



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

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My main objective in this document is to present the fiscal history of Botswana from a long-term perspective, identifying its continuities and changes. Adopting Lieberman's (2003) critical juncture model to trace the history of taxation and the formation of the tax state, I follow moments of major social, political, and economic disruption; and show how negotiations between the state and different groups of Botswana's society shaped the trajectory of taxation in the country.

Botswana's fiscal history can be broadly divided into five periods. Firstly we have the pre-colonial period, succeeded by the inception phase of colonial taxation (1885-1932), introduced by the creation of the British Protectorate of Bechuanaland and the implementation of its earliest forms of tax. This was followed by a second phase of colonialism (1932-1966), characterised by failed and successful enactments of tax legislation and numerous changes in tax rates. The last two periods came after independence, with the rise of the tax state (1966-1987), subsequent periods of tax reforms and technological advancements to the fiscal system (1987-2015).

This periodisation opens up a dynamic analysis, which relies on empirical evidence to demonstrate that fiscal history matters in order to understand the intertwined trajectories of taxation and state building in Botswana. Against the idea that independent Botswana developed under a limited influence of its colonial past, I show that the impact of the colonial institutional inheritance should not be underestimated.

The document is organised as follows. In the next section, I briefly present Botswana's pre-colonial experience of taxation. Then I examine the reasons behind, and dynamics surrounding the implementation of the first colonial taxes, and tackle the crucial issue of its acceptance and rejection by the African population. Another theme that is given attention to is the procedures of tax collection, stressing the role of resident magistrates and chiefs in this process. Additionally, I highlight the impact of international dynamics, more specifically, the World War II on the fiscal system¹.

The following sections concentrate on taxation in an era of democratisation. Firstly, I deal with the first post-independence period of 1966-1987, marked by the discovery and development of the diamond industry. Then I review some of the major tax reforms from the late 1987 until 2015, with special emphasis on the period after the 2008 global economic crisis and the associated drop in Botswana's mineral revenues. Lastly, I conclude with an interpretation of the changes effected on the institutional framework and highlight the take-off of a thriving tax system in the country.

1. The Pre-colonial past: a prelude to colonial taxation

The inhabitants of pre-colonial Botswana, most of whom bear the collective name Tswana or Batswana, were organized in different chiefdoms or tribes². The most relevant were the Ngwaketse in the south of the country, Kwena and Kgatla in the centre, Ngwato in the north and Tawana in the North West (Schapera, 1970:3). Each tribe managed its affairs under the leadership of a hereditary chief (Kgosi in Setswana,

¹ These sections rely on primary sources consulted at The National Archives of the United Kingdom (TNA), and on the historical analysis of taxation developed by Makgala (2004).

² By tribe I mean a body of people occupying their own territory under the rule of a chief who was independent of any higher authority before the imposition of British rule.

Dikgosi in plural), who controlled many aspects of communal life, including economic activities such as trade, allocation of land and agricultural tasks.

These chiefs collected different tributes from their subjects, such as labour levies, judicial fines, death duties, and initiation tributes, among others. As the Tswana practiced a non-monetary economy, the payment was made with goods such as hunting spoils, farm produce and livestock (Schapera, 1970:74). In return, the chiefs had to provide justice and security, fulfil religious obligations to ensure harmony, and be generous with their subjects, providing them with cattle and food whenever necessary (Schapera, 1970:8).

When the region became a British Protectorate all tribes but the Tswana had been in contact with the Europeans (Schapera, 1970:5). This created an exchange economy that was a mixture of monetary and barter trade. Since the late 1880s the chiefs began to demand tributes, fines and tokens not only in goods and services, but also in cash. For example, in 1884 Chief Lentswe of the Kgatla tribe began to claim two pounds in cash from every migrant worker returning home. Cash claims were also made by other chiefs for the payment of different tributes and levies (Schapera, 1970:74). These demands were motivated and justified for many reasons, such as financing major public enterprises (e.g. the construction of churches, schools, tribal offices, fulfilling of the chiefs' personal entitlements and the funding of tribal expenditures (Schapera, 1970:74-75).

It is worth noting that Christianity played a vital role in the development of Botswana's modern taxation. One of the first taxes that did not constitute a tribute paid directly to the chief was intended for the construction of churches. This form of taxation, although slightly different from the ones to follow, laid the foundations for a smooth transition to the fiscal system introduced by the British administration in 1899.

2. The Inception Phase of Colonial Taxation (1899-1932)

The Bechuanaland Protectorate (hereafter Bechuanaland) was established in 1885 by the United Kingdom (Schapera, 1970:3). When Britain took control, a number of administrative imperatives presented themselves, with the procurement of revenue being by far the most pressing one. Accordingly, the British government, like other colonial powers in Africa and elsewhere, took measures to establish a modern tax system in Bechuanaland.

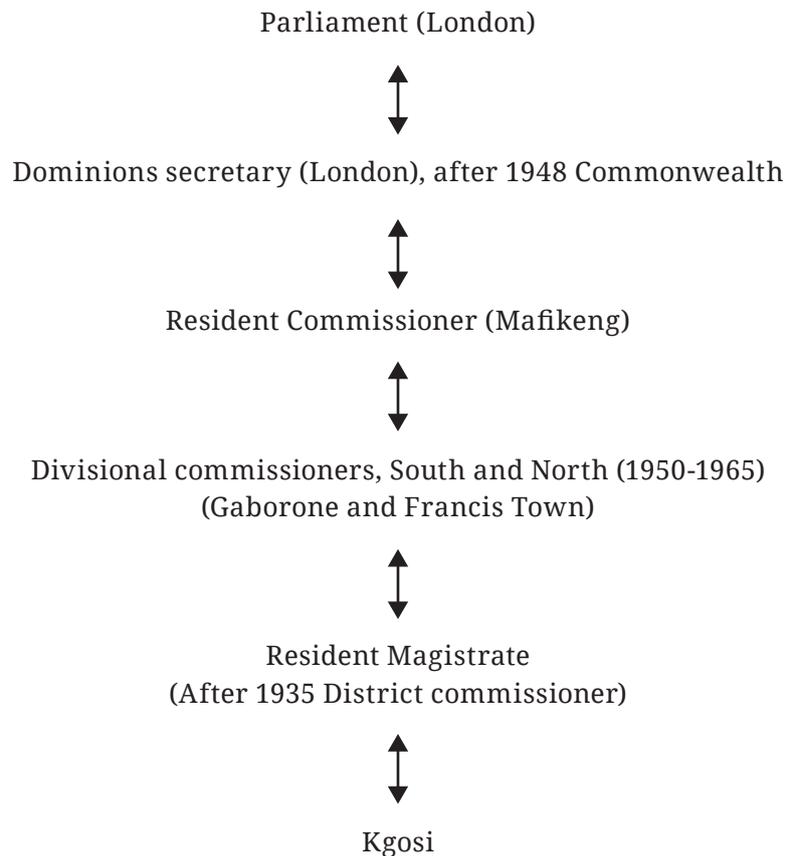
After the establishment of the protectorate the British local administration³ constituted a major source of change. Firstly, from 1891 it deprived the chiefs of various executive and judicial powers. Then in 1899, tribal reserves were demarcated⁴, and police forces and resident magistrates (later district commissioners) were stationed in each tribal capital (Schapera, 1970:5). More relevant to my topic, in the same year the colonial administration implemented the hut tax, a form of taxation widely adopted in the

³ This term is used in official records to refer to European administrators. The local administration was from 1891 headed by a Resident Commissioner, stationed at Mafikeng in the Cape Colony. He was subordinate to a High Commissioner, based at Cape Town, and later Pretoria in South Africa. The high commissioner was the legislative authority and the channel of communication with the Secretary of State, in London (see diagram below).

⁴ See Map 1

British colonies during the 19th century⁵. In what concerns the modern fiscal history of Botswana, the point of departure was the imposition of the hut tax on all ‘native’ men of Bechuanaland in 1899⁶.

The colonial Administration



Source: Morton and Ramsay (1987)

The discussions about the introduction of the hut tax began roughly a year after Botswana became a protectorate. Its implementation, nonetheless, was halted by a pandemic of rinderpest that exterminated large numbers of cattle between 1896 and 1897. Cattle were a central element of the Batswana livelihoods, constituting an important source of income and an insurance against famine (Molosiwa, 2014), as well as a central form of tax payment (Schapera, 1970). Fearing that people would revolt against the hut tax and considering the devastating economic effects of the pandemic, the government postponed the imposition of the tax until 1899⁶.

Negotiations between the Dikgosi and the colonial administrators marked the early

⁵ The hut was the predominant form of dwelling of the African population. In implementing the hut tax the Bechuanaland officials probably drew upon the experience of Natal and the Cape, where it was in force since 1848.

⁶ For tax purposes ‘native’ meant “any male aboriginal belonging to any tribe in Africa South of the Equator including half caste or person of mixed race living as a member of any native community, tribe, Krall, or location who on the first day of July in any year is of the apparent age of eighteen” (TNA, DO 35/417, High Commissioner of South Africa to JH Thomas, 6 February 1931).

stage of Botswana's taxation system, with government officials meeting with the chiefs in order to discuss the Hut Tax Proclamation (Makgala, 2004). According to the proclamation a tax would be levied on the native population on a per hut basis. In theory each adult male inhabiting a hut would pay a flat fee. In practice, however, the tax varied according to the number of wives an individual had. The connection between huts and wives was that each wife usually had her own hut and a piece of land to produce staple crops and vegetables (Redding, 1993:49-75). This practice had significant economic implications.

The colonial administrators 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 income or wealth. Following this logic, British officials assumed that the hut tax was equitable. Moreover, scholarly literature suggests that the variation of the tax according to the number of wives was a "state imposed fine" on polygamy (Redding, 1996:225; Redding, 1993). Such analyses offer insightful interpretations of the hidden connotations of colonial laws⁷.

The hut tax was levied at a rate of 10 shillings per adult male per annum, but it fluctuated between 10 and 25 shillings over the following years. It was payable either in grain, livestock or Pound Sterling. As the economy was largely rural most people paid in kind, which was then sold by the colonial administration. The collection was the responsibility of the chiefs, executed through their representatives, headman and paid collectors. This was an arrangement proposed by Khama III, Bathoen I of the Ngwaketse and Sebele I during their visit to England in 1895 (Makgala, 2004). For their role in tax collection the chiefs received an incentive of 10% of the total, which was often a substantial amount (Massey, 1978:95). By 1916, for instance, Khama III was earning no less than £1700⁸ per annum (Parsons, 1975:390).

Since the beginning, the revenue collected by the hut tax was impressive⁹. For example, in July 1899 the hut tax receipts were £98 from the Ngwaketse, £379 from the Kwena and £292 from the Kgatla. The larger reserve, Ngwato, brought in an impressive £3,093 (Makgala, 2004:282). Until 1932 this tax constituted the main source of revenue for the colonial government, accounting for 40% of it (Massey, 1980:75).

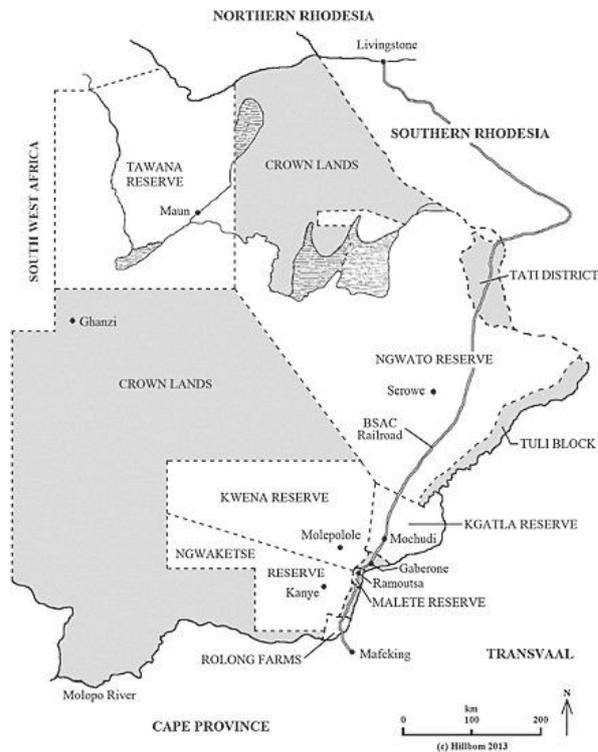
The colonial state's main objectives in relation to the African population was to control and tax them. To facilitate both goals the Native Affairs Department divided the region in 'native reserves' and appointed European magistrates for each of them.

⁷ What I found in Botswana's documentation relating to polygamy, though, was only the amounts to be paid per additional wife (TNA, DO 35/41, 11777/3 Hand written and comments on the draft proclamation, 6 February 1931).

⁸ In contemporary terms £ 1700 amounts to 229, 341. 52 US dollars, £98 converts to US\$13,220.86, £379 converts to US\$ 51,129.67 and £3,093 amounts to US \$417,266.67.

⁹ Table 1 also shows that hut tax constituted the highest revenue that was collected in the colony during the early years of colonisation.

Map 1. Crown lands and Native Reserves in Bechuanaland



The magistrates were responsible for numerous administrative duties, including drawing hut tax registers, hearing court cases, assigning land to African families, and commanding a small police force which enforced the laws. They expected the chiefs and headman to assist them with these tasks. According to Sedimo (1986), almost all the revenue collected at this period was used to financing the police, who in the early years of the protectorate constituted an important link between the British administration and the tribal authorities¹⁰.

Table 1: Government finance and taxation 1912-1916 (Major sources only)

Revenue in pounds							
Year	1912-13	1913-14	1914-15	1915-16	1916-17	1917-18	1918-19
Hut tax	35.742	36.887	31.843	39.854	36.451	38.572	40.750
Customs	13.828	14.522	11.298	15.065	16.489	15.043	19.382
Posts	5.742	5.483	6.951	6.891	6.598	7.112	7.554
Licences	3.915	3.873	3.776	3.487	4.916	4.839	5.132
Sales of government property	510	510	415	315	265	427	882

Sources: *Bechuanaland Protectorate Blue Books*¹¹

Bechuanaland's taxation system went through changes over the years. In 1909 the colonial authorities consolidated the laws relating to the hut tax by the Hut Tax¹²

¹⁰ TNA, CO 567/8, Annual Blue Book, 1913/14. For that year, of the total expenditure (£66.749) more than half (£35.487) went to finance the police. This trend persisted until 1930.

¹¹ TNA: CO567/7; TNA: CO 567/8; TNA: CO 567/9; TNA: CO 567/10; TNA: CO 567/11; TNA: CO 567/12; TNA: CO 567/12; TNA: CO 567/13.

¹² TNA, D.O. 35/417, High Commissioner to Resident Commissioner, 9 March 1931

Proclamation No.9. The proclamation, among other major changes, brought in a new rate levied at £1 per year (Hillbom, 2014), and extended the hut tax to every “native” occupant of a hut. In the following years, the laws related to the hut tax kept evolving, with various amendments being made¹³.

In 1922 the British government introduced a poll tax to be paid by every African over 21 years who was exempted from the existing hut tax (Makgala, 2004). This tax was regressive, that is, it was levied on the African population without regard to their economic conditions. In the same year, the first attempt to enact a more equitable tax resulted in the Income Tax Proclamation No.70 of 1922. Nonetheless, this tax only applied to the European expatriates. As they constituted a minor portion of the population, the revenue generated by such income tax was minimal.

Table 2. Government finance and taxation (Major sources only)

Revenue in pounds					
Head	1929-30	1930-31	1931-32	1932-33	1933-34
Native tax	42.451	40.740	31.921	26.027	9.624
Customs and excise	30.913	25.579	26.313	27.899	29.100
Posts and telephones	15.672	15.469	16.772	18.470	18.031
Licences	6.789	6.553	6.282	6.244	5.102
European poll tax	1.231	1.218	1.249	1.996	1.234
Income tax	39.613	37.871	2.686	2.249	2.432
Native fund contribution	2.150	1.000	1.000	1.000	-

Source: Makgala, 2004:294

3. African taxation, resistance and colonial establishment (1932-1965)

As mentioned above and as table 1 and 2 demonstrate, from 1899 until the early 1930s the Bechuanaland government relied primarily on African direct taxes for generating revenue. Accordingly, taxation was pivotal to state building in Bechuanaland, and there is no evidence that the African population resisted paying taxes during the period. The next major attempts at taxing the African population came in 1932, a period when the colonial authority had established itself and was ready to spread its tentacles.

According to Hillbom (2014), in this period the British colonial ambitions were significantly enhanced. Cooper (2002) describes this epoch as the moment when the colonial administrators started to advance investment policies and to strive towards socio-economic development. In Bechuanaland there was an increasing requirement of funds for these modernisation efforts (Steenkamp, 1991; Makgala, 2006), but the revenue generated by the African taxes and the European expatriates income tax was not enough. Therefore, changes in the fiscal policy were necessary.

¹³ Ibid. Briefly, these were proclamation No.47 of 1919; No.1 of 1923; No. 20 of 1923, and No.13 of 1929.

In this context, several new taxes were imposed, such as the Native Tax (1932), the failed Bicycle Tax (1938) and the Graded Tax (1939). Others followed, for instance, the War Levy and the Second Consolidation Act (1959). Finally, at the end of the period the native and the graded taxes were abolished, and the Africans started to pay income taxes, as the Europeans and companies already did.

The introduction of a Native Tax

In 1930 the resident commissioner of Bechuanaland submitted a draft proclamation to the high commissioner of South Africa, which was expected to cover the gaps on the tax collection from the 'natives'. In 1932, after an exchange of correspondence between them and months of consultations with the chiefs, the Bechuanaland Protectorate Native Proclamation No.1 of 1932 came into effect. This was a poll tax, collected at a flat rate from every African male over 18 years, which could be paid in cash or kind. The major change was that the tax was no longer levied on a household but per capita owing to the colonial administration's realisation that the hut system was excluding numerous Africans from paying taxes. Accordingly, the reference name changed from hut to native tax¹⁴. 'Natives' under 21 years of age and attending school were exempted¹⁵.

Some of the clauses of the proclamation reveal the colonialists' bold measures in revenue collection. Although officially the primary purpose of the revenue collected under this tax was to cater for the local needs (Botlhale, 2016), only a fifth of the money collected went to the Bechuanaland Protectorate Native Fund¹⁶. Clause 8 gave powers to the police and magistrates to arrest African tax evaders without warrants. This was a point of contention between the chiefs and the British administrators, for it suggested that a person could be arrested without a proper investigation as to whether or not he could afford to pay¹⁷. What is more, the non-payment of tax became an offense punishable with imprisonment with hard labour.

Another clause that apparently took advantage of the fact that the Batswana were not resisting taxation was that from 1932, full hut tax was imposed not only in respect of each wife, but also on concubines, a measure new to the protectorate at the time. The justification for it was simply that such a tax had already been imposed in Southern Rhodesia and Basutoland¹⁸. Additionally, the chiefs' incentives would be cut from 10 to 5% in cases of inefficiency¹⁹, and Clause 11 made it an offence for a chief, headman or collector to demand additional amounts other than the ones stipulated by the legislation. Moreover, if any supplementary levies were to be imposed on a particular tribe, it had to be approved by the high commissioner.

A heavy blow to traditional leaders' authority came with Clause 18, which gave the government the power to remove the chiefs from their position as tax collectors

¹⁴ TNA, D.O. 35/417, High Commissioner to Resident Commissioner, 9 March 1931.

¹⁵ TNA, D.O. 35/17, High Commissioner for South Africa to J. H Thomas, Dominions office, 8 January 1932.

¹⁶ TNA, C.O. 35/417, High Commissioner to J.H. Thomas Dominions office, 6 February 1931.

¹⁷ TNA, D.O. 35/147, Telegraph from the High Commissioner for South Africa to the Secretary of State for Dominion Affairs, 17 December 1931.

¹⁸ TNA, C.O. 35/417, High Commissioner to J.H. Thomas Dominions office, 6 February 1931.

¹⁹ TNA, C.O. 35/417, High Commissioner to J.H. Thomas Dominions office, 3 March 1931.

under some circumstances²⁰. Furthermore, at this time taxes could be paid either to a resident magistrate, a chief, or any other government employee. This further eroded the powers of the chiefs and generated frictions between traditional authorities and the colonial administration.

Reading the official correspondence, one gets the impression that the fiscal system of the protectorate was managed by typical petty bureaucrats who, preoccupied with collecting revenue and balancing a meagre budget, were quite comfortable with taking advantage of the availability of wage employment for the African in the mines (such as the Witwatersrand mines). In 1933, for instance, the correspondence between the High Commissioner and other senior officers reveals that, although an outbreak of foot and mouth disease forced the colonial administrators to reduce the tax rates²¹, Africans who were unemployed but considered able to work were excluded from the decrease²². This was enforced by the chiefs, who occasionally used their powers to force young men to work in the mines in order to pay their taxes. Chief Seepapitso II of the Bangwaketse tribe, for example, proclaimed a tribal rule in 1911 which stipulated that any men who was unable to pay tax should “be sent away to work” (Schapera, 1970:116).

Against this background one question that arises is whether colonial taxation in Bechuanaland, in particular the hut tax, was aimed at financing the colony or to induce a flow of cheap labour to the farms, mines and industries of South Africa. Rather than viewing the hut tax as a conspiracy between the colonial government and British economic elite’s interests, the picture that emanates from the documentation is one of overlapping interests: the hut tax was levied for both financing the colony and ensuring a steady supply of cheap labour to the neighbouring colonies.

The abortive imposition of the bicycle tax

One of the most ludicrous proposals to arise from the protectorate was the taxation on the bicycles owned by Africans. Suggested by the government in 1938, it was strongly rejected by several chiefs and tribesman. Since bicycles were the most efficient mode of transport at the time, it was not viewed by many as a luxury but as an indispensable item. Therefore, they did not agree to pay this tax, and some chiefs even reported that most people rather opted to do away with their bicycles (Makgala, 2004). After numerous debates the idea was abandoned.

This event provides a good example of how careful interactions with the Africans in Bechuanaland prevented tax rebellions like those which happened in other parts of the British Empire, for instance, the Natal and Transvaal rebellions between 1880 and 1902.

Tax collection and cases of resistance

²⁰ TNA, C.O. 35/417, High Commissioner to J.H. Thomas Dominions office, 6 February 1931. This would later have adverse effects on the collection of taxes. Taxation collection was also affected when the administration tampered with the Tswana succession system in 1932-1938.

²¹ TNA, CO. 35/417, High Commissioner to J.H. Thomas Dominions office, 11 February 1933. The native tax was reduced from 28s to 15s per annum and the European poll tax from £3 to £2.

²² TNA, C.O. 35/417, Resident commissioner (Mafikeng) to High Commissioner, 6 February 1933.

Contrary to other colonies in southern Africa, Bechuanaland did not experience tax revolts. The reason behind this is that in the early years of the colonial administration, the process of implementation of the tax system was negotiated instead of coercively imposed. The tax consultations that began in 1886 laid a solid foundation for a mutual understanding between tribal authorities and colonial administrators on fiscal matters.

However, to claim that there was no resistance to tax collection would be an exaggeration and would deny the reactions and aversions to taxation on the part of the colonial subjects. Unfortunately, the literature on their attitudes in relation to taxation is scarce. Generally, some post-protectorate accounts that seek to explain the contemporary societal peace in Botswana portray the Batswana as an inherently peace loving people (Maundeni, 2005; Hjort, 2010). The absence of rebellions in their history seems to support these claims.

Nevertheless, in the early 1930s there were reports about negative attitudes from some chiefs towards taxation which, according to some colonial officials, could lead to revolts or other forms of resistance²³. In these documents the conduct of the chiefs appears to have been of great concern to the administration. They were accused of not cooperating with the resident commissioner, and it appeared that major problems were looming.

The resident commissioner also seemed to be trying to cripple the traditional negotiation processes. For instance, he marginalised the Native Advisory Council (NAC) by not asking for its input on the draft proclamation of 1932. The resident commissioner argued that the reason for this action was that some of the chiefs were already members of the NAC so it was a waste of time²⁴. However, one might argue that he knew that the proclamation would be derailed because most of its contents overrode the interests of the chiefs. Accordingly, six chiefs from different tribal reserves sent a letter to the resident commissioner, objecting to the promulgation of the proclamation²⁵.

On the same note Makgala (2004) reveals some interesting details about the responses of the chiefs to taxation in four tribal areas of Bechuanaland²⁶. As the years progressed, the harmony that existed between the colonial administrators and the chiefs seemed to be reducing rapidly. The chiefs were expected to contribute to the smooth functioning of the colonial administration, serving the government in much the same manner as European officials. They were delegated the tasks of controlling their subjects, collecting tax and implementing policy changes imposed from above. However, with the passing of time the collection of the hut tax became a daunting task as a result of changes in the attitudes of the chiefs in relation not only to taxation, but to the colonial administration more broadly.

Some chiefs tried to engage lawfully with the system. For example, Chief Tshekedi Khama of the Ngwato tribe²⁷ mobilised legal services as well as the British public opinion

²³ TNA, C.O. 35/417, High Commissioner to Resident Commissioner, 9 March 1931.

²⁴ Ibid.

²⁵ TNA, C.O. 35/417, Resident Commissioner to High Commissioner, 5 March 1931.

²⁶ The Ngwato, Ngwaketse, Kwena, Tawana and Kgatla reserves.

²⁷ One of the most influential spokesperson for tribal authorities. TNA, DO 35/417, High commissioner of South Africa to J.H. Thomas, 30 July 1931.

in his resistance against the colonial policies that would erode the chiefs' powers. In particular, he was able to bring together other chiefs to resist the government's efforts to deprive them of their tax collection rights (Makgala, 2004:284).

In reaction, the resident magistrates reported on "weak" and "problem" chiefs (Makgala, 2004). The new generation of traditional authorities of the late 1920s were accused of misusing tribal revenue for personal pleasure and alcohol abuse, which rendered them incapable of enforcing the payment of taxes (Schapera, 1970:67). In 1929, there were accounts of Chief Mathiba being "weak and drunken – on the verge of DT" (Delirium Tremens), and that in his area there was discontent and resistance to the payment of taxes (Makgala, 2004).

As a response to the "bad conduct" of the chiefs, in 1932, the government took over their tax collection responsibilities (Ramsey et.al, 1996:205; Makgala, 2004). Tshekedi Khama openly opposed this arrangement, claiming that it caused inefficiency and confusion. Collectively, the chiefs called for responsibility for the collection of taxes to be restored to them and their representatives, and the withdrawal of the district commissioners.

During the years of 1932-1938, when the chiefs had the authority to collect taxes taken from them, their relations with the resident commissioners degenerated into animosity and lack of cooperation (Makgala, 2004). Even though the magnitude of friction was not as pronounced as the ones experienced in other British territories – like the classic resistance cases in Basutoland and in the various colonies that came to make up South Africa – they were disturbing to the colonial administration.

Archival records indicate that even though the government had cancelled the tax collection rights of the chiefs, there were discussions behind the scenes to restore it to them as early as 1933, after dire declines in revenue²⁸. While the Bechuanaland Protectorate's early years were a success (as shown earlier in table 1 and 2 above) in terms of revenue collection, from 1932 to 1938 there was a dramatic decline in the success of the system²⁹. As a result, tax collection privileges were reverted back to the chiefs in 1938³⁰.

However, the general public had concerns about corruption amongst tax collectors, and viewed them as collaborators of the colonial government (Makgala, 2004). In fact, primary sources indicate that some of them forced their tribesman to pay more tax than that established by law, retaining the extra commodities so collected for themselves (Makgala, 2004). This jeopardised the credibility and trustworthiness of the state, as these collectors were its representatives. The system of governance employed by the British in Bechuanaland was what Mamdani (1996) calls 'indirect rule'³¹, incorporating the African's rights into a customary mode of governance in which traditional

²⁸ TNA, 35/417, Resident Commissioner to High commissioner of South Africa, 11 January 1934.

²⁹ I could not get the data for the revenue of 1934-1938. However, the correspondence between the resident commissioner and the High commissioner (cited above) indicate panic over the dramatic revenue decline and the need to quickly restore the authority to return it back to the traditional authorities.

³⁰ To entice them there were talks of increasing their incentive from 10 to 20%, but it is not clear if this materialised (TNA, C.O. 35/417, Resident Commissioner to High Commissioner, 5 March 1931).

³¹ Mamdani (1996) argues that the institutional framework of rule enshrined in late colonialism depended especially on its use of "indirect" rule over the natives, by means of customary law with state-appointed Native authorities defining "custom". This inhibited the colonial state from exercising full authority and establishing effective institutions in those areas.

authorities have unchecked powers. This opened avenues for corruption and abuses of the taxation powers of some of the Bechuanaland's chiefs.

Now, even though there were complaints and discontent about the fiscal system, the resistance experienced in Bechuanaland was marginal when compared to the armed insurrections against taxation which occurred elsewhere. To a great extent, intensive consultations between colonial and traditional authorities prevented tax revolts in the protectorate. Accordingly, the most contentious period in Botswana's fiscal trajectory was when the British unilaterally cut the channels of communication, and the collaboration with the chiefs.

International Factors: the World War II

The outbreak of the Second World War (1939) provided a great impetus for significantly increasing taxation in Bechuanaland. The country was closely connected to British politics and economy, given its position as its protectorate and its heavy reliance on British grants and loans for funding state-building initiatives.

Britain needed extra revenue to finance war efforts, and it looked for it not only at home but also in its colonial dominions. In Bechuanaland this ushered in higher rates on existing taxes, and the enactment of a special war levy. In November 1939, a war fund was established, and contributions from both Europeans and Africans were encouraged. However, these donations alone did not raise the necessary revenue. As a result, changes were made to their tax system.

Firstly, with the assistance of some overenthusiastic chiefs, the already burdensome hut tax was raised from 22 to 25 shillings, bringing in £8,000 per year. The European poll tax was raised from £2.15³² s to £3³³, while the income tax was increased by between 2% and 15% according to annual income. Increased custom and excise proceeds, due largely to the heavy use of the railway that ran through the protectorate, also contributed to increase the revenue. By the end of the war the European contribution to the war fund stood at £45,847³⁴, while the African contribution, which was discontinued in 1941, amounted to £14,422³⁵ (Jackson, 1999:127-128).

Historical accounts of the colonial taxation of Africans in Bechuanaland indicate that not only the war worsened their economic conditions, but also exposed them to unfortunate practices. Although initially the contributions to the war fund were voluntary, the chiefs insisted on making it compulsory as, according to them, their subjects were used to harsh procedures for tax collection (Jackson, 1999:128). Thus, while the colonial administration was exercising caution, the traditional authorities were actually oppressing their own people.

With the establishment of the war levy in 1941 the African population no longer had to contribute to the war fund. Reports of the consultations between district commissioners and chiefs indicate that the imposition of the war levy was accepted without major

³² In contemporary terms, £2.15s translates to US\$ 227.91 and £3 would be US \$318.02

³³ TNA, DO 35/930, Y542/12, Suggested scale for War tax, High Commissioner (Clarke), Pretoria to Anthony Eden, 15 January 1940.

³⁴ In contemporary rates, this translates to US \$2,574, 854.31.

³⁵ This converts to US \$809,966.82.

turmoil (Makgala, 2004:299). It also seems that the European population easily accepted the new tax burden as it was matched with a nationalist sense of common cause.

The war levy was compulsory, and extended to every male adult in the protectorate. It was related both to wage and property, that is, those earning an income and owning assets were liable to pay a levy on both. In 1945 the war levy collected £95,000³⁶ of which almost a third of the amount was transferred to the British government to assist with the war. The remainder was used for administrative tasks in the protectorate, or loaned interest free to British public servants (Makgala, 2004:299).

The Introduction of the Graded Tax

In addition to the war fund and the special levy, a reorganisation of the tax system was necessary in order to extract more revenue. The most effective way to do so, according to the then Resident Commissioner Arden Clarke, was through the introduction of a graded tax. In one meeting of the African Advisory Council (AAC)³⁷ in 1939, he put forward a proposal of a graduated income tax to replace the Native Tax levied on every male adult without regard for wealth or income.

The rationale for the introduction of the Graded Tax was the consolidation of three kinds of existing levies, namely, the Native Tax, the special war levy and tribal levies (Makgala, 2004: 299-300), and the introduction of a progressive taxation, whereby the highest income earners paid a larger percentage than the lowest ones. It is assumed that the administration was influenced by the war levy, which was based on the taxpayer's ability to pay.

Fearing panic and confusion, citing the general attitude of people towards taxation at the time, and claiming that taxation was entrenching poverty in the tribal areas, the AAC vehemently rejected the proposal (Makgala, 2004:299). For the members of the AAC the scheme resembled the mafisa system, a tribal economic arrangement already in place whereby a cattle owner gave some of his cows to other people, particularly to the poorer, to look after them, use them for draught animal power, milk and, when they died, meat. To the AAC, this was the Batswana way of redistributing wealth and, therefore, the graded system was an unnecessary move. Additionally, archival information reveals that in several meetings the AAC claimed that the graded income tax would undermine their traditional Mafisa system (Makgala, 2004).

Despite of this initial rejection, barely two years later the issue of a graded tax resurfaced, this time supported by the example of Nigeria, which had successfully enacted a similar form of taxation (Makgala 2004:300). The promulgation of the graded tax did not happen at this point, but following the end of the World War II, there was a new impetus towards inward development brought about by the British policy of colonial self-funding. This required initiatives to expand the taxation capacity of the state.

In 1946 representatives from the district commissioners, Batswana chiefs and

³⁶ The total revenue of Bechuanaland in 1945 was £521,802 (US \$ 29,305, 386.13) (TNA, Annual Blue Book of Statistics, The Bechuanaland Protectorate 1945-1946).

³⁷ Formerly the NAC.

common people met under the chairmanship of the resident commissioner to draw up recommendations (Makgala, 2004:300). The new fiscal system was expected to ameliorate the regressive character of the previous one. It was envisaged that the new consolidated tax would consist of a basic tax of 25s, and a graded tax based on property and earnings. Of the total tax collected, 35% would be retained for the tribal treasuries (Makgala, 2004:300).

Two days after that meeting the AAC met with the councillors and argued that the taxing of horses, included in the original proposal, was a regressive tax. Horses, they argued, were not kept for luxury but for transport purposes, and no income was accrued from them. Taking these concerns into perspective, the resident commissioner recommended that the project of the new tax should be put on hold for five years (Makgala, 2004:300).

Following consultations between colonial administrators and traditional representatives over the next three years, the graded tax was finally promulgated in 1949. It was levied on the wages and livestock of the Africans (Botlhale, 2016). Although the original idea was to supplement the war levy and other existing taxes, at the time of its introduction the purpose of the graded tax was to provide revenue for tribal treasuries. Since their formation in 1938, they were dependent on a percentage of the African taxes for funding. Numerous amendments were made to the original system, including one regarding females and minors owning stock who were not taxed unless they had more than 20 animals (Makgala, 2004:301). In 1953 another revision of the proclamation allowed different tribal areas or districts to fluctuate their rates, depending on their own circumstances and financial requirements.

In 1954, an initiative by the government to introduce an income tax for African traders was met with resistance by the AAC, and was successfully rejected. It was only in 1964 that provisions were made in order that the Income Tax of 1922, until then only payable by non-African, was applied to all people of Bechuanaland. This episode marked the elimination of the Native Tax and the Graded Tax, and from then on the Africans paid the same income taxes as Europeans and companies.

Although the period under investigation so far (1899-1966) is characterised by some expansion of the central state, the analysis provided here reveals that the colonial tax state was not impressive to say the least. It was at best what Lieberman (2003) calls “skeletal tax state”. This stage was characterised by manifold attempts to enact tax laws which were countered by multiple rejections and re-negotiations; a high reliance on African taxes, custom and excise duties, posts and telephones and, later, on income taxes with uncoordinated bodies of administration and low levels of compliance.

While the state expanded its taxing powers, revenue and efficiency gains were not impressive. The Protectorate’s upper income groups, who could contribute to the increase of revenue if they complied actively with state demands, were very small, meaning that returns from these groups were not very effective as far as tax revenues were concerned.

Prior to independence, state authority in Bechuanaland was fragmented. A central state did not exist and there was no coordinated bureaucracy to speak of. Compared to other British colonies, early colonial rule in Botswana relied upon an administrative

apparatus that was “woefully inadequate, if not outright laughable” (Stedman, 1993:35), even though by 1937 the protectorate had a relatively high ratio of colonial administrators to the number of colonial subjects (Hillbom, 2014:165).

Bechuanaland’s colonial administration could be best described in terms of what Herbst (2000:73) calls the “administration on the cheap”. This form of colonial administration was a “prototype Night Watchman state, performing minimal tasks at minimal costs”, since the colonialist’s main impetus was to control people (Tilly, 1990) rather than build a developmental state. Studies on colonial fiscal regimes seem to agree on the notion that colonial governments were unable to solve their revenue predicaments, and that the states that were created failed to develop effective institutions for collecting tax revenue (Herbst, 2000; Mamdani, 1996). Frankema (2011) further elaborates this point, arguing that the indirectly ruled British colonies performed dismally in tax collection compared with those ruled directly³⁸.

The colonial tax state in Bechuanaland

Policy	Multiple and mostly successful attempts to enact taxes: hut tax, poll tax, native tax, graded tax and income tax. High reliance on native taxes, customs and excise, posts and telephones, income tax.
Administration	No strong bureaucracy; state largely unable to tax those with significant resources; no central state and uncoordinated tax administrators, low levels of compliance, very low levels of resistance, traditional leaders at the centre of tax collection and enforcement, state had limited ability to govern.
Tax state	Skeletal

In summing up the late colonial taxation era (1932-1966), the following points ought to be emphasised. Compared with other regions of the British Empire tax rates remained relatively low during the colonial era. The fiscal system in place shows that the Bechuanaland Protectorate was a “night watchmen” or “minimalist state”, which meant that tax efforts were curtailed, human resource investments were not a priority, and tax levels were very low and therefore could not finance basic public services.

At independence, in 1966, the country was one of the poorest in the world, with “no army, no strong bureaucracy and a weak middle class” (Molutsi, 1989:104). The existent bureaucracy was not designed to promote economic development, being ill equipped to do so. The protectorate lacked basic infrastructure, for instance, in 1966 Botswana had only 12km of paved roads. It had high levels of illiteracy and few formally educated people, with only 22 Batswana graduating from university and 100 completing secondary school (Acemolgu et al., 2003). To balance its budget, Botswana relied heavily on aid from Britain (Eriksen, 2011:446).

4. The rise of Botswana as a modern tax state (1966-1987)

Contrary to Acemolgu et al. (2001) assertion that Botswana had good institutions at the dawn of democracy, the taxation system was not even close to that description. At independence the capacity of the state to collect taxes was quite fragile. This had serious implications on state expenditures. This poor institutional and infrastructural

³⁸ See footnote 30 for the impact of indirect rule on colonial administration.

capacity still plays a vital role in determining tax policies in the country. Guided by a liberal democratic ideology, the Botswana government sought to strengthen the welfare system, funding development projects, and ensure a strong and sustainable economic growth. To finance these essential development programmes the state depended largely upon tax revenues. Hence, once again a fiscal reform was an imperative.

The first step was to consolidate the various past amendments into the tax legislation. This resulted in the enactment of the Income Tax Act of Botswana, in 1973. This act was not only consolidatory in nature, but also an attempt to create an improved and more equitable fiscal system (Botlhale, 2016:2). Through this Act the government also hoped to move the country away from its dependency on foreign aid, and on custom duties and excise arising from the Customs Union Agreement of 1969³⁹. Minchin and Kelly (1997) rightly identify the 1973 income tax law as the primary tax law of Botswana, and the watershed moment in its fiscal history, as it was the first tax legislation to be enacted after independence (Botlhale, 2016). The Income Tax Act of 1973 had three objectives: to encourage investment in the private sector; to lessen the dependence of the government on mineral rents; and to simplify the tax design so that it became easier to understand and administer (Botlhale, 2016).

Over the years, Botswana's rapidly changing economic climate resulted in a succession of changes to the tax regime. The discovery of diamonds in the early 1970s resulted in a dramatic increase in state funds derived from the new mineral revenue, which is still the largest and most significant tax base in Botswana⁴⁰.

The aim to move away from over reliance on mineral revenues and to improve the tax system underlined different tax reforms, the most significant being the 1987 Consolidation Act No. 2, which resulted in the Income Tax Amendment Act of 1987 (Botlhale, 2016). The main changes introduced by this reform were the attempts to further simplify the administration process by introducing a unified tax structure through the removal of the distinction between married and unmarried couples, and the introduction of a system of separate taxes for men and women. Additionally, it introduced a simplified and reduced tax burden for resident and non-resident individuals and companies, different tax rates for manufacturing and non-manufacturing companies, and effected positive changes to the tax tables.

This period (1966-1987) marked the emergence of the modern tax state. Even though Botswana had inherited a fragile tax system from the colonial administration, significant measures were taken to establish an effective tax system. However, the discovery of diamonds generated a thriving mineral revenue which the country enjoyed to such an extent that the tax reform process did not pushed far enough to establish a broader tax base⁴¹. It is only after the 2008 global recession that major steps were taken to revamp the tax system.

³⁹ The Southern African Customs Union came into existence on December 1969 with the signature of the Customs Union Agreement between South Africa, Botswana, Lesotho, Namibia and Swaziland. It replaced the Customs Union Agreement of 1910.

⁴⁰ Currently, tax revenue is estimated at P48.40 billion with mineral revenue contributing 35.2% of the total while customs and excise contribute 24.3%, income tax 21.2% and Value Added Tax (VAT) contributing the least with only 12.4% (Mathambo, 2016).

⁴¹ Between 1966 and 1974, Botswana was one of the fastest growing countries in the world. The discovery of diamonds in 1967 initiated and stimulated growth, diamond revenues played a crucial role in the economic sector of Botswana. Real GDP growth averaged 16% between 1970 and 1974, and sustained high growth continued until 1989. It seems the flourishing mineral revenue slowed down the overall tax reform process as it was generating substantial amounts for the government.

5. Prosperity, economic shock and take-off (1987-2015)

Key changes to the fiscal system were made by the 2001 Income Tax Amendment Act (Botlhale, 2016), which constituted one of the most important reforms since 1987. Some of the main changes were the increasing of tax bands from P30000 to P36000⁴² per year for resident individuals and companies, and the marginal tax rate became operative at P144000 instead of the previous rate of P120000⁴³ (Botlhale, 2016).

With the level of development reached thus far and the growth of the population requiring an ever increasing expenditure on social services (such as education, health, elderly welfare and, more recently, the growing expenditure on the military), the government moved to other forms of taxation. The introduction of broad based consumption taxes such as the Value-Added Tax (VAT) has been the most prominent of these.

The VAT was introduced in 2002 to replace the Sales Tax, levied at 10%. Botswana's VAT legislation is contained in the Value-Added Tax Act 2002 and its several amendments. In 2010 the VAT increased from 10% to 12% (Republic of Botswana, 2010), with the standard rate applying to all supplies that do not qualify for an exemption or zero-rating, that is, with no other higher or reduced rate. The VAT system is administered by the Commissioner General of the Botswana Unified Revenue Service (BURS). Although it has undergone several amendments over the years, the Value Added Tax Amendment Act of 2015 is noteworthy because it included the much needed zero rating on certain basic food items to alleviate the burden of indirect taxation on the poor. Also, it changed the VAT registration threshold from P500000 to P1000000 (Republic of Botswana, 2015). To complement the VAT, excise duties have been levied on luxury items such as cigarettes and alcohol.

In more recent years the global economic crisis had a huge impact in Botswana's economy. The crisis produced a significant decline in mining revenues, leaving the country in dire financial stress. In an effort to encourage investment and move away from a recently unreliable diamond-based economy, the government once again renewed the fiscal system. Major steps were taken towards increasing the tax base, by improving the tax administration, simplifying the tax design and implementing technological advances. This period saw the most comprehensive tax reform since independence, effected in 2011 with the assistance of the International Monetary Fund (IMF) (Mguni, 2010). The consequential legislation is the Income Tax Amendment Act 2011.

The key changes include the introduction of the individual taxpayer registration. This made it compulsory for every person with a taxable income over P36.000 to apply for a Tax Payer Identification Number and to submit an annual income tax return. It was expected that this legislation would enhance compliance and increase the total revenue (Botlhale, 2016).

Furthermore, this Amendment brought forth an income tax system that effectively

⁴² As at 15 August 2016, 1 Botswana Pula equals 0.096 US Dollar.

⁴³ See table 3 for tax rates for individual taxpayers.

makes the taxes in Botswana amongst the lowest in the world. New income tax rates for resident taxpayers were established as follows:

Table 3: New tax rates for individual taxpayers

Taxable income (Pula)	Tax payable
P36000	0
P36001-P72000	0 + 5% of excess over 36000
P72001-P108000	1800 + 12.5% of excess over 72000
P108001-P144000	6300 + 18.75% of excess over 108000
P144000	13050 + 25% of excess over 144000

Source: KPMG, 2014:9

Business and employment income rates for non-residents were stipulated as below:

Table 4: Business and employment income rates

Taxable (Pula)	Tax payable
P72000	5% each pula
P72001 – P108000	3600 + 12.5% of excess over 72000
P108001 – P144000	8100 + 18.7% of excess over 108000
P144001 and over	14850 + 25% of excess over 108000
P144001 and over	13050 + 25% of excess over 144000

Source: KPMG, 2014:9

Taxation on companies involved in manufacturing was levied at a much lower rate of 15% (KPMG, 2014:8).

Recently, Botswana's tax efforts have attracted praiseworthy comments. For instance, the IMF has commended the Botswana government for its efforts in managing the economy in the aftermath of the global economic crisis by simplifying the tax system, enabling high compliance and low cost administration (IMF, 2013:4).

Legal and institutional framework of taxation in Botswana

Botswana has done a tremendous amount of work on establishing institutions governing taxation. The Ministry of Finance and Development Planning has the overall responsibility for taxation policy issues under the Income Tax Act Amendment, 2012 (Botlhale, 2016). This ministry oversees tax matters through the Tax Policy Section, which is responsible for reviewing taxation policies and legislation (Ministry of Finance and Development Planning, 2009).

To ensure proper implementation of tax and customs assessment, the Botswana

Unified Revenue Service (BURS) was created in 2004 by the Botswana Unified Service Act. According to the Act, BURS is responsible for the administration and enforcement of revenue laws (e.g. income tax, customs and excise, capital transfer tax, alcohol levy, etc.), improving efficiency and maximising revenue collection, and counteracting tax fraud and other forms of tax evasion (BURS, 2013). BURS is headed by the Commissioner General, and is made up of eight entities: (i) Office of Commissioner General; (ii) Customs & Excise; (iii) Internal Audit; (iv) Legal Services; (v) Finance & Administration; (vi) Human Resources; (vii) Information Technology and (viii) Internal Revenue (Botlhale, 2016:9).

Other than being an implementing organ of the government, BURS has the power to study revenue laws and propose amendments that it considers appropriate, so as to improve the fiscal system (Botlhale, 2016:9). Moreover, BURS has spearheaded technological advancements, for example, with the introduction of e-services where various tax returns can be processed electronically. BURS continuously engages with improvement of its capability, and has set up numerous branches to increase the revenue service's efficiency. Additionally, it introduced the Graduate Trainee Programme to increase its human resources base and its skilled personnel to facilitate an efficient revenue collection (BURS, 2016).

Another initiative aimed at improving tax administration is the introduction of the Public Finance Management (PFM) reform programme for Botswana. PFM covers five major components: (1) Legal and Institutional Framework for PFM; (2) Budget Planning and Formulation; (3) Budget Execution; (4) Budget Control and Oversight; and (5) Revenue Management (Botlhale, 2016:14)⁴⁴.

Revenue collection

In addition to the usual concerns about equity, administrative efficiency and flexibility, Botswana's tax revenue has been experiencing some steady progress. For example, revenue performance grew from P20.007 billion in 2009 to P32.015 billion in 2014, with an impressive 60% growth rate. The 2014/15 financial year also witnessed a significant increase, with a collection that amounted to P37.489 billion, and a growth rate of 17.1%.

This encouraging trend would be much more pronounced if revenue mobilisation was enhanced by focusing more attention on non-mineral tax collections (BURS, 2015b). Taxpayer non-compliance has been another challenge that compromises the achievement of the main goals of the tax reform. BURS's annual reports have continued to report the worrying trend of tax evasion. In the 2007 report tax payer compliance in terms of filing tax returns and paying tax liabilities remains a serious concern. BURS's 2015 report raises the same apprehensions, suggesting that this is a recurrent problem (Botlhale, 2016).

In sum, the 1987-2015 period is marked by rapid expansions in the tax system. This stage represents a state that has taken giant leaps to reform its tax system. There are various challenges that the Botswana state is yet to deal with and these necessitate

⁴⁴ The institutional framework is larger than depicted here, but this is an example to show the significant improvements since the country attained independence.

ongoing tax reforms. However, tremendous progress has been achieved since the independence of the country.

Conclusion

Colonialism left institutional arrangements and practices that have proved remarkably resilient over the years. One such arrangement has been the structure and level of taxation. This document has demonstrated that the legacy of Botswana's colonial taxation has had a significant impact on the contemporary tax state. I argue that independent Botswana inherited a weak tax state from the colonial administration, because, firstly, the colonial administration was severely reliant on British grants and loans, secondly, the development agenda was not a priority and thirdly, the discovery of diamonds in the late colonial era resulted in a situation where, by independence, the state adopted mineral revenue as its main source of income, resulting in low tax effort and an ineffective tax state.

I demonstrate how critical junctures like the colonial establishment, WWII, Independence, and the global economic recession have affected the fiscal system and influenced the taxation trajectory in Botswana. I argue that conflicts, changes in the mode of production, ideas on development, and state structures affected taxation outcomes and shaped the type of tax state that contemporary Botswana has become.

As I showed in this document, the post-colonial tax state in Botswana expanded in terms of administrative and compliance capacities. It transformed itself from one of the most inefficient tax states in Africa to an efficient one that is striving to achieve the four fundamental principles of taxation: efficiency, effectiveness, accountability and transparency. Its fiscal system has earned international recognition and has managed to substantially increase its tax revenues.

Finally, it is worth noting that the one tremendous success of the fiscal system in Botswana since its inception, has been the relative ease with which the state is able to extract revenue from both lower and upper groups of society. There is no evidence to suggest that these groups ever challenged the tax burden through rebellions, boycotts or demonstrations to any significant degree. More generally, the analyses presented here point to the fact that negotiation and consultation on tax issues during the colonial era and the crucial position of the chiefs in the design and implementation of the tax system, helped to prevent serious rebellions as were experienced in other British colonies at the time, and that this principle continues to play a vital role in tax compliance.

Nevertheless, while the taxation trajectory of Botswana is a success history, normal tax problems around evasion, efficiency, equity and flexibility continue to persist, and the government should continue, as it actually is, to address these issues.

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