fair, the tax revenues collected are not being spent for the purposes they are intended for. This also brought to light that although the taxes in South Africa are meant to be progressive, corruption is destroying the legitimacy of the tax policies and the purpose they were designed for (Forslund, 2016:3).

Although taxpayers agree that corruption is a major concern, the findings presented that those taxpayers will take advantage of the same tax policies by redirecting their taxes in the form of donations to charitable organisations – who they believe are more efficient in delivering services than the state.

Although there is some interest in a tax revolt, there is not much knowledge on how this can be executed or organised. South African taxpayers have a tax compliance culture and any avoidance of taxes will be through legal means (Gcabo & Robinson, 2007:368).

CHAPTER 4: CONCLUSION

4.1. INTRODUCTION

The purpose of this study was to investigate the average taxpayer's perception of the tax policies implemented in South Africa. This was done through the microblogging and infoveillance platforms selected, namely Twitter and Google Trends. The existing literature on the subject was also studied for the purpose of understanding and identifying common trends with regards to tax revolts.

This chapter summaries the findings of the study and illustrates the answer to the research question identified in Chapter 1. A further expansion on the limitations of the research and suggestions for future researchers are included.

4.2. SUMMARY OF KEY FINDINGS

The main findings of the research were identified through a systematic exploration of both the existing body of knowledge on tax revolts as well as the public perception of tax policies in South Africa. Throughout the research, a number of findings were noted and the main points are summarised below.

Following the Covid-19 pandemic and its devastating effects on the South African economy, there was a need to ensure high levels of tax compliance without limiting growth or intensifying inequality (Davis Tax Committee, 2017:26). Based on the existing literature, the best way to ensure compliance is by keeping tax morale high amongst taxpayers (OECD, 2013:2).

Based on the research conducted, tax morale amongst South African taxpayers is low, this is due to economic uncertainty, poverty, inequality and high levels of unemployment and corruption within the state and its institutions. This suggests that while tax morale is low as a consequence of an incapable and corrupt state, tax compliance is nevertheless high as a result of an effective income tax collection system.

While tax policies are intended to be progressive, high levels of corruption interferes with the tax policies which ultimately fail to give effect to the redistributive qualities it was intended for.

Despite the low levels of tax morale, South Africans have a nature of being tax compliant, this is mainly driven by the fact that tight regulations on the administration of taxes exist (Ramfol, 2019). This means that processes are streamlined through withholding tax channels such as PAYE. Another administrative challenge exists in the form of harsh penalties for those who are non-compliant (Ramfol, 2019).

There are instances of successful tax revolts in South Africa. Examples of these tax revolts include the controversial e-toll gantries as well as the TV license subscription payments. While these revolts are important aspects to consider for purposes of this study, it was determined that the nature of these revolts would not provide insight into a large-scale tax revolt. This is because the e-tolls and TV license payment administration systems are weak and have low levels of control or an unsophisticated system to hold taxpayers accountable. Having said that, there are organisations such as OUTA that provide protection to taxpayers who are held accountable for non-payments.

Based on the data analysis performed, spikes in fuel levies and Eskom tariff in return for low quality service delivery and corruption, frustrates taxpayers and leads to a stimulation of interest in tax revolts. It should be noted that throughout the past 12-month period over which the trends in tax revolts were analysed, there has been a number of increases in levies announced even though the Budget Speech provided relief in the form of a lower corporate tax rate and increase of the tax bracket. On 19 August 2021, the Minister of Social Welfare, Ms Lindiwe Zulu, submitted a green paper to the Social Development Department introducing a National Social Security Fund where all qualifying employees will be required to contribute between 8%–12% of their earnings to the fund – which is likely to receive criticism (Head, 2021).

While the 2021/22 Budget Speech has succeeded in easing taxpayers worries on the unfair tax policies that were expected to be implemented, the months following saw increases in levies and additional policies being imposed. This suggests that there is merit to the idea of

a tax revolt in South Africa, however, there is much uncertainty on how to go about implementing a tax revolt.

4.3. LIMITATIONS

The literature and data obtained in this study is not exhaustive. The following limitations applied to the study:

- The responses obtained on twitter were very small in number, a larger response would have allowed future researchers to gain greater insight on the opinions on taxpayers.
- Twitter could not be used to its full potential as the technology was not available to analyse and assess the tweets; instead, keywords with low volume tweets were searched and manually analysed. With access to the correct technology, more keywords could be used to obtain more insights into opinions posted on Twitter.
- Only one social media platform was used to gain insight into taxpayers' opinions. While LinkedIn was originally selected as a second platform, not much interaction was received on the post.
- Google Trends provided too little insight when searching keywords to determine what would have affected the trend and further research is required to examine what the trends relate to.

4.4. FUTURE RESEARCH

Future researchers are encouraged to consider the following surrounding tax revolts and infoveillance and microblogging tools:

- Making use of hashtags when posting questions on social media platforms when important events arise that might affect the study.
- Posting a number of questions relating to the subject matter on social media platforms at different times and analysing which event impacted the number of responses the most.
- Using the analysis above, compare the event to the subject matter on Google Trends to determine if there is any correlation.
- It is important to continuously analyse trends together with keeping abreast of current affairs to ensure that trends can be explained.

- Expand on the research conducted in this study by adapting it to the next Budget Speech while expanding the scope of social media platforms and comparing emerging trends to other geographical locations.

4.5. CONCLUDING REMARKS

The 2021/22 Budget Speech delivered by the Minister of Finance received mostly positive feedback based on the data analysis conducted in Chapter 3. While there was some mention of the tax revolt movement on Twitter, the volume of tweets was too few to make a definitive conclusion immediately following the Budget Speech. However, the following months saw a spike in interest on the topic of tax revolts due to an increase in fuel levies, focus on state corruption and other tax policies implemented – this against the backdrop of a low levels of growth in the economy.

While the Budget Speech sought to put policies in place to deal with the Covid-19 pandemic and its devastating effects on the economy, merely having a national plan and infrastructure programme is not enough. As Landman (2013:205) notes “We must elect leaders who will inspire every single civil servant to perform; who will create a vision we can all buy into; who will generate the groundswell of energy that overcomes the inevitable setbacks and obstacles along the way”.

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APPENDIX A:
Declaration of plagiarism



DEPARTMENT OF TAXATION

Declaration Regarding Plagiarism

The Department of Taxation emphasises integrity and ethical behaviour with regard to the preparation of all written assignments. Although the lecturer will provide you with information regarding reference techniques, as well as ways to avoid plagiarism (see the "Guidelines on Referencing" document), you also have a responsibility to fulfil in this regard. Should you at any time feel unsure about the requirements, you must consult the lecturer concerned before submitting an assignment.

You are guilty of plagiarism when you extract information from a book, article, web page or any other information source without acknowledging the source and pretend that it is your own work. This does not only apply to cases where you quote the source directly, but also when you present someone else's work in a somewhat amended (paraphrased) format or when you use someone else's arguments or ideas without the necessary acknowledgement. You are also guilty of plagiarism if you copy and paste information directly from an electronic source (e.g., a web site, e-mail message, electronic journal article or CD-ROM) without paraphrasing it or placing it in quotation marks, even if you acknowledge the source.

You are not allowed to submit another student's previous work as your own. You are furthermore not allowed to let anyone copy or use your work with the intention of presenting it as his/her own.

Students who are guilty of plagiarism will forfeit all credits for the work concerned. In addition, the matter will be referred to the Committee for Discipline (Students) for a ruling. Plagiarism is considered a serious violation of the University's regulations and may lead to your suspension from the University. The University's policy regarding plagiarism is available on the Internet at <http://www.library.up.ac.za/plagiarism/index.htm>.

For the period that you are a student at the Department of Taxation, the following declaration must accompany all written work that is submitted for evaluation. No written work will be accepted unless the declaration has been completed and is included in the particular assignment.

Student	
I (full names & surname):	Sauleha Vawda
Student number:	11004950

Declare the following:

1. I understand what plagiarism entails and am aware of the University's policy in this regard.
2. I declare that this assignment is my own, original work. Where someone else's work was used (whether from a printed source, the Internet or any other source) due acknowledgement was given and reference was made according to departmental requirements.
3. I did not copy and paste any information directly from an electronic source (e.g., a web page, electronic journal article or CD ROM) into this document.
4. I did not make use of another student's previous work and submitted it as my own.
5. I did not allow and will not allow anyone to copy my work with the intention of presenting it as his/her own work.

Sauleha Vawda

Signature