

CHAPTER 6: CONCLUSIONS AND IMPLICATIONS

6.1 INTRODUCTION

The collection of taxes provides the South African government with resources, which would, *inter alia*, allow the reduction of poverty and reduce inequalities by enabling the government to redistribute wealth through the tax system (Friedman, 2003a:5).

The present study investigated the perceptions of taxation amongst taxpayers in South Africa. The reason for determining these perceptions was to investigate factors which could influence the perceptions and attitudes of taxpayers towards taxation and, therefore, government policy regarding taxation. This, in turn, could enable government to market itself and its services more effectively to the general public. As the efficient and effective collection of taxes depends to a large extent on narrowing the tax gap, knowledge about how citizens perceive a tax regime, will assist the fiscal authorities to achieve this.

This final chapter summarises the conclusions and discusses the implications of the study. A short summary of suggested strategies that could be implemented by government to address tax evasion is provided. An open-ended question included in the research questionnaire provided respondents with the opportunity to express any additional viewpoints regarding taxation in South Africa. These responses are analysed in this chapter. This chapter also highlights recently published literature relevant to this study (that is, literature published since the initial literature review was performed). Finally, the conclusions and recommendations of this study are presented.

6.2 STRATEGIES FOR GOVERNMENT TO ADDRESS TAX EVASION

A Tax Justice Network briefing paper (2005:7) states: “The associated problems of capital flight, tax avoidance and tax competition are emerging as the next major global issue”. The

strategies which could be utilised by governments to address this problem of tax evasion, can be categorised into those which define and criminalise tax evasion (for example, anti-avoidance legislation), those which punish evasion (revenue powers), those which forgive tax evaders and allow them to re-enter the formal economy (settlements and amnesties), and those which appeal to, or seek to, create group norms of compliant behaviour (naming and shaming) (Allingham & Sandmo, 1972:338; Franzoni, 2000:153-176; Tyran & Feld, 2002).

Regarding this issue, Lewis (1982:179) is of the opinion that two major policy initiatives remain: increasing the deterrence capabilities of tax authorities and seeking an improvement in taxpayers' attitudes and perceptions *vis-à-vis* the government and tax authorities. He believes that what is required is compliance to rules prompted by conscience, rather than fear of punishment.

Elaborating on this theme, Lewis (1982:127) points out that governments often implement tax policies aimed at reducing tax evasion by increasing fines or the likelihood of detection of the evaders. These are attempts to manipulate behaviour without discovering how and why that specific behaviour came about. He further asserts that these measures are not only incomplete as explanations, but that treatment or tax policies directed only at curtailing symptoms, may also be less effective (and may even have negative consequences) in the long run. It can be assumed that decisions to evade are not determined solely by a taxpayer's interaction and communication with the revenue authorities and the tax structure. The decision to evade is also affected by the attitudes, perceptions and moral judgments of individuals through their associations with family, friends and reference groups.

The Australian Cash Economy Task Force (1998:24) believes that the most effective approach to maximise voluntary compliance is for a tax authority to adopt a hierarchical approach to regulation with the main elements being:

- understanding taxpayer behaviour;
- building community partnerships;
- increased flexibility in the tax authority's operations to encourage and support compliance; and

- more and escalating regulatory options to enforce compliance.

According to Frame (1992:17), the real answer to large-scale avoidance or evasion is effective legislation and efficient administration. This author also contends that the use of retrospective legislation to counter tax evasion undermines the entire fiscal system and the trust between taxpayers and revenue authorities. This is aimed at countering a problem that should be, and is minimal in those fiscal systems which are effectively drafted, efficiently enforced and accepted as reasonable by the majority of taxpayers. He further comments that if South Africa develops a fiscal system that is effective, it will also be viewed as fair. By contrast, however, if the rate of tax rises above that which is acceptable to the community, evasion and law breaking will be the result. McKerchar (2003:19) proposes that an understandable tax system without unnecessary complexity, would go a long way to improving the efficiency and effectiveness of tax administration.

Jones and Luscombe (2004:10-13) state that in the United States of America, the Internal Revenue Service (IRS) is trying to promote compliance through improvements in customer service. In addition, Gardiner (2004) mentions that in the United States, the IRS is actively pursuing “abusive” tax transactions harshly by increasing staff in the enforcement functions and improving the audit rate.

Stewart (1994:27) emphasises that one way to narrow the tax gap in South Africa, would be to rearrange internal spending priorities so that Inland Revenue would emerge as a professional, free-standing agency with a budget capable of attracting legal and accountancy skills comparable with those in the private sector. He asserts that professionals can bring in additional revenue for the government and with a small outlay narrow the tax gap. Coetzee (1998:23) states that the South African government aims to increase tax compliance by only awarding tenders to taxpayers whose tax affairs are in order and to publish the names of tax offenders.

Counihan (2000:81) proposes the ideal solution to the issue of tax evasion very elegantly when he states that if tax administration continues to develop to a situation where every

honest taxpayer trusts it and every dishonest one is afraid of it, the moral issue of paying taxes will improve.

In South Africa, according to Trevor Manuel, the present Minister of Finance, SARS is trying to improve business operations through the “Siyakha transformation programme”. This programme was launched in 2000 to fundamentally reshape SARS into a 21st century organisation able to sustain the collection of revenues and fulfil its responsibilities with optimum efficiency. This programme would need to address historic SARS inefficiencies, which included a bureaucratic culture, the lack of a service culture and client facilities, inadequate understanding of the tax gap, inefficient processes and organisation of functions, and a workforce that did not match South Africa’s demographics (SARS, 2005).

With the above problem areas clearly identified, the programme was designed to achieve the following outcomes:

- SARS to become outward and taxpayer focused;
- to optimise the first time “end to end” resolution of taxpayer queries through an optimal mix of working environment, skills and technological enhancements;
- to standardise processes, procedures, training material, technologies, interdependencies and operations;
- to create multi-functional teams across departments and functions;
- to build compliance capacity and skills in line with the SARS compliance model;
- to improve turnaround times; and
- to optimally co-locate customs and revenue activities where applicable (SARS, 2005).

A number of other solutions implemented by SARS include the introduction of new technology for the processing of tax forms, the introduction of a complaints office and the provision of simpler tax forms, as well as the provision of more accessible contact centres for small business (Loxton, 2002:3).

6.3 RESPONDENTS' COMMENTS REGARDING TAXATION IN SOUTH AFRICA

The final question in the questionnaire was an open-ended question that requested respondents to indicate whether they had any further comments regarding taxation in South Africa (for example, if they would like to be more informed about taxation by receiving brochures, pamphlets and gaining exposure to tax-related issues through other forms of media). Of the 260 questionnaires administered by MarkData, this question was left blank on 116 questionnaires, the response “none” or “no comment” appeared on thirty-one questionnaires, the response “no” appeared on thirty-three questionnaires, four questionnaires had a “yes” response and three questionnaires had responses of no value (two respondents indicated that they are not registered as taxpayers and the third response read: “Not really interested to discuss this matter”).

The remainder of the responses received revolved around a need for information regarding taxation and specific comments regarding tax-related matters.

6.3.1 A need for information regarding tax

A number of respondents (thirty-five) commented that they would like to be more informed regarding taxation by, for example, receiving brochures, pamphlets and gaining exposure to tax-related issues through other forms of media. These comments are analysed in Appendix C and are summarised below. Appendix D contains a list of the actual comments (as received).

Specific comments received from respondents regarding being more informed about taxation included:

- a number of respondents indicated a general need for tax education;
- several respondents expressed a need to know more about the allocation of tax revenue by government;

- certain respondents indicated the way in which they would like to receive tax-related information; and
- some respondents mentioned that government should make better use of the media to convey information regarding taxation (for example, pamphlets, television, radio, the Internet, as well as obtaining information from information offices in townships and schools).

It appears, therefore, that some respondents are eager to learn more about taxation. These responses support the view of Lewis (1982:366). He believes that governments should endeavour to broaden the knowledge of the tax system, both as an ethical responsibility, and in an attempt to make fiscal policy changes more understandable, not least because they may have a fundamental influence on electoral choice (Lewis, 1982:366). Peters (1991:188) believes that, on the whole, citizens appreciate the benefits they receive from government and tend to be far more willing to pay taxes when reminded of these benefits. Lewis (1982:59) highlights fiscal ignorance as a major contributor to the formation of negative views towards taxation. Those who are less educated and amongst the lower paid are most likely to be fiscally ignorant. They view taxation as burdensome and pointless and regard government services as bearing little or no relation to taxes paid. Those who are more educated are less fiscally ignorant and among the better remunerated. Those who are more educated also view taxation in terms, not only of its burden, but also in the light of the benefits and services that the government provides from its revenue.

Vogel (1974:512) emphasises the importance of education and information in the process of opinion formation. A deeper understanding of the benefits provided for by taxes, as well as the technical reasons for tax laws and regulations are necessary preconditions to both positive attitudes about the tax system and appropriate fiscal behaviour. The Australian Cash Economy Task Force (1998:36) asserts that it is essential for taxing authorities to perform an educational role in the community. The Australian Cash Economy Task Force (1998:36) states that when the tax authority is seen to give the community assistance and support, it is more likely that the community will perceive the authority as fair and approachable, even if the taxpayers do not accept that all of their obligations are reasonable. A study undertaken by

Fallan (1999:173-184) indicated that better tax knowledge has significantly changed both male and female attitudes towards the fairness of the tax system.

Croome, as cited by Kemp (2002), believes that SARS needs to undertake an education programme to help increase awareness amongst taxpayers. More than a decade ago, Moloko (1990:72) argued that Black professional employees especially need to be educated about the history or the origin of taxation, the reasons why the government needs taxation income and how the government spends taxation income. If the way the government spends such income is deemed to be equally beneficial to all citizens, the negative attitude by the Black population group towards taxation could change.

The efficacy of propaganda and educational programmes would depend to a large extent upon the distinction to be made between the interests of governments and those of revenue authorities. While an interest (for example, reducing tax evasion) may be shared by government and revenue authorities, an increase in fiscal awareness may not be. Some governments may see fiscal awareness as a good thing, while others may not; a fiscally knowledgeable public may be a less deferential public and may be seen by tax officials as likely to clog machines of many present-day revenue administrations (Lewis, 1982:221). Chait (1993:40-45) highlights the fact that an enormous amount of effort needs to be directed towards reaching the customer base of taxpayers and that education and marketing is necessary to encourage the public to cooperate. Another method to improve taxpayers' perceptions is by improving the relationship between Inland Revenue and the tax paying public.

The Australian Cash Economy Task Force (1998:21) believes that motivating taxpayers to do the right thing, and constraining the motivation to be non-compliant, will establish an environment that is more conducive to tax compliance. This model is more complete than the audit approach, more realistic in its underpinnings and more pragmatic in its enforcement.

6.3.2 Specific comments concerning tax issues

Some of the respondents also provided specific comments that concern tax-related issues in South Africa. These comments can be divided into two main categories. The first category comprises thirteen of the respondents who are generally positive about the government and taxation. These respondents believe to a great extent that it is good to pay tax as this creates a better country for all South Africans. Refer to Appendix E for a list of the actual comments (as received). The second category comprises twenty-seven respondents who are generally not as positive about the current government and taxes. These negative comments are analysed into themes in Appendix F and summarised below. Refer to Appendix G for a list of the actual comments (as received).

Specific negative comments received from respondents regarding general tax-related matters include:

- a number of respondents were concerned that the government is wasting the tax money collected;
- certain respondents suggested that the government should amend its current focus areas of spending – the areas of spending in need of increased tax revenue, are job creation, infrastructure and municipal services, hospitals and welfare;
- several respondents mentioned a reduction in the current tax rates;
- some respondents indicated that they do not want to pay tax at all;
- certain respondents noted that they are not receiving enough benefits for their taxes;
- some respondents expressed negative views towards the current government;
- one respondent mentioned that it would be better if a fixed rate of tax is imposed; and
- another respondent indicated that the more wealthy could aid those who are less fortunate by means of paying their taxes.

The next section highlights recent literature that relates to the present study which has been published since the initial literature review was performed.

6.4 REVIEW OF RECENT LITERATURE

A number of authors have acclaimed the present SARS Commissioner, Pravin Gordhan, for the increase in tax revenue collections which has resulted in the tax burden being spread more equitably over a larger proportion of the South African population (Delpont, 2004:6; Kemp, 2004:12; Smith, 2003:19; Lieberman, 2001:516). Delpont (2004:6) further asserts that: "...a change of culture has taken place which, though driven to a certain extent by fear, forces respect and makes people think differently about their tax commitments".

The present SARS Commissioner, Pravin Gordhan (as quoted by Thersby, 2005:4) issued a stern statement to taxpayers that tax evasion will not be tolerated. He warns: "The architects of certain tax aggressive structures will not be permitted to abuse South Africa's tax provisions in ways clearly unintended by the legislature. They will be vigorously challenged". Horak (2007:1) mentions that SARS has once again launched an attack on the morality (or lack thereof) of certain taxpayers and their advisers. This author states, however, that: "...the Commissioner's approach reflects a worrying trend; one that can also be observed at the level of the ordinary tax assessor – that the main objective of SARS is to collect money and not to enforce the law". Habashi (2002:16) confirms this view by stating that the uncooperative attitude of SARS causes undue hardship and frustration to all taxpayers.

Troskie (in Business Day, 2006:17) believes that the present tax landscape is entirely different to that of a few years ago and although tax morality has changed over time and people appear to be more willing to pay their taxes, they will always "search for opportunities to reduce taxes". This author is of the opinion that the battle between SARS and the taxpayer will continue.

This section concludes by considering a number of international studies that have been carried out relating to the topic of the present research. Richardson (2005:22) conducted an exploratory cross-cultural study of tax fairness perceptions and tax compliance behaviour in Australia and Hong Kong. The findings from this study demonstrate no universal cross-cultural relationships between the different facets of tax fairness perceptions and tax

compliance behaviour. This author argues, however, that “cultural setting” is an important factor that should be taken into account in international tax compliance research.

Alm and Torgler (2006:229) mention that tax morale is likely to differ across countries because of cultural differences. The authors define tax morale as the moral principles or values that individuals hold about paying their tax. A number of factors that might influence tax morale include perceptions of fairness, trust in institutions of government, the nature of the fiscal exchange between taxpayers and the government, and a range of individual characteristics.

Feld and Frey (2007:115) hold the view that citizens and the state appear to develop their fiscal relationships according to a psychological tax contract that establishes fiscal exchange between taxpayers and tax authorities. However, this reaches beyond pure exchanges, and involves loyalties and ties between the contract partners. Tax morale is thus a function of: 1) the fiscal exchange where taxpayers get public services for the tax prices they pay; 2) the political procedures that lead to this exchange; and 3) the personal relationship between the taxpayers and the tax administrators.

6.5 SUMMARY OF FINDINGS AND CONCLUSIONS OF THE RESEARCH

The primary objective of this study was to determine the perceptions of South African taxpayers about various aspects of taxation. The present study adopts the viewpoint that South African taxpayers’ perceptions influence their attitudes towards tax compliance and it is important to concentrate on changing taxpayers’ perceptions with regard to taxation in order to achieve a more positive attitude towards tax compliance.

6.5.1 Perceptions about general tax-related issues amongst South African taxpayers

The respondents’ perceptions with regard to a number of general tax-related statements were determined.

Just over half of the respondents (58.46%) are of the opinion that a large proportion of taxes is used by the government for meaningless purposes. Although the majority of the respondents believe that it is fair to pay tax (73.46%), respondents generally believe that both the income tax rates (77.31%) and the VAT rate should be reduced (82.31%).

In terms of the income tax rate, 37.31% of the respondents are of the opinion that the rate should be the same regardless of the amount of income earned, 43.85% do not agree with this, and 18.84% have no opinion regarding this statement.

Just over half of the respondents, 56.54%, believe that they know why they have to pay tax. Only 31.54% are of the opinion that they do not know why they have to do so and 11.92% have no opinion.

A significant finding was that the majority of the respondents (87.69%) believe that waste and corruption in government is high. In addition, more than half of the respondents (51.92%) agree that the government does not provide enough information on how they use taxpayers' money.

A relatively high percentage of the respondents, 63.08% are of the view that wealthy people should pay tax at a higher rate. Further investigations showed that 24.23% of the respondents are of the opinion that the amount of tax that they have to pay is reasonable considering the benefits received, 38.46% do not agree with this and 37.31% have no opinion.

Only 37.69% of the respondents believe that tax is not complicated and that they know how to calculate their own tax liability. Nevertheless, the same percentage of respondents indicated the opposite, while 24.62% have no opinion.

6.5.2 Demographic, economic or other factors that might influence taxpayers' attitudes with regard to general tax-related issues

From this study it also appears that various demographic, economic or other factors potentially influence respondents' attitudes with regard to general tax-related issues. In [Table 77](#) a summary of the specific demographic, economic or other factors influencing a specific tax-related statement, is indicated.

Table 77: Summary of relationship between respondents' demographic, economic or other factors and their attitudes towards tax-related statements

Statements relating to general tax issues	Demographic, economic or other factors that influence respondents' attitudes towards general tax-related statements
A large proportion of taxes is used by the government for meaningless purposes	Age, population group, educational background, employment status, earnings potential, number of persons in household, belief that the Lotto is good because proceeds are used for charity*, registered as taxpayer with SARS, support for current government, views about the future of South Africa and views on income distribution
It is unfair to pay tax	Population group, earnings potential, visits to state-funded medical facilities, belief that the Lotto is good because proceeds are used for charity*, support for current government, views about the future of South Africa and views on income distribution
Income tax rates must be reduced	Population group, earnings potential, belief that the Lotto is good because proceeds are used for charity*, registered as taxpayer with SARS, support for current government, views about the future of South Africa and views on income distribution
The VAT rate must be reduced	Earnings potential, support for current government and views on income distribution
The income tax rate (%) should be the same regardless of the amount of income earned (i.e. everybody pays income tax using the same percentage irrespective of the amount you earn)	Population group, home language, earning additional income, earnings potential, visits to state-funded medical facilities, partaking in Lotto*, belief that the Lotto is good because proceeds are used for charity*, registered as taxpayer with SARS, support for current government and views about the future of South Africa
I do not know why I have to pay tax	Age, population group, home language, educational background, employment status, visits to state-funded medical facilities, registered as taxpayer with SARS,

	prior dealings with SARS, support for current government, views about the future of South Africa and views on income distribution
Waste and corruption in government is high	No factors influenced respondents' perceptions regarding this statement
Rich people should pay tax at a higher rate	Gender, population group, educational background, earning additional income, visits to state-funded medical facilities, registered as taxpayer with SARS, prior dealings with SARS and views about the future of South Africa
Tax is very complicated – I do not know how to calculate my own tax liability	Gender, population group, home language, educational background, employment status, earning additional income, earnings potential, number of persons in household, being a risk-taker or not, partaking in Lotto*, registered as taxpayer with SARS, prior dealings with SARS and support for current government
The amount of tax I have to pay is reasonable considering the benefits received	Age, population group, home language, educational background, employment status, earning additional income, earnings potential, visits to state-funded medical facilities, being a risk-taker or not, partaking in Lotto*, belief that the Lotto is good because proceeds are used for charity*, registered as taxpayer with SARS, prior dealings with SARS, support for current government, views about the future of South Africa and views on income distribution
The government does not provide enough information about how they use taxpayers' money	Gender, population group, home language, employment status, visits to state-funded medical facilities, partaking in Lotto*, belief that the Lotto is good because proceeds are used for charity*, prior dealings with SARS, support for current government and views about the future of South Africa

*Any relationship, however, is likely to be coincidental.

From these findings it appears that citizen involvement is necessary to build a closer relationship between the taxpayers and the government. Careful consideration should be given to the various factors that may influence a taxpayer's attitude, when managing the relationship between taxpayers and the government. Table 78 indicates the number of statements where the respondents' attitudes were influenced by a specific demographic, economic or other factor.

Table 78: Number of statements where respondents' attitudes were influenced by a specific demographic, economic or other factor

Demographic, economic or other factor	Number of statements
Population group	9
Support for current government	9
Views about the future of South Africa	8
Earnings potential	7
Registered as taxpayer with SARS	7
Visits to state-funded medical facilities	6
Belief that the Lotto is good because proceeds are used for charity*	6
Views on income distribution	6
Home language	5
Educational background	5
Employment status	5
Prior dealings with SARS	5
Earning additional income	4
Partaking in Lotto*	4
Age	3
Gender	3
Number of persons in household	2
Being a risk-taker or not	2
Type of dwelling	0
Gambling habits	0

*Any relationship, however, is likely to be coincidental.

In [Table 78](#) it is indicated that the respondents' population group and level of support for the current government, are associated with their attitudes towards the largest number of tax-related statements.

As one of the aims of this study was to investigate whether perceptions differed amongst the various South African population groups regarding tax-related issues, the details of these findings are discussed in section 6.5.7.

The differences in perceptions regarding the respondents' level of support for the current government and general tax-related issues are now discussed.

- 1. Taxes are used by the government for meaningless purposes:** The findings of this study show that respondents who support the current government believe to a lesser

extent than other respondents that a large proportion of taxes is used by the government for meaningless purposes (see [Table 11](#) and [Table 15](#)).

2. **It is unfair to pay tax:** This study shows that respondents who do not support the government at all agree to a somewhat greater extent that it is unfair to pay tax. By contrast, a much lower proportion of the respondents who are neutral towards, and those who support the current government, agree that it is unfair to pay tax (see [Table 11](#) and [Table 18](#)).
3. **Reduction in income tax rates:** Although a high proportion of all the respondents agree that income tax rates must be reduced, those respondents who do not support the current government at all, agree to a greater extent, that income tax rates should be reduced (see [Table 11](#) and [Table 21](#)).
4. **Reduction in the VAT rate:** A high proportion of all the respondent groups agree that the VAT rate should be reduced. Nevertheless, a higher proportion of respondents who do not support the government at all, agree that there should be a reduction in the VAT rate (see [Table 11](#) and [Table 23](#)).
5. **Income tax rate should be the same regardless of the amount of income earned:** The results of the study show that a marginally higher proportion of respondents who do not support the current government agree that the income tax rate (%) should be the same, regardless of the amount of income earned. In addition, respondents who support the current government, agree slightly more with the statement than those respondents who are neutral towards the current government (see [Table 11](#) and [Table 26](#)).
6. **Understanding the need to pay tax:** Findings of the current study reveal that although there is a difference in perceptions between the respondents' level of support for the current government, less than half of the respondents in all the levels of support for the government believe that they do not know why they have to pay tax. Despite this, the

results indicate that respondents who support the current government have a greater understanding of why they have to pay tax (see [Table 11](#) and [Table 31](#)).

7. **Tax is complicated and unsure how to calculate own tax liability:** The findings of the current study reveal that respondents who do not support the current government, agree to a greater extent, than those who are neutral and those who support the current government, that tax is very complicated and that they do not know how to calculate their own tax liability. In addition, respondents who are neutral towards the current government, agree slightly more, than those respondents who support the government, that tax is complicated and that they do not know how to calculate their own tax liability (see [Table 11](#) and [Table 38](#)).
8. **The amount of tax paid is reasonable considering the benefits received:** The findings of this study show that less than half of all the respondent groups agree that the amount of tax paid is reasonable considering the benefits received. Nevertheless, a greater proportion of respondents, who do not support the current government, believe that the amount of tax they have to pay is unreasonable considering the benefits they receive. It is also evident that respondents who are neutral agree slightly more, than those who support the current government that the amount of tax they have to pay is unreasonable considering the benefits they receive (see [Table 11](#) and [Table 42](#)).
9. **The government does not provide enough information about how they use taxpayers' money:** This study shows that respondents who do not support the government, agree, to a greater extent, that the current government does not provide enough information about how they use taxpayers' money, in comparison to respondents who are neutral towards and those who support the current government (see [Table 11](#) and [Table 46](#)).

The above highlights the findings regarding differences in perceptions in relation to general tax-related statements and the respondents' level of support for the current government.

Overall conclusion regarding various demographic, economic or other factors that might influence taxpayers' attitudes with regard to general tax-related issues: Taking all the above findings into account, this study argues that government should, in the management of their relationship with South African taxpayers, take cognisance of the specific factors that may influence their attitudes towards taxation.

6.5.3 Perceptions about tax evasion and tax compliance statements amongst South African taxpayers

The following summarises the findings of this study regarding the respondents' attitudes towards **tax evasion**:

- A high proportion of the respondents (61.15%) agree that the fiscal authorities (SARS) would notice if they decided to evade tax. Of all the respondents, 63.85% are of the opinion that wealthy people evade tax more often than poor people.
- Slightly less than half of the respondents (45.77%) believe that the burden of taxation is so heavy that many people are forced to evade taxation in order to survive. Of all the respondents, 45.38% believe that people evade tax because the risk that the authorities will find out is low.
- A low proportion of the respondents (24.23%) take the view that they work hard for the income they receive, so they should be allowed to keep it all for themselves. Of all the respondents, 19.62% agree that government receives enough tax so it does not matter if some people evade tax. In addition, 12.31% of the respondents believe that since so many other people are evading tax, they cannot be blamed for avoiding tax.

This study found that a number of demographic factors influenced respondents' attitudes towards tax evasion. These include age, population group, educational background and the respondents' views on income distribution in South Africa.

The following summarises the findings of this study regarding the respondents' perceptions on **tax compliance**:

- Just over half of the respondents (51.15%) report all of their income to the authorities when they submit their tax return every year. In addition, a low proportion (18.15%) indicated that they would consider not reporting all of their income to the authorities when they submit their tax return in future.
- A low proportion (17.69%) of the respondents indicated that they have previously made higher deductions than legally permitted when submitting their income tax return. However, a slightly higher proportion (20.77%) noted that they believe they would consider doing so in the future.
- A low proportion (31.54%) of the respondents agreed that they would still accept a job if the employer offers not to deduct any income tax even though, by law, the employer should. In addition, 40.38% believe that if a tax advisor advises them not to declare all of their income, that they would take this person's advice.

This study also found that a number of factors influenced respondents' attitudes towards tax compliance. These include age, population group, prior dealings with SARS officials, views on income distribution in South Africa, whether or not respondents consider themselves to be risk-takers and whether respondents think that the Lotto is good because a portion is allocated for charitable purposes. However, considering the last variable, any relationship is likely to be coincidental. The findings set out above appear to support the view that a considerable tax gap exists in South Africa.

6.5.4 Relationship between respondents' views regarding specific tax-related statements and their attitudes towards tax evasion and tax compliance

The relationship between the respondents' views with regard to a specific tax-related statement and their attitudes towards tax evasion and tax compliance was investigated in the present study. A number of statistical significances were highlighted (see Table 79).

Table 79: Respondents' perceptions regarding specific tax-related statements and their attitudes towards tax evasion and tax compliance

General tax-related statements	Tax evasion	Tax compliance
A large proportion of taxes is used by the government for meaningless purposes	$p = 0.0267$	$p = 0.0309$
It is unfair to pay tax		$p = 0.0006$
Income tax rates must be reduced		$p = 0.0241$
The VAT rate must be reduced		$p = 0.0081$
The income tax rate (%) should be the same regardless of the amount of income earned (i.e. everybody pays income tax using the same percentage irrespective of the amount you earn)	$p = 0.0487$	$p < 0.0001$
I do not know why I have to pay tax	$p < 0.0001$	
Waste and corruption in government is high		
Rich people should pay tax at a higher rate		$p < 0.0001$
Tax is very complicated – I do not know how to calculate my own tax liability	$p = 0.0003$	$p < 0.0001$
The amount of tax I have to pay is reasonable considering the benefits received	$p < 0.0001$	$p < 0.0001$
The government does not provide enough information about how they use taxpayers' money	$p = 0.0058$	$p = 0.0041$

6.5.5 Relationship between taxpayers' views concerning a specific tax evasion statement and their attitudes towards tax compliance

This study also investigated the relationship between the respondents' views concerning a specific tax evasion statement and their attitudes towards tax compliance. It appears that there is a strong relationship between the respondents' views on six of the seven specific tax evasion statements and the respondents' attitudes towards tax compliance (see [Table 80](#)).

Table 80: Relationship between respondents' attitudes towards a specific tax evasion statement and their attitudes towards tax compliance

Specific tax evasion statements	Tax compliance matters
The fiscal authorities (SARS) would notice if I decided to evade tax	

Government receives enough tax so it does not matter if some people evade tax	$p < 0.0001$
The burden of tax is so heavy that many people are forced to evade it in order to survive	$p < 0.0001$
Since so many other people are evading tax, I cannot be blamed for evading tax	$p = 0.0019$
I work hard for the income I receive so I should be allowed to keep it all for myself	$p < 0.0001$
People evade tax because the risk that the authorities will find out is low	$p = 0.0067$
Wealthy people evade tax more often than poor people	$p = 0.0023$

6.5.6 Perceptions about tax penalties

The relationship between respondents' perceptions regarding the penalties for tax evasion and their attitudes towards tax compliance was examined. From this study it appears that the respondents have stronger views regarding the punishment for crimes such as hijacking, housebreaking and drunken driving. The respondents do not perceive tax evasion and failing to report additional income to be as serious as these crimes. South African respondents, therefore, do not appear to perceive tax offences to be as serious as other crimes.

Of all the respondents, 36.54% believe that the penalty for tax evasion (that is, where a person is guilty of an offence and is liable on conviction to a fine or to imprisonment for a period not exceeding five years) is too severe.

A finding from the study that appears to contradict the classical model of Allingham and Sandmo (1972:338) is that South African taxpayers may not be more tax compliant, because they believe the penalties relating to tax evasion are too severe. The last finding with regard to penalties associated with tax evasion, is that tax evasion may increase if people believe that they will not be detected.

6.5.7 Perceptions about taxation amongst the various South African population groups

A further aim of this study was to investigate whether perceptions differed amongst the various South African population groups regarding tax-related issues. This section highlights those areas where the respondents' population group had an impact on their perceptions.

Population groups and tax-related issues:

- 1. Taxes are used by the government for meaningless purposes:** The majority of the respondents believe that a large proportion of taxes are used by the government for meaningless purposes. However, the Black respondents disagree to a greater extent with the aforementioned (see Table 11 and Table 13).
- 2. It is unfair to pay tax:** The respondents are generally of the opinion that it is fair to pay tax. However, the Coloured and White population groups believe more strongly than the Indian and Black population groups that it is not fair to pay tax (see Table 11 and Table 17).
- 3. Reduction in income tax rates:** A high proportion of all the population groups agree that income tax rates must be reduced. Even so, it was also noted that the Black population group agree to a lesser extent than the other population groups concerning this matter (see Table 11 and Table 20).
- 4. Income tax rate should be the same regardless of the amount of income earned:** The Indian and Coloured respondents regard the imposition of a fixed income tax rate more favourably than Black and White respondents (see Table 11 and Table 24).
- 5. Understanding the need to pay tax:** Less than half of the respondents in each of the population groups are of the view that they do not know why they have to pay tax. In comparison with the Coloured and Indian respondents, the White and Black respondents

believe to a greater extent that they do not know why they have to pay tax (see [Table 11](#) and [Table 29](#)).

6. **Wealthy should pay tax at higher rate:** A high proportion of all the population groups agree that wealthy people should pay tax at a higher rate. Nevertheless, in comparison with the other population groups, it was found that the Indian respondents agree to a lesser extent, that the wealthy should pay tax at a higher rate (see [Table 11](#) and [Table 33](#)).
7. **Tax is complicated and unsure how to calculate own tax liability:** The findings of the study revealed that a higher proportion of White, Coloured and Indian respondents are of the opinion that tax is very complicated. By contrast, a somewhat lower proportion of the Black respondents noted that tax is complicated and that they do not know how to calculate their own tax liability (see [Table 11](#) and [Table 35](#)).
8. **The amount of tax paid is reasonable considering the benefits received:** Although less than half of the respondents in each of the population groups agree that the amount of tax they pay is reasonable considering the benefits they receive, the White respondents believe to a greater extent that the amount of tax they pay is unreasonable considering the benefits they receive (see [Table 11](#) and [Table 40](#)).
9. **The government does not provide enough information about how they use taxpayers' money:** The majority of all the population groups are of the opinion that the government does not provide enough information about how they use taxpayers' money. Despite this, it was noted that the Coloured population group agree to a greater extent with the aforementioned than the other population groups (see [Table 11](#) and [Table 44](#)).

Population group and tax evasion issues:

The findings of the study revealed that the population group to which the respondents belong, influences their perceptions regarding tax evasion issues (see [Table 49](#)). It was found that, in

relation to the other population groups, respondents in the White population group believe to a greater extent that it is not wrong to evade taxation.

Population group and attitudes towards tax compliance:

The results of the study revealed that the respondents’ population group influences their attitudes towards tax compliance issues (see Table 49). Contrary to the findings relating to tax evasion, where White respondents appeared to be of the opinion that it is not wrong to evade tax, it appears that both Black and White respondents are more likely to be tax compliant than respondents from both the Coloured and Indian population groups.

6.5.8 Findings from the present research versus findings from previous research

The final aim of this study was to assess whether the findings from the present research substantiate findings from earlier research.

Individual demographic, economic or other factors and respondents’ attitudes towards general tax-related issues

This section considers the results of the current study and results of previous research regarding individual demographic, economic or other factors that influence respondents’ perceptions of general tax-related issues. These findings are highlighted in Table 81.

Table 81: Findings from the current study and findings from past research in relation to individual demographic, economic or other factors influencing respondents’ attitudes towards general tax-related issues

Statement	Factor	Past Research	Current Study
Income tax rates must be reduced	Age	Younger people are more favourably inclined towards increased services (thus higher tax rates). Conversely, those over 55 years of age are more fiscally conservative, favouring both tax and	No significant differences were found in relation to perceptions regarding the reduction in tax rates between respondents from different age groups.

		expenditure cuts. Thus, it appears as if attitudes and life experience may have an impact on taxpayers' actions (Mueller, 1963:233).	
	Employment status	Self-employed taxpayers are more likely to agree that tax revenue is too high and that the fiscal exchange rate is unfavourable (Vogel, 1974:507).	The present study shows no significant differences in perceptions regarding the reduction in tax rates between respondents with differing employment statuses.
The VAT rate must be reduced	Age	Younger people are more favourably inclined towards increased services (thus higher tax rates). Conversely, those over 55 years of age are more fiscally conservative, favouring both tax and expenditure cuts. Thus, it appears as if attitudes and life experience may have an impact on taxpayers' actions (Mueller, 1963:233).	No significant differences were found in relation to perceptions regarding the reduction in the VAT rate between respondents from different age groups.
	Employment status	Self-employed taxpayers are more likely to agree that tax revenue is too high and that the fiscal exchange rate is unfavourable (Vogel, 1974:507).	The present study shows no significant differences in perceptions regarding the reduction in the VAT rate between respondents with differing employment statuses.

Individual demographic, economic or other factors influencing respondents' attitudes towards tax evasion

This section considers the results of the current study and results of previous research regarding individual demographic, economic or other factors that influence respondents' perceptions of tax evasion. These findings are presented in Table 82.

Table 82: Findings of current study and findings of past research in relation to respondents' individual demographic, economic or other factors and their attitudes towards tax evasion

Factor	Past Research	Current Study
Age	Young people are more likely to be associated with tax evasion behaviour (Webley <i>et al.</i> , 1991:68-77).	The present study indicates a strong relationship between the age of the respondent and the respondent's attitude towards tax evasion (see <u>Table 49</u>). Respondents over 60 years of age believe to a greater extent that tax evasion is not acceptable.
Gender	Friedland <i>et al.</i> (1978:113) found that females evaded tax more readily than males. Webley <i>et al.</i> (1991:68-77) revealed that men evaded tax more often than women.	No differences in perceptions between males and females with regard to tax evasion were found in this study (see <u>Table 49</u>).
Educational background	Groenland and Van Veldhoven (1983, in Webley <i>et al.</i> , 1991:59) found that people with a higher level of education evaded tax more than those with a lower education. The tax system in Sweden creates unequal tax minimisation opportunities, since education is a necessary precondition to the successful practice of either tax minimisation or tax evasion (Vogel, 1974:501). Increased tax knowledge has meant that people consider their own tax evasion more seriously (Fallan, 1999:173-184). Almond and Verba (1963:379-387) investigated political attitudes and democracy in five nations. They found that education is an important factor in determining a citizen's orientation towards government, authority and the individuals' beliefs, feelings and evaluations of the political and governmental system as a whole.	The current study reveals a strong relationship between the respondents' educational background and their attitudes towards tax evasion (see <u>Table 49</u>). It was found that respondents with a higher educational qualification may tend to evade less than the respondents that have not completed school. The mean score for respondents who have completed grade 12/matric, fell between the respondents in possession of a higher education and respondents who have not completed school.
Employment status	Webley <i>et al.</i> (1991:68-77) found that	The present study reveals no

	people who are employed are most likely to be associated with tax evasion behaviour. In an experiment conducted by Webley <i>et al.</i> (1991:102), strong support was provided for the proposition that greater opportunity leads to greater tax evasion.	differences in perceptions with regard to respondents' employment status (see Table 49).
Risk profile	Dean <i>et al.</i> (1980:42) noted that the desire to "beat the system" is a possible reason for tax evasion.	This study shows no differences in perceptions between respondents with different risk profiles (see Table 49).
Level of support for current government	In Lewis's (1982:172) model of tax evasion, in relation to individuals, fiscal attitudes and perceptions (which include the individual's support for government policies) affect a taxpayer's decision whether or not to evade paying tax.	The findings of the present study reveal no differences in perceptions between the respondents with differing levels of support for the current government regarding tax evasion (see Table 49).
Views on the future of South Africa	According to Lewis's (1982:172) model of tax evasion, some taxpayers may have a better understanding of the working of fiscal policy than others, and, by contrast, tax authorities who are perceived as rigorous invaders of personal liberty may, in turn, engender more antipathetic tax attitudes. This is also influenced by the characteristics of taxpayers in terms of their individual, group and demographic differences. Surveys have identified a host of these variables, which include income and anticipated future economic well-being.	This study reveals no differences in perceptions between the respondents' views on the future of South Africa and tax evasion (see Table 49).
Views on income distribution	In Lewis's (1982:172) model of tax evasion, as far as the authorities are concerned, one of the factors that is regarded as important, is the government's fiscal policy. According to the Australian Cash Economy Task Force (1998:18), taxpayer compliance decisions can be affected by economic factors such as the tax system.	This study reveals a strong relationship between the respondents' views on income distribution and their attitudes towards tax evasion (see Table 49). Respondents who are of the opinion that everyone should be entitled to keep the income they earn, would evade tax more than those who believe that all income earned should accrue to the government, which should distribute this equally among all South Africans.

Relationship between respondents’ perceptions regarding a specific tax-related statement and tax evasion

This section shows the results of the current study in relation to previous research considering the relationship between respondents’ perceptions towards specific tax-related statements and tax evasion. Table 83 highlights these findings.

Table 83: Findings of current study and findings of past research considering the relationship between respondents’ perceptions towards specific tax-related statements and tax evasion

Statement	Past Research	Current Study
A large proportion of taxes is used by the government for meaningless purposes	A possible reason for tax evasion is government wastage (Dean <i>et al.</i> , 1980:42).	The present study reveals a strong relationship between the statement: “A large proportion of taxes is used by the government for meaningless purposes” and the respondents’ attitudes towards tax evasion (see <u>Table 50</u>). The majority of all the respondents agreed with the statement: “A large proportion of taxes is used by the government for meaningless purposes”. Similarly, the majority of respondents who agreed with the statements relating to tax evasion (that is, those who will tend to evade more), also agree with this statement (see <u>Table 51</u>).
It is unfair to pay tax	Previous research revealed that people use the unfairness of the tax system as a justification for evasion (Webley <i>et al.</i> , 1991:68-77).	The current study shows no relationship between the respondents’ views concerning the unfairness of the tax system and their attitudes towards tax evasion (see <u>Table 50</u>).
Income tax rates must be reduced	A study conducted in North Carolina by Song and Yarbrough (1978:450) requested respondents to compare and rank each of the five commonly discussed shortcomings of income tax. Results showed that the chief shortcoming listed by the respondents was that the tax rate is too high.	Contrary to what might be expected, this study shows no relationship between the respondents’ views on the statement: “Income tax rates must be reduced” and their attitudes towards tax evasion (see <u>Table 50</u>).

	A South African study by Oberholzer (2005:249-275) revealed that a substantial proportion of the respondents indicated that they would support the introduction of lower tax rates.	
The VAT rate must be reduced	A substantial proportion of South African respondents indicated that they would support the introduction of lower tax rates (Oberholzer, 2005:249-275).	This study shows no relationship between the respondents' views on the statement: "The VAT rate must be reduced" and their attitudes towards tax evasion (see <u>Table 50</u>).
Tax is very complicated – I do not know how to calculate my own tax liability	<p>Webley <i>et al.</i> (1991:122) contend after all their experimental studies into tax evasion, that for some participants the task of complying with tax legislation was too difficult. Some comments received included: "I was not quite sure what I was doing" and "I do not know a lot about tax forms, to be honest and I was just guessing a lot of it" and "I am afraid".</p> <p>Song and Yarbrough (1978:450) asked respondents to compare and rank each of the five commonly discussed shortcomings of income tax. They found that "there are too many loopholes" and "the regulations are too complicated" were ranked second and third respectively.</p>	<p>This study reveals a strong relationship between the respondents' views concerning the statement: "Tax is very complicated – I do not know how to calculate my own tax liability" and their attitudes towards tax evasion (see <u>Table 50</u>).</p> <p>A high proportion of all respondents who agree with the statements relating to tax evasion (that is, those who will tend to evade more), agree that tax is complicated and that they do not know how to calculate their own tax liability (see <u>Table 54</u>).</p>
The amount of tax I have to pay is reasonable considering the benefits received	A past study found that on the whole, South African respondents are positive about paying tax, if the government applies the revenue appropriately for the benefit of the taxpayer (Oberholzer, 2005:249-275).	<p>The current study shows a strong relationship between the respondents' views on the statement: "The amount of tax I have to pay is reasonable considering the benefits received" and their attitudes towards tax evasion issues (see <u>Table 50</u>).</p> <p>A large proportion of the respondents who agree with the statements relating to tax evasion (that is, those who will tend to evade more), disagree with the statement: "The amount of tax I have to pay is reasonable considering the benefits received" (see <u>Table 55</u>).</p>

<p>The government does not provide enough information about how they use taxpayers' money</p>	<p>A study conducted by Oberholzer (2005:249-275) showed that a significant proportion of the South African respondents are of the opinion that the government should be more transparent in the utilisation of taxpayers' money.</p>	<p>This study shows a strong relationship between the respondents' views regarding whether or not the government provides enough information about how they use taxpayers' money and their attitudes towards tax evasion (see Table 50).</p> <p>The majority of all respondents agreed with the statement: "The government does not provide enough information about how they use taxpayer's money". Similarly, a large proportion of respondents who agree with the statements relating to tax evasion (that is, those who will tend to evade more), agree that the government does not provide enough information about how they use taxpayers' money (see Table 56).</p>
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Individual demographic, economic or other factors influencing respondents' attitudes towards tax compliance

This section considers the results of the current study and results of previous research regarding individual demographic, economic or other factors that influence respondents' perceptions of tax compliance. These findings are presented in [Table 84](#).

Table 84: Findings of current study and findings of past research in relation to respondents' individual demographic, economic or other factors and their attitudes towards tax compliance

Factor	Past Research	Current Study
Age	People who are young are most likely to be associated with tax evasion behaviour (Webley <i>et al.</i> , 1991:68-77).	<p>The present study reveals a strong relationship between the age of the respondent and the respondent's attitude towards tax compliance (see Table 49).</p> <p>This study indicates that respondents over 60 years of age are more likely to</p>

		be tax compliant, whereas younger respondents (that is, 21-29 years of age) are less likely to be tax compliant.
Risk profile	The desire to “beat the system” is a possible cause of tax evasion (Dean <i>et al.</i> , 1980:42).	<p>The current study reveals a strong relationship between the risk profile of the respondents and the respondents’ attitudes towards tax compliance (see Table 49).</p> <p>It appears that respondents who consider themselves to be risk-takers are less likely to be tax compliant than those who consider themselves to be more risk averse.</p>
Prior dealings with SARS	Lewis (1982:172) suggests that tax inspectors influence a person’s attitude to tax behaviour.	<p>The current study reveals a strong relationship between whether or not respondents have consulted with SARS officials in the past and their attitudes towards tax compliance (see Table 49).</p> <p>Respondents who have consulted with SARS officials in the past are more likely to comply with tax requirements than those who have not.</p>
Views on income distribution	<p>In Lewis’s (1982:172) model of tax evasion, as far as the authorities are concerned, one of the factors that is regarded as important, is the government’s fiscal policy.</p> <p>According to the Australian Cash Economy Task Force (1998:18), taxpayer compliance decisions can be affected by economic factors such as the tax system.</p>	<p>This study reveals a strong relationship between the respondents’ views on income distribution and their attitudes towards tax compliance (see Table 49).</p> <p>Respondents who are of the opinion that everyone should be entitled to keep the income they earn, are less tax compliant than those who believe that all income earned should accrue to the government, which should distribute this equally among all South Africans.</p>

Relationship between respondents’ perceptions regarding a specific tax-related statement and their attitudes towards tax compliance

In [Table 85](#) the findings of the current study and findings of past research is summarised and the relationship between respondents’ perceptions regarding specific tax-related statements and their attitudes towards tax compliance is highlighted.

Table 85: Findings of present study and findings of past research concerning the relationship between respondents' perceptions regarding specific tax-related statements and their attitudes towards tax compliance

Statement	Past Research	Current Study
A large proportion of taxes is used by the government for meaningless purposes	A possible reason for tax evasion is government wastage (Dean <i>et al.</i> , 1980:42).	<p>The present study reveals a strong relationship between the respondents' views concerning the statement: "A large proportion of taxes is used by the government for meaningless purposes" and their attitudes towards tax compliance (see Table 50).</p> <p>The majority of all the respondents agreed with the statement: "A large proportion of taxes is used by the government for meaningless purposes". Similarly, a large proportion of the respondents who are less tax compliant, agree with this statement (see Table 58).</p>
It is unfair to pay tax	People use the unfairness of the tax system as a justification of evasion (Webley <i>et al.</i> , 1991:68-77).	<p>The present study reveals a strong relationship between the respondents' views on the statement: "It is unfair to pay tax" and their attitudes towards tax compliance (see Table 50).</p> <p>The majority of all the respondents disagreed with the statement: "It is unfair to pay tax". Nevertheless, a greater proportion of the respondents who are more tax compliant, disagree with the abovementioned statement than those who are less compliant (see Table 59).</p>
Income tax rates must be reduced	<p>Song and Yarbrough (1978:450) requested respondents to compare and rank each of the five commonly discussed shortcomings of income tax. Findings showed that the chief shortcoming listed by respondents was that the tax rate is too high.</p> <p>A South African study by Oberholzer (2005:249-275) revealed that a substantial proportion of the</p>	<p>The current study reveals a strong relationship between the respondents' views concerning the statement: "Income tax rates must be reduced" and their attitudes towards tax compliance (see Table 50).</p> <p>The majority of all the respondents agreed with the statement: "Income tax rates must be reduced" (see</p>

	respondents indicated that they would support the introduction of lower tax rates.	<u>Table 60</u>). Similarly, a large proportion of the respondents who are less tax compliant, agree that income tax rates must be reduced.
The VAT rate must be reduced	A substantial proportion of South African respondents indicated that they would support the introduction of lower tax rates (Oberholzer, 2005:249-275).	The present study shows a strong relationship between the respondents' views regarding the statement: "The VAT rate must be reduced" and their attitudes toward tax compliance (see <u>Table 50</u>). The majority of all the respondents agreed with the statement: "The VAT rate must be reduced". However, a larger proportion of respondents who are less likely to be tax compliant, agree with the statement, compared with those who are more likely to be tax compliant (see <u>Table 61</u>).
Tax is very complicated – I do not know how to calculate my own tax liability	Webley <i>et al.</i> (1991:122) contend, after all their experimental studies into tax evasion, that for some participants the task of completing their tax returns was too difficult. Some comments received included: "I was not quite sure what I was doing" and "I do not know a lot about tax forms, to be honest and I was just guessing a lot of it" and "I am afraid". Song and Yarbrough (1978:450) requested respondents to compare and rank each of the five commonly discussed shortcomings of income tax. The following two statements were ranked second and third respectively, "there are too many loopholes" and "the regulations are too complicated".	This study reveals a strong relationship between the respondents' views on the statement: "Tax is very complicated – I do not know how to calculate my own tax liability" and their attitudes towards tax compliance (see <u>Table 50</u>). The findings of this study reveal that amongst those respondents that are more tax compliant, there is an even division between those who agree, those who disagree and those with neutral views towards the statement: "Tax is very complicated – I do not know how to calculate my own tax liability". On the other hand, the less tax compliant respondents all have an opinion on this matter where approximately half of these respondents either agree or disagree with the aforementioned statement (see <u>Table 64</u>).
The amount of tax I have to pay is reasonable considering the benefits received	In a South African study by Oberholzer (2005:249-275), it was found that on the whole, the respondents are positive about paying tax if the government applies it appropriately for the benefit of the taxpayer.	This study reveals a strong relationship between the respondents' views on the statement: "Tax is very complicated – I do not know how to calculate my own tax liability" and their attitudes towards tax compliance (see

		<p><u>Table 50).</u></p> <p>A higher proportion of the respondents who are less tax compliant disagree with the statement, compared to those who are more tax compliant (see <u>Table 65).</u></p>
The government does not provide enough information on how they use taxpayers' money	A study conducted by Oberholzer (2005:249-275) showed that a significant percentage of the South African respondents believe that the government should be transparent in the utilisation of taxpayers' money.	<p>This study reveals a strong relationship between the respondents' perceptions regarding the statement: "The government does not provide enough information about how they use taxpayers' money" and their attitudes towards tax compliance (see <u>Table 50).</u></p> <p>Although the majority of all the respondents agreed that the government does not provide enough information about how they use taxpayers' money, a higher proportion of respondents who are less compliant, agree with the statement (see <u>Table 66).</u></p>

Relationship between respondents' perceptions on specific tax evasion statements and their attitudes towards tax compliance

This section considers findings of the current study in relation to findings of past research and the relationship between the respondents' perceptions on a specific tax evasion statement and their attitudes towards tax compliance (see Table 86).

Table 86: Findings of the current and findings of past research and the relationship between respondents' perceptions regarding specific tax evasion statements and their attitudes towards tax compliance

Statement	Past Research	Current Study
Statement 3: "The burden of tax is so heavy that many people are forced to evade it in order to	A possible reason for tax evasion is financial hardship (Dean <i>et al.</i> , 1980:42).	The findings of this study show that there is a strong relationship between the respondents' views on the statement: "The burden of tax is so heavy that many people are

<p>survive” (Third statement in question 20 – see Appendix B)</p>		<p>forced to evade it in order to survive” and their attitudes towards tax compliance (see <u>Table 67</u>).</p> <p>It appears that respondents, who are less tax compliant, agree to a greater extent that the burden of tax is so heavy that many people are forced to evade it in order to survive, than those who are more compliant (see <u>Table 69</u>).</p>
<p>Statement 5: “I work hard for the income I receive so I should be allowed to keep it all for myself” (Fifth statement in question 20 – see Appendix B)</p>	<p>Dean <i>et al.</i> (1980:42) found that greed is a possible cause of tax evasion.</p>	<p>The present study reveals that there is a strong relationship between the respondents’ views on the statement: “I work hard for the income I receive so I should be allowed to keep it all for myself” and their attitudes towards tax compliance (see <u>Table 67</u>).</p> <p>Although the majority of all the respondents disagreed with the statement: “I work hard for the income I receive so I should be allowed to keep it all for myself”, more than half of the respondents who are less tax compliant, agree with the abovementioned statement compared with those who are more tax compliant (see <u>Table 71</u>).</p>
<p>Statement 7: “Wealthy people evade tax more often than poor people” (Seventh statement in question 20 – see Appendix B)</p>	<p>The perceived lack of equity in the opportunity to avoid tax in Lewis’s (1982:172) model of tax evasion relates to the perception that the tax system may appear unfair, in the sense that people with higher incomes are perceived as having greater opportunities to legally avoid paying tax.</p>	<p>Findings of the current study show that there is a strong relationship between the respondents’ views on the statement: “Wealthy people evade tax more often than poor people” and their attitudes towards tax compliance (see <u>Table 67</u>).</p> <p>Although the majority of all the respondents agreed with the statement: “Wealthy people evade tax more often than poor people”, it appears that a larger proportion of the less tax compliant respondents agree with the aforementioned statement (see <u>Table 72</u>).</p>

Perceptions of penalties related to tax evasion

This section highlights findings concerning the current study and findings of past research taking the following into account:

- respondents' perceptions about the appropriateness of penalties regarding tax-related offences;
- the relationship between respondents' perceptions regarding the severity of penalties for tax-related offences and tax evasion and compliance; as well as
- the relationship between respondents' perceptions regarding specific statements that concern penalties for tax evasion and tax compliance.

Respondents' perceptions regarding the appropriateness of penalties with regard to tax-related offences: In a Swedish study, Vogel (1974:499-513) requested taxpayers to choose suitable penalties for tax evasion from a set of fixed alternatives. The penalties ranged from no penalty or a fine, to prison sentences of various lengths. It was found that the choice of a prison term appears to be a good indicator of the perceived seriousness of tax offences.

The present study followed a similar approach. This study considered a range of crimes that occur frequently in a South African context (that is, shoplifting, housebreaking, tax evasion, drunken driving, failing to report additional income and hijacking). The respondents were requested to indicate which penalty (that is, no penalty, fine or imprisonment) they considered to be appropriate for each crime. It was found that a relatively high percentage of the respondents are of the opinion that a fine is appropriate for criminals who evade tax and fail to report additional income.

It appears that respondents have stronger views regarding the punishment for crimes such as hijacking, housebreaking and drunken driving than punishment for tax-related offences. The respondents do not perceive tax evasion and failing to report additional income to be as serious as the aforementioned crimes.

Relationship between respondents’ perceptions regarding the severity of penalties for tax evasion and their attitudes towards tax evasion and tax compliance: Allingham and Sandmo’s (1972:338) classical model assumes that behaviour is influenced by the penalties for fraud. The classical model predicts that the severity of penalties will affect evasion and it is logical to infer that, if penalties are severe, people will be more compliant.

A person who commits tax evasion in South Africa is guilty of an offence and liable upon conviction to a fine or to imprisonment for a period not exceeding five years (section 104 of the Income Tax Act). The findings from the current study show that only a small proportion of the respondents believe that the penalty for tax evasion is too severe.

The findings of this study show that there is a strong relationship between the views of the respondents regarding the harshness of the penalties for tax evasion and their attitudes towards tax evasion (see Table 74).

Although the minority of all the respondents in this study believe that the penalty for tax evasion is too severe, a large proportion of the respondents who agree with the statements relating to tax evasion (that is, those who will tend to evade more), also believe that the penalties associated with tax evasion are too severe (see Table 75). This finding contradicts the classical model of Allingham and Sandmo (1972:338) as the present study indicates that South African taxpayers will not be more compliant because they believe the penalties for tax evasion are too severe.

Relationship between respondents’ perceptions regarding specific statements regarding penalties for tax evasion and their attitudes towards tax evasion and tax compliance: The findings of this study show that the respondents’ attitudes towards tax only correlated with one of the two statements dealing with the penalties for tax evasion, namely: “People evade tax because the risk that the authorities will find out is low” (Sixth statement in question 20 – see Appendix B).

A study by Dean *et al.* (1980:39-40) found that tax evasion may increase if people believe that they will not be detected. In an experiment by Webley *et al.* (1991:102), strong support was also provided for the proposition that greater opportunity leads to greater tax evasion. In addition, in Slemrod's (1992:6) summary of Kent Smith's (1992:223-250) study, he notes that normative commitment to compliance could be positively reinforced by effective detection, particularly for tax laws not rooted in values based on the relationships among individuals.

The results of the present study reveal that there is a strong relationship between the respondents' views regarding the statement: "People evade tax because the risk that the authorities will find out is low" and their attitudes towards tax compliance (see Table 67). It appears from this study that the less tax compliant respondents believe more strongly that the risk that the authorities will find out is low (see Table 76). Therefore, tax evasion may increase if people believe that they will not be detected.

6.5.9 Results of the open-ended question

This section discusses the findings from the open-ended question.

In their response to the open-ended question, a number of respondents indicated that they would like to be more informed with regard to taxation by, for example, receiving brochures, pamphlets, and gaining exposure to tax-related issues via other forms of media. It is clear that these respondents are eager to learn more about taxation.

Considering these results, this study suggests that the government should cooperate with SARS in the development of their corporate communication plan for communication with South African citizens. They should focus specifically on the forms of mass media that can be utilised to communicate tax issues in an effective and efficient manner. Forms of mass media that could be successfully utilised include, *inter alia*, the Internet, the press, broadcast media and billboards/mobile media (Steyn & Puth, 2000:87).

In addition, some of the respondents also provided a number of more specific comments relating to tax issues in South Africa. These comments can be divided mainly into two categories. The first category relates to respondents who are positive about the government and taxation in general. Most of the respondents believe that it is good to pay tax in order to create a better country for all South Africans. The second category consists of those respondents who are less positive about the current government and taxes in general. A number of respondents are concerned that the government is wasting the tax money collected. Some respondents suggest that the government should amend its current focus areas of spending and reduce the current tax rates.

6.5.10 Shortcomings of the study

In reflecting on this study, the following minor shortcomings became apparent:

- Responses related to questions concerning the type of dwelling occupied, the number of visits to state-funded medical facilities and the number of persons living in a household could be indicative of the economic circumstances and possible dependence of respondents on state-funded benefits. However, these results were often contradictory and, therefore, not meaningful. Any correlation identified between these variables and perceptions of taxation were, most likely, coincidental.
- The questions designed to test the respondents' appetite for risk-taking (and a corresponding link to tax avoidance and evasion) did not yield meaningful results.
- The statement: "I do not know why I have to pay tax" proved to be open to two possible interpretations and, therefore, may have influenced the results. The first interpretation was "I do not understand why I have to pay tax" (with the emphasis on "I") while the second interpretation was "I do not understand the reason why it is necessary to pay tax" (with the emphasis on "why").

6.5.11 Concluding comment regarding the overall findings of this study

In the light of the findings from this study it can be concluded that tax compliance may depend upon several factors other than deterrence, and the perceptions of South African taxpayers are likely to be influenced by these factors.

6.6 LIMITATIONS TO THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study focused only on natural persons. Corporate taxpayers were excluded. The research was performed within the Tshwane metropolitan area in Gauteng only and it was not the purpose of the study to generalise the conclusions reached to the whole of the South African population. This study merely highlighted the various perceptions amongst a sample of South African taxpayers.

When answering questions about taxation, respondents might be suspicious and secretive and thus unwilling to respond fully and honestly. In order to create a more trusting relationship, this study, therefore, conducted personal face-to-face interviews in the respondents' choice of language (making use of a standard set of questions to ensure that the same questions were asked to all respondents). This methodology appeared to be more appropriate than a mailed questionnaire or a telephone interview.

Other researchers may extend the findings of this research by testing these findings in other areas, amongst other population groups and using other interrogation methods.

Future research can investigate SARS' current corporate communication strategy and by doing so, develop improved communication strategies that could help to increase the provision of tax information to South African citizens in order, not only to improve their general understanding of taxation but also to emphasise the importance of paying tax. Further

strategies can also be developed to communicate more efficiently and effectively to taxpayers how to calculate their own tax liability.

6.7 SUMMARY

The payment of taxes is invariably unpopular, and only an idiosyncratic minority is likely to say that it pays too little tax (Lewis, 1982:41). Authors have argued that avoidance has possibly ceased to be a question of the law and has become one of social responsibility (Accountant, 2007:14; Temkin, 2004:12). The present study supports the view of Alm and Torgler (2006:243) that a sustainable tax system is based on a fair tax system and a responsive government. If taxpayers perceive that their preferences are adequately considered, their identification with the government increases and so does their willingness to pay taxes. A government should aim to create a culture conducive to the payment of taxes (Friedman, 2003a:12).

SARS remains committed to reducing the different manifestations of the tax gap (SARS, 2004c:31). This research revolved around tax compliance (that is, people's willingness to pay tax) as well as the reverse, tax resistance. It attempted to determine South African taxpayers' perceptions with regard to taxation in order to possibly influence government policy regarding taxation.

The results of this study suggest that the improvement of the perceptions of taxpayers requires a multifaceted approach in order to understand and influence the large number of factors that play a role in individual behaviour. It is important for government to build a close relationship between themselves and taxpayers. The South African government should evaluate their corporate communication strategies on a regular basis in order to determine the most effective manner in which to communicate tax issues with its citizens.

The present study supports the view that South African taxpayers' perceptions influence their attitudes towards tax compliance. It is important that SARS should concentrate on changing

taxpayers' perceptions with regard to taxation in order to achieve a more positive attitude towards tax compliance.