Conceptual Framework For Classifying Government Imposts Relating To The Tax Burden Of Individual Taxpayers In South Africa

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ABSTRACT

The tax burden of individual taxpayers in South Africa is a topic that is much discussed in the country. Studies and debates around the topic are somewhat contradictory, depending on the viewpoint from which the tax burden is evaluated. These contradictory claims relating to the tax burden carried by individual taxpayers in South Africa do not arise in a vacuum, but may in part be attributed to different interpretations of what constitutes the 'tax burden' as a construct. This article provides the results from an analysis of the tax construct and the construct of a (tax) burden. The results are summarised in the form of a conceptual framework that sets out criteria as a consistent foundation for classifying government imposts as they relate to the tax burden of individual taxpayers, not only in South Africa, but also in other countries around the world.

Keywords: Tax Burden; Tax; Individual Taxpayers; Classification of Government Imposts

1 INTRODUCTION

In the late 17th century, Jean-Baptiste Colbert (n.d.), Louis XIV's Comptroller-General of Finances, said that the art of taxation refers to the art of plucking the goose in such a way that one obtains the largest number of feathers with the least amount of hissing. As in Colbert's time, governments continue to find innovative ways of imposing taxes on the taxpayers of a country. One of the innovations commonly used by governments is a phenomenon originally described by the Italian fiscal economist Amilcare Puviani – the 'fiscal illusion' (Calitz, 2012, p. 334; Da Empoli, 2002, p. 377; Webber & Wildavsky, 1986, p. 578). The fiscal illusion can be described as the government practice of making taxpayers believe that the tax burden is lower than it actually is (Calitz, 2012, p. 334). A practice frequently used by governments in creating this belief amongst taxpayers is to label a tax something else to hide its true nature from taxpayers (Say, 1821, pp. 341-342; Thuronyi, 2003, p. 46). Importantly, the concept of the fiscal illusion suggests that a fiscal illusion is created mainly by relatively invisible indirect taxes rather than by more visible direct taxes, a phenomenon known as the 'Mill Hypothesis'. The 'Mill Hypothesis' states that the tax burden is frequently underestimated due to hidden taxes, and the hypothesis has been confirmed by a number of studies (Blaufus, Bob, Hundsdoerfer, Kiesewetter, & Weimann, 2010, p. 5; Dollery & Worthington, 1996, pp. 261-262; Sausgruber & Tyran, 2005, p. 57).

The phenomenon of the tax burden of taxpayers is a contentious topic that is debated and studied in countries around the world. The tax burden is a common theme in publications under the auspices of the World Bank (Bird, 2009; Essama-Nssah, 2008; Gautier & Reinikka, 2001). The theme also frequently appears in the literature from the International Monetary Fund (IMF) (Dabla-Norris & Inchauste, 2007; Keen, Pradhan, Kang, & De Mooij, 2011; Poirson, 2006). Another important organisation that frequently does tax burden-related research is the Organisation for Economic Co-operation and Development (OECD). The OECD undertakes research annually on the impact of personal income taxes and social security contributions on the income of households in the OECD

member countries (OECD, 2011). From the literature, it is evident that individual member countries are also debating and studying the imposed tax burden. For example, studies have been conducted in Australia (Harding & Warren, 1999; Warburton & Hendy, 2006; Wood, 1999), the United Kingdom (Clark & Dilnot, 2002; Office for National Statistics, 2011; Townsend, 2003) and the United States of America (American Enterprise Institute, 2010; Caputo, 2005; Chamberlain, 2007; Chamberlain & Hodge, 2006; Colvin, 2004; Dickert-Conlin, Fitzpatrick, & Hanson, 2005; Gokhale, Kotlikoff, & Sluchynsky, 2002; Moon, 2009).

In the South African tax environment, as it is found elsewhere in other countries, the tax burden is a topic debated and studied by various role-players for various purposes. On the one hand, it is possible to deduce from these debates and studies in South Africa that the tax burden of individual taxpayers has increased over the years (Mandy, 2009; Nyamongo & Schoeman, 2007). On the other hand, it can be deduced that the tax burden is not really that high (Masemola & Van Wyk, 2009). Moreover, it can be deduced that the tax burden of high-income earners is not high enough (Oberholzer, 2008), while taxpayers perceive the tax burden to be too high for them (Human Sciences Research Council, 2000, 2004). These contradictory claims relating to the tax burden carried by individual taxpayers in South Africa do not arise in a vacuum, but may in part be attributed to the different interpretations of what constitutes a tax burden. These differing interpretations all refer, in one way or another, to the range of taxes imposed by the South African government to raise revenue. The country's tax history indicates that the South African government has historically used a diverse range of taxes to raise revenue. In the modern tax environment in South Africa, this is still the case, and, as with the modern tax systems in other countries, there is a possibility that the fiscal illusion amongst South African role-players in the tax environment originates from misperceptions of the tax burden.

The ongoing debates around the tax burden in South Africa raise the question of how the 'tax burden' construct must be defined for the purpose of evaluating the tax burden of individual taxpayers in South Africa. Something that is clearly absent from the South African literature on the tax burden of individual taxpayers in the country is a clear point of reference (a conceptual framework) for the evaluation of the tax burden of individual taxpayers that can be used for a consistent classification of government imposts in South Africa, irrespective of the label given to an impost by the government.

2 PURPOSE STATEMENT

This article is based on research conducted for a PhD study with the main objective of developing a conceptual framework for evaluating the tax burden of individual taxpayers in South Africa. To achieve this objective, the construct of the tax burden was defined from the literature in order to formulate criteria as the foundation from which to classify government imposts as they relate to the tax burden of individual taxpayers according to the inherent characteristics of these imposts, irrespective of the label given to an impost by government. Hence, **tax** as a construct, and (the tax) **burden** as a construct, were defined on the basis of the literature.

3 TAX AS A CONSTRUCT

According to Say (1821, pp. 341-342), '[w]hatever be the denomination it bears, whether tax, contribution, duty, excise, custom, aid, subsidy, grant, or free gift, it is virtually a burthen imposed on individuals, either in a separate or a corporate character, by the ruling power for the time being'. Say thus supports the notion that a tax labelled as something else to hide its true nature (knowingly or unknowingly) is still inherently a tax, no matter what a government calls it. Similarly, Thuronyi (2003, p. 46) indicates that the concept of a tax is somewhat malleable, suggesting that a tax can easily be disguised as something else.

However, no matter what a government labels an impost, one way or another, all imposts serve the purpose of raising revenue to fund government expenditure. It is therefore necessary to elaborate on the concept of government revenue to provide clarity on the nature of governments' sources of revenue.

3.1 Government revenue

Government revenue can be classified into three main categories of revenue: **derivative revenue**, **direct revenue** and **anticipatory revenue** (Adams, 1898, pp. 219-220; Musgrave & Musgrave, 1980, p. 229).

Derivative revenue refers to income that originally forms part of the income of a taxpayer, but is paid over to government, based on an impost created in terms of a revenue law. This type of impost is normally referred to as a tax (Adams, 1898, p. 220; Lutz, 1936, p. 194; Musgrave & Musgrave, 1980, p. 229; Steenekamp, 2012, p. 163).

Direct revenue refers to income that accrues directly to the government through the delivery of particular public goods or services (Adams, 1898, pp. 119-220). This revenue for the government originates from imposts in the form of prices charged by the government for providing these particular goods and services. The impost for these public goods and services is based on voluntary transactions between the government and consumers (Musgrave & Musgrave, 1980, p. 229). The imposts by the government on public goods and services are often referred to as user charges (Adams, 1898, pp. 119-220; Lutz, 1936, p. 192; Musgrave & Musgrave, 1980, p. 229; Steenekamp, 2012, p. 162).

Anticipatory revenue refers to moneys borrowed by a government to fund its functions (Adams, 1898, pp. 220-221; Steenekamp, 2012, p. 162). This **borrowed income** is described as 'anticipatory' because it is the first step towards a possible increase in taxes and/or user charges in future to enable government to repay the loan (Adams, 1898, pp. 220-221; Lutz, 1936, p. 194; Musgrave & Musgrave, 1980, p. 229). Borrowed income is accounted for inherently as part of taxes and/or user charges, in the sense that these two items are automatically adjusted by a government as part of its fiscal budget, either in the form of lower taxes and/or user charges at the stage when the money is borrowed by the government, or in the form of higher taxes and/or user charges at the stage when the government needs to repay the borrowed money.

In order to be able to classify government imposts consistently into either a tax or a user charge, it is important to formulate criteria that are linked to the inherent characteristics of each of these imposts. Hence, it is essential to clarify the inherent traits of a tax and those of a user charge.

3.2 Inherent characteristics of a tax

An unknown wit once quipped: 'A fine is a tax for doing something wrong. A tax is a fine for doing something right.' The words of this anonymous author may seem to offer a simple answer to the question of what a tax is, but unfortunately the concept of a tax is much more complicated. Almost 200 years ago, Say (1821, p. 341) defined a tax as 'the transfer of a portion of the national products from the hands of individuals to those of government, for [the] purpose of meeting the public consumption or expenditure'.

The inherent characteristics of a tax were identified by examining definitions of a tax, from various different sources in the literature. These sources from the literature are not intended to be an exhaustive list, but it is clear that all these definitions refer, in one way or another, to a number of specific elements that are considered essential for an impost to be classified as a tax. The following broad terms were used to summarise and group the elements emerging from these definitions, as set out in Table 1:

- **Compulsory**. These elements from the definitions refer to the compulsory nature of a tax. The term 'compulsory' is defined in the *Oxford Dictionary and Thesaurus* (Waite & Hawker, 2009, p. 179) as 'required by law or a rule'. Therefore the term 'compulsory', in the context of the definitions of a tax from the literature, must be read as originating from legislation, and is thus the very essence of a tax.
- **Raise revenue**. These elements indicate that the purpose of a tax is to raise revenue for government. This tax revenue is intended to fund general expenditure in the provision of public goods and services.
- **Public benefits**. These elements indicate that the government, in return for the tax that the State imposes, provides public goods and services to the shared benefit of the public.

Table 1: Inherent characteristics from the definitions of a tax

Source	**Compulsory**	**Raise revenue**	**Public benefits**
Legal discipline			
Lawson v Interior Tree Fruit and Vegetables Committee of Direction, [1931] S.C.R. 357	✓	✓	✓
Lower Mainland Dairy v Crystal Dairy Ltd., [1932] A.C. 28	✓		✓
Maize Board v Epol (Pty) Ltd 2009 (3) SA 110 (D)	✓	✓	✓
Matthews v Chicory Marketing Board (Victoria) [1938] HCA 38; (1938) 60 CLR 263.	✓	✓	✓
Morabito & Barkoczy (1996, pp. 43-63)	✓	✓	✓
Ontario Private Campground v Harvey, 146 D.L.R. 347	✓		✓
Thuronyi (2003, p. 45)	✓	✓	
Weier (2006, p. 2)	✓	✓	✓
Westbank First Nation v. British Columbia Hydro and Power Authority, [1999] 3 S.C.R.134	✓		✓
Other disciplines			
Bird & Tsiopoulos (1997, p. 38)	✓		✓
Gildenhuys (1989, pp. 260-263)	✓	✓	✓
Jones & Rhoades-Catanach (2010, p. 4)	✓		✓
Lutz (1936, p. 316-321)	✓	✓	✓
Musgrave & Musgrave (1980, pp. 229-230)	✓	✓	
National Treasury (2009, pp. 38-39)	✓	✓	✓
Say (1821, p. 341)		✓	
Steenekamp (2012, p. 163)	✓	✓	
Dictionaries			
A Dictionary of Accounting (Oxford, 2010, p. 409)	✓	✓	
A Dictionary of Economics (Black, Hashimzade, & Myles, 2009)	✓	✓	
A Dictionary of Law (Law & Martin 2009, p. 541)	✓	✓	
A Dictionary of Modern Legal Usage (Gardner, 1995, p. 868)		✓	✓
An International Dictionary of Accounting & Taxation (Wanjialin, 2004, p. 385)	✓	✓	
Black's Law Dictionary (Gardner, 1999, p. 1469)	✓	✓	
Oxford Dictionary & Thesaurus (Waite & Hawker, 2009, p. 952)	✓		

The common elements in the above definitions of a tax can be interpreted as the essential elements that characterise a tax. These elements provide a meaningful basis from which to formulate criteria to classify a government impost as a tax (or as not a tax), irrespective of the label given to the impost by government.

In conclusion, a **compulsory impost** is in essence **a tax** when its purpose is to raise revenue for government, where the revenue is intended for **funding general expenditure** in the provision of public goods and services, to the **shared benefit** of the public as a whole.

3.3 Inherent characteristics of a user charge

It is not easy to distinguish between imposts that should be treated as taxes and imposts that are not taxes, but user charges. Therefore it was deemed helpful to clarify the inherent characteristics of a user charge, using the essential elements of a tax as a point of reference.

3.3.1 Compulsory

The essence of a tax is its compulsory nature. However, as the National Treasury (2009, p. 40) indicates, a user charge is also normally regulated in terms of legislation, although, as Heyns (1999, p. 210) puts it, 'the degree of compulsion involved is not a categorical one'. The Australian High Court, cited by Morabito and Barkoczy (1996, pp. 43-63) and Weier (2006, p. 2), has indicated that the term 'compulsory' can be interpreted to mean that a taxpayer has no choice about whether to pay an impost or not. It is nevertheless possible to argue that in some instances a taxpayer does indeed have a choice about paying the impost or not. For instance, a taxpayer can avoid paying for a fishing licence (although such a licence may be compulsory in terms of legislation), provided that the taxpayer decides not to take up fishing. However, the decision not to take up fishing does not change the inherent character of the impost: it is still a compulsory impost in terms of legislation, although the payment thereof only becomes mandatory when a person decides to take up fishing.

It is important to note that the term 'compulsory' must be interpreted in a wider sense than is implied by its legislative underpinning. In some instances, goods and services are supplied by a government entity which has a monopoly on the provision of these public goods and services, because, as Posner (1969, p. 548) puts it, when a given institution or firm 'is the only seller of a product or service having no close substitutes [it] is said to enjoy a monopoly'. There are two types of monopoly, namely statutory monopolies and natural monopolies (Bird & Tsiopoulos, 1997, p. 43; Black, 2012, p. 59). A statutory monopoly refers to a situation where potential competitors are prevented (normally in terms of legislation) from supplying certain goods or services in competition with government (Bird & Tsiopoulos, 1997, p. 43; Black, 2012, p. 59; Rich, 1993, pp. 247-252). A natural monopoly refers to the situation where the supply of goods or services depends on a large capital outlay, for instance, the supply of water or electricity to the public (Bird & Tsiopoulos, 1997, p. 43; Black, 2012, p. 62; Posner, 1969, p. 548). In these instances, taxpayers are practically compelled to buy goods and services from government, as no other alternative is available (Bessell & Henderson, 2001, p. 11; Heyns, 1999, p. 210). Bird and Tsiopoulos (1997, p. 43) maintain that the use of many public services, in essence, is mandatory, not optional. Therefore, the term 'compulsory' must be read to include the requirement for the payment of an impost in order to receive particular benefits, even if the impost in question can be avoided by willingly forgoing the benefit, as Weier (2006, p. 2) explains.

To summarise, if an impost is regulated in terms of legislation and the taxpayer does not have a choice about whether or not to pay the impost, even if the taxpayer willingly decides to forgo the benefit of specific goods or services, the impost is in effect compulsory. Therefore both a tax and a user charge are, in essence, **compulsory** imposts.

3.3.2 Raise revenue

The purpose of a tax is to raise revenue for government, with the main intention of using this revenue from the tax to fund general expenditure in providing public goods and services. By contrast, a user charge is also imposed with the purpose of raising revenue for government, although the main intention with the revenue raised from a user charge is to **recover the costs** (some of, or all the costs) (Adams, 1898, p. 220; Gildenhuys, 1989, p. 412; Thuronyi, 2003, p. 48), incurred by the government for the **direct supply** of particular public goods or services in return for paying the impost (Cowden, 1969, p. 67; Gildenhuys, 1989, pp. 411-431; Heyns, 1999, p. 210; Morabito & Barkoczy, 1996, p. 55; Musgrave & Musgrave, 1980, pp. 239-240; Singer, 1976, p. 248). Hence, it is important to clarify the concepts of 'cost recovery' and 'direct supply'.

Cost recovery, in the context of a user charge, means that the impost must be **less than or in proportion to the costs** incurred by the government for providing those particular public goods and services (National Treasury,

2009, p. 41; OECD, 2010:Annexure A; Thuronyi, 2003, p. 48). If an impost is not in proportion to the cost of providing the given public goods and services, the impost is in essence a tax, rather than a user charge (Heyns, 1999, p. 209-211; IMF, 2001, p. 47; National Treasury, 2009, p. 41; OECD, 2010, Annexure A; Singer, 1976, p. 248; Weier, 2006, pp. 4-5).

Direct supply, in the context of a user charge, must be interpreted as indicating that a direct *quid pro quo* is supplied by government in return for paying the impost (Gildenhuys, 1989, p. 411). However, an impost is deemed to be a tax if it is **unrequited**, meaning that government does not provide a direct *quid pro quo* (something of a similar value) in return for the payment of the impost (National Treasury, 2009, pp. 38-39).

To summarise, when a compulsory impost is mainly intended to **recover costs** which are incurred by a government in the **direct** supply of specific public goods and services in return for the payment of the impost, this is an indication that the impost is **a user charge**. However, if this impost is **out of proportion to the cost** of providing the given public goods and services, or if the **impost is unrequited**, the impost is in essence **a tax**, and not a user charge.

However, fines, penalties and forfeits are important exceptions to consider. Although these are compulsory imposts in terms of legislation, their purpose is neither to raise revenue nor to recover costs. The main purpose of these imposts is to deter unlawful acts by raising assessments for the infringement of laws and regulations (IMF, 2001, p. 61; Weier, 2006, p. 6). Hence, these imposts are classified neither as a tax nor as a user charge, and are referred to as 'penalties' in this article.

3.3.3 Public benefits

The third important element that distinguishes a user charge from a tax is the benefit that the person paying the impost receives in return for the payment. A tax is essentially used by government to create an indirect benefit, in the form of general public goods and services shared by the public as a whole. However, if the payment of the impost bestows a direct **exclusive benefit** upon the person who makes the payment, the impost is classified as a user charge (Bird & Tsiopoulos, 1997, p. 40; Cowden, 1969, p. 67). An exclusive benefit refers to a benefit restricted to those willing to pay the impost on specific public goods and services (Bird & Tsiopoulos, 1997, p. 40; Cowden, 1969, p. 67; Heyns, 1999, p. 210; Steenekamp, 2012, p. 162). Thus, if others (who do not pay the imposts on these specific public goods and services) also benefit from these goods and services, then the impost paid is inherently a tax, and not a user charge, on those making the payment.

To summarise, when a compulsory impost is mainly intended to recover costs incurred by a government in the direct supply of specific public goods and services in return for the payment of the impost, to the **exclusive benefit** of the person(s) paying the impost, this is an indication that the impost is **a user charge**. However, if the impost does **not render an exclusive benefit** in return for the payment, the impost is in essence **a tax**, and not a user charge.

3.3.4 Classification of user charges

Imposts classified as user charges can be further divided into one of three sub-categories, namely **consumer tariffs**, **user levies** and **administrative fees** (Gildenhuys, 1989, p. 412; Heyns, 1999, p. 210). These sub-categories can be explained as follows:

- **Consumer tariffs** are charged for public goods and services that are **consumed** and that need to be replaced on a continuous basis (Cowden, 1969, p. 124; Gildenhuys, 1989, p. 416). For example, electricity tariffs can be classified as consumer tariffs, because the electricity provided by government in return for the impost is consumed and therefore needs to be generated anew.
- **User levies** are charged for the **use** of public goods and services, but these goods and services are not consumed in the process (Gildenhuys, 1989, p. 416; Heyns, 1999, p. 210). For instance, bus fares for using public transport can be classified as a user levy, since the bus is merely used by a traveller and is not consumed in the process of using it.

- **Administrative fees** are charged for services that **regulate access** to a specific right or privilege granted by a government to a beneficiary (IMF, 2001, p. 54; National Treasury, 2009, p. 40; Steenekamp 2012, p. 162; Weier, 2006, p. 4). For instance, the fee to issue an identification document is, in essence, an administration fee.

3.4 Conclusion to the section

A **compulsory impost** that is mainly intended to **recover costs** incurred by a government in the **direct supply** of **specific** public goods and services in return for the payment of the impost, to the **exclusive benefit** of the person(s) paying the impost, is in essence **a user charge**. However, if the impost is **unrequited**, or is **out of proportion to the cost** of providing the given public goods and services, or does **not render an exclusive benefit** in return for the payment, the impost is in essence **a tax** and **not a user charge**. A user charge can be classified as a **consumer tariff**, a **user levy** or an **administrative fee**.

4 (THE TAX) BURDEN AS A CONSTRUCT

The construct of a (tax) burden is part of the central theme of the research from which this article originates and is therefore important to analyse in order to provide clarity on the underpinning theoretical concepts. These theoretical concepts have a decisive impact on the basis on which tax burdens can be evaluated, so it is essential to analyse them as they relate to the tax burden of individual taxpayers. The burden of paying taxes is affected by the phenomena of **stocks and flows**, and **tax incidence and shifting** (Musgrave & Musgrave, 1980, p. 257; Poterba, 1989, p. 325; Steenekamp, 2008, p. 123). Hence, it is important to clarify these constructs.

4.1 Stocks and flows

The responsibility or duty, and perhaps the misfortune, of having to pay tax is imposed on the citizen of a country from the day that person is born, and ends on the day that person dies. Hence, a tax burden effectively starts from the day on which the first tax is imposed on a person; the burden usually increases with each and every subsequent tax imposed on the person; and it ends with the last tax imposed on the person. This phenomenon is generally used to underpin evaluations of tax burdens, either from an ongoing perspective or from a lifetime perspective (Fullerton & Rogers, 1991, p. 1; Poterba, 1989, p. 325).

Some taxes are levied on the cumulative results of an ongoing activity over a given period, for instance, a tax year. The characteristics of being linked to a timeframe and measured over a specific period are referred to as **flows** (Miller, 1991, p. 189; Musgrave & Musgrave, 1980, p. 233; Steenekamp, 2012, p. 164). Taxes with flow characteristics are sometimes classified as activity-based taxes (Jones & Rhoades-Catanach, 2010, p. 6). Income and consumption taxes are normally considered to be flows because both are measured cumulatively over a given period (Musgrave & Musgrave, 1980, p. 248; Steenekamp, 2012, p. 164).

Other taxes require the occurrence of specific transactions or events at a particular point in time. The characteristics of not being linked to a specific extended timeframe and being measured only at a particular point in time are referred to as **stocks** (Miller, 1991, p. 189, Musgrave & Musgrave, 1980, p. 233; Steenekamp, 2012, p. 164). Taxes with stock characteristics are sometimes classified as transaction-based taxes (Jones & Rhoades-Catanach, 2010, p. 6). Wealth taxes are normally considered to be stocks, because they are measured at a particular point in time upon the occurrence of specific transactions or events (Musgrave & Musgrave, 1980, p. 248; Steenekamp, 2012, p. 164).

The characteristics of stocks and flows are relevant to the tax burden of individual taxpayers because they are used to classify taxes into those that affect the tax burden on an ongoing basis over a given period (activity-based taxes), and those that affect the tax burden only at particular times during the lifetime of an individual taxpayer (transaction-based taxes). Tax burdens affected by activity-based taxes are referred to as **recurrent tax burdens** for the purposes of this article, while tax burdens affected by transaction-based taxes are referred to as **random tax burdens**.

4.2 Tax incidence and shifting

Tax incidence may be described as the way in which the tax burden is shared and transferred between taxpayers. The phenomenon of tax incidence involves the final resting place of the economic burden of a tax, in other words, on who really pays the tax in the end, effectively reducing that person's economic spending ability (Steenekamp, 2012, pp. 170-171). This transfer of a tax is commonly referred to as 'tax shifting' (Adams, 1898, p. 388; Lutz, 1936, pp. 381-383; Musgrave & Musgrave, 1980, pp. 257-262; Seligman, 1921, p. 1; Steenekamp, 2012, p. 166). Tax incidence can be classified into statutory incidence and effective incidence (Musgrave & Musgrave, 1980, pp. 259). Statutory incidence refers to a person's legal liability to pay the tax to the government, whereas effective incidence refers to the final resting place of the tax, in other words, the person or entity that bears the economic burden of the tax. For instance, a company may bear the statutory burden of paying a tax on its profits, but then effectively shifts the economic burden of the tax onto somebody else (Phares, 1985, pp. 35-42; Seligman, 1921, pp. 1-2; Steenekamp, 2012, p. 166; Vermeend, Van der Ploeg, & Timmer, 2008, p. 41).

In determining the final resting place of a tax, the argument that all taxes are eventually paid by natural persons must be acknowledged (Musgrave & Musgrave, 1980, p. 259). Companies may remit taxes to government (bearing the legal liability), but do not ultimately bear the economic burden of the tax because they shift it onto a natural person. Taxes can be shifted forward, backward and onward to natural persons (Lutz, 1936, p. 381; Steenekamp, 2012, p. 171). The effects of tax shifting and methods to determine the ultimate bearer of the economic burden are long-standing topics for debate in the economic and public finance disciplines, and are topics for theoretical discourse based on empirical evidence (Adams, 1898, p. 388; Seligman, 1921, p. 1; Slemrod & Bakija, 1996, p. 62; Steenekamp, 2012, pp. 170-171). The debate on the effects of tax shifting and methods of determining the final resting place of a tax falls beyond the scope of this article. It suffices to say that all taxes levied on, and paid by, companies and business enterprises are eventually shifted onto natural persons, either in the form of increased prices for goods and services, reduced wages and/or reduced dividends to shareholders (Gildenhuys, 1989, p. 283; Musgrave & Musgrave, 1980, p. 259; Seligman, 1921, p. 3; Steenekamp, 2012, p. 171). This assumption accounts for the effect(s) that tax shifting may have on the evaluation of a tax burden. The reasoning behind this assumption is that tax shifting inherently affects the tax burden of individual taxpayers, either by reduced direct taxes on income (wages and dividends), and/or by increased indirect taxes on goods and services (prices).

Direct taxes are taxes levied directly on the income or wealth of people and companies, whereas **indirect taxes** are levied on goods and services (Gildenhuys, 1989, p. 284; Steenekamp, 2012, p. 166). The statutory and effective incidence of direct taxes on natural persons usually vests in the same person, and therefore these taxes cannot be readily shifted. Thus, the person on whom these taxes are levied is normally the intended bearer of the tax (Steenekamp, 2012, p. 166). Tax burdens consisting of these types of taxes are referred to as **direct tax burdens** in this article. In contrast to direct taxes, the statutory and effective incidence of indirect taxes normally does not vest in the same person(s). The economic burden of indirect taxes can be readily shifted onto the consumer, normally as part of the cost of production or the price of the goods and services (Gildenhuys, 1989, p. 285; Musgrave & Musgrave, 1980, p. 259; Steenekamp, 2012, p. 166). In this article, tax burdens consisting of indirect imposts through goods and services are referred to as **indirect tax burdens**.

In conclusion, a tax can be imposed directly on the income or wealth of a taxpayer (a **direct tax burden**), or indirectly on the consumptions of goods and services by the taxpayer (an **indirect tax burden**).

5 CONCEPTUAL FRAMEWORK FOR CLASSIFYING GOVERNMENT IMPOSTS

In any evaluation of the tax burden of taxpayers, it is essential to classify imposts by government, irrespective of the label given to the impost by government, as a tax, a user charge, a penalty, or none of these. This classification is essential because each of these types of government imposts affects the taxpayer in its own unique way. Equally important to the evaluation of the tax burden is the need to classify the burden placed upon the individual taxpayer, originating from government imposts classified as taxes, as either a recurrent (direct or indirect) tax burden or a random (direct or indirect) tax burden. Using the inherent traits that emerged from the construct of a tax and the construct of a (tax) burden as underpinning criteria, a conceptual framework for classifying government imposts, as it relates to the tax burden of individual taxpayers, was formulated. This conceptual framework is presented in Table 2.

Table 2: Conceptual framework for classifying government imposts and tax burdens of individual taxpayers

Criterion 1: Is the impost compulsory, regulated by legislation?
- Yes → **Criterion 2:** Is the purpose to raise revenue for government either to fund or recover public expenditure?
  - Yes → **Criterion 3:** Is there a direct return of public goods and services by government?
    - Yes → **Criterion 4:** Is the impost in proportion to the cost of the goods and services?
      - Yes → **Criterion 5:** Is the benefit exclusive to persons making the payment?
        - Yes → *Impost is deemed to be a user charge.* **Criterion 6:** Does the user charge regulate access to a right or privilege?
          - Yes → Administrative fee
          - No → **Criterion 7:** Are the goods and services consumed?
            - Yes → Consumer tariff
            - No → User levy
        - No → Tax
      - No → Tax
    - No → Tax
  - No → Penalty
- No → None

For all imposts classified as a tax, the tax burden must be determined using the criteria below.

Criterion 8: Is it an activity-based tax, imposed on a recurrent basis?
- Yes → **Criterion 9:** Is it imposed on income or wealth?
  - Yes → Direct recurrent tax burden
  - No → Indirect recurrent tax burden
- No → **Criterion 9:** Is it imposed on income or wealth?
  - Yes → Direct random tax burden
  - No → Indirect random tax burden

Government imposts	Administrative fee	Consumer tariff	User levy	Tax	Tax	Tax	Penalty	None

Direct recurrent tax burden	Indirect recurrent tax burden	Direct random tax burden	Indirect random tax burden

Source: Various sources referred to in this article

6 CONCLUSION

The conceptual framework presented in Table 2 for classifying government imposts as they relate to the tax burden of individual taxpayers provides a consistent foundation from which to classify government imposts, irrespective of the label given to an impost by the government. This conceptual framework can be used in studies focusing on the evaluation of the tax burden of individual taxpayers, not only in South Africa, but perhaps also in other countries. In addition, this conceptual framework not only provides a basis for other researchers to pursue the tax burden of individual taxpayers as a research topic, but may also stimulate the momentum of research related to the tax burden in the greater tax environment.

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