Fiscal Histories of Sub-Saharan Africa: the Case of South Africa

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Fiscal Histories of Sub-Saharan Africa is a Working Papers series produced by the Public Affairs Research Institute (PARI), with the aim of contributing to the knowledge about the entangled trajectories of taxation and state building in the region. Taxation is of central importance to modern societies. It is crucial to a government's ability to deliver basic services and to invest in public goods. Moreover, the autonomous development of nations and their economic growth are highly dependent on how they approach taxation. Additionally, it lays the foundation for meaningful democratic institutions and processes, contributing to enhanced governance and accountability.

Thus the history of fiscal systems is central to understanding state capacity and institutional designs, the evolving relations between state and society, and therefore, democratic trajectories. Today in Sub-Saharan Africa, we witness very different taxation scenarios. This is as a result of distinct historical paths concerning the processes of formation and transformation of the social, political and economic institutions in African countries. Motivated by these considerations, PARI's Fiscal Histories series reconstruct the colonial and post-colonial trajectory of state building in different countries of the region, focusing on the important part that taxation has played in it.

Based on extensive archival research and engaging with existent secondary literature, each case-study highlights how state-society relations are affected and influenced by taxation; the spill-over effects from tax systems to other policy sectors and vice versa; the interconnections between political, economic and social processes and national, regional and international dynamics. The series is part of PARI's broader research project "Understanding Taxation and State Building in Sub-Saharan Africa", which is funded by the Friedrich Ebert Stiftung South Africa (FES). The usual disclaimers apply here, and the ideas developed in each paper are the sole responsibility of the authors, not being representative of the institutions behind the project.

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Introduction.

The history of taxation[2] in South Africa was shaped by the complex relations between the native Africans[3] and colonial settlers. Drawing on the political community model of tax state development[4] , I account for the trajectory of taxation by closely examining how racial identities influenced the political calculations and strategies pertaining to taxation. Taxation fulfilled more than merely an economic role, it had important administrative, disciplinary and political functions in the context of white minority rule. The historical links between taxation and deep rooted forms of racial control informed post-apartheid efforts to reshape taxation into a more equitable system.

The formation of subjects and citizens through British colonial rule, I argue, forms one of the over-arching frameworks of analysis in tracing the origins of taxation in South Africa. A careful analysis of this history cracks open some of the glaring gaps that characterise the existing narrative/scholarship on taxation in South Africa. This paper therefore offers a historically grounded analysis of the social and political dynamics that revolved around taxation, tracing its origins as a colonial construct, through the apartheid era and into the democratic era.

The paper begins with a brief presentation of South Africa's pre-colonial forms of taxation. It then looks at how direct taxes were introduced by the British colonial government in Natal in 1849 and how similar systems were later extended to the Cape Colony and the two Boer Republics – the South African republic (Dutch: Zuid-Afrikaansche Republiek), often refered to as Transvaal and Orange Free State[5]. Apart from being an important source of economic sustenance, taxation was also an important pillar of state control. Taxation was a means to induce male Africans into the labour system, which labour requirements grew exponentially following the mineral

1 With special thanks to Friedrich Ebert Stiftung (FES) for the generous funding towards this project.

2 The bulk of this paper is a product of extensive archival work conducted in 2016 between July and December.

3 Interestingly, there were varied definitions of the term native, so great indeed were the variations that in the same colony it had several meanings. The definition was highly related to the law or problem to be solved. In the Cape Colony for example, there appears to be any general statutory definition of Native, the practice was to define 'native' for the purposes of various Acts. In Natal, According to Act No.1, 1899, a ' the word 'Native' 'shall mean and include all members of any of the aboriginal tribes of Africa south of the Equator, including the Griquas and Hottentots, and shall also include illegitimate children of mixed European and Native parentage, and their descendants. According to section 10, law No.6, 1880, and Section 8 of Law 24, 1895 in the Transvaal, and in relation to taxes and Hut Tax, the word meant 'any person belonging to or being a descendant of any native tribes of South Africa'. In the Orange River Colony, according to No.8 of 1893, the expression coloured person person/s 'shall be interpreted and taken to, ' unless the context clearly forbids it , to apply to and include a man or men as well as woman or women above the age of 16 years of any native tribe in South Africa, and also all coloured persons, and all who, in accordance with the law or custom are called coloured persons or are treated as such, of whatever race or nationality they are. And the commission recommended that overall, 'the word 'Native' shall be taken to mean an aboriginal inhabitant of Africa, South of the Equator, and to include half castes and their descendants by natives'. NAB S.N.A 1/1/318, 1905/552. Draft Bill defining the word 'Native', Enclosure Extract from report of Native Affairs Commission. 1905.

4 A model developed by Lieberman (2003). The model highlights the role of political identities in shaping the development of the tax state.

5 For a clear picture of these political entities, please refer to map 1. From 1910 to 1994 South Africa was divided into four provinces made up of the two former British colonies of the Cape and Natal, and the two former Boer republics of the Transvaal, previously the South African Republic and the Orange Free State renamed Orange River Colony after its annexation as a British colony. From 1994 there was a further subdivision into nine provinces, with the Western Cape, Northern Cape, and Eastern Cape corresponding broadly to the previous Cape Province, and Gauteng, Mpumalanga, Limpopo, and the North West corresponding broadly to the Transvaal. KwaZulu-Natal also referred to as KZN was also created in 1994 when the Zulu Bantustan of Kwazulu and Natal Province were merged, while The Province of the Orange Free State (commonly referred to as the Orange Free State Province)'s boarders remained basically the same with those of its predecessor, the Orange River Colony.

discoveries of the late 19th century. Taxation also served as a means by which colonial authorities sought to shape colonial subjects into governable, moral subjects. However, this system was met with resistance, and on occasion triggered uprisings.

The second part of the paper focuses on the tax dynamics in the Union of South Africa. The analysis begins in 1902, following the end of the Second Anglo-Boer War, a period characterised by moves to unify the four colonies into a single state heralded by the constitution of 1910. This part describes the context of state building, including patterns of economic development and international developments in which South Africa was involved – including World War I and II. This was also a period in which racial and territorial segregation was adopted as state policy and the role of tax came to articulate with the imperatives of limiting black African urbanisation and entrenching the control of the chiefs.

The third part pays special attention to the tax system during the apartheid era (1948-1994). This is a crucial period in the history of taxation as it marks the shift from British rule to ‘Boer nationalist rule’, the subsequent systematic suppression/oppression of black people and the internal political crisis. This section highlights the impact of the apartheid period on taxation, especially African taxation.

The fourth section focuses on tax reform in the post-apartheid period from 1994 to present, looking at the role of the various commissions in the overhaul of the existing policies and institutions. It also examines the establishment of the South African Revenue Services (SARS) and its role in modernising and expanding tax collection in the post-apartheid era.

Lastly, the paper offers a brief conclusion, highlighting the major arguments of the paper.

1. Precolonial Forms of Taxation.

In order to assess the trajectory of taxation in South Africa and demonstrate the changing meanings of taxation over time, it is necessary to gain some understanding of the nature of pre-colonial forms of taxation – an area of history which is notoriously difficult to assess, given that much of what we know about this period comes to us through colonial historiography and anthropology. Nevertheless, forms of ‘proto-taxation’ seem to have been present in a range of different relations between ruling elites and subordinate groups or commoners.

Pre–colonial societies in South Africa were composed of a complex amalgam of different chiefdoms, polities and groupings, with diverse patterns of rule and economy[6]. Some chiefdoms featured high levels of social and political differentiation, and were constituted by the ruling elites and their subjects. For example, Nguni/Tsonga groupings exhibited significant decentralisation of authority, while Sotho and Venda were more centralised. The authority of chiefs was not absolute, however. In general, they controlled and exercised power over many aspects of economic and communal life and were expected to fulfil certain obligations towards their subjects (Redding,

[6] Comprised of the San, KhoiKhoi, the Bantu speaking peoples, the Sotho and Tswana.

1996: 254).

The chiefs had responsibilities to their subjects. They were obliged to provide justice, material and military security and, at societal level, they were obligated to restore order and were expected to help their subjects in times of economic need. They were also expected to assist with rainmaking; to maintain proper relations with the ancestors; to prevent the use of witchcraft (Redding, 1996: 254) and assign land to their subjects for cultivation and residence however, ‘no tax of any kind was paid for the use of land’ (Coleman, 1983: 1).

In return, the subjects had certain obligations towards their chiefs. They had to pay various kinds of levies, including death duties, labor levies and tributes in the form of a small proportion of their harvest, herds and the hunting spoils (Coleman, 1983: 1). They also had to provide labour when called upon for both military and productive purposes. Finally, they had to pay fines imposed by the chiefs’ courts in settling disputes brought before it (Redding, 1996: 254).

Modern taxation bore very little resemblance to its pre-colonial forebears. The impact of encroaching colonial rule changed the meanings of these reciprocal arrangements. The idea of taxation that came with British colonial rule brought a completely different type of tax system – one increasingly underpinned by the cash economy seeping into indigenous societies – that marked it off from the precolonial levies as shall be elaborated in this paper.

2. The Early History of South Africa’s Tax System (1849 – 1910).

There has been some controversy over whether the early taxes imposed upon the African people in South Africa starting in 1849, was specifically intended as a device for inducing a flow of labour to the white settler owned farms. Careful analysis of the historical records from this period shows that the objectives of introducing taxation were multilayered. The analysis that follows shows that rather than a picture of African taxation as the product of some conspiracy between the colonial government, the farmers and the South African mining system to merely driving Africans into the labour system, the system worked as a complex web of overlapping interests producing diverse effects.

Firstly, it appeared that the primary motive for African taxation was simply to raise revenue and produce labour for the agricultural and mining industry. As the imperial project expanded along with an enlarging settler European population, new forms of revenue were required to finance the colonies and it was to the African population that colonial authorities looked for funds. In the prelude to the annexation of Natal as a British colony in 1843, issues around the financing of the colony were a concern, as Britain was disinclined to offer financial support to the colony (Welsh, 1971: 10), and the only sources of tax revenue at the time were in the form of indirect taxes – customs, levies and duties[7] that had had long been in operation, given the centrality of the Cape

[7] KAB CO 5963. Cape of Good Hope Blue Book. 1821, KAB CO 5964. Cape of Good Hope Blue Book. 1822, CO 5965. Cape of Good Hope Blue Book. 1823.

and Natal to the global trade networks.

Therefore, new and innovative forms of taxation were required. The question then was what type of taxes to introduce and who was to be taxed? The European meagre[8] population size worked against efforts to impose direct taxes on the Europeans, moreover, the settler communities were opposed to the idea of direct taxation (Ramdhani, 1985: 18), the idea of taxing Africans instead (who were large in numbers) became a viable solution to the problem of raising revenue, partly because of the perceptions that Africans should pay for the infrastructural developments and the security provided by the Natal government (Bundy, 1972: 374), and partly because of the perceptions that there were taxed (European) and untaxed[9] (African) classes (Ramdhani, 1985: 19). Additionally, the white settler community complained of the 'injustice' of the fact that they had to purchase the land they required, whereas, Africans could 'squat' without paying any rents, duties, taxes or any other forms of expenses (Ramdhani 1985: 19).

For African taxation to be realised, they were logistical issues to be considered, a coercive system of control and extraction had to be in place. Key in devising this system was the Diplomatic Agent to the Native Tribes, Theophilus Shepstone[10], who merged taxation with the establishment of 'native locations'. Shepstone thus spearheaded the setting up in March 1846 of a locations commission, which consisted of three commissioners including Shepstone himself. The commissioners were instructed to demarcate African reserves in such a way that would prevent any collision between African and white settler farmers' interests (Welsh, 1971: 12). The report of the commission, which was completed in March 1847, provided the basis for the system of administration. The report stated that the Africans had bad social habits[11] that should be 'restrained only by the strong arm of power…' (Welsh, 1971 : 12). Therefore, the commission recommended that the establishment of firm control was essential through the Roman-Dutch law, in addition, the commission recommended the adoption of the location system, suggesting that there should be ten such locations, under the authority of a resident agent and African police officers under a European officer (Welsh, 1971: 12 - 13). By 1852, Shepstone estimated that two thirds of Africans had been moved into reserves (Sullivan, 1928: 31-75). According to Thomas McClendon, the issue of taxation was at the centre of the system of establishing reserves, hence it prompted long debates between various colonial agents.

Shepstone along with Lieutenant-Governor West 'continued to press the case for the urgency of establishing locations under the authority of white superintendents who would lead a charge to create a pliant African class of tax paying, law abiding workers, peasant farmers, Christians and consumers' (McClendon, 2010: 13). Historical records reveal that these debates were not limited to officials in Natal but also included high level officials from the British government. More concerned with 'improvement and civilisation' of Africans, in 1847, in a dispatch from the Secretary of State for War

8 According to Bundy (1972 : 168), by 1849, the white settler community was slightly above 5000, by 1850, the European population was estimated at around 6626, while the African population was at 103685.

9 The African population contributed very little to the customs revenue because at this stage they produced their own food and wore little European clothing.

10 Theophilus Shepstone played a crucial part in the African administration of the Natal Colony between 1846 and 1876, furthermore, he was a pivotal figure in the political, social, and economic history of the colony and is the originator of the Hut Tax system.

11 That included, superstitions, low regard for human life, and lack of rule of law, polygamy and women abuse, hence they needed improvement and civilisation see (Welsh, 1971 : 11 – 15).

and the Colonies, Lord Earl Grey, to Natal's Lieutenant-Governor West listed several suggestions for extracting revenue from Africans. He called for the taxation on all lands occupied and cattle possessed. Grey stated that the main objective of such tax would be to raise revenue, control excessive cattle rearing by Africans and encourage the use of money by Africans[12].

It is within the frame of these debates and circumstances that the first formal direct tax was introduced – the Hut Tax[13] in 1849 as a distinct method of African taxation rooted in the British official and colonial system. The Shepstone-devised form of taxation was a direct tax in the form of Hut Tax of 7s[14] levied on each hut inhabited by the 'native' inhabitants of Natal Colony. This tax was levied specifically on African men on a per hut basis[15]. This meant that each adult male inhabiting a hut would pay a flat fee[16]. It was the responsibility of the resident magistrate and the chiefs to collect these taxes. Over the century, the power of chiefs came to be emboldened by the delegation of the responsibility to collect taxes[17]. The entrenchment of indirect rule served to reinforce the authority of traditional chiefs as well as help legitimise this sensitive institutionalised mechanism of colonial control. These taxes were payable either in cash, and in those areas where there were no public works for Africans to earn money, cattle and other produce were used to extract taxes[18].

The literature shows that soon after the imposition of the first direct tax on Africans, the ideas on using taxation to induce African labour gained momentum (Ramdhani, 1985, Massey, 1978, Bundy, 1974). This is well illustrated by the fact that, as labour demands in the colony increased over time, tax payments came to be exclusively demanded in cash. 'The crucial change introduced as the colonial state began to tap the productive capacity of [the African] social system', McClendon argues 'was the requirement that the tax be paid in cash, thus steering Africans toward wage labour, production for the market and commercialisation of social relations' (McClendon, 2010: 13). The use of taxation as a means to pressure Africans into the labour system would remain a crucial element of taxation over the next century.

This system of taxation yielded positive results in both the revenue basket as well as the labour pool. For example, in combination with customs, duties and levies on goods sold to the African market, Norman Etherington explains how African taxes[19] formed the bulk of the colony's finances. He estimates that by the 1870s Africans contributed 75 percent of all revenue in Natal. Yet a fraction of the revenue was reinvested in the African population who furthermore enjoyed no say in government.

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12 NAB SNA, Vo.1/1/I. Copy of Minute Paper from Earl Grey to Lieutenant-Governor West, 11 December 1847.

13 The origins of Hut Tax are more complicated than presented here. See, (Welsh, 1971), 'The Roots of Segregation: 1845 – 1910' (Bundy, 1979), 'The Rise and Fall of the African Peasantry', (Bundy, 1972). 'The Emergence and Decline of a South African Peasantry', (Ramdhani 1985), Financing Colonial Rule: The Hut Tax System in Natal 1847 – 1898.

14 In contemporary terms 7 shillings in 1849 is equivalent to 42.46 US dollars.

15 A predominant form of dwelling in Southern Africa at the time. Hut Taxes were levied on occupants of reserves set aside for Africans, segregated locations, 'squatters' living on lands belonging to Europeans, and those occupying crown lands

16 These taxes were collected by British officials (magistrates) who were paid by the government and African chiefs and their agents who received 'moderate' stipends for the collection of taxes. The police played an important role in this process as force was required on the part of both Europeans and Africans. This structure of authority played a pivotal role in ensuring compliance. NAB SNA, Vo.1/1/I. Copy of Minute Paper from Earl Grey to Lieutenant-Governor West, 11 December 1847. For an illustration of the hierarchy in tax administration, see Ndlovu (2016). Fiscal Histories of Sub-Saharan Africa: the case of Botswana. PARI working paper series.

17 For their efforts, chiefs were paid either in cash or in rugs. NAB SNA 1/1/311, 1102/1904. Letter from secretary of Native affairs to resident Magistrate of Ixopo magisterial district. 12 October 1904. Enclosure: Salary scales for Native chiefs.

18 NAB S.N.A. Vol 1/1/1. Minute from Earl Grey to Governor West, 11December 1847.

19 At this point, in addition to Hut Tax, Dog Tax, squatter's rent and Carriage Tax were levied on the African population.

Perversely, whites in the colony were given ‘representation virtually without taxation’ (Etherington, 1989: 174-175). The white settlers of the new colony played a pivotal role in the implementation of the Hut Tax for Africans while ensuring that such a tax did not apply to them. The issue is that instead of attaching priority primarily to questions of revenue, the white settler groups desired to use taxation for a host of other reasons, including compelling Africans to becoming cheap wage labourers in the employ of whites. Ironically, though, in spite of the fact that the European population especially in Natal and the revenue generated from them has never been large, there have been numerous studies examining the role of white settlers in the economic development of the colonies. The contribution of Africans has always been ignored, if not out rightly dismissed.

2.1. Tax and the Mineral Revolution.

The ‘Shepstone System’ of Hut Tax was soon extended to the Cape Colony in the process of firming up a broader system of racial segregation through the establishment of native reserves and locations. Shepstone is said to have told the 1881-1883 Cape Native Laws and Customs Commission: ‘I think the Hut Tax is a good foundation for revenue: In Natal it produces £60,000 a year; it is besides a tax on polygamists because if a man has 20 wives he has 20 huts and pays a tax on each’ (Redding, 1996: 255). Under the Cape Colony Act 37 of 1884, 10s[20] was to be levied on all huts owned by Africans with the exclusion for the elderly and infirmed.[21] However, imposition of Hut Tax in this region was not uniformly executed, and these taxes were introduced haphazardly as each reserve was established. However, this system was emboldened by the Glen Grey Act of 1894 which deepened segregationist practices in the Cape Colony. It also introduced a labour tax, which Cecil John Rhodes in his capacity as Prime Minister of the Cape Colony explained at the time, was intended to keep young Africans in work and out of ‘immorality’ and ‘nuisance’: ‘[W]e must give some gentle stimulus to these people to make them go on working… these young natives live in the native areas with their fathers and mothers and never do one stroke of work. But if a labour tax of 10 shillings were imposed they would have to work’.[22] The backdrop of these colonial interventions should be remembered: a dramatic mineral boom kick-started by the discovery of diamonds in Kimberley in 1867. By 1888, Rhodes had established the De Beers Consolidated Mines, which sought to exploit this diamond wealth. Despite appeals to raising the ‘civilisation’ and ‘dignity’ of Africans that accompanied the introduction of the Glen Grey Act, the fundamental driver, however, remained a thirst for labour.

Feinstein points out that the Cape government resorted to taxation in order to exert pressure on black men to work in the mines, hence the tax was deliberately set at a level to force young men to leave their homes in order to earn enough to pay their taxes (Feinstein, 2005: 55). Moreover, direct African taxes were imposed to encourage farmers to evict Africans from their farms so they would be available for mine recruitment.

[20] In contemporary terms, this translates to 60.66 current US dollars.

[21] In implementing the Hut Tax, Cape Colonial officials drew largely upon the experience of Natal, where taxation had been in force since 1849.

[22] Speech given by Cecil John Rhodes on the second re -reading of the Glen Grey Act to the Cape House Parliament on 30 July 1894. Taken from: Rhodes, Cecil John (27 July 1894). ‘Speech to the House on the Second Reading of the Glen Grey Act’, in F. Verschoyle, (1900) Cecil Rhodes: His Political Life and Speeches, 1881-1900.South Africa: Chapman and Hall, limited, pp. 371 – 390. https://archive.org/stream/cecilrhodeshispo00vers/cecilrhodeshispo00vers_djvu.txt

For example, in 1892, the Cape imposed a tax of £1 on the owner of private land for every adult male resident on the private property (Feinstein, 2005: 55-56), to encourage farmers to evict idle young men so that they would be available to be recruited in the growing mining complexes. The tax system was thus totally transformed by the rich mineral discoveries[23]. The need for cheap exploitable labour became all the more pressing for the growing stratum of capitalist industrialists. From that point forward the fiscal history of South Africa becomes, in essence, a story of how this unique combination of the mineral resources, indigenous population and European settlers was brought together in a process of discrimination, conquest, subjugation and economic development.

The table below serves to convey an impression of magnitude of the change.

Table 1. An illustration of the impact of diamond discoveries on the Cape Tax System.

	1840[24]	**1875**[25]
Customs	£41,807	£1,000.894
General direct taxes[26]	£8,187	£ 120, 000[27]
Partial direct taxes[28]	£17,597	£1,146,293

Source: Cape Colony Blue Books (1870 and 1875).

The table above shows the correlation of the diamond mining industry and taxation. In what concerns African taxation, the table shows a significant increase in the direct taxes driven by the enforcement of direct taxes on this particular population, as well as the fact that more Africans surrendered themselves to work in the mines and hence they could afford to pay Hut Taxes for themselves and their extended families. Moreover, they rented more land and paid quitrent taxes, hence more revenue was generated from these sources.

With the discovery of gold in the Witwatersrand of the Transvaal in 1886, and the emergence of Johannesburg as a mining hub, came a new and powerful interest group – a rapidly emerging body of mine-owners seeking labour. Chitereke, points out that this discovery hastened ‘statutory African subjugation into bonded labour’ (Chitereke, 2006: 6). The government that presided over the area, the Boer Republic of the Transvaal, imposed similar taxation mechanisms on African people. According to the Volksraad Resolution 24 of 1895, the Hut Tax regulation was revised to coerce Africans in the Republic to work in the mines. The new regulation ensured that 10 shillings was collected for males above 21 years of age, who were either unmarried or had one wife. In addition, a Poll Tax of 40 shillings was levied on males aged 21 years and older, 10 shillings was levied on every dog and 2s 6d on Road Tax (Burton, 1987: 48). The same rate was imposed with the Cape Hut Tax. Natal Hut Tax was 14 shillings, River Colony Poll Tax at 20 shillings, Southern Rhodesia Hut Tax was 10 shilling, Bechuanaland Hut Tax was 10 shillings 26 and Basutoland Hut Tax was pegged at 20 shillings.

23 Refer to Table 1 for an illustration of the fact.

In revenue generation, the discovery of minerals resulted in a sharp rise in revenues from imports and export taxes. Bundy points out that before the discovery of gold, state revenue and expenditure in the Transvaal were minimal[24], the state was at an embryonic stage such that its administrative machinery was incapable of collecting sufficient revenue to finance the Colony (Bundy, 1979: 200-202). However, the efforts at African direct taxation seems to have paid off, African taxes, including revenue generated by issuing passes, contributed substantially to the colony's revenue. Despite this fact, expenditure on Africans was minimal. Table 2 gives a visual illustration of the tax revenue contribution of African direct taxation to Transvaal revenue from 1903 to 1907.

Table 2: Revenue generated from African direct taxation.

Year	1903 – 04	1904-5	1906-7
African taxes	277, 139	401, 7680	310, 636
Passes	207, 316	219, 918	236, 506
Custom duties	100, 000*	100, 000	100, 000
Gold taxes	343, 014	415, 628	584, 682
Total £	927, 469	1 143,226	1 231, 824

* estimated by South African Native Affairs Commission (SANAC), 1905.

Statistics taken from Burton, 1985 revenue tables.

Another major boost in the revenue basket came with the introduction of taxes on gold profits in 1898. Substantial amounts of this revenue (approximately 100 000 pounds per month) went into funding the Anglo-Boer War of 1899-1902 (Pakenham, 1988: 298).

The Orange Free State (OFS) appears to have encountered the greatest challenges in imposing taxation on Africans. Before the OFS was annexed as a British Colony in 1902, African taxation in this region was arbitrary, irregular and carelessly applied. According to Bundy in the Transvaal, the tax collected from Africans in 1877 was very minimal because the Boer government was incapable of collecting taxes from the 'strong and powerful tribes'[25] the chiefdoms continued to defend their autonomy and independence and resisted paying Hut Taxes (Bundy, 1979: 200-201). Moreover, compared to Natal, the Cape and Transvaal colonies, in the OFS, a large portion of Africans were effectively denied access to land, they lived as squatter peasants on fertile state and private lands – paid squatters rents and produced enough produce to sustain their livelihoods such that the proclamation of laws,[26] including taxation laws aimed at forcing them into the labour market were futile as they were unequivocally resisted by Africans (Bundy, 1979: 204).

However, the liberty that Africans enjoyed was abruptly cut when the British took

[24] See expenditure table in (Burton 1987 : 52).

[25] The strong and powerful tribes included the Tswana peoples, Kwena, Ngwaketse, and Ngwato in the West and in the North, the Venda and Tsonga and the East (Pedi).

[26] Anti-squatting law No. 7 of 1866, 2 of 1871, Masters and servants' law of 1873, 7 of 1881, 11 of 1883.

control of the OFS. During the Anglo-Boer war of 1899-1902, efforts at securing a labour force from Africans in this region were started. The first step was to move Africans from the farms and into the reserves. Between 1899 and 1902, sixty refugee camps were set up by the British military authorities and about 100 000 Africans were moved into these camps (Beak, 1906: 26-28, Warwick, 1977: 61-81). Archival material shows that these native refugee camps resulted in positive outcomes as the Superintendent of Native Refugee Department commended the system for providing a 'steady supply of labour' while encouraging the native refugee families to grow sufficient grain for their maintenance and the payment of taxes[27].

After the OFS was annexed as a British colony in 1902, thereafter known as The Orange River Colony, the African taxation project intensified as the object of the British colonial economic policies was to have the colony pay for its sustenance. To this end, direct African taxes were revived. A Hut Tax of 10 shillings was imposed on Africans, however, the colony faced some challenges as other locations were underpopulated. This is well illustrated when the resident magistrate of Jacobsdal reported that he could not collect taxes[28] for the year 1900 because there were no natives in the district and there were 'about 70 or 80' both in town and the location[29]. Moreover, even after the movement to reserves, some of these Africans lived as squatter peasants and were paying rents directly to their landlords. Feinstein (2005) maintains that the British authorities struggled to increase tax revenues and continued setting up more reserves and imposing a tax of 10 shillings per hut on the residents of such reserves (Feinstein, 2005: 56).

Owing to the aforementioned peculiar hindrances to revenue collection through taxes, some town councils introduced localised taxes to finance their administration. For example, in 1902, the town of Bloemfontein introduced a Poll Tax of 1s.6d per month on each adult native living in any location, and possessing a hut or some other form of residence, furthermore, a the Poll Tax of 1s per month was levied on every adult male who resided in another man's hut or some other form of residence.[30] This tax was payable to the town council. This new policy compelled all natives above the age of 16 years or 'supposed' age of 16 years who were living with their parents and those who were visitors to pay a tax of 1s per month. The Orange River Colony's commissioner of police expressed that this tax, in addition to the usual Hut Tax and all other taxes, was strenuous to the already overtaxed Africans. Additionally, he pointed out that Natives contended that this tax was unjust and weighed heavily on parents that had large families.[31]

Thus the early tax system, in particular, direct African taxation was characterised by a combination of factors that included the colonial administration's quest for revenue,

[27] VAB CO 35, 3377/01, Letter from Superintendent of Native Refugee Department to Secretary of Administration, Bloemfontein Orange River Colony, enclosed, government gazette and a draft circular with the list of the camps for Native refugees, 20 September 1901.

[28] Specifically mentions Poll Tax and dog tax, but there were other taxes levied on Natives depending on the geographical location, for example, rent tenancy (also known as Kaffir farming), pin tax, municipal taxes, coal tax, education tax (white people were exempted from paying this form of tax on grounds of poverty in 1906 but not Natives).

[29] VAB CO 35, 3356/01, Report from Resident Magistrate of Jacobsdal to the Secretary of State of Orange Free, Native Poll Tax, 19 September 1901.

[30] VAB CO 64 1079/02. Letter from the Office of Commissioner of Police, Bloemfontein to the Secretary to the O.R.C. Administration, Bloemfontein. 17th April 1902.

[31] VAB CO 64 1079/02. Letter from the Office of Commissioner of Police, Bloemfontein to the Secretary to the O.R.C. Administration, Bloemfontein. 17th April 1902. The police commissioner requested a review of this policy, however, it is not clear if anything was done about it.

the need to force African men to seek work in the mines and the quest to produce disciplined and civil Africans (as it shall be elaborated in the next section). Regardless of the direction of the logic, the result was the same: Africans were heavily taxed, oppressed, strained and discontent with the system.

2.2. Tax and the Civilising Mission.

Existing historiography confirms the role taxation played as a mechanism for incorporating Africans into the colonial economy through waged labour (Feinstein, 2005, Ramdhani, 1985, Massey, 1978, Bundy, 1974). Yet the imposition of tax was also supposed to exert a moral influence on colonial subjects (Burton, 2008: 80). Taxation was also seen as a tool for advancing the liberal colonial paradigm of the 'civilising mission'. The imperatives to rescue Africans from their supposed backwardness was evident in Shepstone's justifications for the location system and the Hut Tax (McClendon, 2010: 21).

In the first instance being forced into waged labour was seen to have an uplifting effect on Africans – a sentiment that would be repeated by consecutive colonial authorities. Secondly, it was used to discourage certain practices deemed abhorrent by the colonial regime. To that end, Redding argues that imposing taxes on huts was a 'state imposed fine' on polygamy (Redding, 1996: 225, Redding, 1993). The connection between tax and wives was that each wife usually had her own household hut. McClendon argues, the tax was essentially one on 'women's labour… [yet which] lacked the elements of reciprocity and redistribution expected on the pre-colonial order' (McClendon, 2010: 13). The link between African women's labour and tax is that women were central to the agricultural production system in sub-Saharan African societies, hence the Europeans assumed that polygamy was positively correlated to wealth, as the more wives a man had, the more he could produce. Therefore, they viewed the number of huts a man had as proportional to his income or wealth. As the decades wore on, however, colonial authorities were increasingly forced to acknowledge that the imposition of tax had a negligible impact on deterring polygamy.'[32]

Thirdly, tax exemptions were a means to encourage Africans to adopt European ways of living. For instance, in his capacity as Supreme Chief of the Natal Colony, Lieutenant Governor Pine introduced tax exemptions in 1857 to encourage Africans to build houses conforming to European standards. Pine believed that African should be forced to adopt European style housing by imposing additional Hut Tax on every hut that did not have a high door and at least one window (Ramdhani, 1985: 53).[33] Correspondence between the Administrator of Natal laws, the Secretary for Native Affairs and magistrates from different divisions in 1888 highlights that this imperative continued over subsequent decades, although was the subject of continuing debate. The Magistrate of Upper uNkomazi division proposed that Law 13 of 1875 regarding

32 Archival correspondence suggests that this policy did not bring the desired effects, with the tax having no 'appreciable effect on polygamy NAB SNA 1/1/427, 1909/935, Letter from the Department of Native Affairs (Transvaal), to the Secretary for Native Affairs, Pietermaritzburg, Natal. 29/06/1909.

33 Contrary to Lieutenant Governor Pine's belief that tax exemptions would be bring double benefits (increase in revenue and civilise Africans) tax exemptions had the unintended consequence of reducing the tax revenue basket, as more and more people adhered to the new standards of living and very few were penalised for not doing so. NAB 1/LDS 3/3/2, H22/1859. Letter from Shepstone to Resident Magistrate of Klip River division, 15 April 1859.

the definition of exemptions be amended, since 'houses of European construction'[34] have always meant anything that is not the usual hut found in native kraals. This correspondence also shows that Africans who had converted to Christianity could be exempted from tax, provided that they changed their wardrobe and adopted European clothing.[35]

This line of reasoning was not specific to the South African case, justifying native taxation in the French colonies, Governor General of French West Africa (1908–1915) Ponty in 1911 stated:

> For the Native, taxation, far from the sign of a humiliating servitude, is seen rather as a proof that he is beginning to rise on the ladder of humanity that he has entered upon the path of civilisation. To ask him to contribute to our common expenses is, so to speak, to elevate him in the social hierarchy (Conklin, 1997: 144).

Similarly, Bush and Maltby (2004: 5) argue that Nigeria's tax was conceptualised as means of 'transforming the primitive and barbaric into good, industrious and governable colonial subjects'. However, they conclude that this project in colonial West Africa was futile as Africans almost always resisted these efforts. The archival data from South Africa broadly echoes these findings. As in West Africa, the motivations behind taxation in South Africa were both political and disciplinary. However, the vigorous resistance of Africans to colonial taxation calls into question claims on taxation as a means of forming subjectivity.

Overall, it seems apparent that taxes engaged tax payers in active engagements with the colonial authorities: tax compliance signalled how 'captured' the taxpayers were by the colonial system. Conversely, non-compliance, even in the context of brute force, seriously upset the system. According to Redding, "Taxes are not the sole constituents of the relationship between ruler and ruled, but they are vital symbols of that relationship and they are frequently the only widespread and recurring contact that people have with the state." (Redding, 2006: 29).

2.3. African Resistance to Taxation.

According to Redding, 'state officials had interests other than monetary ones bound up in tax collection, and they often saw compliance with tax payments as an indication of the acceptance of colonial laws in general' (Redding, 2006: 3). The payment of tax formed a central element in transforming the African into a docile, governable subject. Yet colonial taxation across Africa all too often provoked fierce resistance. The South African case is no exception, as the motivations behind taxation were above all hinged on reinforcing colonial authority. However, the legitimacy of the tax system was always contested, this culminated into tax revolts and high levels of tax evasion. As Sean Redding rightly observes, 'Taxes have been at the root of much political violence in South Africa' (Redding, 2006: 2). Resistance in the form of uprisings represented a fundamental challenge to governmental authority and influence. Rebellions

[34] NAB SNA 1/1/104, 1888/92. Minute paper from Resident Magistrate of Upper uNkomazi District to the Secretary for Native Affairs, 25/02/1888. NAB CNC 71, 625/1912. Fast-forward, fourteen years later, square houses on location lands containing a minimum of four rooms would qualify for tax exemptions. Minute paper from Magistrate Estcourt to Acting Chief Native Commissioner. 13/ 04/ 1912

[35] NAB SNA 1/1/104, 1888/92. Minute paper from Administrator of Natal law to the Secretary for Native Affairs, 08/02/1888. The communication involves formulating a rule under law 13-1875 regarding the definition of exemption.

presented political challenge by rejecting 'an outward and visible sign that the [African population] had accepted government control' (Burton, 2008: 85). Compared to other countries like Tanzania (former Tanganyika) where a combination of colonial power and lingering customary authority in rural societies ensured that evasion and uprisings were uncommon (Burton, 2008), South Africa was the reverse. The traditional societies together with the traditional leaders worked together in resisting the colonial order. Moreover, they also frustrated the disciplinary functions of taxation, and these rebellions had grave consequences for the colonial order and Africans alike. Tax uprisings occurred throughout South Africa. Particularly noteworthy were the Transkei revolution and the Zulu Rebellion (now officially known as the Zulu Uprising of 1906).

2.4. The Transkei Rebellion.

Sean Redding splendidly describes this rebellion in terms of an "intersection of taxation, political attitudes and supernatural beliefs among black South Africans", shedding light on the complex ways in which rural Africans understood and construed taxation. She argues that for Africans, taxation was construed as a ritual (Redding, 1996, 2006). With colonial tax officials collecting a range of intimate details of a person's life and family, Redding (1996) argues that taxation was perceived by Transkeians to be a European witchcraft. According to Redding (1996: 249), taxation to the Mpondomise and Thembu people was seen as a barrier, reinforcing the political and cultural assault that they had tolerated over the years and hence the reinforcement of colonial authority called for an attempt to re-establish African sovereignty. Moreover, Africans became aware that they were occasionally cheated by magistrates when paying taxes in cash (Redding, 2006: 16).

The simmering discontentment about colonial rule and taxation resulted in the first noteworthy violent episode against taxation – the Transkeian rebellion, also known as the Mpondomise and Thembu Revolt of 1880, or Hope's War[36]. Exasperated by the status quo, Africans diverted their annoyance with the system to the government's agents – the tax collectors (magistrates and their clerks). Magistrates and their clerks were accused of witchcraft and assassinated, some white government workers were killed during the destruction of Umtata town. Africans who were sympathetic to white controlled government – the so called sell-outs were also killed (Redding, 1996). The uprising was quelled in 1881 by whites and African loyalists.

The Transkeian rebellion did not necessarily bring the desired results, which is to quell the wrath of colonial authority and to eliminate taxation. Instead, the aftermath of the war saw tax compliance rates rise significantly, hovering between 80-100 per cent in 1890-1892 (Redding, 1996: 251). Moreover, taxation brought significant changes to the political structure of the African society, as the rebellious chiefs were deposed and replaced with loyal ones (Redding, 1996: 251), thereby significantly altering the African political structure. Taxation also 'recreated and reinforced bonds between the ruler and the ruled' (Redding, 1996: 249). Taxation also brought Africans into more contact with the state in that paying taxes opened avenues for the re-ownership of

36 Redding (1996) gives a detailed description of the of the 1880 Transkeian rebellion, linking it partly to taxation, witchcraft and political symbols.

land (Redding, 1996: 268). Christopher Saunders, conceptualises the aftermath of the rebellion differently, he argues that in actual fact, the rebellion made the colonial government to trade cautiously. He further argues that one of its most important effects was to instil fear amongst Africans in the region as they never rebelled again (Saunders, 1976).

2.5. The Zulu uprising of 1906.

The legacy of Shepstone's segregationist policies reverberated for decades after its inception. In 1887, Zululand was annexed by the colony of Natal and the Africans were gradually stripped of most of their arable land. White farmers occupied more and more land, establishing farms and sugar plantations. This resulted in an acute shortage of labour in the agricultural sector. Rather than work on the farms, the black work force was increasingly attracted to the gold mines of the Witwatersrand, where they could earn better wages.

From 1896, increasing reports of tax evasion surfaced. Chiefs and their subjects in different magisterial divisions of Natal and Zululand were either declaring themselves unable to pay taxes,[37] or did not intend to pay Hut Taxes.[38] The colonial officers blamed drought and too much alcohol[39] for African resistance in paying their taxes. The correspondences between the magistrates and the Secretary for Native Affairs exposed the simmering tensions between the chiefs and the colonial administration. At this point some chiefs were uncooperative with the government and their 'attitude was a cause for concern'[40], with some demanding salary increases.[41] Even their subjects started emulating the defiant behaviour of their chiefs, emulating their superiors, as some Africans resorted to tax evasion as they faltered on hut and dog taxes,[42] they started refusing to pay 'squatters rent'[43] and defying police authority.[44] All these red flags were construed by the colonial government as consequences of the colonial government's lenience on intoxicating liquor restrictions. Therefore, the government vowed to intensify the intoxicating liquor restrictions[45] as well as introduce sterner penalties for delinquency that included the confiscation of cattle, possible jail time with hard labour[46] and denial of passes to leave the colony.[47] In an attempt to increase the supply of labour into the farms, the Natal government resorted to the same system that had worked before – the imposition of direct taxes on Africans, therefore, under

37 NAB SNA 1/1/215, 149/1896. Minutes from Resident Magistrate, Upper Nkomazi. 04 February 1896.

38 NAB SNA 1/1/254, 1830A/1897. Letter from Sub inspector Shackleton, Natal police to the Secretary for Native affairs. 1897

39 NAB SNA 1/1/215, 173/1896. Circular from the Secretary for Native Affairs to Magistrates. 10 February 1896.

40 NAB SNA 111/311, 1102/1904. Telegram from Civil Commissioner Eshowe to the Secretary in the Prime Minister's office. 03 June 1904.

41 NAB SNA 1/1/311, 1214/1904. Letter from Magistrate of Eshowe to the Secretary for Native Affairs. 17 June 1904. Attached: Scale of salaries for chiefs. Chiefs were paid either in cash or in rugs. See NAB SNA 1/1/1/327, 1905/2606. Letter from Magistrate for Nquthu Division, Zululand to Commissioner for native Affairs. 31st October 1905. Statement made by Chief Matshana ka Mondisa, by way of petition against the Poll Tax Act of 1905.

42 NAB SNA 1/1/311, 1227/1904. Letter from Secretary of Native Affairs to the Minister of Justice. 26 June 1904. Enclosure, Extract from the Report of Police Commission.

43 NAB SNA 1/1/324, 1956/1905. Correspondence between Magistrate in Umzinto, the Secretary for Native Affairs and Minister of Public works. 3 august 1905 to 21 November 1905.

44 NAB SNA 1/1/311, 1227/1904. Letter from Secretary of Native Affairs to the Minister of Justice. 26 June 1904. Enclosure, Extract from the Report of Police Commission.

45 NAB SNA 1/1/311, 1225/04. Letter from the Secretary for Native Affairs to the Prime Minister. 15 June 1904. Enclosure: Bill to Amend the Liquor Act.

46 NAB SNA 1/1/324, 1956/1905. Correspondence between Magistrate in Umzinto, the Secretary for Native Affairs and Minister of Public works. 3 august 1905 to 21 November 1905

47 NAB SNA 1/1/331, 1905/3456. Correspondence between Commissioner for Native Affairs and Minister for Native Affairs. 18 December 1905 to 23 January 1906. Enclosure: The Poll Tax Act, 1905.

the Poll Tax Act of 1905, a Poll Tax of £1 on all men over the age of 18[48] was introduced. Gandhi captured this proletarian process well:

> In order to increase the Negro's wants or to teach him the value of labour a hut tax have been imposed on him. If these imposts were not levied, this race of agriculturists living on their farms would not enter mines hundreds of feet deep in order to extract gold or diamonds, and if their labour were not available for the mines, gold as well as diamonds would remain in the bowels of the earth. Like, the Europeans would find it difficult to get any servants, if no such tax was imposed.' (Gandhi, 1968: 18).

As one of the most repressive direct taxes in the short history of the Natal government, this tax was an addition to the numerous other taxes that were already carried by the African people. It exerted greater economic hardship on the African, furthermore, it advanced the growing disequilibrium which was a feature of black–white relations in early 20th century Natal. The tax led to the intensification of African discontentment over the payment of taxes. The excerpt below offers a highly compressed description of the feelings of the burden of taxation on Africans:

> Why should our father, the Government, do such a wrong and place a stone the size of Nquthu (Hill) upon our heads? We ask the government to consider our appeal against this tax as it will fall upon the young men who already work for our taxes and who by this measure are again being taxed[49].

Statements from various chiefs variably echoed these sentiments and the common usage of the phrase 'a stone upon our heads' showed the level of strain that the poll tax had imposed on the African population.

The Ilanga Lase Natal (the first Zulu newspaper) provided an apt description of the Africans state of affairs in 1905, highlighting the economic distress that they were experiencing and at the same time lamenting over the ' new taxation that was being imposed without regard for the economic situation' and urging people to fight against the system:

> It is best to make efforts to pay the money demanded by the government. But by this we do not mean it to be understood, that there should be silence…. We strongly protest against the increase on us natives alone, who pay direct taxation, when other races contribute through the purchase of goods which we also buy. Notwithstanding this, we pay more than other races.[50]

Thompson (2013: 40) identifies Poll Tax as most immediate trigger of the Zulu uprising. He offers a detailed description of the Zulu uprising which lasted almost two years. Organised by the chiefs against the colonial officers, including tax collectors, the uprising had destructive consequences for the African populations. Instead of abolishing Poll Tax, the tax was vigorously imposed, their prominent chiefs were either

48 Its consequences and nature will be elaborated in the next section.

49 NAB SNA 1/1/1/327, 1905/2606. Letter from Magistrate for Nquthu Division, Zululand to Commissioner for native Affairs. 31st October 1905. Statement made by Chief Matshana ka Mondisa, by way of petition against the Poll Tax Act of 1905.

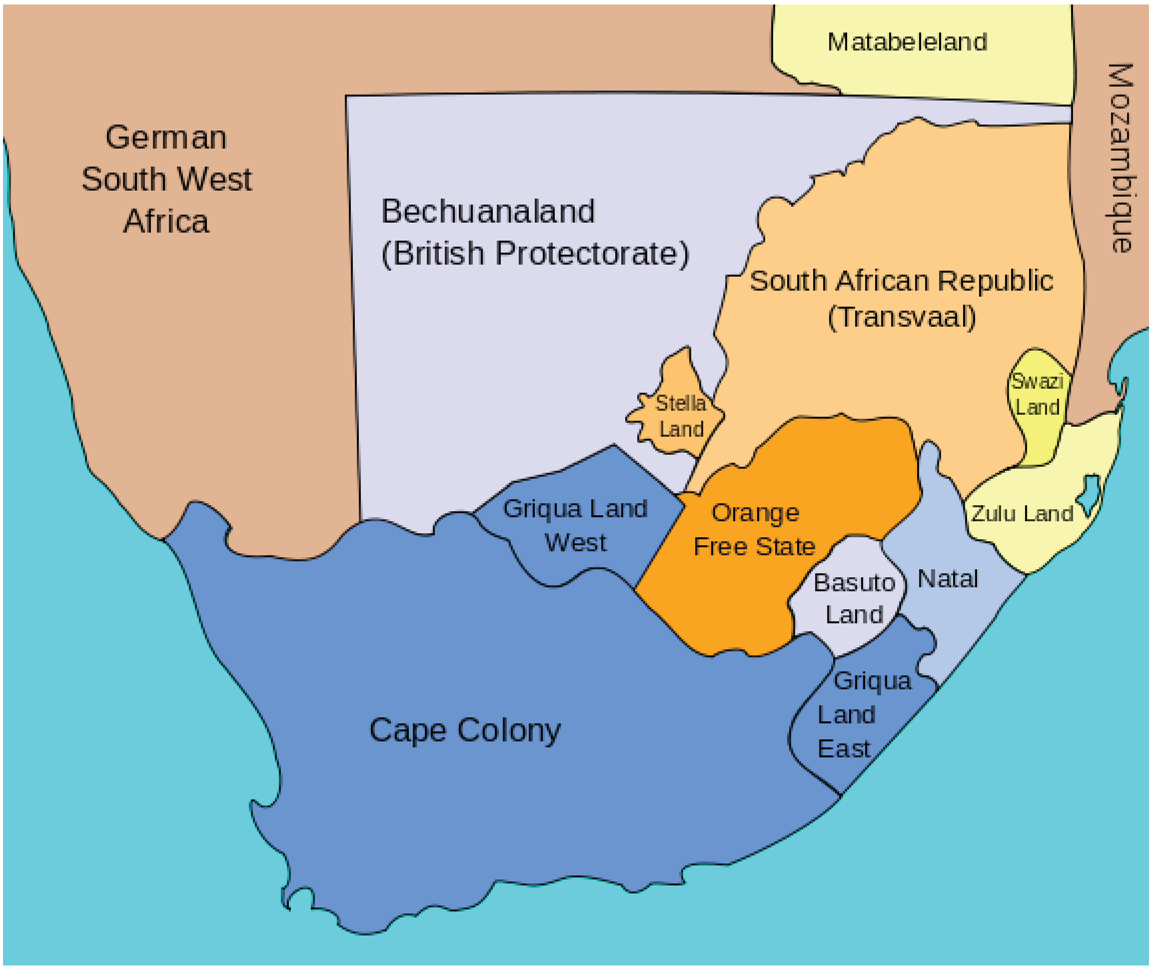
50 NAB SNA 1/1/324, 1945/1905. Letter from Secretary for Native affairs to S. Madison. Enclosure: Article in the Ilanga Lase Natal dated 27 July 1905 having reference to taxation. 01 August 1905.

killed or disposed of[51]. Moreover, Africans were defeated and over 3,000 Africans were killed, including their leader Bambatha kaMcikiza (Thompson, 1960: 42-43).

3. The Rise of the Modern Tax State (1910– 1948).

In the previous section, I showed how direct African taxation was established by colonial authorities, its purposes and consequences. This section demonstrates how the convergence of the formation of the Union of South Africa and the hardening of segregationist forms of rule shaped the tax system. In addition, I emphasize how factors such as the colonial tax policy, international factors, the political landscape and racial cleavages have been important influences on the trajectory of the tax state development in the 20th century.

Map 1: An illustration of the four South African colonies, 1910.



Source: Online Maps

The creation of the Union of South Africa in 1910 heralded a major change in the constitutional positions of the four states. Following the conclusion of the Boer War

[51] Chief Bambatha ka Mcikiza led the most intense revolt, he was already deposed because of his rebellious attitude. (He was later killed by the colonial militia). He was joined by Chief Sigananda, who also mobilised other chiefs to join in the struggle. These were joined by other chiefs in Zululand until Dinizulu (former king of the Zulu nation, who had also been deposed before the uprising) was arrested, charged and banished in 1907. By end of the rebellion about 25 chiefs from Natal and Zululand had joined the rebels.

in 1902, constitutional drafters in South Africa were confronted with the daunting task of addressing racial and regional cleavages, and over a period of eight years of ‘reconstruction’, opted for an explicitly exclusionary strategy. The idea of segregation was an inheritance from the earlier Shepstone’s policies and shaped the trajectory of African taxation. Racial identity became much more important than ethnic and regional identity, and full citizenship became a privilege reserved for the white race. Importantly, this determined who was taxed, how, and the types of taxes. The objectives of African taxation discussed earlier were also transferred into the new system with the quest for labour and the disciplinary functions becoming the most prominent: while this period introduced the taxation of white people founded on radically different principles, as shall be elaborated on later in the paper.

Administratively, the pre-union tax state was what Lieberman, (2003: 108) calls a skeletal tax state with no central state or coordinated bureaucracy. Tax collectors were not able to extract direct taxes from income and indirect taxation revenue was minimal. Even though the pre-union tax state had developed quite an extensive system of collecting taxes from Africans, the Union of South Africa inherited little pre-existing capacity to extract direct taxes on non-mining income from other segments of the society when it was formally established in 1910. Moreover, at the beginning of the century, South Africa was largely rural, with few taxable bases and without great need for centrally provided public goods. However, the years leading up to the Union also saw the creation of a joint fiscal administration between former Boer and British colonies. This event marked the beginning of a series of advancements in the tax system, especially in respect of the taxation of Europeans and companies. The creation of the South African Customs Unions of all British colonies south of the Zambezi River, and the unification of the Transvaal and Orange River railways into the central South African railways brought new opportunities for revenue extraction (Thompson, 1960: 13).

Politically, the early twentieth century was punctuated by moves by the new national government to entrench policies of racial and territorial segregation. The 1903-1905 South African Native Affairs Commission (SANAC) constituted the first attempt to bring together a coherent policy on the forms of rule that should govern ‘the natives’. It proposed territorial separation of black and white land ownership, forced removals of black people from ‘white areas’, and the creation of black locations on a nationwide scale where taxes could be extracted easily and without much hustle.

Moreover, a large, regular, supply of labour remained essential for industry to thrive, and this was to be achieved through the duel restrictions of taxation and passes. Competing for a steady supply of labour, the farmers, the government, and the mining houses engaged in an active collaboration for the strategy of increased taxation of African men. The nascent Union government affirmed the principle that racial identity would determine who was taxed, the kinds of taxes paid, how much and, importantly, who benefitted from taxation. The SANAC report laid bare the exploitative character of direct taxation on Africans. It calculated that over 1903-04, Africans contributed £872,548 to the various governments of South Africa, while ‘the cost of the administration of Natives and their affairs shown in the various budgets amounts to a little over £181,000’ (SANAC, 1905: 86-87). The report echoed many of the sentiments expressed by colonial officials of the past about the uplifting impact that its labor-inducing aspects ostensibly brought.[52] "If a man does not work neither shall he eat' (SANAC, 1905: 89). Yet it also signaled how tax could be used as a mechanism for the kind of social engineering that would advance the deepening segregationist approach of the colonial government. A tax would be imposed on residents in locations, for instance, for the purpose of 'checking the practice of squatting' (SANAC, 1905: 82). The report indicates something of the fine tax balancing act that authorities would have to undertake in order to satisfy competing demands for labour. As the scope of mining intensified, for instance, farmers complained of worker shortages, as migrant laborers made their way to the growing urban centres. In response, the SANAC commissioners 'desire[d] to see in force throughout British South Africa the principle adopted in the Cape Colony, of exempting from Hut or Poll Tax any Native who is a farm servant and in bona fide and continuous employment' (SANAC, 1905: 82).

This formed the basis of the pass system introduced to control the movement of African people. Taxation was intimately linked to the enforcement of pass laws.[53] Pass laws and taxation had a direct relationship, passes were only issued on condition of proof of tax payment; Africans who had defaulted on paying their Hut Taxes or Poll Taxes were denied passes to move out of their jurisdictions.[54] Up until the 1950s, pass laws were generally applied to African men. The pass denied 'the African privacy, choice, dignity, movement and everything which makes a man' (Feinstein, 2005: 56).

At the beginning of the Union, apart from the emphasis on African taxation, the new government considered the mining sector for revenue options. Therefore, in 1902, the new British led government increased the tax on gold net profits from 5 percent that was levied in 1898 to 10 percent (Van Blerck, 1992: 2). Apart from the African direct taxation, gold revenues and customs duties which were a critical source of capital in the early years of the union, general income taxes were temporarily implemented in the provincial governments of the Cape colony starting in 1904 and in Natal starting in 1908 (Lieberman, 2003: 111).

The new government realised that it had to impose uniform income taxes for this source to yield positive results. Therefore it began talks to establish a firm foundation for revenue collections and build an effective tax state that would be equipped to finance public expenditures. Thus the constitution of 1909 proposed the enactment of a general income tax. Therefore, in 1914 General Jan Smuts, in his capacity as Finance Minister of the Union of South Africa, introduced a general income tax, with the Income Tax Act of 1914. This move marked the first time Europeans were directly taxed in South Africa. Implemented immediately after the enactment of the Act, the income tax became the major source of revenue for the union. In this first Act income tax rates ranged between 2.5% and 7.5% of taxable income (Lieberman, 2003: 129).[55] As a percentage of the GDP, income tax and property tax rose rapidly from 0.8 % in

52 It cannot but be an advantage to the Natives to be induced without compulsion to become more industrious… The formative influences which labor and industry will bring to bear on the character of the Native himself will be most valuable' (SANAC, 1905 : 82).

53 South Africa pass laws were a form of internal passport system designed specifically to restrict black people's movement by requiring them to carry pass books when outside their homelands or designated areas. This system was designed to ensure a reliant supply of migrant labour and segregate the population. During the apartheid era, this legislation was used to limit the number of African residents in urban areas. Before the 1950s this legislation applied to African men only. Attempts to apply it to women in 1910 and the 1950s were met with significant protests. However, in 1956, women were also forced to carry passes. Pass laws were effectively repealed in 1986.

54 NAB SNA 1/1/1335, 1906/366. Telegram from the Minister for Native Affairs to the Commissioner for Native Affairs, Eshowe. 1906

55 By contemporary standards, these rates may not seem terribly high but should be seen in light of the context presented; the first time most citizens were paying direct taxes to the state.

1915 to 2.2 % in 1930 (Lieberman, 2003: 124). This increase was also facilitated by the commencement of World War I.

The formation of the Union of South Africa coincided with the commencement of World War I (WWI). To finance the military expenditure, the state needed to revamp its existing tax structures as well as create new ones. Income tax became the revenue option of choice for the state. In its first few years, the tax was modest, providing only a small part of the government's total revenue. But World War I transformed it through the transmission of policy ideas that emphasised a departure from reliance and emphasis on customs duties, towards more domestic taxes. Income tax became the centre of federal finance. According to Lieberman, (2003: 11) the collection of income taxes rose dramatically from virtually nil in 1914 to contributing almost two percent of GDP in 1918. By the early 1920s, it was firmly established as a centrepiece of the state tax system.

In order to finance the war, the government enacted the new excess profits tax on businesses in 1917. This special tax was applied on profits beyond a specified amount, usually in excess of a deemed 'normal' income. By 1919, this tax was increased to meet the increasing war expenditure (Lieberman, 2003: 129). Although these taxes were removed in the aftermath of the war together with the special war levies, they were replaced with higher normal tax on companies and were increased from 5 percent to 7, 5 percent.

According to Lieberman (2003), WWI inspired a common cause among the South African upper income groups[56] which led to a general acceptance of increases in tax demands. He argues that during this time, compliance rate was high for this group because taxpayers[57] viewed the state as legitimate, hence the tax roll rapidly rose from 5000 in 1914 to almost 100,000 in 1921, with the highest income earners contributing the bulk of the total income tax collected. Even the tax state was growing, as by 1917, the number of tax offices had increased from five to thirteen (Lieberman, 2003: 130). The collection of taxes still rested with the local magistrate.[58]

Parallel to white taxation, which was founded on equitable grounds and common understanding, African taxation remained regressive and marred with objectives other than raising revenue for the government. As noted earlier, African taxation was also intended to fund an apparatus designed to impose civilisation on primitive African societies, including educational institutions specifically designed for Africans. Shortly after the war, in 1918 additional new taxes were enacted on the African population – the education tax to fund the education of the African as well as the tank tax (sometimes called the dipping tax).[59] The correspondence between the Commissioner of Inland Revenue and the local magistrates of the Cape highlight that the existing native taxes were no longer generating sufficient revenues, therefore, they were calling for new methods of extracting revenue. Moreover, chiefs were blamed for not effectively

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56 Composed mostly of people of non-African descent.

57 Lieberman (2003) and Moffat (1915) focus on the direct taxation of white people in South Africa.

58 His duties as administrator of the district, included making regular inspections of the district, holding branch courts, keeping records of all matters within his division, keeping all 'expenses down to a minimum, collecting taxes, checking evasions. The effectiveness of tax system tax especially Hut Taxes depended on his initiative and abilities.

59 KAB 1/BIZ 6/14. File 46. Correspondences the Commissioner of Inland revenue, Pretoria to the local Magistrates in the Cape Town Province. 1918 to 1921.

executing their roles of ensuring that their subjects paid taxes. To this effect, there were calls for the re-registration of districts.[60] There is also evidence of frustrations on the part of the resident magistrates because of high levels of tax avoidance.[61] This development signalled the continuing discontentment with the regressive tax system among the African population. However, the hidden connotations of the tax laws continued to reverberate throughout the decades.

The idea of taxation as a weapon of control, comes up again strongly in 1925 with the promulgation of the Native Taxation and Development Act of 1925[62]. The Act introduced numerous other African taxes including the head tax or general rate,[63] livestock rate and the dipping taxes. With the passage of this Act, all men over the age of eighteen whether married or not or owned livestock or not became tax payers, they were all obligated to pay a Native General Tax. The Act provided that 'of this tax of £1 per adult male, fourth fifths would go to the Treasury and one-fifth to the formation of the Native Development Fund' (NEC, 1932: 87).[64] According to this Act, tribal levies were also passed into law and those Africans who evaded were prosecuted under Act No. 41 of 1925.[65] In 1930, arrests for infractions of this Act accounted for the highest number of convictions (49,779), followed by contraventions of the Pass Law (42,262), 'Illegal Possession of Native Liquor' (35,777) and 'Municipal Offences' (25,912) (NEC, 1932: 113). The introduction of such numerous taxes in addition to the existing numerous taxes and the penalties imposed for tax evasion shows that the highly racist government at the time was using taxation not just to control, but also to frustrate and humiliate the African men, considering that these additional taxes and penalties only applied to Africans.

The 1932 Native Economic Commission noted some of the negative effects of the existing tax regimes on Africans. The Commission report highlighted, for instance, that one-fifth allocation of direct taxes to the Native Development Fund 'makes inadequate provision for the expansion of expenditure on education. Any increase in the Fund can be brought about only by an increase in the number of adult males, while the growth of the school population is taking place on both sexes' (NEC, 1932: 96). The report suggested some of the negative demographic impacts that taxation was contributing towards in the reserves: 'the need for money for taxes and food and other necessaries [have] compelled the majority of the adult able-bodied men to go away from their homes to work in European areas. The ploughing must perforce then be done in many areas by young boys, and sometimes even women' (NEC, 1932: 8). It spoke of the growing phenomenon of non-returning men enticed by 'the glitter, the movement, the excitement of town life', forcing rural parents to find 'money for taxes for their prodigal sons' (NEC, 1932: 56).

To add insult to injury for the Africans, the Commission nevertheless saw fit to conclude

60 It is not clear what this entailed and what its intended effects were.

61 Letter from the resident Magistrate of Bizana to the Commissioner of Inland Revenue, Pretoria. 12 October 1921.

62 KAB 1/ KWT 6/1/22 6/1/4. Native Taxation. Instructions and Precedents. 1927 – 1939. RNC 18 of 1931. Collection and Administration of Tribal levies: Act N. 41 of 1925.

63 It appears that in some provinces like the Transkei, this tax replaced the Poll Tax as it was sometimes referred to as the Poll Tax.

64 The Native Economic Commission of 1932 stipulated the 'lines of policy' with respect to the administering of this Fund, which included: '(1) The main object should be to provide elementary education for Native children; (2) The system of education should emphasize character training, habits of industry, use and appreciation of the vernacular, the official languages, health and hygiene, agriculture and other practical subjects' (NEC, 1932 : 87)

65 KAB 1/ KWT 6/1/22 6/1/, 87/R/293. Native Taxation. Instructions and Precedents. Union circular, 1925.

that ‘in the case of the tribal natives, and many of the farm natives…, taxation “…has no regressive character whatever” (NEC, 1932: 97) and that “At present it is an integral part of the administrative system of the country and it certainly exerts pressure [on Africans to go to work] where a great deal of pressure will continue to be required for a long time if the mass of the Natives is to advance at all” (NEC, 1932: 97). And despite its appeals to the need to bring greater development to the reserves, the NEC report detailed how little over 10 percent of the whole Union budget was “allocated to natives” in 1929-1930 (NEC, 1932: 165).

According to Redding (2006:14) from 1926 to 1958 the tax burden of most Africans remained the same, and these years saw the extension of taxation to districts in which they had not previously been collected. The Second World War (1939-1945) provided fresh stimuli for tax reforms, as governments needed more revenue to fund the war effort. Direct collections were imposed as ‘special war taxes’ on firms and on individuals. During this period, the Income Tax Act was also rewritten to consolidate the prior amendments and consolidations. This included war time taxes and supertaxes on companies, mines and individuals[66]. Generally, the rate structure for the white upper income groups was highly progressive. The same was not true for African taxation (largely Poll Taxes and Hut Taxes) which remained highly regressive for the lowest income earners.

Under General Jan Smuts, the young state’s demands for taxation from the upper groups relied on appeals to national consciousness (Lieberman, 2003: 140) rather than coercion. As a result, the majority (not all) of the white population accepted the tax burden. Apart from financing the war, the revenue was also used to support social welfare programs targeted at tackling the ‘poor white’ problem[67] (Lieberman, 2003: 143). According to Hellman, social welfare policies were largely driven by the predominant development theory of the time, Keynesianism, which advocated among other things an increased government expenditure and the creation of a welfare state (Hellman, 1949: 413). During the war years, more than 90% of total assistance went to white South Africans (Hellman 1949: 415-16).

66 Social and Economic Planning Council 1946. The social and economic planning council was appointed in 1942, its reports included among others, Report No. 7, Taxation and Fiscal policy.

67 ‘The poor white problem’ was a term coined to refer to white South Africans’ poverty. It is a brain child of the Carnegie Commission’ (1932), which conducted a study of poverty among white South Africans. The recommendations of the Commission are often credited with the major role of prompting the welfare state-building and some have argued would later serve as a blueprint for apartheid.

Table 3. The tax state in South Africa during the Second World War, 1939 – 1945.

Policy	
New bases	Special war taxes on firms and individuals
Exemptions	Few
Top company income tax rates (including special)	30 percent
Top individual income tax rates (including special)[73]	70 percent
Administration / Calculation of liability	Straightforward/ transparent
Payment/compliance	Significant cooperation 'The citizens (not subjects)[74] have accepted the tax.'
Costs/technical skills	Highly efficient cost structure (0.3 percent of collections)
Tax state	Cooperative
Collections of income and property tax(% GDP) **1939** **1945**	1.77 7.52
Inflation (1939 – 45)	35%

Source, Lieberman, 2003, Table 4.4[70].

As summarised in the table above, South Africa expanded its income taxing institutions and increased the revenue and efficiency gains. This performance outcome reveals the positive relationships between the state and upper income groups. At this stage, the South African tax state did not have sophisticated technology to execute taxation, rather it relied on cooperative relationship with the white taxpayers. Lieberman classifies such a state as a cooperative tax state, where upper groups actively complied with the state's demands (Lieberman, 2003: 138). Lieberman's analysis is biased in that it completely ignores the repressive and racist nature of the tax state at that time as far as the taxation of the Africans was concerned.

In the years following the war, there were no significant changes in the tax system. Politically, the year 1948 introduced a significant change in the national political landscape with the rise of the Nationalist Party (NP) to government, along with its apartheid project – the ultimate realisation of institutionalised white supremacy. As far as taxation was concerned, increasing racial tension was accompanied by increased convictions and harsher punishments for tax defaulters. Under the headline 'Making Native Criminals',[71] a Cape Town newspaper reported in 1949 that the state had adopted a firmer stance at tax defaulters as in that year 69 000 Africans were convicted for non-

68 Even though Lieberman's analysis does not include African direct taxation, the African taxes could have been part of the 70% highlighted on the table above.

69 The author's emphasis.

70 Even though the table is problematic because of its one – sided depiction of the system of taxation. It serves as an important illustration of white taxation in South Africa.

71 This signals the frustrations at or departure from the civilising mission to outright dismissal of the /African and his freedom.

payment of Poll Taxes compared to the 49,772 in 1944. The paper attributed the problem to the regressive nature of the African taxation as 'Europeans in the country are taxed according to their ability to pay but natives are taxed personally'.[72]

4. The Tax State and Apartheid's Volatile Political Landscape (1960 – 1990).

The 1960s are characterised by a mix of rapid changes in the internal and external political landscape[73] as well as rapid economic developments in South Africa. The context of African decolonisation politics and economic developments called forth a host of new administrative and revenue needs. These developments compelled finance ministers and other national leaders to call for greater bureaucracy and more advanced models of revenue collection. Tax authorities consolidated provincial income taxes as a national responsibility in 1962. The state also embarked on increasing simplifications to the tax system by reducing tax exemptions and incentives that were introduced to the tax policy framework over the preceding years. The tax system was furthermore modernised with new technologies for example, computerisation in 1962, and the introduction of the Pay As You Earn (PAYE) system in 1963.[74] This in turn significantly reduced collection costs and increased tax compliance.[75]

At various intervals during the period 1960-1990, distinctive African responses emerged to state demands, including numerous violent protests against the apartheid government's repressive policies.[76] The apartheid government adopted brutal means to neutralise political dissent. Since direct African taxation had always been used as a disciplinary instrument, taxation took an audacious form. Significant changes were effected in the late 1950s starting with the enactment of the Native Administration and Development Act No. 38 of 1958. The Act stipulated that as of the 1st of January 1960, the General rate/ Poll Tax increased by 15% (from £1 to £1.15s)[77] for every African male of the of eighteen and above, domiciled or resident in the Union. In addition, from the 1st of January 1960, men earning over £180 per annum had to pay increased amounts of taxes, tax payable increased depending on income. For the first time in the history of African taxation in South Africa, women became liable to pay general tax. For Africans, the income of a wife was regarded as her separate income and not that of her husband.[78]

The system was highly inequitable. Africans became liable to pay tax at the age of 18, while members of other groups only paid personal tax when they attained the age of 21. And the new system took no account of other taxes which were only paid by Africans. The Africans had to pay local tax of 10s. per year, educational levies, dipping fees, grazing fees, dog tax, pass and compound fees. Lastly, only the Africans were imprisoned for non-payment of tax. In the case of other races there was no criminal sanctions for failure to

[72] KAB 1/KWT 22 6/1/22, Instructions and Precedence to Natives Taxation Act.

[73] In Africa, the 1960s was a period of radical political change as countries gained independence from their European colonial rulers. In South Africa, the apartheid laws became more oppressive after banning the ANC and the PAC.

[74] PAYE system a method of paying income tax and national insurance contributions. The employer deducts tax and national insurance contributions employee remuneration or occupational pension before paying the wages or pension. Check http://www.sars.gov.za/TaxTypes/PAYE/Pages/default.aspx

[75] For a detailed explanation on collections of income and property tax as a percentage of GDP, see Lieberman, (2003 : 156)

[76] These included, the development of Bantustans, the imposition of influx control through enforcing pass laws, the implementation of Bantu education, and forced removals under the Group Areas Act.

[77] This had the same buying power as 30.97 current dollars.

[78] KAB 4/MAT 4/1/17, T/1/2. Native Taxation Act, Circulars, Precedents, Rulings. 1959.

pay taxes. In 1962, the Native Taxation and Development Act, 1925 underwent significant amendments. For the first time, taxes for employed Africans would directly be deducted from their salaries, and it was no longer solely the responsibility of the chiefs and resident commissioners to collect taxes.[79] Following these changes, in 1969, the Native Taxation Act became the Bantu Taxation Act in the Bantu Taxation Act, (Act 92 of 1969).[80] For the first time, all employed Black people were liable to income taxes. The tax was called the Bantu Income Tax, it is not clear how this tax was calculated, but it was percentage of their salaries.

The period from 1970s to late 1980s is characterised by the continuation of the regressive tax system on black people and the progressive one on white people. The fairly rigorous tax state that had been established in almost eight decades would prove to be crucial for the survival of the state. The state's capacity to extract income tax proved crucial during the economic distress experienced during the period shortly preceding the attainment of democracy (Lieberman, 2003). The government did not introduce any significant policy changes, inflation pushed the lower income earners to higher tax brackets as tax brackets were not adjusted for inflation. This proved to be benefitcial to the state without any significant policy changes.

Between 1975 and 1990, the state had basically reached its limit in terms of taxing the upper income groups (Lieberman 2003: 168) and lower income (comprising mostly of black people). The government then introduced investment allowances to encourage investments, ultimately reducing company taxes (Nattrass & Ardington, 1990: 16). The government responded to revenue losses by enacting a General Sales Tax (GST) in 1978 which slightly increased revenues from between 4 percent of GDP in the 1970s to approximately 13 percent in the late 1980s (Reserve Bank, 2015: 24).

What is most noteworthy about taxation during this period was the levels of extraction of taxes from black people. The apartheid state intended to reinforce the state's hegemony over black people. This period shows how the prominence of whiteness cushioned white people against numerous hefty taxes. Whereas, the system of apartheid – a racist, segregationist and repressive system ensured that black people were overtaxed.

5. Tax Reform in an era of Globalisation and Democratisation (1990 – present).

The first noteworthy step as far as taxation is concerned in the period leading to the end of the apartheid era was the repeal of Hut Tax and other African taxes through the Discriminatory Legislation regarding Public Amenities Repeal Act, 1990 (Act No. 100 of 1990), an act of the Parliament of South Africa that repealed legislation permitting racial segregation in public facilities as well as sections of a number of other acts as well as provincial ordinances.

Democratisation (a critical moment in the country's history) brought other significant changes to the tax system and provided motivations for significant tax reforms. The

[79] Government Gazette 7th May 1962.

[80] KAB 4/GLE 4/1/40, 1/3/1. Bantu taxation Act. Letter from the secretary to the Receiver of Bantu Tax, Magistrates' office, Kokstad. 30 March 1978.

democratic transition in the late 1980s and early 1990s allowed for the rethinking of numerous policies in a number of administrative areas as the tax system had ‘become one of the several institutions targeted for righting past wrongs’ (Lieberman, 2003: 210). South Africa democratised in an era of globalisation where the international economy provided incentives on global norms of tax policy[81] and administration and also increasing pressures for tax reform especially simplification of complex tax systems. The period preceding the democratic transition, was a very challenging period in the history of the South African economy – a period characterised by increased spending on the part of the apartheid government, steep decline in revenues, sanctions and disinvestment. South Africa was forced to increase the pace on reforming the tax system. This put pressure on the fiscus and on policy makers to adopt the basic tenets of neo-liberalism; best summed up in the so-called Washington consensus (Tshitereke, 2006: 27-28).

In line with this philosophy, in 1987, a commission (known as the Margo Commission) was set up to conduct an inquiry into the tax structure of the Republic of South Africa. The commission made several recommendations, these included the introduction of Value Added Tax (VAT), the decrease in the company tax rate, introduction of the Secondary Tax on Companies (Black, Calitz & Steenekamp, 2005:154), the gradual elimination of tax-deductible expenditures and special incentives (Manuel, 2002: 8), to increase the tax base and enhance economic efficiency by minimising distortions, to decrease the opportunities for tax evasion and avoidance, hence decreasing the tax gap at that time (Manuel, 2002:3) and to change the unit of taxation for Personal Income Tax from the couple to the individual. Many of the Commission’s recommendations were accepted, but married couples continued to be taxed jointly (Budlender, Casale &Valodia, 2010: 209). The broad based consumption tax – VAT caught the attention of many South Africans because of its regressive nature. Nevertheless, the Minister of Finance in 1992 announced the introduction of VAT from 30 September 1991 at a rate of 12 percent to replace GST which was levied at 13 percent. Amidst budgetary pressures VAT rate was increased to 14 percent in 1993.

The disjuncture with the repressive past was marked by popular political discourse of ‘a new South Africa’ and political actors began to argue that among other things tax systems should be fairer, since the formal end of apartheid saw black South Africans being included in the citizenry of the country. This meant that the tax policy had to be adjusted to accommodate the black people. For certain consumer bodies and labour unions (with mostly black membership), the introduction of VAT was a relapse because of its regressive effect on the poor. As such they vehemently resisted government’s persistence in levying the VAT, arguing that it was regressive and penalised the poor. In 1991, COSATU (Congress of South African Unions) led a massive strike protesting the enactment of VAT and challenging its legitimacy because it was enacted without consultations with labour groups. Giving in to pressure, the government zero-rated some basic goods and services to soften the blow on low-income earners. The dominant views about the tax system was that corporate taxation was equated with taxation of white people, while VAT was equated with taxation of black people (Lieberman, 2003: 210).

Following the election of Nelson Mandela in 1994, the new democratic government of South

81 These included trade liberalisation where tariffs should be minimised and should never be applied toward intermediate goods needed to produce exports, an equitable tax reform, broadening the tax base by introducing consumption taxes, corporate income tax rate reductions, increased utilisation of tax revenue towards investments and keep fiscal deficits to a minimum.

Africa had the daunting task of revamping the tax system, extracting more revenue and moreover making it more equitable. At the same time, for political survival, the African National Congress (ANC) led government had the task of constructing a thriving and modern economy and integrating the country into the international economy. However, their government's policies shied away from raising tax levels because South Africa was already a heavily taxed society. Company and personal income taxes were over 40% of income, which were too high by international standards (Hirsch, 2005:74). Moreover, the transitional levy[82] imposed during the tax years of 1994-5 and 1995-6 to finance election expenditure and finance the deficit that had accumulated during the tumultuous political transition, made it difficult to justify any other additional tax.

The available viable option at the time was to increase the major indirect tax (VAT). That was problematic, as it would damage the credibility of the ANC (Hirsch, 2005: 74). Instead, the new government focused on improving tax administration and collection, a re-evaluation of the efficiency and equity aspects of the different taxes and most important, to bring the South African tax system in line with changing international tax practice. Therefore, in 1994 the ANC led government established an enquiry into certain aspects of the tax structure of South Africa known as the Katz Commission, which was in place until 1999. In line with internationally accepted tax principles and practices, the commission recommended an overhaul of the whole of the tax system including improving people's perceptions on taxation, greater co-ordination between departments when determining their policy priorities, source of taxation should not determine who benefits from public spending or vice versa, broadening of the South African tax base and a comprehensive overhaul and consolidation of the Income Tax Act. Most important, the commission recommended an urgent need for fundamental reform in both Inland Revenue and Customs and Excise – the institutions responsible for revenue collection (Katz Commission, 1994)

Accordingly, the new government focused on improving the performance of the revenue collection machinery. The two entities, the Inland Revenue and Customs and Excise, were not collecting enough to balance the fiscal books and open ways for new budgetary processes. The commission's 1997 report developed this recommendation by stating that these two entities responsible for revenue collection be amalgamated into one agency (Katz Commission, 1997) resulting in the birth of the South African Revenue Service (SARS) in the same year. The South African Revenue Service Act (1997) (the SARS Act) gives SARS the mandate to:

- Collect all tax revenues that are due to the fiscus
- Ensure maximum compliance with relevant legislation
- Provide a customs service that will maximise revenue, facilitate trade and protect ports of entry against smuggling and other illegal trade.

SARS is responsible for collecting a wide range of taxes, these include, personal income tax (PIT), including capital gains tax (CGT), value-added tax (VAT), corporate income tax (CIT), including CGT, customs/import duties, excise duties, transfer duty, estate duty, skills development levy, unemployment insurance fund (UIF) contributions, fuel levy, environmental levy, and other taxes (SARS, 1997). SARS reports directly to the Minister

82 Transitional levy was a tax imposed in 1995 to finance transitional costs incurred during the 1993 and 1994 transitional process to democracy. This levy was calculated as a certain percentage of taxable income in excess of R50 000. For transitional levy calculations, see (Reserve Bank, 2015: 66)

of Finance while working with the National Treasury, which manages the national economic policy and finances and prepares the government budget. At its inception, SARS was under capacitated in terms of systems and staff. The SARS commissioner Pravin Gordon and SARS management teams restructured the once-perceived disorganised and ineffective organisation (PARI Budget reform in South Africa report 2015:11-12) into a successful public sector entity.

Some of the most notable changes included firstly, simplification of the tax system, whereby many low yielding taxes were abolished, the harmonisation of the tax systems of former bantustans, the withdrawal of tax exemptions on various bodies and institutions, and the abolition of nonresident shareholders tax (Lieberman, 2003:222). The internal organization at SARS and the tax bureaucracy is well trained and has the technical ability and this has accounted for its phenomenal success in collecting taxes. SARS worked on changing people's perceptions towards tax compliance (PARI, Budget Reform in South Africa Report, 2015) and recorded a gradual increase in the number of registered tax payers over the years. Lastly, innovations such as e-filing of returns made compliance both simpler and cheaper. These developments significantly transformed the tax collection system from 'a problem child to a star performer' (PARI, 2015:9).

The most remarkable change that SARS needs to be commended for is the integration of black South Africans into a new relationship with the state. By the late 1990s, a large portion of the black population was off the register and SARS, through its national bureaucracy conducted nationwide education programmes on taxation, instituted amnesties and increased auditing (Lieberman, 2003:229). This has yielded positive results evidenced by the fact that South Africa has recorded massive revenue gains after the overhaul of the tax system. The total South African tax revenue increased from R178 846 524 million in the 1998-99 financial year (SARS, Annual report 1999) to R1 070.0 billion in the 2015/2015 making 26.2% of GDP (SARB Annual Report, 2016). Presently, two taxes; the income tax and the value added tax account for 78% percent of all tax revenues. The quality of the tax state is quite strong. Nonetheless, the central state's ability to redistribute resources through the fiscus is an on-going, heated debate.

6. Conclusion.

Taxation in South Africa began as a construct of the British colonial order, shaped by successive administrations not only to finance government, but to control the movements and behaviors of Africans. Through the analysis of the types of taxes that were introduced, the target population and the intended effects, I argue that taxation was one of the most significant pillars of control. As the major institutionalised mechanism of white control over Africans, apart from its fiscal role, I argue, taxation had political, administrative and socio-economic implications for Africans.

I demonstrate how taxation was central in shaping the relationship between colonial administrators and Africans – the formation of citizens and subjects in South Africa. The analysis here shows how colonial taxation, replacing the reciprocal pre-colonial tributes and levies, formed an essential part of the imperialist civilising mission, it worked to engineer a colonial subject that was civilised, moral and governable. Moreover, it was designed to generate more productive, industrious and progressive colonial subjects. However, efforts at these objectives were always thwarted by anti-colonial resistances.

As I showed in this document, direct taxation on Africans formed the mainstay of early colonial revenues, and remained a crucial source of revenue in the decades that followed. But it also formed a central element of an extractive capitalist system based on the migrant labour system, stimulated mostly by the mineral revolution and the chronic needs for cheap labour which brought dynamic changes to the tax system, which in turn led to entrenchment and a growing sophistication of the tax system.

Apart from the racially motivated tax reforms, I illustrate how critical junctures like the formation of the Union of South Africa, the drafting of the constitution, the international pressures (WWI and WWII), the change of regime in 1948 with the formal onset of apartheid and the political turmoil after that, affected the fiscal system and influenced the taxation trajectory in South Africa. I argue that these episodes created incentives for changing the structure and the capacity of the fiscal system. In addition, the paper evaluates the impacts of bargaining power, the trustworthiness of the state and regime type in shaping the character of the fiscal system.

Finally, the democratic dispensation in South Africa heralded grand changes in the tax system, in terms of restructuring the fiscal institutions, broadening of the tax base, improving on compliance among other things and the subsequent success of the revenue collection agency.

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