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A panoptic view of the South African wealth tax

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Background: Wealth taxes are a topic of intense debate, with most countries having either abolished them or considered, but not implemented such measures. The South African government is contemplating the introduction of a wealth tax, purportedly to enhance revenue collection.

Aim: This article examines whether the proposed South African wealth tax functions as a government panopticon, offering an alternative explanation for its introduction. It also considers the government's transparency regarding the potential wealth tax.

Setting: This article examined the opinions of tax experts in South Africa.

Method: An interpretive approach is adopted. The traits of the wealth tax and the themes of the panopticon are identified and used as the row and column headings in a correspondence table, which serves as the research instrument distributed to tax experts. The tax experts indicate any associations between the themes of the panopticon and the traits of the wealth tax. Forty aggregated responses are subjected to correspondence analysis.

Results: The potential wealth tax functions as a panopticon. It identifies and reveals relevant tax information about high-wealth individuals, appearing to coerce their compliance.

Conclusion: There is credence to the alternate rationale for introducing a wealth tax in South Africa.

Contribution: This is one of the first articles to apply the panopticon, a novel theoretical framework, in a tax context in South Africa. The findings are relevant to the exploration of similar taxes in other jurisdictions and provide a means for the critical evaluation of the motives behind tax policy decisions made by governments.

Keywords: Bentham; correspondence analysis; Foucault; panopticon; South Africa; wealth tax.

Introduction

Economic and income inequality in South Africa is among the highest in the world. The Gini coefficient stands at 63%, which is higher than that of any other country (World Bank 2014). South Africa has a low real gross domestic product (GDP) growth forecast of 1.1% and 1.6% for 2023 and 2024, respectively (Organization for Economic Co-operation and Development [OECD] 2022). The country also experienced a tax collection shortfall of 5 billion South African Rands in 2022 (Buthelezi 2023). The government is seeking ways to address these challenges, noting that any measures implemented should uphold the principle of transparency. Government transparency in its actions, especially regarding tax policies, is vital for maintaining democracy and accountability among taxpayers (Blank 2017). This article considers the potential wealth tax against this backdrop, necessitating an understanding of the South African landscape and taxation system.

Given this backdrop of economic inequality, taxation plays a key role in addressing income inequality (Bach, Beznoska & Steiner 2014; Carter & Matthews 2012; OECD 2012:183). To address inequality in South Africa, the government has been increasing taxes levied on the affluent (Mandy 2017). In recent years, the maximum marginal tax rate has risen from 41% to 45%, the dividends tax rate has increased from 15% to 20%, and the capital gains tax inclusion rate has grown from 33.3% to 40% for individual natural person taxpayers (PKF 2017). This systematic increase in taxes aims to promote greater equality in South Africa, as noted by the Davis Tax Committee (DTC 2018:6). The DTC (2013) was established by the Minister of Finance to assess the South African tax system by considering international practice and to provide tax policy recommendations.

The introduction of a wealth tax in South Africa has been discussed and while there is no such tax currently implemented, the government is working towards its introduction (Moodley

2022). In 2022, the discussion of a potential wealth tax was reignited by the African National Congress (ANC)[1], with the aim of financing a basic income grant (Changole 2022). In 2023, the Commissioner of the South African Revenue Service (SARS)[2] noted that there was not yet a need for a wealth tax (Paton 2023). Based on his comments, a potential wealth tax could be implemented in the future (BusinessTech 2023a).

South Africa is not the first country to propose a wealth tax. Wealth taxes are the subject of intense debate and many countries around the world have imposed or still levy a wealth tax (EY 2015; Iara 2015). Some of these countries include France and Italy, which appear to levy a wealth tax, and Germany, Hungary, India and Iceland, which abolished their wealth tax (Arendse & Stack 2018; EY 2015). Most studies appear to indicate that a wealth tax does not generate large tax revenues and is unfeasible (Arendse & Stack 2018; EY 2015; Macdonald 1975). Furthermore, wealthy South Africans are arguably already overburdened with taxes, as 1.8% of registered taxpayers contributing 28% of personal income tax (BusinessTech 2022). Additional factors affecting the South African tax climate include the emigration of skilled workers and professionals who cease to be South African taxpayers (Naidoo 2023) and concerns about corruption regarding government spending of tax revenues (Gossel 2022). Given this environment, a taxpayer revolt has also been considered a risk in South Africa (BusinessTech 2023b).

Globally, wealth taxes are often the subject of criticism by governments (Arendse & Stack 2018; EY 2015; Macdonald 1975). Against this backdrop and coupled with the increasingly credible calls for a tax revolt (Du Preez & Stoman 2020), the rationale of a wealth tax in South Africa is questionable. Tickle (2019) proposes that there could be a political element to the introduction of a wealth tax by the South African government. While South Africa has not yet introduced a wealth tax (Arendse & Stack 2018), the actions by the government and statements made with regard to the wealth tax are considered.

This study contributes to the limited body of critical tax policy research by considering an alternative perspective as to why a wealth tax is to be levied, juxtaposed against the supposed aim of the potential wealth to increase tax collection and address inequality. Considering the United Nations (UN 2015) Sustainable Development Goal (SDG) 16.6: 'Develop effective, accountable and transparent institutions at all levels', this study considers the current transparency of the South African government with regard to the wealth tax. Transparency is a key aspect of this goal and if the primary goal of the wealth tax is something other than the collection of further tax revenue, this should be communicated by an accountable government (Blank 2017). An alternative reason for the wealth tax relates to its use to gain insight into and control taxpayers with respect to taxes and tax compliance.

1.South African ruling political party since democracy was achieved in 1994.

2.South African tax authority and revenue collector.

The panopticon, developed by Bentham (1787/1995) and popularised by Foucault (1977), is explored and considered as a potential rationale behind a wealth tax in South Africa. The panopticon refers to a prison designed by Bentham (1787/1995) that allowed for minimal fixtures to secure prisoners as they were made fully visible to a guard in a central tower in the prison. It is designed to work subtly on the subconscious of prisoners in such a way that each prisoner believes they are under constant surveillance by unknown observers. Over time, this concept has evolved because of the work of Foucault (1977) and now represents an analogy for control and surveillance activities in a broader context (Leclercq-Vandelannoitte 2023).

The panopticon is explored extensively in critical financial accounting (McKinlay & Pezet 2010; Van Zijl & Maroun 2017), management accounting research (Cowton & Dopson 2002; Hopper & Macintosh 1993; Leclercq-Vandelannoitte 2023; Miller & O'Leary 1987) and limited tax studies in Australia (Williams 1992), Canada (Bujaki, Gaudet & Iuliano 2017) and the United States of America (USA) (Bogenschneider 2015; San Juan 2018).

Williams (1992) applies Foucault's theory of power and discipline to tax returns in Australia and argues that they are a mechanism for disciplining and monitoring the population. Taxpayers are subject to surveillance, dressage by being bound by specific tax requirements and norms, and corrective action if non-compliant through fines and penalties (Williams 1992). In a similar vein, Bujaki et al. (2017) made use of Foucault's work on governmentality and discipline to understand how tax returns were able to partition, make visible and discipline Canadian taxpayers. Bogenschneider (2015) focusses on the creation of a delinquent class through the tax regulator's enforcement practices, emphasising the punitive and coercive aspects of the tax regulator's disciplinary power. This is compounded by the work of San Juan (2018), who provides a broader historical analysis of the tax regulator's evolution into a fiscal panopticon, highlighting the role of technology and centralisation in enabling pervasive surveillance. These studies commonly use Foucauldian theory to explain alternative rationales for tax mechanisms and technologies. This study makes use of Foucault's theory in a similar way.

This study makes multiple contributions. Firstly, the novel Foucauldian theoretical framework is used to explore South Africa's wealth tax and this adds to the limited studies considering the panopticon in a tax context. Furthermore, this is one of the first studies to consider the panopticon in the context of South Africa. Secondly, despite focussing on South Africa, the study's findings are relevant to the exploration of similar taxes in other jurisdictions. Finally, the study contributes to the tax literature by providing a manner of critically assessing the reasons underpinning new tax policy decisions by governments.

In the 'Literature review' section, the prevailing literature on wealth tax and the panopticon is explored. The 'Data and

method' section specifies the methods and data used in the study, followed by the 'Results' section. The 'Discussion' section details the interpretation of the results and the 'Conclusion' section wraps up the study.

Literature review

The 'Wealth tax' section discusses the wealth tax and highlights key areas of contention along with the themes of the wealth tax. The section 'Bentham, Foucault and panopticism' presents the panopticon as the theoretical framework. These discussions inform the creation of a correspondence table that is used as the research instrument (see Appendix 1). The traits of a potential wealth tax are identified in the section 'Wealth tax' and the themes of panopticism are presented in the section 'Bentham, Foucault and panopticism'. Overall, eight traits of a potential wealth tax in South Africa are identified in rows 1 to 8 and nine themes of panopticism are determined and shown in columns 1 to 9. These form the row (R) and column (C) headings of the correspondence table (see Appendix 1), respectively. The panopticon themes and wealth tax traits are developed as the literature is considered and are not presented in any particular order.

Wealth tax

Most proponents of a wealth tax argue that it is necessary to address economic inequality (Chatterjee, Czajka & Gethin 2021; Evans 2013; Iara 2015; Piketty 2014). This is a view that, as noted by Iara (2015), has received significant support from Piketty's (2014) analysis. He notes that rising inequality necessitates the need for a global tax on capital, also called a wealth tax (Piketty 2014). A point of wide contention is what constitutes wealth for such a tax (Arendse & Stack 2018; Mintz 1991). Piketty (2014:665) notes the following about the design of the wealth tax: 'The largest fortunes are to be taxed more heavily, and all types of assets are to be included: real estate, financial assets, and business assets – no exceptions'. Contrary to this view, many countries that tax some forms of wealth do not tax them all. Certain assets, for example, a primary residence, are generally exempt (Arendse & Stack 2018).

In South Africa, given the high levels of public debt and fiscal deficits, a wealth tax is considered necessary (Chatterjee et al. 2021). The DTC (2017:14) notes in its report to the government that wealth taxes 'are necessary to address the inequities of income and wealth'. The DTC (2017) invited debate about the desirability and feasibility of the following possible forms of wealth tax: (1) a land tax, (2) a national tax on the value of property (over and above municipal rates) and (3) an annual wealth tax. The focus of this study is on the annual wealth tax proposed by the DTC (2017).

The DTC (2017) identifies estate duty (in some jurisdictions also known as an inheritance tax), donations tax (in some jurisdictions referred to as a gift tax) and transfer duty as wealth taxes. Capital gains tax is specifically excluded (DTC 2017) but is considered by some to be a form of wealth tax (Snyders & Mohan 2017; South African Institute of Tax Professionals [SAIT] 2017). Additionally, municipal property rates in South Africa can also be considered a wealth tax on property (Valodia & Francis 2017). Evans (2013) notes that a wealth tax can apply to capital held (net wealth tax), the transfer of capital or wealth (death or gift taxes) or the appreciation of assets (capital gains tax). It is open to interpretation whether some taxes are considered wealth taxes. What is clear is that the consideration of a wealth tax in South Africa would be over and above existing taxes, leading to this trait of a wealth tax being identified:

- **Row 1:** The wealth tax is a tax on wealth holdings over and above existing taxes.

The stated intention of implementing a wealth tax is to address inequality and bolster government spending (Arendse & Stack 2018; DTC 2018). This means that the tax should only be levied on those who can pay, considered to be the top 1% of wealth holders (Chatterjee et al. 2021). Indeed, the wealthiest of individuals are considered in detail by the tax authority, SARS, as discussed next. A wealth tax trait is identified as follows:

- **Row 2:** The wealth tax is to be levied on those who can pay.

There is a clear focus by SARS on taxpayers who are high wealth individuals (HWIs). This is seen through the creation of the HWI unit by SARS in 2021, where SARS chose around 1500 taxpayers for investigation (Botha 2022:20). A concern highlighted is that high wealth individuals are likely to obscure their true income (SARS 2021), justifying the creation of this unit with more targeted resources. Furthermore, SARS is appointing a panel of specialist tax consulting firms to be able to better tackle more complex and sophisticated tax structures that may be used by HWIs (SARS 2024). There is clearly this trait of a potential wealth tax:

- **Row 3:** There is a specific high wealth individual focus.

South African Revenue Service is considering the worldwide wealth of taxpayers as part of this increasing scrutiny of taxpayers who are part of the HWI group (Botha 2022; Moodley 2022). South African Revenue Service has contacted 275 taxpayers with specific requests for information on offshore assets (BusinessTech 2021). Furthermore, all assets of the taxpayer would form part of the potential tax net (Chatterjee et al. 2021), encapsulated in this trait:

- **Row 4:** Worldwide wealth in the form of all assets is considered for taxation.

There is an overarching concern regarding the imposition of wealth taxes. It is noted that individuals in the high wealth segment can afford specialised tax help to avoid the South African tax net (DTC 2018:36), as evidenced in other countries (Arendse & Stack 2018; Jakobsen et al. 2020). Economic inconsistencies and loopholes could be created by exempting certain assets from the wealth tax. As a result, there is impetus to limit the ways the amount on which the tax is charged can be decreased, namely that a proposed wealth tax is likely to have

no exemptions or limited-scope exemptions (Chatterjee et al. 2021). This gives rise to this trait of the potential wealth tax:

- **Row 5:** No exemptions from the wealth tax are available to taxpayers.

South African Revenue Service has used information gathered from the Panama and Pandora Paper leaks to focus on taxpayers in the HWI group. This information is used to identify illegal tax structures, undisclosed wealth and previously unknown taxpayers to be included as part of the South African tax register (Moodley 2022; SARS 2017). This is further complemented by SARS adopting the Common Reporting Standard (CRS) (SARS 2017). The CRS is a model adopted by various countries requiring financial institutions to collect and share financial information across various jurisdictions (EY 2015; OECD 2017:11). The element of information exchange against the backdrop of a potential wealth tax is considered in this trait:

- **Row 6:** Tax information on high wealth individuals to be sent and received from other countries.

In addition to the information gathered, SARS has introduced a new requirement for the tax year ending 28 February 2023. All provisional taxpayers holding assets with a combined market value above R50 million are required to declare specified assets and liabilities at market value in their tax returns filed (Botha 2022:20–21; National Treasury 2022:45). The stated purpose of these disclosures is to identify unreported and unexplained wealth, indicating a possible lack of compliance with tax law, and to ascertain the extent of wealth holdings as recommended by the DTC (2018) report (National Treasury 2022:45). It is, therefore, important to include this trait in the analysis:

- **Row 7:** Certain taxpayers are required to declare to SARS the market value of all assets exceeding R50 million.

Next, feasibility is considered. There appears to be no country where wealth taxes contribute significantly to tax collections (EY 2015:13). The complexity of a wealth tax is also increased because of valuation requirements (Shome 1995). As a result, the labour required to properly administer the wealth tax probably outweighs the benefit derived, rendering it unfeasible (Glennerster 2012). Schuyler (2014) highlighted wealth tax administrative and enforcement problems. Following these effects, a wealth tax likely would present significant challenges with a minimal payoff to the South African fiscus. As a result, the question of why a wealth tax is on the agenda must be asked. This raises the following trait:

- **Row 8:** A wealth tax is generally considered to be administratively costly.

Having considered the traits of a wealth tax, the next section provides insight into the panopticon.

Bentham, Foucault and panopticism

Bentham's (1787/1995) original idea of a physical prison was designed to reduce the burden of controlling inmates. He envisions an unconventional prison without bars and chains, where the focus is on a central column that gives anyone the ability to view and pry into the behaviour of each inmate without being observed in turn. The system relies on three fundamental pillars: training, enclosure and surveillance. In essence, if inmates are taught what constitutes 'correct' behaviour and all their time is monitored and directed, then if you lead inmates to believe that they are under constant surveillance, they will monitor and correct their own behaviour based on the training (Bentham, 1787/1995; Foucault, 1977). The system renders inmates docile and manageable (Foucault 1977; Hopper & Macintosh 1993). Foucault (1977) extended the panopticon analogy from a prison and prison inmates to other controlled persons. This included the extension of the panopticon to the management of a pandemic.

During times of plague, it was of the utmost importance that human contact be minimised. In this spirit, certain individuals were appointed to perform monitoring evaluations (Foucault 1977). These inspections were ceaseless and the people knew they were being watched – 'The gaze is alert everywhere …' – reducing the number of individuals who broke quarantine rules (Foucault 1977:195–196). Using the analogy of these steps taken to contain the plague, Foucault (1977) presents us with the revolutionised concept of Bentham's panopticon. The panopticon individualises and provides opportunities for deep surveillance of the object of observation, followed by enhanced control over them (Foucault 1977). There is an element of continuous surveillance that takes place (Bentham 1787/1995; Bogenschneider 2015; Leclercq-Vandelannoitte 2023), giving rise to the following theme of the panopticon:

- **Column 1:** The panopticon functions as a means of constant surveillance.

The panopticon does not merely manifest as an unusual prison but represents a mind-shift in how power is made visible and the impact thereof. The panopticon can be used to manage the behaviour of others and to drive sanctioned conduct (Foucault 1977:203). This is, notably, the case irrespective of the motive of the operator of this power, as the panopticon can be operated by anyone (Foucault 1977). The observed is subject to a '… state of conscious and permanent visibility …' (Foucault 1977:201). The panopticon itself must be visible to individuals and they must also be aware that it exists (Bentham 1787/1995; Brivot & Gendron 2011; Foucault 1977). Together, this serves to engender compliance with authority and gives rise to the following theme of the panopticon:

- **Column 2:** The panopticon is made visible and is known to individuals.

Along with the visibility of the panopticon, a lack of verifiability is key. The observation by the panopticon should be unverifiable. In other words, the surveyed person should not be aware of when they are being studied and should not be aware of who is conducting the surveillance. The observed should know that such scrutiny could take place at any time

(Bentham 1787/1995; Brivot & Gendron 2011; Foucault 1977). The following theme of the panopticon is identified:

- **Column 3:** Surveillance by the panopticon is unverifiable in terms of timing and the observer.

The result of the panopticon is increased visibility for the observed (Foucault 1977). The panopticon gives rise to knowledge that was not available before. The panopticon shines light on that which was previously hidden, making it known (Foucault 1977). In the words of Foucault (1977:200): 'Full lighting and the eye of a supervisor capture better than darkness'. The knowledge of continuous surveillance coerces individuals to comply with behaviour and conduct training they may have already received (Foucault 1977), giving rise to the following theme of the panopticon:

- **Column 4:** The panopticon brings previously unknown information to light.

Through this new visibility and knowledge, greater power and control can be exercised. The panopticon is best suited for applications where there are multitudinous individuals on whom a singular form of behaviour must be imposed (Foucault 1977). Hopper and Macintosh (1993) expound on the concept of dressage discussed by Foucault (1977), which is the correct training of the observed populace. Individuals are linked together and judged according to socially accepted norms, representing a form of dressage (Foucault 1977; Hopper & Macintosh 1993). Sheridan (2016) speaks of workforces subject to panopticon pressures, eventually adopting a form of self-correction to their behaviour to operate at the norm and remain in their roles. The following theme of the panopticon is described:

- **Column 5:** The panopticon coerces compliance in individuals to conform to a standard of acceptable behaviour.

Enclosure and partitioning must be considered as a means of establishing the panopticon. As part of impressing the ability of the panopticon to control, Foucault (1977:141–142) describes the purposes of enclosure and partitioning as being to 'neutralise the inconveniences' and 'master the labour force'. The enclosure of a group of people followed by separation assists in identifying individuals for scrutiny, enhancing control over their activities and behaviour (Hopper & Macintosh 1993; Martinez 2011). The following theme of the panopticon is identified:

- **Column 6:** The panopticon ensures that there is a partitioning and stratification of individuals.

Foucault (1977) delves into concepts of the efficient body and temporal elaboration. This concept involves the manipulation of the person and the control of their actions and time to render them 'docile' and 'obedient' (Foucault 1977; Hopper & Macintosh 1993:196). The efficient body and temporal elaboration concepts serve as extensions of the panopticon to drive a certain conformist behaviour (Binkley 2009; Van Zijl & Maroun 2017). The efficient body principle engenders a compliance element and drives adherence to laws and regulations (Maroun & Atkins 2014; Van Zijl & Maroun 2017). The following theme of the panopticon is identified:

- **Column 7:** The panopticon enforces precise actions, timing and choices by individuals.

The panopticon, in Bentham's (1787/1995) words, is a 'new mode of obtaining power in a quantity hitherto without example' (Dobson & Fisher 2007). The applications of the panopticon are myriad and can be integrated into any function, providing a means to adjust how power and control are applied and how knowledge is created and may be adjusted (Foucault 1977:204–206). Williams (1992) notes that the tax systems observe taxpayers are growing in sophistication and quantity. Modern-day tracking and surveillance technology fulfils and expands the role of the panopticon through data analytics in the electronic age (San Juan 2018; Sheridan 2016). This is further compounded by the introduction of artificial intelligence (Kinariwala 2022). The following theme of the panopticon is identified:

- **Column 8:** The implementation of modern tracking and surveillance technology allows for the reach of the panopticon to be expanded.

As the reach of the panopticon is expanded, there are greater avenues for disciplinary conduct to be meted out. Bogenschneider (2015) likens punishments by the American tax collector to those described by Foucault (1977). Foucault (1977:227) notes that the ideal '… point of penality today would be an indefinite discipline: an interrogation without end …'. There is a focus on sanctions and the final theme of the panopticon is identified:

- **Column 9:** The panopticon is a tool through which sanctions can be imposed.

Data and method

As an exploratory study, the aim is not to generate positivist generalisable results, consistent with other studies of this nature (Dikuua et al. 2023; Kudlats, Money & Hair 2014; Ram 2018; Ram, Maroun & Garnett 2016).

The relevant literature was reviewed to draw out the traits of a potential wealth tax and the themes of the panopticon (see the 'Literature review' section). Multiple sources were used to ensure triangulation of the elements and traits (Creswell 2014). The comprehensive literature review resulted in the identification of 8 wealth tax traits and 9 themes of the panopticon. These traits and themes were arranged in an 8 by 9 correspondence table (see Appendix 1), with the wealth tax traits as the row headings and the themes of the panopticon as the column headings. The order holds no specific meaning and merely represents the order of discovery of the respective traits and themes in the literature review (Ram 2018; Ram et al. 2016).

The correspondence table, as the research instrument, was distributed to tax experts. South African tax experts with a

minimum of 3 years' experience in tax were selected to complete the correspondence table, namely: practitioners, consultants, academics and managers. Tax experts are appropriate as a background in taxation is required, which strengthens the reliability and quality of the study. Furthermore, it is for this same reason that tax experts were purposively sampled from the network of the author (Maroun 2017; Ram 2018). Purposive sampling is a type of non-probability sampling of respondents based on meeting certain criteria of interest (Adeoye-Olatunde & Olenik 2021). In this case, they needed to be a tax expert.

Respondents were contacted by the researcher, who provided an information sheet and consent form. Written consent was obtained from all participants. Formal ethical approval to conduct this study was obtained from the University of the Witwatersrand Human Research Ethics Committee (Non-medical) with an ethics clearance number of H22/11/50. To enhance validity and reliability, the correspondence table was piloted with academics at the researcher's university, resulting in minor wording changes. Respondents were asked to mark a '1' in the cells that represented correlations or associations between the traits of the wealth tax (row headings) and the panopticon themes (column headings). They were informed that there were no restrictions on the number of associations they could make and that leaving cells blank was acceptable, as the study is focused on their opinions. The confidentiality of the data was ensured through storage on a password-protected laptop.

A total of 40 responses were received. This number of responses is consistent with prior studies using this method (Dikuua et al. 2023; Ram 2018; Ram et al. 2016). The completed correspondence tables represent the research data. These were aggregated into a single frequency table and this was used in the statistical technique of correspondence analysis.

The aggregated frequency table was subjected to the correspondence analysis technique. Correspondence analysis is a multivariate statistical method (Beh & Lombardo 2014) that has been used in a wide range of business and social science exploratory studies: accounting (Ram et al. 2016), auditing (Dikuua et al. 2023), business (Kudlats et al. 2014), law (Harcourt 2002), management accounting (Chatzipetrou & Moschidis 2016) and taxation (Ram 2018). Correspondence analysis is a descriptive method used to visually portray and represent data to assist in the analysis and interpretation of associations and oppositions (Harcourt 2002; Hjellbrekke 2018; Kudlats et al. 2014).

STATA software is used to run the correspondence analysis and generate the descriptive statistics and the visual map of significant wealth tax traits and panopticon themes. The statistics and the visual map are subject to analysis and discussion in the 'Discussion' section. A sequential approach is then taken in the analysis.

Firstly, the strength of the association between the wealth tax traits and the panopticon themes is ascertained. The focus here is the square root of inertia, where inertia is an indicator of the correlation of the traits and themes in the visual map (Beh & Lombardo 2014; Kudlats et al. 2014; Ram 2018; Ram et al. 2016).

Secondly, the number of dimensions to be used is determined. The maximum number of dimensions is taken as the lesser of the number of rows (eight wealth tax traits) and the number of columns (nine panopticon themes) less 1 (Beh & Lombardo 2014; Kudlats et al. 2014; Ram 2018; Ram et al. 2016). The maximum number of dimensions in this study is seven. In most research, two dimensions of the visual map are used in the analysis (Hair et al. 2010; Kudlats et al. 2014). It is possible to use three dimensions to provide a greater understanding of the inertia of wealth tax traits and the themes of the panopticon, similar to Ram (2018).

Thirdly, the significant traits and themes need to be identified, along with their relative positions on the visual map. Total inertia is assigned to the traits and themes. Those wealth tax traits and themes of the panopticon that exceed the average inertia are significant. Significance is linked to the relevant dimension, as significance in dimension 1 means that the trait or theme lies on the x-axis. Similarly, significance in dimension 2 means that the trait or theme lies on the y-axis and significance in dimension 3 means that the trait or theme lies on the z-axis. Positioning on the relevant axis is the next consideration. The co-ordinate of each trait and theme is considered. If the co-ordinate is positive, the trait or theme lies on the positive side of the axis. If the co-ordinate is negative, the trait or theme lies on the negative side of the axis (Kudlats et al. 2014; Ram 2018; Ram et al. 2016).

Fourthly, the naming of the positive and negative dimensions of each axis takes place. Based on the correlations and relationships between the significant themes of the panopticon, each of the 6 axis placements is interpretively named. The naming process serves to provide the best explanation of the relevant dimension and is a normative process. The naming process is appropriate for exploratory research of this nature (Kudlats et al. 2014; Ram 2018; Ram et al. 2016).

Finally, the relationships between the dimensions themselves are evaluated and analysed (adapted from Kudlats et al. 2014). This allows an initial understanding as to whether the potential wealth tax acts as an instrument of panopticism. An experienced researcher assisted with peer debriefing to enhance the validity and reliability of the research findings (Creswell 2014:202). The results and initial analysis are presented in the next section and further discussion takes place in the 'Discussion' section.

Results

The correspondence analysis revealed a χ^2 test statistic of 72.01 at 56 degrees of freedom. There is an indication that the wealth tax traits and the panopticon themes are statistically significant at a 90% confidence level. At a high level, this study notes that respondents did identify elements of the

potential wealth tax as promoting panopticon themes. Table 1 provides information on the descriptive statistics of this study.

The total inertia of the correspondence analysis is explained in seven dimensions. Generally, two dimensions are considered acceptable to aid in the interpretation of the correspondence plot and results (Ram et al. 2016). Three dimensions have been used in a previous tax study (Ram 2018). In this study, three dimensions are used, with 88.63% of the inertia being explained. The use of three dimensions enhances the exploratory potential of the solution without sacrificing interpretability. Dimension 1 is referred to as the x-axis, while dimensions 2 and 3 are called the y-axis and z-axis, respectively.

The analysis of the results is focussed on those panopticon themes and wealth tax traits that contribute an above-average amount to the total inertia of the solution. In the case of the panopticon themes, those themes that contribute more than 11.11% (100% divided by nine panopticon themes) of the inertia are statistically significant. For the wealth tax traits, the traits that are statistically significant are those that contribute more than 12.50% (100% divided by the 8 wealth tax traits) of the inertia. In certain instances, themes and traits that were close to the average were included to allow for more meaning to be explored in the relationships. Table 2 and Table 3 present the statistically significant panopticon themes and wealth tax traits, respectively.

Each statistically significant point is assigned an axis, as discussed in the 'Data and method' section. Appendices 2 and 3 provide the statistics used in this determination. Using the statistically significant panopticon themes (column headings), the six various axes were named in an interpretive way by the researcher, as presented in Table 2.

Table 3 summarises, for each dimension in the positive and negative alignments, both the interpretively developed name and the statistically significant wealth tax traits (row headings that contribute more than 12.5% to the inertia of the dimension). The main aim is to create the summary correspondence plot presented in Figure 1, which represents the locus of analysis for the wealth tax traits and the panopticon themes.

Having constructed the summary correspondence plot, the next section explores the relationships, links and oppositions arising from the interactions of the wealth tax traits and the panopticon themes.

TABLE 1: Descriptive statistics.

Statistic	Value
Active rows	8
Active columns	9
Number of observations	1145
Pearson's χ^2 (56)	72.01
Prob > χ^2	0.07
Total inertia	0.06
Number of dimensions	3
Explained inertia (three dimensions) (%)	88.63

Discussion

The wealth tax appears to operate as a limited panopticon. Respondents link the panopticon's ability to categorise taxpayers (*Column 6*) to the identification of those taxpayers who can pay the wealth tax (*Row 2*). Such taxpayers would not be entitled to any exemptions (*Row 5*), thereby enforcing the determination of a suitable and visible tax base on which the wealth tax can be levied.

The ability of taxpayers to pay is important and this is complemented on the x-axis by the use of technology (*Column 8*) and surveillance (*Column 3*) to reveal information about these taxpayers. Worldwide wealth is made visible (*Row 4*) and information on taxpayers who can pay is obtained from various countries as part of information sharing agreements (*Row 6*). There is a clearly revealed link between the panopticon, the technology that enables it and the ability to subject a specific group of individuals to the wealth tax. This link corroborates the work of San Juan (2018), Sheridan (2016) and Williams (1992), which showed how technology enhances the reach of the panopticon by applying it in the field of the wealth tax.

On the positive y-axis, the visibility of the panopticon (*Column 2*) and its partitioning and stratification effects (*Column 6*) appear to act as a means of further honing and focussing on high wealth individuals (*Row 3*). These individuals have the wealth and motivation to avoid tax (Arendse & Stack 2018; DTC 2018:36; Jakobsen et al. 2020) and could be part of a tax revolt (BusinessTech 2023b; Du Preez & Stoman 2020), providing justification. The focus is corroborated by the relationships identified on the x-axis and strengthened by the negative y-axis presenting the panopticon as a tool for compliance through coercion (*Column 5*) and sanction (*Column 9*) of taxpayers and for the generation of tax quantum because of no exemptions being allowed in the potential wealth tax (*Row 5*).

The z-axis reveals that disclosure and insight are key focal areas for respondents. There is an exceedingly strong indication that the panopticon brings unknown information to light (*Column 4* has the highest contribution) and is made possible by the disclosure requirement for certain taxpayers with assets where the market value exceeds R50 million (*Row 7*). This disclosure requirement, closely linked to the panopticon's ability to reveal information, can indicate a lack of transparency from the government as to why it is required, against UN (2015) SDG 16.6.

Surveillance by the panopticon (*Column 3*) and the sanctions imposed through it (*Column 9*) relate to, again, a high wealth individual focus (*Row 3*). Respondents raised a caveat here: that such surveillance, the gathering of information and the imposition of sanctions could be administratively costly (*Row 8*). These concerns by respondents appear to align with reservations around implementing or continuing the imposition of a wealth tax (Arendse & Stack 2018; EY 2015; Macdonald 1975).

TABLE 2: Significant panopticon themes and names of the axes.

Axis	Significant panopticon themes	Axis name
Positive x-axis (Dimension 1 in Figure 1)	• Column 6: The panopticon ensures that there is a partitioning and stratification of individuals (35.70% contribution)	Categorisation of taxpayers
Negative x-axis (Dimension 1 in Figure 1)	• Column 3: Surveillance by the panopticon is unverifiable in terms of timing and the observer (18.60% contribution). • Column 8: The implementation of modern tracking and surveillance technology allows for the reach of the panopticon to be expanded (19.70% contribution)	Technology to survey
Positive y-axis (Dimension 2 in Figure 1)	• Column 2: The panopticon is made visible and is known to individuals (18.90% contribution). • Column 6: The panopticon ensures that there is a partitioning and stratification of individuals (11.40% contribution)	Known mechanism of control
Negative y-axis (Dimension 2 in Figure 1)	• Column 5: The panopticon coerces compliance in individuals to conform to a standard of acceptable behaviour (22.50% contribution). • Column 9: The panopticon is a tool through which sanctions can be imposed (30.90% contribution)	Tool for compliance
Positive z-axis (Dimension 3 in Figure 1)	• Column 4: The panopticon brings previously unknown information to light (45.50% contribution)	Disclosure
Negative z-axis (Dimension 3 in Figure 1)	• Column 3: Surveillance by the panopticon is unverifiable in terms of timing and the observer (15.10% contribution) • Column 9†: The panopticon is a tool through which sanctions can be imposed (10.40% contribution)	Sanctions through insight

Note: Please see the article, Ram, A.J., 2025, 'A panoptic view of the South African wealth tax', *South African Journal of Economic and Management Sciences* 28(1), a5857. https://doi.org/10.4102/sajems.v28i1.5857, for more information.

†, Contribution of 10.40% in Dimension 3 is close to the average for the panopticon themes of 11.11%.

TABLE 3: Significant wealth tax traits and relationship with panopticon themes.

Axis and name (in italics)	Significant wealth tax traits
Positive x-axis (Dimension 1 in Figure 1): *Categorisation of taxpayers*	• Row 2: The wealth tax is to be levied on those who can pay (14.60% contribution) • Row 5: No exemptions from the wealth tax are available to taxpayers (16.60% contribution)
Negative x-axis (Dimension 1 in Figure 1): *Technology to survey*	• Row 4†: Worldwide wealth in the form of all assets is considered for taxation (12.30% contribution). • Row 6: Tax information on high wealth individuals to be sent and received from other countries (34.20% contribution)
Positive y-axis (Dimension 2 in Figure 1): *Known mechanism of control*	• Row 3‡: There is a specific high wealth individual focus (11.80% contribution)
Negative y-axis (Dimension 2 in Figure 1): *Tool for compliance*	• Row 5: No exemptions from the wealth tax are available to taxpayers (63.20% contribution)
Positive z-axis (Dimension 3 in Figure 1): *Disclosure*	• Row 7: Certain taxpayers are required to declare to SARS the market value of all assets exceeding R50 million (25.10% contribution)
Negative z-axis (Dimension 3 in Figure 1): *Sanctions through insight*	• Row 3: There is a specific high wealth individual focus (23.40% contribution) • Row 8: A wealth tax is generally considered to be administratively costly (43.00% contribution)

Note: Please see the article, Ram, A.J., 2024, 'A panoptic view of the South African wealth tax', *South African Journal of Economic and Management Sciences* 27(1), a5857. https://doi.org/10.4102/sajems.v27i1.5857, for more information.

†, Contribution of 12.30% in Dimension 1 is close to the average for the wealth tax traits of 12.50%; ‡, Contribution of 11.80% in Dimension 2 is close to the average for the wealth tax traits of 12.50%.

Respondents did not link the wealth tax, which adds to the burgeoning number of taxes levied on South Africans (*Row 1* is not statistically significant), to any trait of the panopticon. High wealth individuals can make use of tax planning structures to minimise the pecuniary effect of the wealth tax (Arendse & Stack 2018; DTC 2018; Jakobsen et al. 2020). This can indicate a deficiency in the reach of the panopticon. The lack of statistical significance in *Column 1* and *Column 7* themes shows that the wealth tax as a panopticon does not appear to operate omnipotently. While the panopticon focusses on coercing compliance and revealing information, it does not require precise compliance actions by taxpayers on a grand scale. In other words, the wealth tax is not seen as operating at a day-to-day level but rather as more of an overarching panopticon.

Conclusion

Taxes remain a significant point of discussion for any government (Carter & Matthews 2012; OECD 2012). In South Africa, challenges around wealth inequality and fiscal shortfalls have necessitated ways to increase tax revenue (Buthelezi 2023; World Bank 2014). A wealth tax is one such way that is being explored by the South African government.

There appear to be two schools of thought: one espouses the benefits of a wealth tax, while the other notes the unfavourable cost and benefit paradigm of launching and administering a wealth tax system. Across the world, countries have implemented and repealed wealth taxes. Given the few countries that currently implement a wealth tax in some form, it is a less popular means of revenue collection (EY 2015; Glennerster 2012; Schuyler 2014; Shome 1995).

Against this backdrop, this study explores alternative reasoning for the introduction of a wealth tax in South Africa. Bentham and Foucault's panopticon is used to examine the potential impact of a wealth tax, contributing to critical tax studies. This study further investigates the relevance of the panopticon in explaining the rationale for adopting a wealth tax by considering the views of tax experts. It provides a credible foundation for future critical research on wealth and other taxes. Additionally, it can be utilised by those opposing the introduction of a wealth tax by suggesting an alternative rationale that contradicts the current 'pro-social' rhetoric. Based on this, the study contributes to existing taxation literature by offering a critical framework for reviewing government tax policy decisions.

It is noted that the potential wealth tax shares traits with the panopticon system. The ability of the wealth tax to identify, reveal and coerce compliance in a specific group of taxpayers and bring information on said taxpayers into

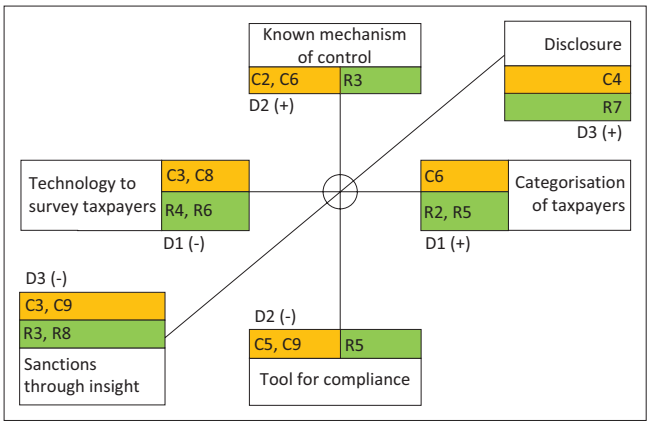

FIGURE 1: Summary correspondence plot.

existence are key examples of its leanings as a panopticon. Given the global move away from wealth taxes (Arendse & Stack 2018; EY 2015; Macdonald 1975) and the risk of a tax revolt (BusinessTech 2023b; Du Preez & Stoman 2020), its use as a panopticon presents another justification for its potential introduction. The panopticon leanings of the wealth tax also cast doubt over the transparency of the government in its implementation, against the principles of UN (2015) SDG 16.6. Despite these panopticon leanings, the wealth tax behaving as a panopticon may be an unintended consequence of the policy and further research is required in this area.

While this study has specifically focussed on the South African tax environment, the use of the panopticon to understand and frame the wealth tax can be applicable globally. The panopticon offers unique insights and should be considered for further research in studies that examine other taxes and related mechanisms. Future research could explore the views of various stakeholders and taxpayer groups regarding the potential wealth tax. It is important to note that this research does not aim to produce positivist or generalisable results, as it is investigative in nature; rather, it provides an avenue for advancing tax research.

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Competing interests

The author declares that he has no financial or personal relationships that may have inappropriately influenced him in writing this article.

Author's contributions

A.J.R. confirms that they are the sole author of this research article.

Ethical considerations

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Data availability

The data that support the findings of this study are not openly available because of the involvement of human participants and privacy laws.

Disclaimer

The views and opinions expressed in this article are those of the author and are the product of professional research. It does not necessarily reflect the official policy or position of any affiliated institution, funder, agency or that of the publisher. The author is responsible for this article's results, findings and content.

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Appendix starts on the next page →

Appendix 1

TABLE 1-A1: The correspondence table.

Traits and themes	Wealth tax traits	Panopticon themes								
		C1: The Panopticon functions as a means of constant surveillance.	C2: The panopticon is made visible and is known to individuals.	C3: Surveillance by the panopticon is unverifiable in terms of timing and the observer	C4: The panopticon brings previously unknown information to light	C5: The panopticon coerces compliance in individuals to conform to a standard of acceptable behaviour	C6: The panopticon ensures that there is a partitioning and stratification of individuals	C7: The panopticon enforces precise actions, timing and choices by individuals.	C8: The implementation of modern tracking and surveillance technology allows for the reach of the panopticon to be expanded	C9: The panopticon is a tool through which sanctions can be imposed
R1	The wealth tax is a tax on wealth holdings over and above existing taxes	-	-	-	-	-	-	-	-	-
R2	The wealth tax is to be levied on those who can pay	-	-	-	-	-	-	-	-	-
R3	There is a specific high wealth individual focus	-	-	-	-	-	-	-	-	-
R4	Worldwide wealth in the form of all assets is considered for taxation	-	-	-	-	-	-	-	-	-
R5	No exemptions from the wealth tax are available to taxpayers	-	-	-	-	-	-	-	-	-
R6	Tax information on high wealth individuals to be sent and received from other countries	-	-	-	-	-	-	-	-	-
R7	Certain taxpayers are required to declare to SARS the market value of all assets exceeding R50 million	-	-	-	-	-	-	-	-	-
R8	A wealth tax is generally considered to be administratively costly	-	-	-	-	-	-	-	-	-

TABLE 2-A1: Statistics for wealth tax traits.

Rows	Categories											
	Overall			Dimension 1 (x-axis)			Dimension 2 (y-axis)			Dimension 3 (z-axis)		
	Mass	Quality	Inertia	Co-ord	Sqcorr	Contribution (%)	Co-ord	Sqcorr	Contribution (%)	Co-ord	Sqcorr	Contribution (%)
Row 1	0.12	0.20	0.02	0.02	0.01	0.00	0.00	0.00	0.00	0.17	0.19	4.50
Row 2	0.12	0.93	0.11	0.47	0.69	14.60	0.32	0.24	9.40	-0.00	0.00	0.00
Row 3	0.15	0.92	0.12	0.36	0.46	10.90	0.32	0.28	11.80	-0.34	0.18	23.40
Row 4	0.13	0.75	0.11	-0.41	0.55	12.30	0.27	0.18	7.20	0.13	0.02	2.90
Row 5	0.07	0.98	0.27	0.63	0.32	16.60	-1.06	0.67	63.20	0.01	0.00	0.00
Row 6	0.16	0.92	0.20	-0.61	0.86	34.20	-0.19	0.06	4.30	0.07	0.00	1.10
Row 7	0.16	0.68	0.05	0.18	0.25	2.70	0.04	0.01	0.20	0.35	0.42	25.10
Row 8	0.08	0.88	0.11	-0.44	0.41	8.70	-0.25	0.10	3.90	-0.64	0.37	43.00

TABLE 3-A1: Statistics for panopticon themes.

Columns	Categories											
	Overall			Dimension 1 (x-axis)			Dimension 2 (y-axis)			Dimension 3 (z-axis)		
	Mass	Quality	Inertia	Co-ord	Sqcorr	Contribution (%)	Co-ord	Sqcorr	Contribution (%)	Co-ord	Sqcorr	Contribution (%)
Column 1	0.14	0.54	0.03	-0.15	0.24	1.70	0.17	0.24	3.00	-0.11	0.06	2.40
Column 2	0.07	0.88	0.11	0.46	0.40	8.70	0.58	0.47	18.90	0.11	0.01	1.20
Column 3	0.07	0.81	0.14	-0.69	0.69	18.60	0.14	0.02	1.00	-0.41	0.10	15.10
Column 4	0.13	0.95	0.10	-0.33	0.42	8.40	0.2	0.11	4.10	0.51	0.41	45.50
Column 5	0.1	0.90	0.09	0.24	0.18	3.40	-0.55	0.67	22.50	0.19	0.05	4.90
Column 6	0.12	0.98	0.23	0.72	0.80	35.70	0.35	0.14	11.40	-0.23	0.04	8.80
Column 7	0.10	0.88	0.05	0.24	0.32	3.30	-0.32	0.42	7.90	0.25	0.14	8.30
Column 8	0.14	0.86	0.12	-0.50	0.82	19.70	0.06	0.01	0.40	-0.14	0.03	3.40
Column 9	0.11	0.87	0.11	0.09	0.02	0.50	-0.60	0.76	30.90	-0.26	0.08	10.40