

CHAPTER 7: DATA ANALYSIS

7.1 INTRODUCTION

The main objective of the current study was to develop a conceptual framework for evaluating the tax burden of individual taxpayers in South Africa. To achieve this objective, it was important first to define the theoretical constructs that could form the basis for the development of such a conceptual framework. However, although the theoretical constructs were important to the development of the conceptual framework, it was equally important to build onto and to validate these theoretical constructs in a real-life context. Chapter 6 of the current study explained the use of multiple case studies as a research strategy to underpin the application of the theoretical constructs from the current study in a real-life context. The purpose of Chapter 7 is thus to discuss the analysis of the data collected from the multiple case study research, and to present the results as they relate to the development of a conceptual framework for evaluating the tax burden of individual taxpayers in South Africa.

The chapter commences with an orientation on the data analysis technique that was adopted in the present research. The chapter then proceeds to the analysis of the data collected from the case study research. Finally, the chapter concludes with the results of the present research and their impact on the validity of the theoretical constructs of the current study.

7.2 ORIENTATION OF THE DATA ANALYSIS TECHNIQUE

The analysis of the data in this chapter focuses on the concepts emerging from the data that contributed to the development of the conceptual framework in the study. This focus on emerging aspects from the data is in line with the

recommendations by Ritchie and Spencer (2002:309), who argue that the main concern of qualitative data analysis is detection, supported by functions that contribute to the research objective, referring, for instance, to defining, categorising and explaining concepts from the data. The functions supporting the focus of the data analysis in the present research were defining emerging concepts from the data and creating typologies by categorising these emerging concepts.

The thematic framework analysis technique was adopted in the present research as a strategy to analyse the data collected from the multiple case studies. This is a type of analysis used primarily in qualitative research (Dixon-Woods, 2011:39; Ritchie & Spencer, 2002:305), particularly in the fields of health care, internet research and education (Srivastava & Thomson, 2009:77). Thematic framework analysis may appear not to exist as an independent analysis technique like other traditional qualitative techniques, such as the narrative analysis and the grounded theory techniques, but these traditional analysis techniques are in essence often actually a thematic framework analysis disguised by calling them something else (Braun & Clarke, 2006:79-80).

Thematic framework analysis differs from the better-known techniques in that the more well-known techniques generally focus on searching for certain themes or patterns **across** a whole data set, while the thematic framework analysis technique focuses on searching **within** a data item¹⁵² (Braun & Clarke, 2006:81). This characteristic makes the thematic framework analysis technique suitable for the data analysis in the present research, as the purpose of the multiple case study research used here was not to generalise findings from the research, but rather to detect concepts emerging from within each of the cases in the research.

¹⁵² A data item refers, for example, to individual interviews, as in the case of biographical or case-study research (Braun & Clarke, 2006:81).

One of the benefits of the thematic framework analysis technique is that it provides for questions and themes identified in advance (*a priori* themes¹⁵³) to be explicitly and systematically analysed. In addition, the framework is flexible enough also to detect themes arising from the data (*a posteriori* themes¹⁵⁴) (Dixon-Woods, 2011:39; Lacey & Luff, 2001:10; Ritchie & Spencer, 2002:314; Srivastava & Thomson, 2009:76). This characteristic of framework analysis was deemed useful and advantageous in building onto the theoretical constructs (*a priori* themes) by considering concepts that emerged from the data analysis (*a posteriori* themes).

The framework analysis technique also provided a rigorous approach to data analysis because it enabled an in-depth exploration of the data while maintaining an effective and transparent audit trail (Smith & Firth, 2011:53; Srivastava & Thomson, 2009:77). Another benefit of the framework analysis technique is that it provides an effective structure for an analytical presentation of the research results, which is a recognised method for presenting the results of qualitative research (White, Woodfield & Ritchie, 2003:297).

The application of the thematic framework analysis technique requires clarity on specific key stages of the data analysis process, namely familiarisation, the creation of a thematic framework, indexing, charting and mapping, and interpretation (Braun & Clarke, 2006:86-87; Ritchie & Spencer, 2002:310-328; Srivastava & Thomson, 2009:75). It is therefore important to clarify these key stages as they relate to the present research.

7.2.1 Familiarisation

This stage consists mainly of the process of becoming familiar with the collected data (Lacey & Luff, 2001:10; Ritchie & Spencer, 2002:313). In the present

¹⁵³ The term '*a priori*', for the purposes of this study, must be interpreted as referring to knowledge which proceeds from theoretical deduction rather than from observation or experience (*Oxforddictionaries.com*, n.d.)

¹⁵⁴ The term '*a posteriori*', for the purposes of this study, must be interpreted as referring to knowledge which proceeds from observations or experiences (*Oxforddictionaries.com*, n.d.)

research, the process of becoming familiar with the data inherently formed part of the data collection process, in the sense that the interviews with the participating households were all conducted by the researcher himself. This strategy enabled the researcher to gain in-depth knowledge of the data from the start of the data collection process. This strategy also provided him with an opportunity to analyse and verify the data during the interviews with members of the participating households,¹⁵⁵ and this in turn contributed to the reliability of the data collected. Another important consideration is the fact that the number of case studies was limited to nine – such a limited scope allows a researcher to become intimately familiar with the data (Ritchie & Spencer, 2002:312).

7.2.2 Thematic framework

The application of framework analysis as the data analysis technique requires the formulation of a thematic framework (Lacey & Luff, 2001:10; Ritchie & Spencer, 2002:313; Srivastava & Thomson, 2009:75). The thematic framework may originate from *a priori* themes, which may also guide the development of the thematic framework (Lacey & Luff, 2001:10; Ritchie & Spencer, 2002:314). A theme refers to something important in the data relating to the research objective, and does not necessarily depend on quantifiable measures (Braun & Clarke, 2006:82).

Themes can be data-driven or theory-driven (Braun & Clarke, 2006:88-89). Themes driven by data depend on the data themselves, and the analysis of the data follows an inductive approach that involves discovering themes from the data (Patton, 2002:453). By contrast, theory-driven analysis follows a deductive approach, where the data are analysed according to an existing framework of themes (Patton, 2002:453). Qualitative analysis can be inductive in the early stages of the data analysis process, especially when codes are developed for the data analysis phase (Patton, 2002:453), and deductive later in the process. The

¹⁵⁵ The researcher is well experienced in collecting and analysing data during the process of collecting data for auditing purposes (see Section 7.2.5 of the current study).

present research mainly followed a deductive approach to the analysis of the data, using an existing framework.¹⁵⁶

The theoretical constructs set out in Table 70 were used as a basis for formulating the thematic framework in the present research. These theoretical constructs from Table 70, namely the gross household income, the imposed direct recurrent taxes, the imposed indirect recurrent taxes, the fiscal illusion, the fairness of taxes and the perceived taxes, were used as the main themes for classifying the data collected from the case studies. To formulate a comprehensive thematic framework that provided for all the data collected based on the interview schedule, the main themes from Table 70 were extended to include the demographic profile of the household (as the unit of analysis), as one of the main themes in the thematic framework. Key theoretical concepts contributing to the main classification themes were used as *a priori* sub-themes to formulate an initial thematic framework. The initial thematic framework was then refined by looking at the *a posteriori* sub-themes that emerged from the data to formulate a final thematic framework. The structuring of a thematic framework using the main and sub-themes is in line with the notions of Ritchie and Spencer (2002:314). The final thematic framework is summarised in Table 76, overleaf. The purpose of Table 76 is to provide clarity on the classification structure underpinning the data analysis in the present research.

¹⁵⁶ The existing framework used for analysing the data refers to the theoretical constructs underpinning the framework for measuring the tax burden as set out in Table 70 (See Section 5.5.5).

Table 76: Thematic framework underpinning the data classification and analysis in the present research

MAIN THEMES	<i>A priori</i> sub-themes (theoretical concepts)	<i>A posteriori</i> themes (concepts emerging from the data)
Main Theme 1: Demographic profile	1.1 Head of the household 1.2 Location 1.3 Composition of the household	None emerged from the data (see Section 7.3)
Main Theme 2: Gross household income	2.1 Nature of the gross monthly household income of the participating households 2.2 Contributions to the gross monthly household income by members of the participating households	None emerged from the data (see Section 7.4.2)
Main Theme 3: Imposed direct recurrent taxes	3.1 Direct taxes imposed monthly on the participating households 3.2 Direct taxes imposed monthly on the members of the participating households	None emerged from the data (see Section 7.4.3)
Main Theme 4: Imposed indirect recurrent taxes	4.1 Monthly household expenditure of the participating households 4.2 Indirect taxes imposed monthly on the participating households	None emerged from the data (see Section 7.4.4)
Main Theme 5: Fiscal illusion	5.1 Estimated effective tax rate from the participating households 5.2 Conceptual elements contributing to the fiscal illusion of the participating households: <ul style="list-style-type: none"> • Hidden taxes 	<ul style="list-style-type: none"> • Number of taxes • Double taxation • Tax shifting (see Section 7.5.2)

MAIN THEMES	<i>A priori</i> sub-themes (theoretical concepts)	<i>A posteriori</i> themes (concepts emerging from the data)
Main Theme 6: Fairness of taxes	6.1 Participating households' perceptions regarding the fairness of taxes in South Africa 6.2 Preferred effective tax rate from the participating households 6.3 Conceptual elements contributing to the participating households' perceptions regarding the fairness of taxes in South Africa: <ul style="list-style-type: none"> • Horizontal fairness • Vertical fairness 	<ul style="list-style-type: none"> • Level of the tax burden • Number of taxpayers • Mix of direct and indirect taxes (see Section 7.5.3)
Main Theme 7: Perceived taxes	7.1 Complexity of taxes in South Africa as perceived by the participating households 7.2 The taxpayer-government exchange in South Africa as perceived by the participating households	None emerged from the data (see Section 7.5.4)
Main Theme 8: Measuring the tax burden	8.1 Economic and perceived spending ability 8.2 Effective tax rates	None emerged from the data (see Section 7.6.1)
Main Theme 9: Comparing the tax burden	9.1 Equivalence scales	None emerged from the data (see Section 7.6.2)

7.2.3 Indexing

The key stage of indexing refers to the process of merging the thematic framework with the data, using numerical or textual codes to identify the portions of the data which are linked to a particular theme in the thematic framework (Lacey & Luff, 2001:10; Srivastava & Thomson, 2009:76).

The present research adopted a combination of numeric and textual codes to formulate a coding framework. The coding framework serves the purpose of an index for linking the interview schedule to the database, and in turn to the data analyses in the present chapter. This coding framework is set out in Table 87 (see Annexure E).

7.2.4 Charting

The charting stage of analysing data, using the framework analysis technique, consists of the creation of charts using the themes from the thematic framework as a structure (Ritchie & Spencer, 2002:315). Charts can be either in the format of a **thematic chart** in which each theme cuts across all cases, or in the format of a **case chart** in which each case cuts across all themes (Lacey & Luff, 2001:10). The present research adopted the format of thematic charts, in terms of which the themes in the thematic framework were analysed across the households that participated in the case study research.

7.2.5 Mapping and interpretation

The final stage in the framework analysis method refers to the analysis of concepts contributing to the thematic framework (Srivastava & Thomson, 2009:76).

Patton (2002:566) suggests that a researcher is the instrument in qualitative research, and therefore deems it vital for the credibility of the data that the perspectives of the researcher, as well as the qualifications and experience of

the researcher, are provided for consideration in assessing the reliability of the data. To clarify his perspective, it should be understood that the researcher in the present research is himself an individual taxpayer in South Africa and that therefore this may create an unconscious bias by the researcher towards individual taxpayers in South Africa. However, the credibility of the data collection, analysis and interpretation was enhanced by the fact that the researcher is also a professional qualified Chartered Accountant (SA) with a Master's degree in Taxation. The researcher has extensive experience in the fields of auditing, finance and taxation, gained both in practice and in academia over a period of 24 years.

In the present research, the data collected from the multiple case studies can be categorised into factual data and data on the beliefs of individual taxpayers¹⁵⁷ as they relate to the tax burden of their households. The factual data collected from the case studies concern the imposed recurrent tax burden of the participating households, and were therefore used as the basis for computing the direct and indirect taxes imposed monthly on the participating households. The data collected from the case studies on the beliefs of the individual taxpayers concern the tax burdens of the households as perceived by the individual taxpayers in the participating households. The purpose of collecting the data on the perceived tax burden was to explore the tax burden as it is estimated and interpreted by the individual taxpayers as members of these households.

Data were also collected from the participating households on the demographic profile of each household, which provides background information to enhance the interpretation of the data in the context of the unique circumstances of each household that participated in the case study research.

¹⁵⁷ See Section 6.6.1 for an explanation.

7.3 MAIN THEME 1: DEMOGRAPHIC PROFILE

In the theory part of the current study, it was explained that elements contributing to the demographic profile of a household affect the evaluation of a household's tax burden, as well as any comparison of a household's tax burden with the tax burden of other households.¹⁵⁸ Therefore, it was deemed important to include the demographic profile of households (as the unit of analysis) as a conceptual element in the conceptual framework developed in this study.

The demographic profile of the original nine households participating in the case study research indicated that there was a bias towards white households. In itself this is not a problem, but given South Africa's historical imbalances and difference in cultures, it was deemed necessary to include households from other population groups in the study too. Hence, the original sample size of nine case studies was extended by four to include households from the Asian, black, coloured, and Indian race groups, as it is generally found in household and population studies in South Africa (Statistics South Africa, 2008, 2011a, 2011b, 2012). No respondent from these specific race groups in Phase 1¹⁵⁹ of the study indicated that he or she was willing to participate in the case study research. Therefore, the strategy used to select households from these race groups to add to the original sample was availability sampling, as explained by Daniel (2011:82-83). In total, an additional four households, one from each of the race groups referred to, were included in the study, bringing the total number of households participating in the case study research to thirteen.

Questions 2 to 10 of the interview schedule served the purpose of collecting demographic data on each of the households that participated in the case study research. The results from Questions 2 to 10 are summarised in Table 77, overleaf.

¹⁵⁸ See Section 5.3, together with Section 5.8 of the current study.

¹⁵⁹ See Section 6.7.2, together with Section 6.8 of the current study.

Table 77: Demographic profiles of the participating households

	Case Study 1	Case Study 2	Case Study 3	Case Study 4	Case Study 5	Case Study 6	Case Study 7	Case Study 8	Case Study 9	Case Study 10	Case Study 11	Case Study 12	Case Study 13
Sub-theme 1.1: Head of the household:													
Head	Husband	Husband	Husband	Husband	Wife	Husband	Taxpayer	Husband	Husband	Taxpayer	Husband	Husband	Taxpayer
Age in years	52	37	57	40	35	58	42	49	49	27	36	33	61
Gender	Male	Male	Male	Male	Female	Male	Male	Male	Male	Female	Male	Male	Female
Population group	White	White	White	White	White	White	White	White	White	Coloured	Indian	Black	Asian
Qualification	Under-graduate	Under-graduate	Under-graduate	Artisan	Under-graduate	Under-graduate	Post-graduate	Under-graduate	Under-graduate	Post-graduate	Post-graduate	Under-graduate	Post-graduate
Employment status	Entrepreneur	Entrepreneur	Private sector	Entrepreneur	Semi-public	Private sector	Semi-public	Private sector	Public sector	Semi-public	Private sector	Private sector	Semi-public
Tax knowledge	High	Low	Low	None	Low	Medium	Low	Low	Medium	Low	Medium	Medium	Medium
Tax experience	High	Low	Low	None	Low	Medium	Low	Low	Medium	Low	Medium	Medium	Medium
Sub-theme 1.2: Location of the household:													
City/Town	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria	Pretoria
Municipal area	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane	Tshwane
Province	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng	Gauteng
Sub-theme 1.3: Composition of the household:													
Adults	3	2	2	2	3	2	1	5	2	1	2	2	3
Children	0	3	0	2	2	0	0	0	3	0	2	2	0
Number contributing to income	2	1	2	2	2	1	1	2	1	1	2	2	1

Source: Questions 2 to 10 of the interview schedule

The demographic profiles of the participating households in Table 77 indicate that each of the participating households' circumstances is unique, and differs very much from those of the other participating households. Some of these elements directly affect the evaluation of the tax burden, for instance, the computation of the direct taxes (see Section 7.4.3) and indirect taxes in terms of the household's consumption (see Section 7.4.4). Thus it is possible to state that the unique demographic profile of a household is an important concept in the evaluation and comparison of the tax burden of individual taxpayers' households.

7.4 DATA RELATING TO THE IMPOSED RECURRENT TAX BURDEN

The imposed recurrent tax burden of the participating households, for the purposes of the present research, consists of the direct taxes imposed monthly on the income and wealth of taxpayers as members of the participating households, and indirect taxes imposed monthly on the consumption of the households of these taxpayers. It was therefore important to collect the factual data necessary for computing the direct and indirect taxes imposed monthly on the participating households, using the theoretical constructs of the imposed recurrent tax burden as a point of reference.

7.4.1 Orientation of the process to capture and analyse the factual data

The factual data relating to the direct and indirect taxes imposed monthly on the participating households were collected using an interview schedule as the method of collection. The data from the interview schedule were coded by the researcher in line with the coding framework in Table 87 (see Annexure E). The coded data on the interview schedule were captured by a research assistant in an electronic database created in Microsoft Excel. The researcher then verified the data captured in the database according to the interview schedule.

The factual data from the database in Microsoft Excel were then used as a basis for computing the direct and indirect taxes imposed monthly on the participating households. The purpose was to apply the theoretical constructs from Table 70,

namely the gross household income, the imposed direct recurrent taxes, and the imposed indirect recurrent taxes in a real-life context, focusing on concepts emerging from the computation that contributed to the development of the conceptual framework in the current study.

7.4.2 Main Theme 2: Gross household income

The gross income of a household is an important construct for the conceptual framework to evaluate the tax burden of individual taxpayers in South Africa¹⁶⁰ developed in this study. It is an important construct, not only for measuring the tax burden, but also for computing the income taxes imposed on the individual taxpayers as members' of households.¹⁶¹

Income tax in South Africa is imposed in terms of the Income Tax Act (58 of 1962) on the taxable income of taxpayers as individual persons.¹⁶² In other words, each individual person as a member of a household can incur an income tax liability in South Africa separately from the other members of the household. Computing the taxable income of an individual taxpayer in terms of the Income Tax Act, *inter alia*, depends on the nature of the person's gross income. It was therefore important to analyse the composition of the gross monthly household income of the participating households by referring to the two key elements of the nature of the gross income, and the specific member(s) of the household from whom the gross household income originates.

Question 11 of the interview schedule used the theoretical elements from Table 71¹⁶³ as a point of reference to collect data on the composition of the gross monthly income of the participating households. The results for Question 11 are set out in Table 88 (see Annexure F). Table 78, below, provides a summarised overview of the data analysis relating to the composition of each participating household's gross monthly income in relation to the two key elements.

¹⁶⁰ See Sections 5.3 and 5.6.1.

¹⁶¹ See Section 5.7.2.1.

¹⁶² The term 'person' for income tax purposes also implies a natural person (Stiglingh, 2011:13).

¹⁶³ See Section 5.6.1.

Table 78: Composition of the gross monthly income of the participating households

<p><u>Case Study 1</u></p> <p>The household in Case Study 1 consisted of three adults (see Table 77), but only two of the adult members regularly contributed to the gross monthly household income. The gross monthly household income was comprised of contributions by the head of the household (64% of the total gross income), and by his spouse (36% of the total gross income). The contribution by the head of the household consisted of income from business (51%) and income from capital, in the form of rental income (49%). His spouse's contribution originated wholly from employment.</p>
<p><u>Case Study 2</u></p> <p>The household in Case Study 2 consisted of two adults and three children (see Table 77). Only the head of the household contributed to the gross monthly household income, and his income originated wholly from business activities.</p>
<p><u>Case Study 3</u></p> <p>The household in Case Study 3 consisted of two adults (see Table 77), both of whom contributed to the monthly gross household income. The head of the household contributed 68% of the total gross income (96% originated from employment income, and 4% from rental income). His spouse's contribution of 32% to the total monthly gross household income originated wholly from employment.</p>
<p><u>Case Study 4</u></p> <p>Case Study 4's household consisted of two adults and three children (see Table 77). Both the head of the household and his spouse contributed to the gross monthly income of the household. The head of the household contributed 75% of the total monthly gross income (92% of his income was comprised of business income, and 8% of rental income). His spouse contributed 25% to the total gross income, and her income originated wholly from employment.</p>
<p><u>Case Study 5</u></p> <p>The household in Case Study 5 consisted of three adults and two children (see Table 77). Only the head of the household and her spouse contributed to the gross monthly income of the household. The head of the household contributed 36% of the total income, all of which originated from employment. Her spouse contributed 64% of the total gross monthly income, all of which originated from employment.</p>
<p><u>Case Study 6</u></p> <p>Case Study 6's household consisted of only two adults (see Table 77). Only the head</p>

of the household contributed to the gross monthly household income. The gross monthly income of the household originated wholly from employment.

Case Study 7

The household in Case Study 7 consisted of only one adult (see Table 77). His gross monthly household income originated wholly from employment.

Case Study 8

The household in Case Study 8 was comprised of five adults (see Table 77). Of these five adults, only the head of the household and his spouse contributed to the gross monthly household income. The head of the household contributed 48% of the total gross income, which originated wholly from employment. The spouse contributed 52% to the total gross income, all of which also originated from employment.

Case Study 9

Case Study 9's household consisted of five persons: two adults and three children (see Table 77). Only the head of the household contributed to the gross monthly household income, originating wholly from employment.

Case Study 10

The household in Case Study 10 consisted of only one adult (see Table 77). Her gross monthly household income originated wholly from employment.

Case Study 11

The household in Case Study 11 consisted of two adults and two children (see Table 77). Both the head of the household and his spouse contributed to the gross monthly income of the household. The head of the household contributed 66% of the total income, all of which originated from employment. His spouse contributed 34% of the total gross monthly income, all of which originated from employment.

Case Study 12

Case Study 12's household consisted of two adults and two children (see Table 77). Both the head of the household and his spouse contributed to the gross monthly income of the household. The head of the household contributed 57% of the total monthly gross income (all his income was from employment). His spouse contributed 43% to the total gross income, and her income originated wholly from employment.

Case Study 13

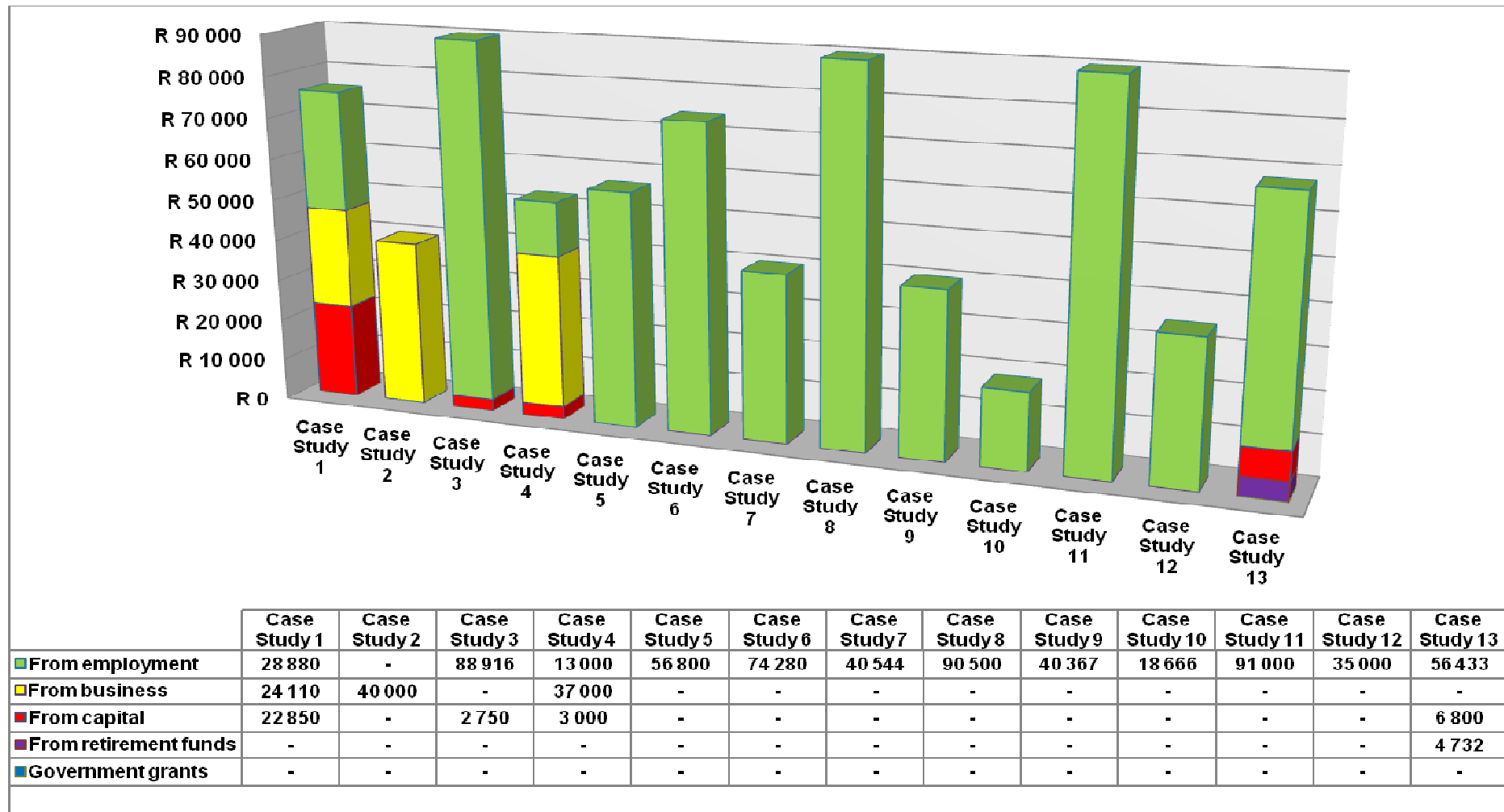
The household in Case Study 13 consisted of three adults (see Table 77), but only one regularly contributed to the gross monthly household income. The main portion of the monthly income originated from employment (83%), while the remaining portion consisted of income from capital (10%) and income from a retirement fund (7%).

From the analyses in Table 78 above, it is clear that the composition of the gross monthly income of each of the participating households is unique to each household, not only in the nature of the gross income, but also in the number of household members who contributed to the gross monthly household income.

7.4.2.1 Sub-theme 2.1: Nature of the gross monthly household income of the participating households

The analyses in Table 78 above indicate that the gross monthly income of the participating households originated mainly from employment, except in Cases 1, 2 and 4, whose gross monthly income originated primarily from business and/or rental activities. The graph in Figure 3 below provides an overview and summary of the nature of the gross monthly household income of the participating households.

Figure 3: Nature of the gross monthly income of the participating households

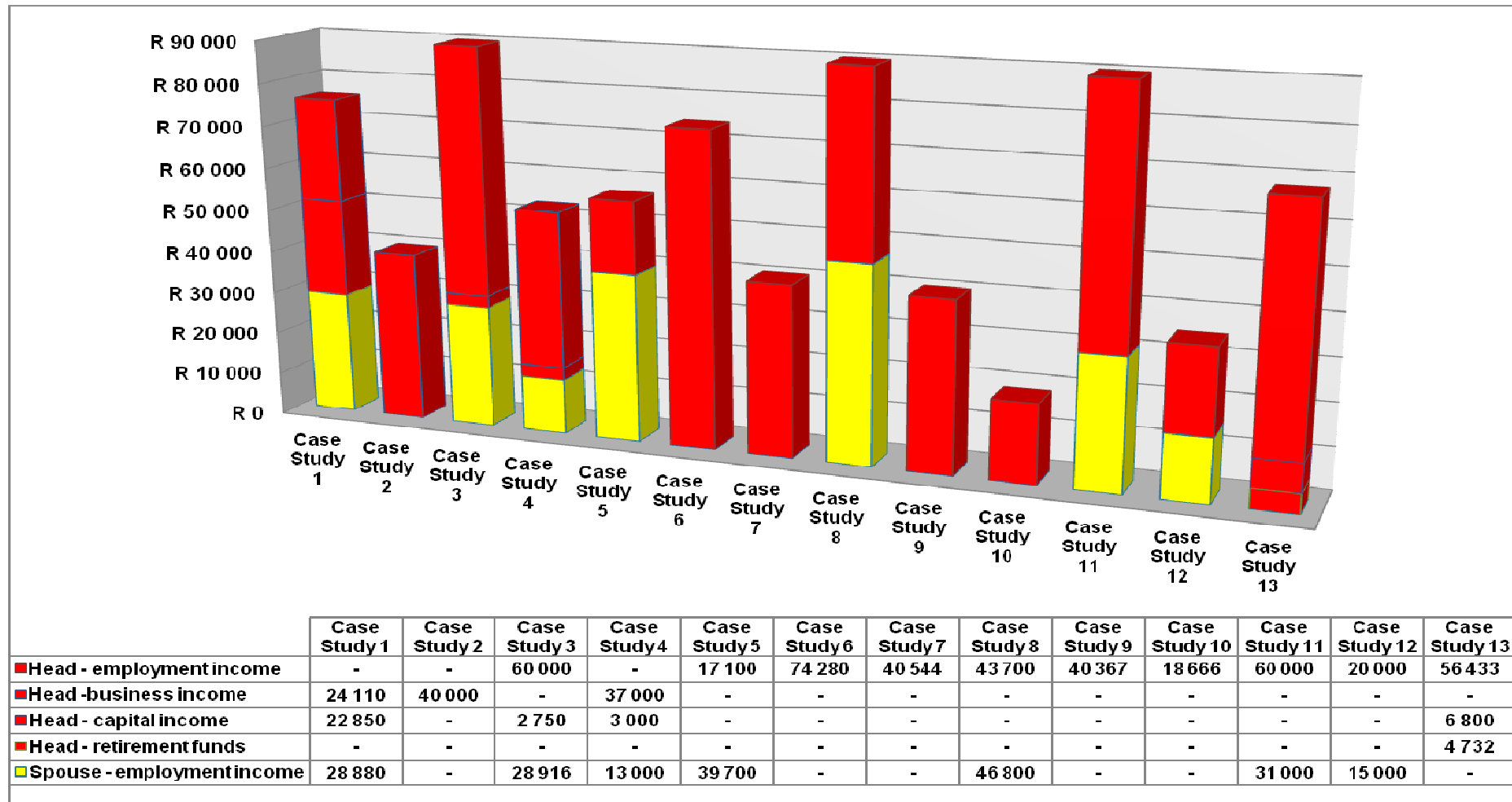


Source: Table 88 (see Annexure F)

7.4.2.2 Sub-theme 2.2: Contributions to the gross monthly household income by individual taxpayers as members of the participating households

The graph in Figure 4 provides an overview and summary of the contributions that the head of the household and other individual taxpayers as members of the household make to the total monthly gross income of the individual households.

Figure 4: Contribution to the gross monthly household income by individual taxpayers as members of the participating households



Source: Table 88 (see Annexure F)

7.4.2.3 Conclusion on Main Theme 2

The results of the case study research confirmed the importance of the construct of gross household income as a theme relevant to measuring the tax burden of individual taxpayers in South Africa and for computing the income tax imposed on individual taxpayers as members of a household (see Section 7.4.3.1).

Conclusion 7.1

The composition of the gross household income, referring to the contributions by individual taxpayers as members of the household and the nature of the income sources, is a valid theme underpinning the evaluation of the tax burden of individual taxpayers in South Africa.

7.4.3 Main Theme 3: Imposed direct recurrent taxes

The imposed direct recurrent taxes refer to the taxes imposed directly on the income and wealth of taxpayers.¹⁶⁴ These direct taxes imposed monthly on the income and wealth of the participating households were determined using the direct recurrent taxes from Table 72 as a point of reference.

7.4.3.1 Sub-theme 3.1: Direct taxes imposed monthly on the participating households

Direct taxes imposed on individual taxpayers in South Africa can be determined objectively using the applicable legislation as a point of reference (see Section 5.7.2.1).

Factual data collected using Question 11 (gross monthly household income), Question 12 (monthly employees tax), Question 13 (monthly contributions to UIF), Question 14 (latest income tax assessments), and Question 15 (monthly

¹⁶⁴ See Section 2.2.6.2 of the current study.

household expenditure) were used as a basis for computing the value of the direct taxes imposed monthly on the participating households.

The purpose of the present research was to build on and to validate the theoretical constructs underpinning the study, by applying these theoretical constructs in a real-life context. The accurate computation of the direct taxes imposed monthly on the participating households was not the main consideration in the present section, but it is important to provide clarity on elements that may affect the accuracy of the computation of the direct taxes imposed monthly on the participating households. These elements are clarified in Table 79 below.

Table 79: Elements underpinning the computation of the direct taxes imposed monthly on the participating households

Income tax

The taxable income of a taxpayer in South Africa is normally computed at the end of a given year, referred to as the year of assessment.¹⁶⁵ To compute the taxable income, it is necessary to take into account components such as the gross income for the year, the non-taxable gross income for the year, and allowable deductions for the year (Van Schalkwyk, 2011:4). Generally, most of these components can only be determined at the end of the year of assessment or thereafter.

The present research focused only on one month in the 2012 year of assessment. Hence, not all the information to compute the taxable income of the individual taxpayers participating in the case study research accurately was available at the time of the research. It was therefore necessary for the researcher to make some assumptions to be able to compute the monthly taxable income of the individual taxpayers as members of the participating households. In making these assumptions, the latest income tax assessments of these individual taxpayers were used, *inter alia*, as a source of reference.

Property rates

The monthly liability of the participating households for municipal property rates was determined by using the latest municipal accounts of the household at the time of the interview. It was assumed for all the households that participated in the case study

¹⁶⁵ Section 1 of the Income Tax Act (58 of 1962).

research that the head of a given household was the person in the household who owns the property; thus incurring the monthly liability for the property rates of the household. The reason for this assumption is that it was not always possible to identify the specific person in the household who incurred this liability.

Turnover tax

None of the households that participated in the case study research was registered as a micro business for turnover tax purposes in terms of the Sixth Schedule to the Income Tax Act (58 of 1962). Hence, turnover tax was not included as a direct tax that affected the tax burden of the participating households.

Motor vehicle and television licences

These licences are normally imposed on an annual basis, rendering the licence valid for a total period of twelve months. For the purposes of the present research, the annual licences were divided by twelve months to compute the monthly amount imposed on the participating households.

Firearm, liquor and business licences

None of the individual members of the households participating in the case studies owned such licences.

UIF contributions – employees

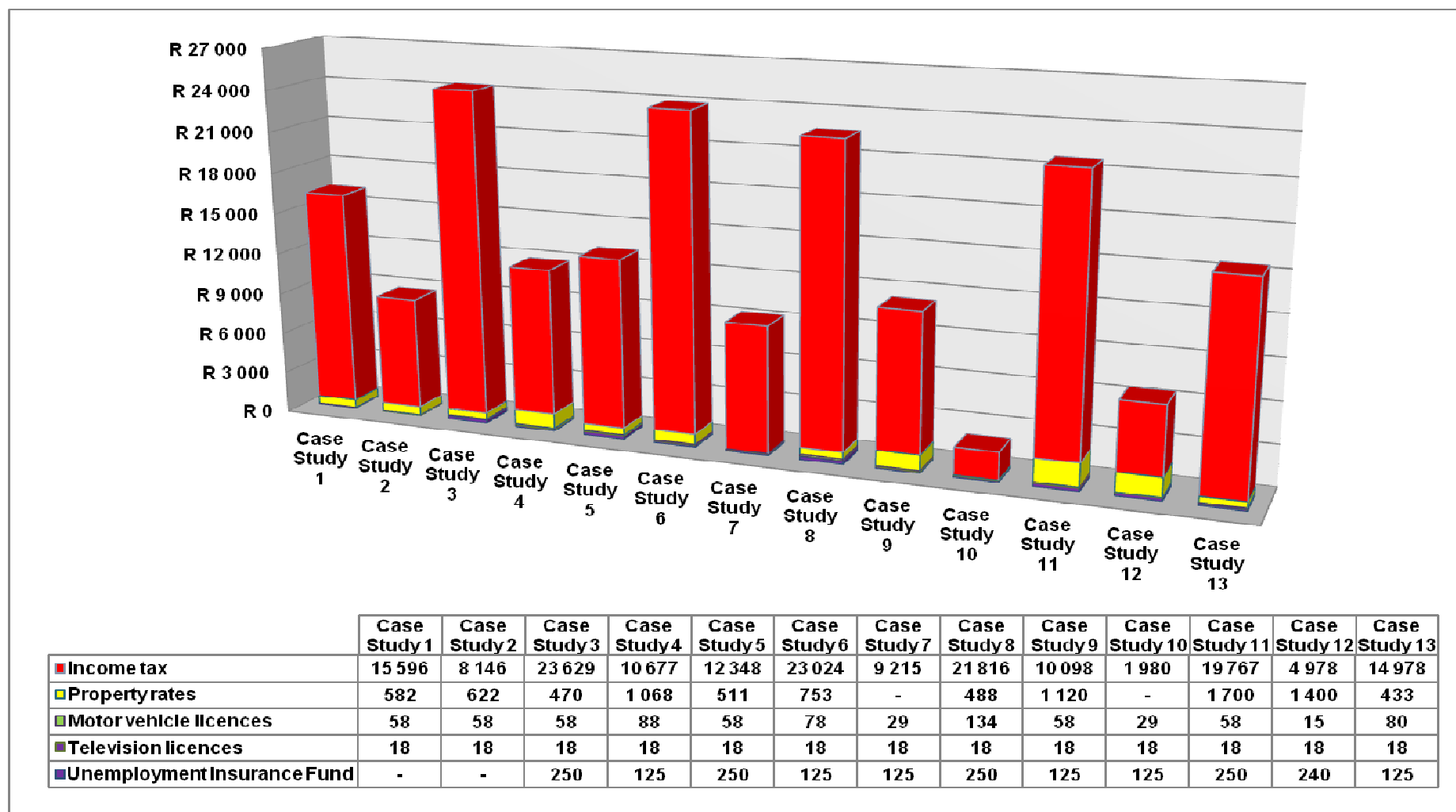
Question 13 of the interview schedule was used to collect data on the monthly UIF contributions by the participating households. The data on UIF contributions relating to employment income were collected for each individual taxpayer as a member of the household.

Other direct recurrent taxes

The category of other direct recurrent taxes consists of mineral and petroleum royalties, prospecting fees and surface rentals, levy on educators levy on suppliers of private security services and diamond export levy. None of the individual members of the participating households were involved in these kinds of activities.

The results from the computation of the direct taxes imposed monthly on the participating households are set out in Table 89 (see Annexure F) of the current study. The graph in Figure 5 below provides an overview and summary of the results from computing the direct taxes imposed monthly on the participating households.

Figure 5: Direct taxes imposed monthly on the participating households



Source: Table 89 (see Annexure F)

In the theoretical overview of the current study, it was indicated that income tax is a primary source of revenue for the National Revenue Fund,¹⁶⁶ and therefore it is considered to be an important tax that affects the tax burden of individual taxpayers in South Africa. Figure 5 provides a clear indication of the relevant importance of income tax in evaluating the tax burden of individual taxpayers in the country. The total direct taxes imposed monthly on the households that participated in the case study research consisted between 87% and 96% of income tax. Although the contribution of the other direct taxes in Figure 5 to the total direct monthly taxes was not as high as that of income tax, these other direct taxes are still highly relevant to the evaluation of the overall tax burden of individual taxpayers in South Africa.

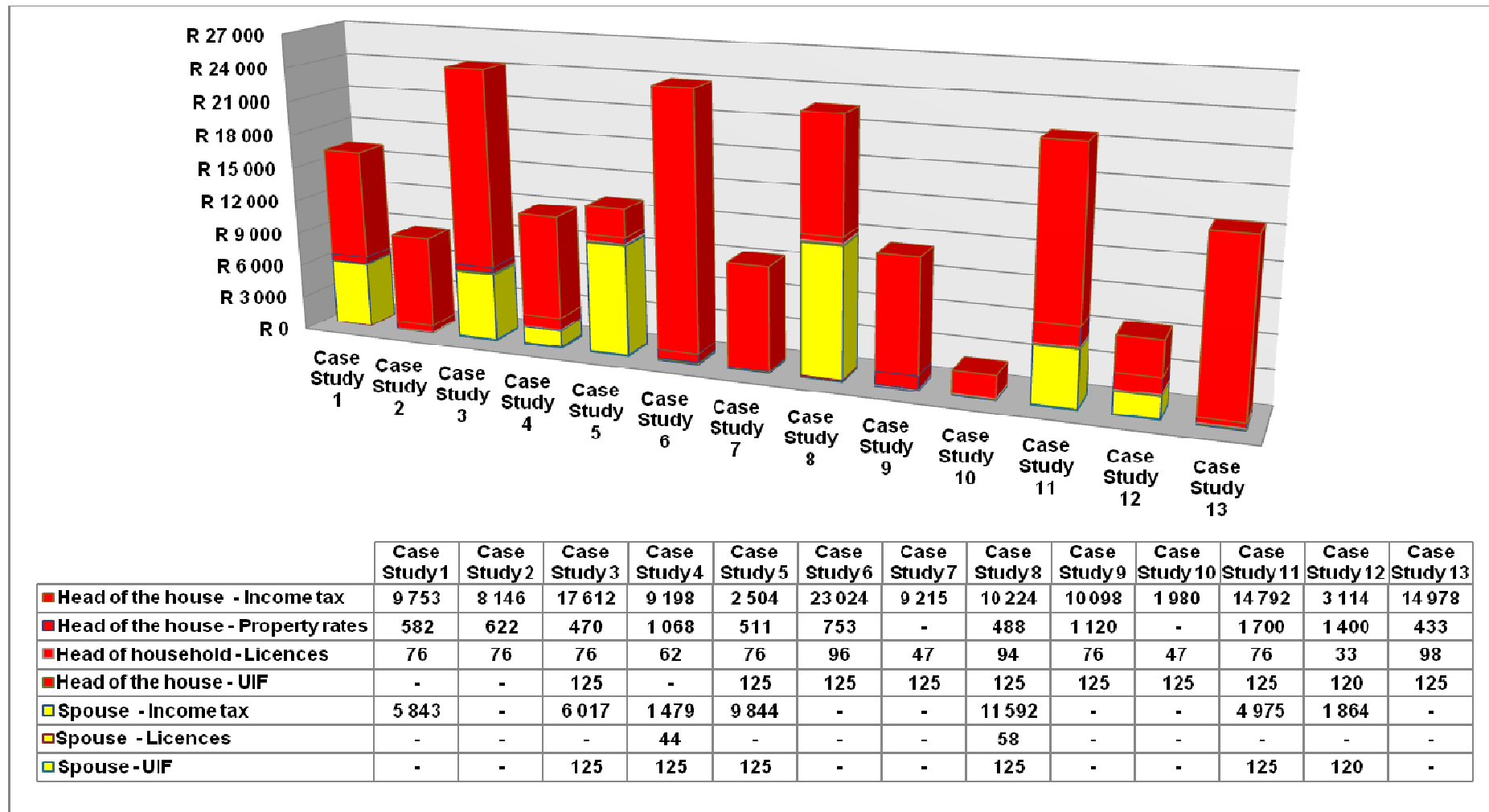
7.4.3.2 Sub-theme 3.2: Direct taxes imposed monthly on the individual members of the participating households

As is the case with the monthly gross household income,¹⁶⁷ the direct taxes imposed monthly on the participating households consist of the combined direct taxes imposed on each individual member of the household as a taxpayer in South Africa. The graph in Figure 6 below provides an overview of the direct taxes imposed monthly on the head of the household, as well as on the other members of the household.

¹⁶⁶ See Section 3.4.1 of the current study.

¹⁶⁷ See Section 7.4.2.2 of the current study.

Figure 6: Monthly direct taxes imposed on the individual members of the participating households



Source: Table 89 (see Annexure F)

7.4.3.3 Conclusion on Main Theme 3

The results of applying the theoretical constructs from the present study in a real-life context confirm the importance of the construct of the direct recurrent taxes as a basis from which to objectively determine the burden originating from direct taxes imposed on individual taxpayers, as members of their household, in South Africa.

Conclusion 7.2

The construct of imposed recurrent taxes, as defined in the present study, is a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa that was developed in this study.

7.4.4 Main Theme 4: Imposed indirect recurrent taxes

Imposed indirect recurrent taxes refer to taxes that are imposed indirectly on a person's consumption of goods and services¹⁶⁸ on a continuous basis. The indirect taxes imposed monthly on the participating households were determined using the imposed indirect recurrent taxes from Table 72¹⁶⁹ as a point of reference. Imposed indirect recurrent taxes in South Africa inherently form part of a household's expenditure.¹⁷⁰ Hence, a logical point of departure for explaining the computation of the indirect taxes imposed monthly on the participating households is monthly household expenditure.

7.4.4.1 Sub-theme 4.1: Monthly household expenditure of the participating households

Question 15 of the interview schedule uses the expense items from Table 74,¹⁷¹ and served the purpose of collecting data on the monthly household expenditure of the households that participated in the case study research. The original

¹⁶⁸ See Section 2.2.6.2 of the current study.

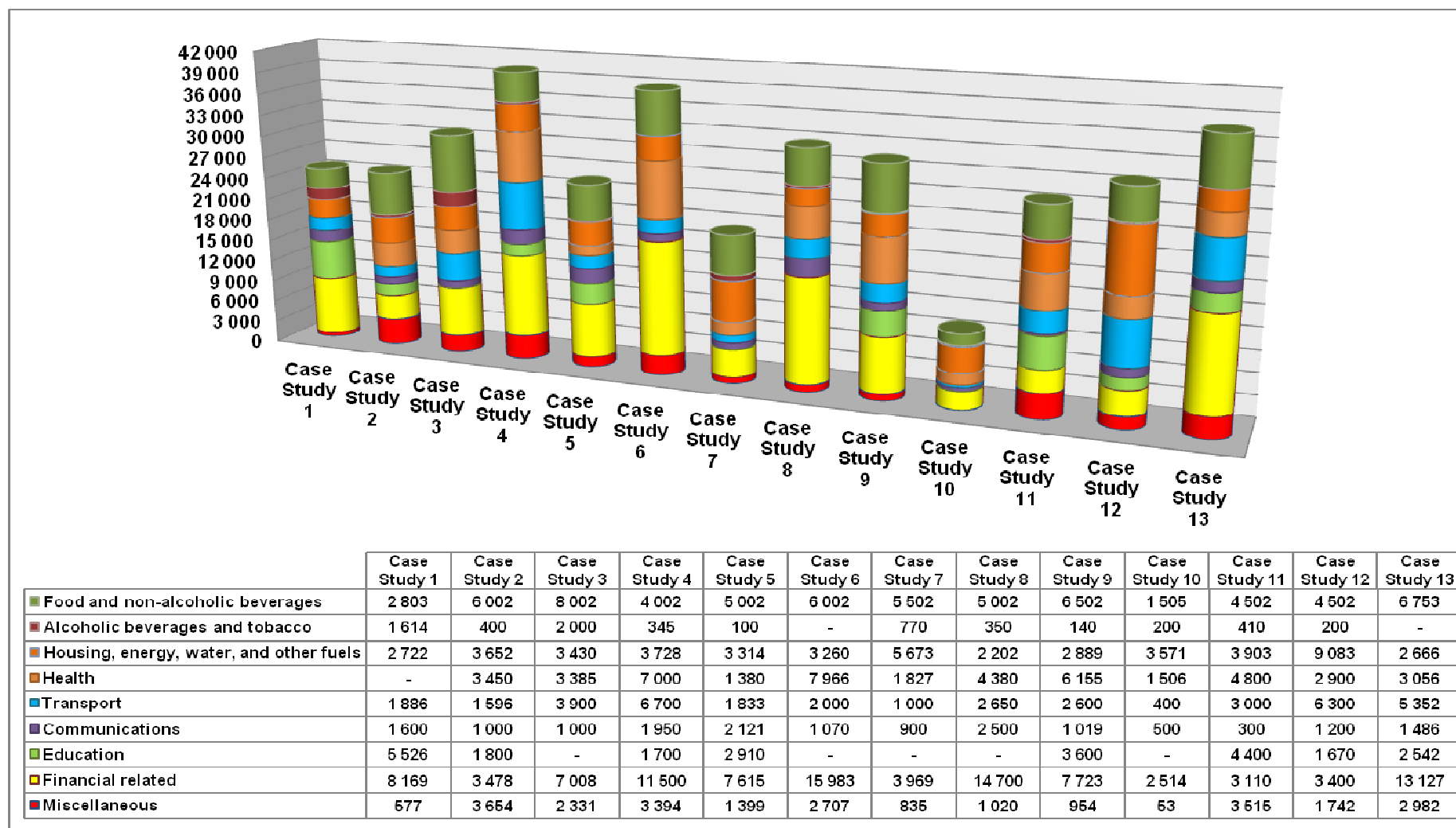
¹⁶⁹ See Section 5.6.2 of the current study.

¹⁷⁰ See Section 5.7.2.2 of the current study.

¹⁷¹ See Section 5.7.2.2 of the current study.

expenditure items set out in Table 74 were expanded to make provision for expense items that emerged during the data collection process. The resulting monthly household expenditure data collected using Question 15 for each participating household are presented in Table 90 (see Annexure F). The main categories of the monthly household expenditure are summarised in Figure 7.

Figure 7: Main categories of the monthly household expenditure of participating households



Source: Table 90 (see Annexure F)

The consumption of goods and services in South Africa is taxed using the value of the goods and services as a basis for indirect taxes, for instance, VAT and *ad valorem* excise duties. However, some of the indirect taxes are imposed using the quantity of the goods and services consumed as a basis, for instance, specific excise duties and levies on the consumption of water and electricity. Indirect taxes imposed on the consumption of water and electricity in South Africa use the quantity consumed (kilolitres for water, and kilowatts for electricity) as a basis. It was therefore important, in addition to collecting data on the value of the monthly household expenditure, also to collect data on the quantity of water (kilolitres) and electricity (kilowatts) consumed monthly by the participating households. This data was collected using Question 16 of the interview schedule. The results for Question 16 are set out in Table 90 (see Annexure F).

The individual expense items that comprised the main categories of monthly household expenditure as set out in Figure 7, together with the monthly household consumption of water and electricity, were used as a basis for calculating the indirect taxes imposed monthly on each of the participating households.

Conclusion 7.3

The concept of household expenditure as defined in the present study is a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa that was developed in the present study.

7.4.4.2 Sub-theme 4.2: Indirect taxes imposed monthly on the participating households

Recurrent indirect taxes imposed on individual taxpayers in South Africa can be determined objectively using the applicable legislation as a point of reference (see Section 5.7.2.2).

In line with the purpose of the present research, this section applies the theoretical constructs underpinning the imposed indirect recurrent taxes in a real-life context. The focus in the current section was on emerging concepts from the data that contribute to the development of the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa. The accurate computation of the indirect taxes imposed monthly on the participating households was not the main consideration in the present section. However, elements that may affect the accuracy of the computation of the indirect taxes imposed monthly on the participating households are clarified in Table 80 below.

Table 80: Elements underpinning the computation of the indirect taxes imposed monthly on the participating households

<p><u>VAT</u></p> <p>The household expenditure, summarised in Table 90 (see Annexure F), was used as a basis from which the VAT imposed monthly on the participating households was computed. The Value-Added Tax Act (89 of 1991) and the VAT guidance for vendors (SARS, 2010c) were used as points of reference in the computation.</p>
<p><u>Skills Development Levy</u></p> <p>In terms of the requirements of the Skills Development Act (9 of 1999), none of the participating households incurred a monthly liability towards the Skills Development Levy. Hence, the Skills Development Levy was not included as a direct tax affecting the monthly tax burden of the participating households.</p>
<p><u>Specific customs and excise duties</u></p> <p>Normally, the specific excise and customs duties in South Africa are computed using the volume of the goods as a basis (SARS, 2009:6). However, in the present research, the specific customs and excise duties imposed monthly on the participating households' consumption of alcoholic beverage and tobacco products were computed by using the 2011/2012 budget overview (National Treasury, 2011) as a source of reference. According to the budget overview (National Treasury, 2011a:73), specific excises (inclusive of VAT) represented 23% of the price of wine, 33% of the price of malt beer and 43% of the price of spirits. On tobacco products, this percentage was around 52% of the price. These percentages, after excluding VAT, were used as a basis for computing the amount of the specific excises imposed monthly on the participating households. It was assumed, for the purposes of this computation, that all these products were produced in South Africa, and therefore no custom duty rates on</p>

these products were included in the computation.

Fuel taxes

Fuel taxes, for the purposes of the present research, refer to the general fuel levy (which includes the road accident fund levy), specific excises on fuel, and the illuminating paraffin dye levy.¹⁷² The fuel price in South Africa, on average, comprises around 30% of fuel taxes (National Treasury, 2011a:75). This percentage was used in the present research as a basis for computing the amount of fuel taxes imposed monthly on the participating households.

UIF – employer

Question 13 of the interview schedule was used to collect data on the monthly UIF contributions by the participating households as employers. These data on UIF contributions were collected for each individual taxpayer as a member of the household. However, the monthly UIF contributions by the households as employers of domestic workers in total were allocated to the head of the household as the person who incurred the monthly liability, because it was not possible in all instances to identify exactly which member of the household incurred this liability.

Compensation Fund contributions

Only the household from Case Study 2 contributed annually to the Compensation Fund. The annual liability of this household was divided by 12 months and the result was used as the monthly tax liability imposed on the household in Case Study 2.

Electricity taxes

Electricity taxes, for the purposes of the present research, consist of municipal surcharges, free basic electricity, and inclining block tariffs on electricity, the incandescent light bulb levy, network access charges, and the electricity environmental levy.¹⁷³ These electricity taxes imposed monthly on the participating households were computed using Eskom’s tariffs for local authorities (Eskom, 2011a:31), together with the City of Tshwane’s electricity tariffs (Tshwane, 2011a), as sources of reference.

Water taxes

Water taxes, for the purposes of the present research, consist of municipal surcharges, free basic water, and inclining block tariffs, Water Boards’ surcharges, and the water research levy.¹⁷⁴ These water taxes imposed monthly on the participating households were computed using the Rand Water Board’s bulk water tariffs (Rand Water, 2010b:),

¹⁷² See Table 32 in Section 3.15.2 and Table 72 in Section 5.6.2 as the points of reference for these taxes in the current study.

¹⁷³ See Table 72 (Section 5.6.2) as the point of reference for these taxes in the current study.

¹⁷⁴ See Table 72 (Section 5.6.2) as the point of reference for these taxes in the current study.

together with the City of Tshwane's water tariffs (Tshwane, 2011b), as sources of reference.

Drivers' licences

Drivers' licences must be renewed every five years, rendering the licence valid for a total period of sixty months. For the purposes of the present research, the licences were divided by sixty months to compute the monthly amount imposed on the participating households.

Business licences

None of the individual members of the households participating in the case studies owned such licences.

Public school fees

The monthly public school fees as they were recorded on the interview schedule were used as the underpinning value for these indirect taxes imposed monthly on the participating households.

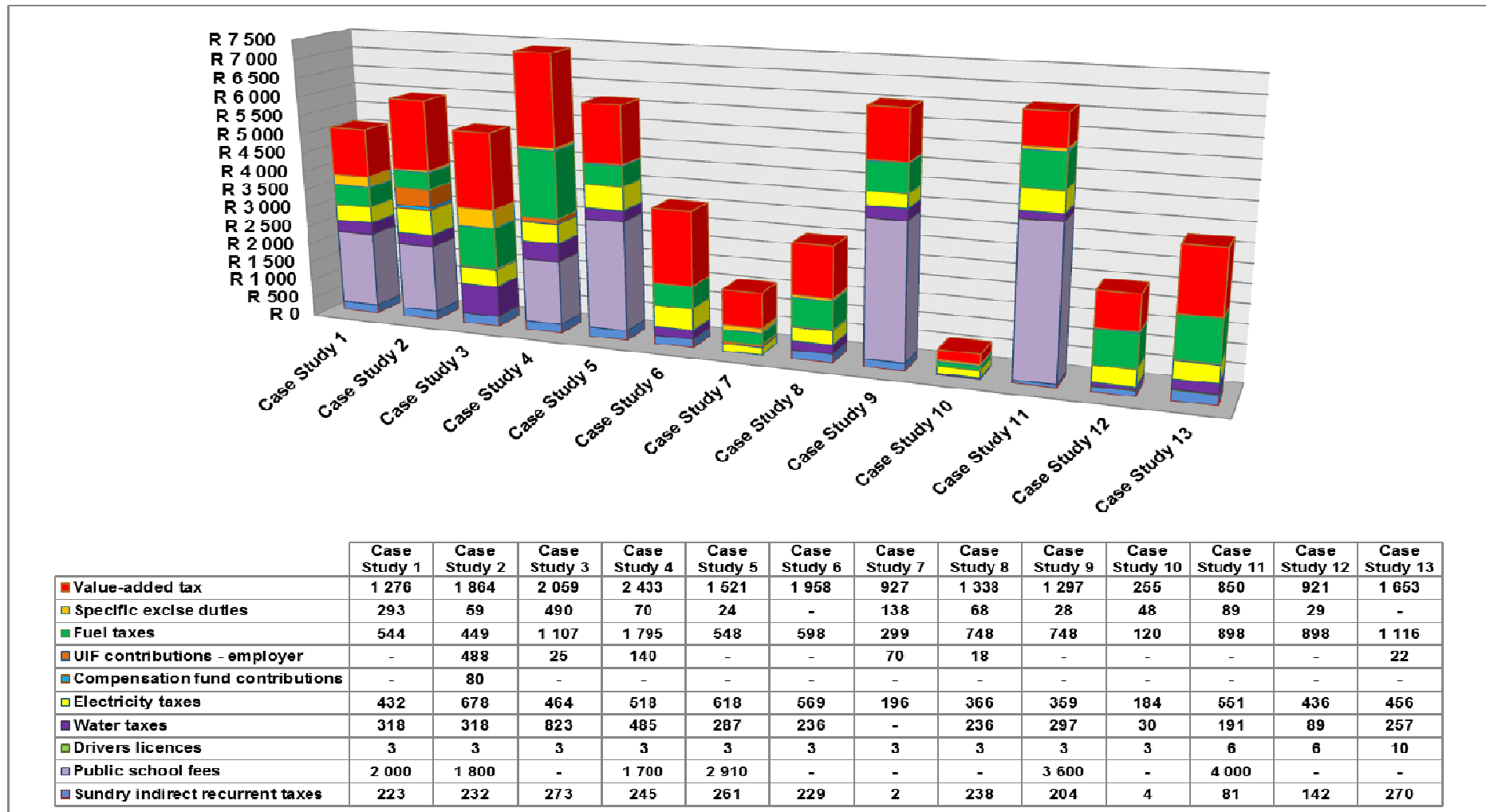
Other consumption taxes

The category of other consumption taxes consists of the plastic bag environmental levy, aviation and marine levies, and municipal charges relating to refuse removal and sanitation.¹⁷⁵ The value of the monthly household expenditure items in Table 90 (Annexure F) which relates to these specific taxes was used as the base value for these indirect taxes.

The results of computing the indirect taxes imposed monthly on the participating households are presented in Table 91 (see Annexure F) of the current study. The graph in Figure 8 below provides an overview and summary of the results from computing the indirect taxes imposed monthly on the participating households.

¹⁷⁵ See Table 72 (Section 5.6.2) as the point of reference for these taxes in the current study.

Figure 8: Indirect taxes imposed monthly on the participating households



Source: Table 90 (see Annexure F)

In the theoretical overview of the current study it was indicated that VAT is one of the main sources of income for the National Revenue Fund.¹⁷⁶ Therefore, VAT is considered an important tax that affects the tax burden of taxpayers in South Africa. The results in Figure 8 support this claim, as they indicate that VAT was the main contributing tax in most of the participating households¹⁷⁷ to the indirect tax burden imposed monthly on these households. Although in some cases, VAT and education fees were the main contributors, the other indirect taxes reflected in Figure 8 are also highly relevant in determining the total indirect taxes imposed monthly on these households.

7.4.4.3 Conclusion on Main Theme 4

The results from applying the theoretical constructs from the present study in a real-life context, particularly the construct of imposed indirect recurrent taxes, confirmed that this construct is a relevant theme for the evaluation of the tax burden of individual taxpayers in South Africa.

Conclusion 7.4

The construct of the imposed indirect recurrent taxes defined in the present study is concluded to be a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in this study.

7.5 DATA RELATING TO THE PERCEIVED TAX BURDEN

The perceived tax burden consists of the theoretical constructs of the fiscal illusion, the fairness of taxes, the complexity of taxes, and the taxpayer-government exchange.¹⁷⁸ To build onto these theoretical constructs, it was important in the current study to apply these theoretical constructs in a real-life

¹⁷⁶ See Section 3.4.1.

¹⁷⁷ Only in the households in Case Studies 1, 5, 9 and 11 were monthly education fees more than the monthly VAT; in Case Study 11 only the monthly fuel taxes were more than the VAT.

¹⁷⁸ See Chapter 4 of the current study.

context. Hence, data on the perceived tax burden were collected from the participating households relating to the beliefs, opinions, and estimations of members of households, using Questions 17 to 30 of the interview schedule.

7.5.1 Orientation of the process to capture and analyse the data

The data relating to the perceived tax burden were collected using the interview schedule, and were then captured in a software program, Survey Monkey, after the interviews with the participating households. This software allows for an analysis of qualitative data, and was therefore used in this study to analyse the concepts emerging from the data.

The data from the interview schedule were captured in the software program in the same format as they appeared on the interview schedule. Eight of the participants in the case studies responded in Afrikaans in the interviews, while the remaining five responded in English. Language was not deemed to be a limitation for analysing concepts emerging from the interview data, because the identification of concepts for the purposes of the present research does not depend on expressions and the meanings of words from a specific language. In addition, the researcher speaks both Afrikaans and English well, and was therefore in a position to identify emerging concepts as they related to the present research, irrespective of the language in which the participants responded during the interview.

7.5.2 Main Theme 5: Fiscal illusion

The purpose of this section is to analyse the data that relate to the fiscal illusion held by the participating households. The fiscal illusion can theoretically be measured in terms of the effective tax rate, as the rate is estimated by individual taxpayers.¹⁷⁹ In theory, the fiscal illusion stems from conceptual elements underpinning the fiscal illusion of taxpayers. In understanding the fiscal illusion

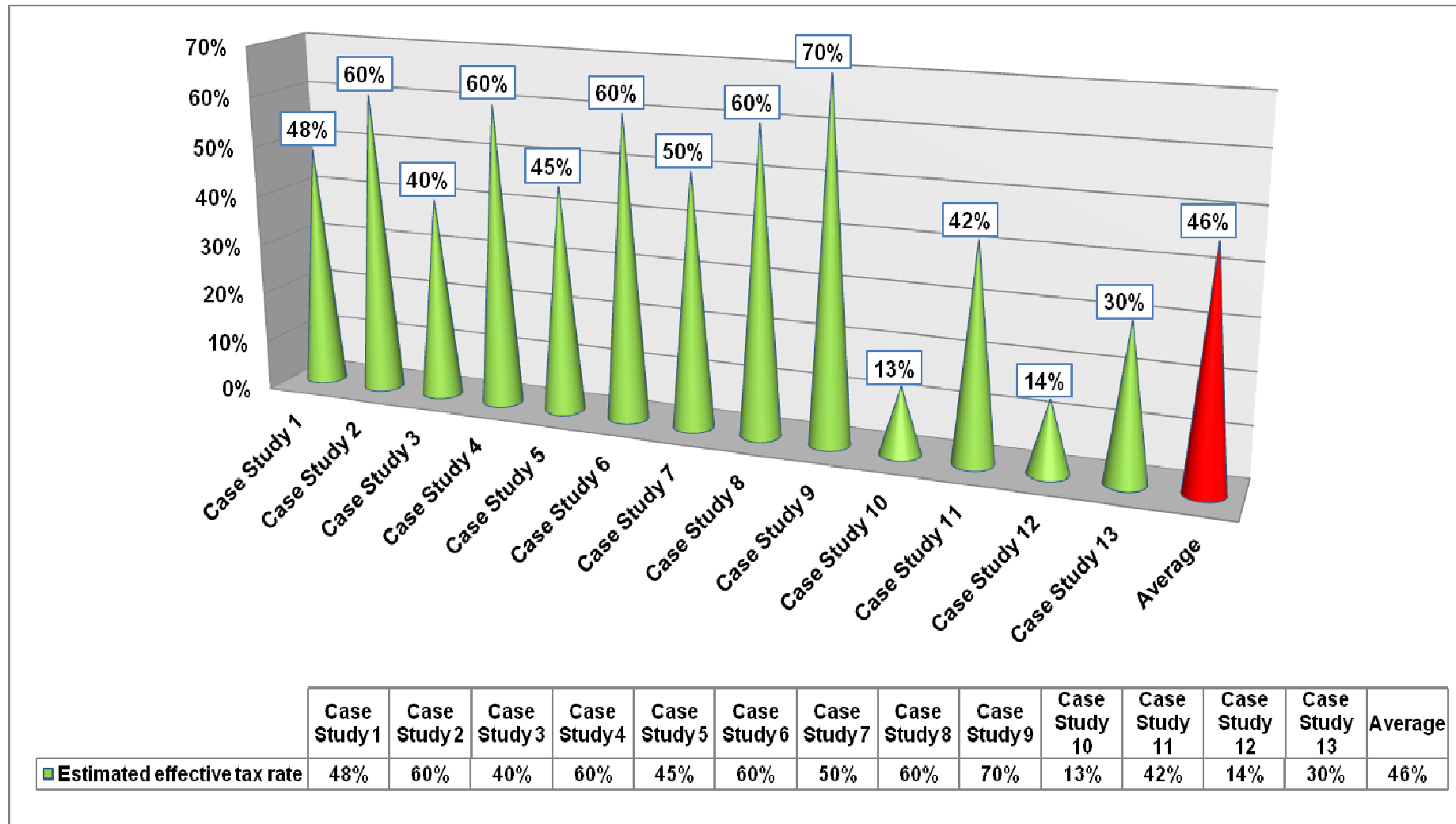
¹⁷⁹ The estimated effective tax rate is used to measure the fiscal illusion in the present research. See Section 5.5.3.

held by the participating households in relation to the tax burden of these households, it was necessary, first, to establish the estimated effective tax rate as perceived by the participating households. Second, the data from the case studies were analysed to determine the conceptual elements that contributed to the fiscal illusion held by the participating households.

7.5.2.1 Sub-theme 5.1: Estimated effective tax rates of the participating households

Question 18 of the interview schedule was used to collect data on the effective tax rate, as this rate is estimated by the participating households. The graph in Figure 9 provides an overview and a summary of the results from Question 18.

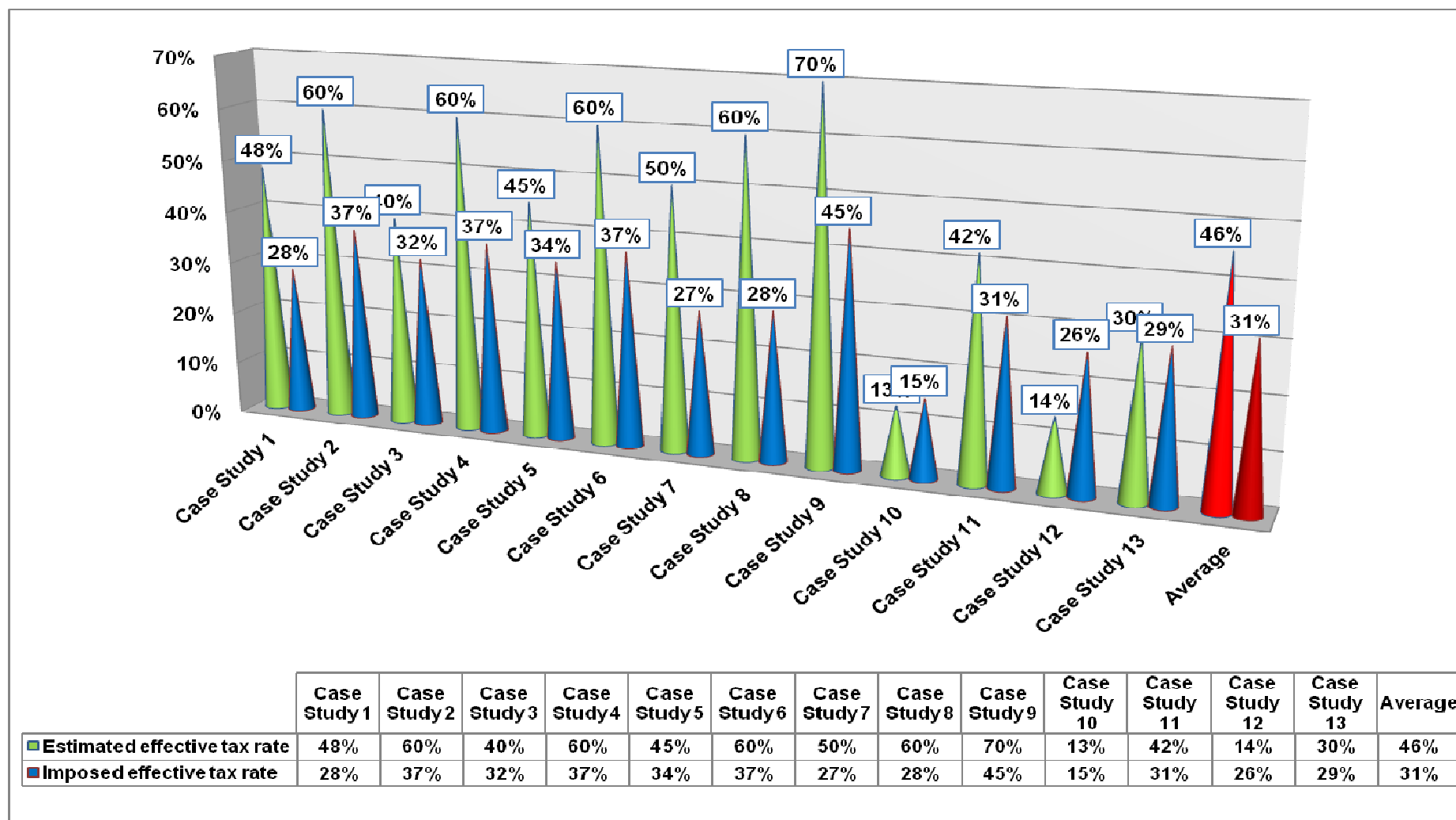
Figure 9: Estimated effective tax rate of the participating households



Source: Question 18 of the interview schedule (see Annexure B)

The summary in Figure 9 indicates that the estimated effective tax rates varied from a low of 13% to a high of 70%. The average estimated effective tax rate of the participating households was 46%. These differences between the estimations of the households suggest that the interpretation of the fiscal illusion varies between these households. Figure 10 provides a summarised comparison of the estimated and the imposed effective tax rates of the participating households.

Figure 10: Comparison of the estimated and imposed effective tax rates



Source: Figure 9 and Table 85 (see Section 7.6.1)

In order to gain some understanding of the conceptual elements underpinning the fiscal illusion in the participating households that contributed to the differences, not only between the different participating households, but also between the estimated and imposed effective tax rates, it was necessary to analyse the data from each case study, as discussed in Section 7.5.2.2.

7.5.2.2 Sub-theme 5.2: Conceptual elements contributing to the fiscal illusion of the participating households

The conceptual elements contributing to the fiscal illusion of the participating households were determined by analysing the data collected using Questions 17, 19, 21, 23, 26, 28, 29 and 30 in the interview schedule. Table 81 below provides a summary of the results from the analysis of the data elicited in response to these questions.

Table 81: Conceptual elements contributing to the fiscal illusion of the participating households

Case Study 1

The head of the household in Case Study 1 expressed the opinion (Question 17) that taxpayers in South Africa are effectively taxed more than once on the same income (DTX),¹⁸⁰ because taxpayers first pay income tax on the income, and then also pay VAT and other taxes from the remaining net income after income tax has been deducted. The number of taxes (NTX) emerged from the data (Question 19) as a conceptual element in the sense that the participant referred to a number of different taxes in South Africa as a reason for his estimation of the effective tax rate of the household.

Conclusion

The conceptual elements of double tax (DTX) and the number of taxes (NTX) in South Africa were the two main conceptual elements that emerged from the data and that can be said to contribute to the fiscal illusion of the household in Case Study 1.

¹⁸⁰ For an explanation of the identifiers(DTX, NTX, HID,TSH) used in the data analysis in Table 81, refer to Table 87 in Annexure E

Case Study 2

The number of taxes (NTX) was used by the head of the household in Case Study 2 to explain the estimated effective tax rate (Question 19). The participant stated that running the household's business was complicated by government in the sense that numerous taxes (NTX) are imposed by the government on the business (Question 23). The head of the household was also of the opinion that there are so many taxes (NTX) that one does not even know how many there are (HID) (Questions 23 and 26). The participant also indicated that, in his opinion, paying for the consumption of water and electricity affected the tax burden of the household (Question 29), in the sense that a large number of levies (NTX) that consumers are not even aware of (HID) are imposed on the use of electricity and water.

Conclusion

The data from Case Study 2 suggest that the number of taxes (NTX) and hidden taxes (HID) are the two main conceptual elements that contributed to the fiscal illusion of the household in the case study.

Case Study 3

The participants in Case Study 3 used the conceptual element of the number of taxes (NTX) as the basis for their estimation of the effective tax rate of the household (Question 19).

Conclusion

The fiscal illusion of the household in Case Study 3 can be said to stem from the conceptual element of the number of taxes (NTX) in South Africa.

Case Study 4

The estimated effective tax rate as perceived by the head of the household in Case Study 4 was explained by a reference to the number of taxes in South Africa (NTX), referring specifically to income tax and VAT, together with a general statement on 'a number of other taxes' (Question 19) which may indicate that the household is not aware of all the taxes in South Africa (HID).

Conclusion

The conceptual elements of the number of taxes (NTX) and hidden taxes (HID) emerged from the data, and therefore it can be said that these conceptual elements contributed to the fiscal illusion of the household.

Case Study 5

No conceptual elements emerged from the data in Case Study 5 that can be said to contribute to the fiscal illusion of this household.

Case Study 6

The head of the household in Case Study 6 indicated that the tax burden in South Africa is affected by the large number of taxes (NTX) imposed on taxpayers (Question 17). He supported his estimation of the effective tax rate by referring to various kinds of taxes (NTX) in South Africa (Question 19).

Conclusion

The number of taxes (NTX) in South Africa is the conceptual element that emerged from the data that can be said to contribute to the fiscal illusion of the household in Case Study 6.

Case Study 7

The head of the household in Case Study 7 supported his estimate of the effective tax rate of the household on the basis of the conceptual element of the number of taxes (NTX), referring to direct taxation, VAT, fuel levies and 'other taxes' (HID) (Question 19). The head of this household also expressed the opinion that paying for water and electricity affects the tax burden of the household (Question 29). He indicated that taxes are hidden (HID) as part of the tariffs paid for these consumables (Question 29).

Conclusion

From the data from Case Study 7, it is possible to conclude that the fiscal illusion of this household stemmed from the conceptual elements of the number of taxes (NTX) and hidden taxes (HID).

Case Study 8

The participants in Case Study 8 supported their estimation of the effective tax rate of their household by saying that taxes are levied on everything (HID), referring to salaries, pension, fuel, food, clothes, medicine and everything else (Question 19). They were also of the opinion that corporate entities in South Africa with high profit margins in a sense affect the tax burden of individual taxpayers. They explained this point by saying that these corporate entities are taxed on these high profits, and that these taxes are then passed onto (TSH) individuals in South Africa, mostly as part of the price of goods (Question 28).

Conclusion

The data from Case Study 8 suggest that the conceptual elements of hidden taxes (HID) and tax shifting (TSH) contributed to the fiscal illusion of the participants from this household.

Case Study 9

The head of the household in Case Study 9 listed a number of taxes (NTX) in support of his estimation of the effective tax rate of his household (Question 19). He also referred to the tax on corporate entities that is included in the prices (TSH) paid by individual taxpayers (Question 19). The participant expressed the opinion that currently a variety of new taxes are being implemented by the government (Question 28) and that these affect the tax burden (NTX). The head of the household also raised the question of what a tax is (Question 30), referring to how a person should know when something is a tax (HID).

Conclusion

From the data from Case Study 9, it is possible to conclude that the number of taxes (NTX), hidden taxes (HID) and tax shifting (TSH) are conceptual elements that contributed to the fiscal illusion of this household.

Case Study 10

The head of the household in Case Study 10 indicated that the tax burden in South Africa is affected by the large number of taxes (NTX) imposed on taxpayers (Question 19) and that taxpayers in South Africa are effectively taxed more than once on the same income (DTX)(Question 28).

Conclusion

From the data from Case Study 10, it is possible to conclude that the fiscal illusion of this household stemmed from the conceptual elements of the number of taxes (NTX) and the perception that tax is levied more than once on the same income of the household (DTX).

Case Study 11

No conceptual elements emerged from the data in Case Study 11 that can be said to contribute to the fiscal illusion of this household.

Case Study 12

The participants in Case Study 12 argued that the tax burden in South Africa is affected by the likelihood that taxpayers in South Africa are effectively taxed more than once on the same income (DTX) (Question 29).

Conclusion

From the data from Case Study 12, it is possible to conclude that the fiscal illusion of this household stemmed from the conceptual element that taxpayers in South Africa are taxed more than once on the same income (DTX).

Case Study 13

The head of the household in Case Study 13 listed the number of taxes (NTX) in South Africa in support of her estimation of the effective tax rate of her household (Question 17 and Question 26). In her opinion, taxpayers are effectively taxed more than once on the same income (DTX) (Question 17). This opinion on the double taxation of taxpayers in South Africa also emerged from her comment that 'there will be further indirect taxes that have to be paid on almost anything' (DTX) (Question 21 and Question 29), which may also indicate that the household was not aware of all the taxes in South Africa (HID).

Conclusion

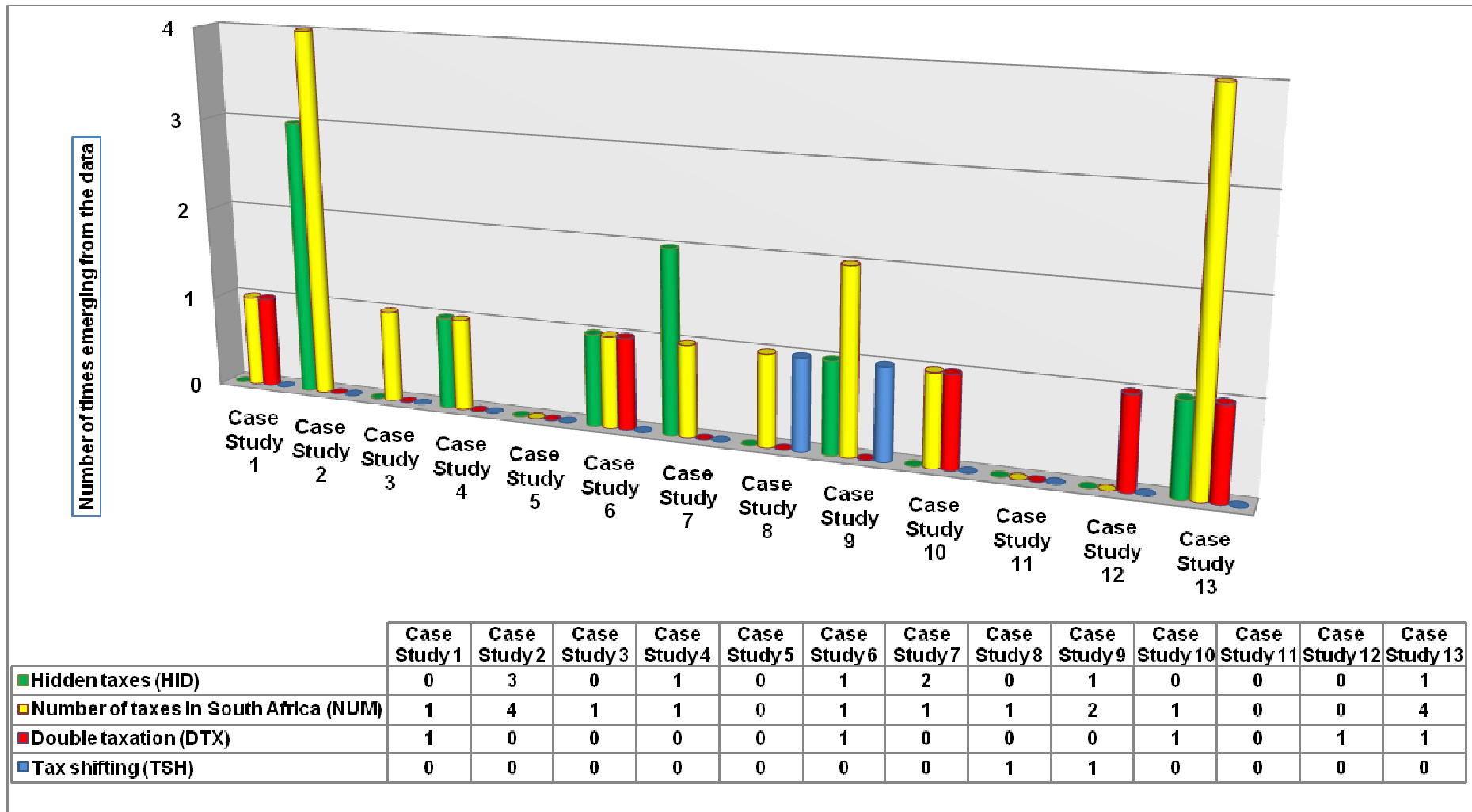
From the data from Case Study 13, it is possible to conclude that the fiscal illusion of this household stemmed from the conceptual elements of the number of taxes (NTX), double taxation (DTX) and hidden taxes (HID).

In summary, the number of taxes (NTX) is deemed to be the conceptual element that generally contributes most to the fiscal illusion of the taxpayers from the participating households. Hidden taxes (HID), an *a priori* conceptual element, emerged as the second most frequently mentioned element that respondents suspected to contribute to the fiscal illusion. In addition to the number of taxes (NTX), double taxation (DTX), and tax shifting (TSH) also emerged from the data as *a posteriori* conceptual elements that contributed to the fiscal illusion of the participating households. The number of times a particular conceptual element emerged from the data of each participating household was used as a basis for

formulating a graphic overview and summary of the real-life experience of the fiscal illusion by these households.

The graph in Figure 11 below provides an overview and summary of the number of times that each conceptual element contributing to the fiscal illusion emerged in the data for each of the participating households.

Figure 11: Conceptual elements contributing to the fiscal illusion of the participating households



Source: Table 81 of the current study

7.5.2.3 Conclusion on Main Theme 5

Table 81, together with the summary in Figure 11 and the comparison in Figure 10 of the estimated and the imposed effective tax rates, provides a clear indication that the construct of the fiscal illusion, as it is defined in the present study, is a real and important construct in the evaluation of the tax burden of individual taxpayers in South Africa as this tax burden is perceived by these taxpayers.

Conclusion 7.5

It is concluded that the construct of the fiscal illusion is a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in the present study.

7.5.3 Main Theme 6: Fairness of taxes

The purpose of this section is to analyse the data that relate to the fairness of taxes in South Africa as experienced by the individual taxpayers as members of the participating households. The perceived fairness of taxes can theoretically be measured in terms of the preferred effective tax rate.¹⁸¹ In theory, the perceived fairness of taxes stems from conceptual elements that underlie the perceptions of taxpayers. In order to understand the perceptions relating to the perceived fairness of taxes in South Africa held by the participating households, it was necessary, first of all, to establish the perceptions of the participating households on the fairness of their tax burden. Secondly, it was necessary to establish the preferred effective tax rate of the participating households, and finally, it was necessary to analyse the data from the case studies to determine the conceptual elements that contributed to these perceptions relating to the fairness of taxes in South Africa.

¹⁸¹ See Section 5.5.4.1.

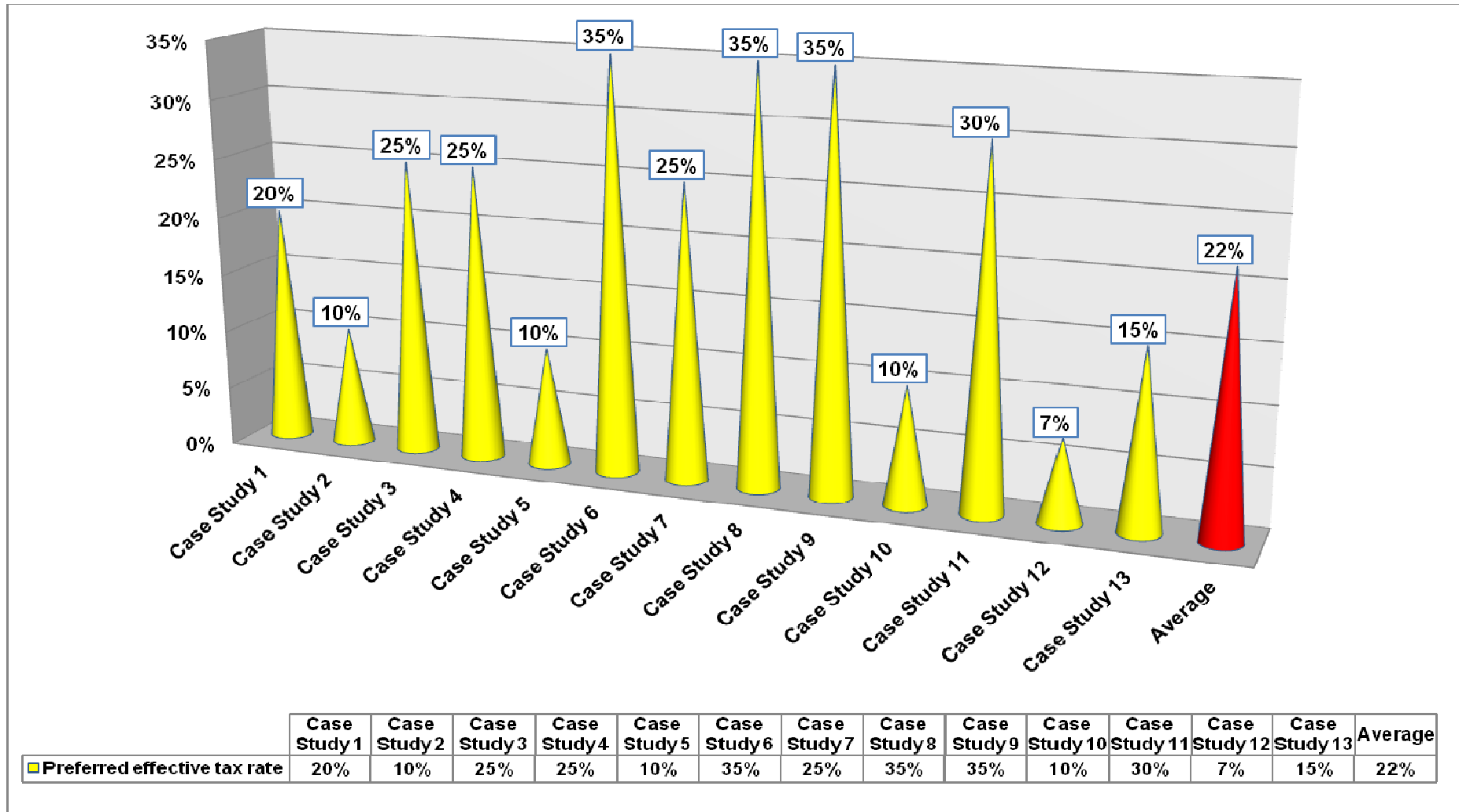
7.5.3.1 Sub-theme 6.1: Participating households' perceptions on the fairness of taxes in South Africa

Question 22 of the interview schedule was used to collect data on the perceived fairness of the tax burden (read taxes) on the participating households. All thirteen households which participated in the case study research expressed the opinion that the tax burden on their households was not fair.

7.5.3.2 Sub-theme 6.2: The preferred effective tax rate of participating households

Question 20 of the interview schedule was used to collect data on the preferred effective tax rate perceived to be realistic and reasonable by the participating households. Figure 12 below summarises the effective tax preferred by the participating households.

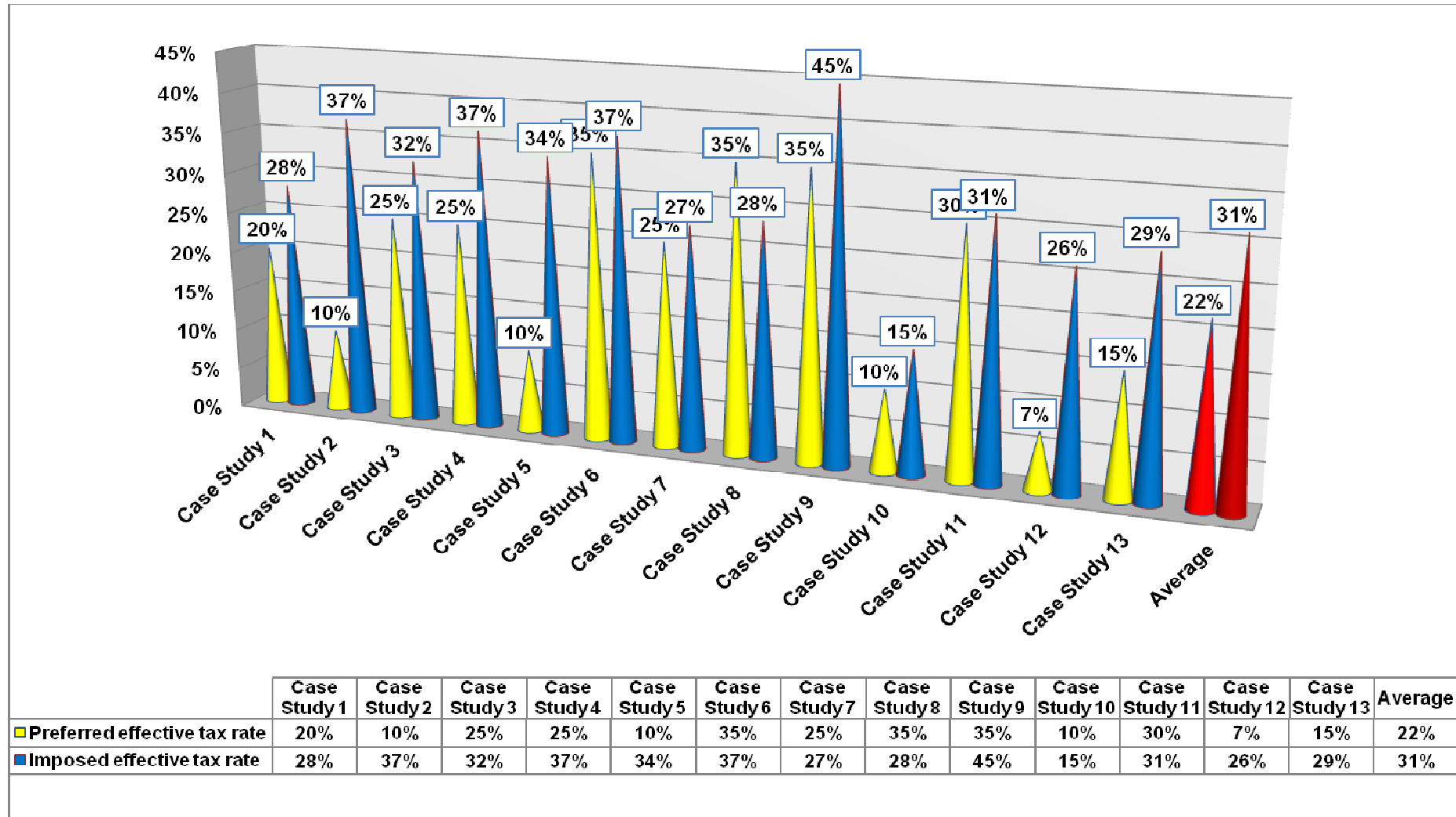
Figure 12: Preferred effective tax rates by the participating households



Source: Question 20 of the interview schedule (see Annexure B)

In summary, the preferred effective tax rate of the participating households varied between a low of 7% and a high of 35%. Overall, the average preferred effective rate of the participating households in the case studies was around 22%. Figure 13 below provides a summarised comparison of the preferred and the imposed effective tax rates of the participating households.

Figure 13: Comparison of the preferred and imposed effective tax rates



Source: Figure 12 and Table 85 (see Section 7.6.1)

These differences can be said to provide an indication that the conceptual elements contributing to the perceptions differed between the participating households. Hence, it was necessary to analyse the data of each of the participating households separately.

7.5.3.3 Sub-theme 6.3: Conceptual elements contributing to the participating households' perceptions of the fairness of taxes in South Africa

To determine the conceptual elements that contributed to the participating households' perceptions on the fairness of the taxes in South Africa, the data elicited in response to Questions 17, 19, 21, 23, 26, 28, 29 and 30 were analysed for emerging concepts. Table 82 below summarises the results from the analysis of the data relating to the perceived fairness of tax in South Africa by the participating households.

Table 82: Conceptual elements contributing to the participating households' perceptions on the fairness of taxes in South Africa

Case Study 1

The head of the household in Case Study 1 was of the opinion that the tax burden of the household was not fair (Question 22). He perceived the overall level of the tax burden (LEV)¹⁸² imposed on the household to be too high (Question 17). The estimated effective tax rate was justified by the participant (Question 21), who stated that the estimated tax rate in his opinion was on a par with the effective tax rate in other countries (HOR). The participant also referred to the small number of persons (NTP) who pay tax in South Africa, and who in his opinion have to support others who do not pay tax (Question 23).

Conclusion

The conceptual elements that emerged from the data in Case Study 1 that can be said to contribute the perceived unfairness of the household's tax burden are the level of the tax burden (LEV), horizontal fairness (HOR) and the number of taxpayers (NTP).

¹⁸² See Table 87, Annexure E, for a description of the identifiers (LEV, HOR, VER, NTP, MIX) used in Table 82.



Case Study 2

The head of the household in Case Study 2 was of the opinion that the level of the household's tax burden (LEV) was unacceptably high (Question 17). He based this opinion on the high cost of running a business, for instance, paying salaries. He indicated that after paying the business expenses, taxes also needed to be paid and that these taxes are so high (LEV) that they effectively leave the household with nothing to live from (Question 17). He also indicated that he considered the tax burden of the household unfair in the sense that only a small percentage of South Africans (NTP) contribute to the taxes of the country (Question 21).

Conclusion

From the data from Case Study 2, it is possible to conclude that the perception of an unfair tax burden on the household stems from the conceptual elements of the level of the household's tax burden (LEV) and the limited number of taxpayers (NTP).

Case Study 3

The participants in Case Study 3 were of the opinion that the tax burden of their household was too high (LEV) (Question 17). They were also of the opinion that the tax burden was unfair, as they interpreted the total income tax paid by the household as more than the gross income of some other households in South Africa (Question 17), an indication that the tax burden of their household was too high. The participants also raised the issue that the tax burden in South Africa is carried more and more by a small number of the citizens (NTP) (Question 23).

Conclusion

The data from Case Study 3 indicate that the level of the tax burden (LEV) and the number of taxpayers (NTP) are the two conceptual elements that emerged from the data and that can be interpreted as contributing to this household's perception of the fairness of taxes in South Africa.

Case Study 4

The head of the household in Case Study 4 indicated that the household pays far too much tax (LEV) (Question 17). He was of the opinion that the level of the high tax burden (LEV) in South Africa can be reduced by reducing income tax and increasing VAT (MIX) (Question 21). The participant also expressed the opinion that, although the cost of living had increased more than the increase of the household's income, taxes are not adjusted in the same ratio, which in turn effectively increases the level (LEV) of

the tax burden (Question 23). Another issue raised by the participant in Case Study 4 is the perception that white people in South Africa pay more and more taxes, but in return do not get the same benefits (VER) that some other citizens in South Africa receive (Question 28).

Conclusion

The level of the tax burden (LEV), the mix of direct and indirect taxes (MIX), and the vertical fairness of the tax burden (VER) emerged from the data from Case Study 4 as conceptual elements that contribute to this household's perception of the unfairness of taxes in South Africa.

Case Study 5

The tax burden of this household was perceived by the head of the household as unfair (Question 17), because she believed that her income in total was used to pay the income tax imposed on the household (LEV) (Questions 17 and 23), which renders the tax burden unfair. This element was also expressed by the participant in another question (Question 19) when she argued that a quarter of the household's income was used for paying income tax (LEV). The participant expressed the opinion that it would be a much fairer situation for all citizens (HOR, VER) if income tax was reduced, and VAT was increased (MIX) (Question 21). The head of the household also expressed the opinion that the tax burden is unfair because some of the citizens in South Africa have to pay for services, while others do not pay tax or pay for these services (VER) (Question 29).

Conclusion

From the data from Case Study 5 it is possible to state that the level of the tax burden (LEV), the mix of direct and indirect taxes, and the horizontal (HOR) and vertical (VER) fairness of taxes contribute conceptual elements to the perceptions of this household relating to the fairness of taxes in South Africa.

Case Study 6

The head of the household in Case Study 6 perceived the small number of taxpayers in South Africa (NTP) as contributing to the unfair tax burden imposed on the household (Question 17). He expressed the opinion that reducing taxes in South Africa would stimulate economic growth, which in turn would increase the number of taxpayers (NTP) through employment (Question 21). The participant also stated that the current tax system is not fair towards the taxpaying citizens (HOR, VER), as it does not

promote an increase in the number of taxpayers (Question 21). In his opinion the portion of income going towards taxes in South Africa is too high (LEV) (Question 23). The participant also mentioned the number of taxpayers (NTP) relating to the affordability of social grants in South Africa. These grants must be funded by a small minority of taxpayers (Question 30).

Conclusion

The conceptual elements that emerged from the data gathered in Case Study 6 as contributing to the household's perceptions relating to the fairness of taxes in South Africa are the number of taxpayers (NTP), the level of the tax burden (LEV), and the horizontal (HOR) and vertical fairness (VER).

Case Study 7

The participant in Case Study 7 was of the opinion that the tax burden of his household was unfair (Question 22). He indicated that the level of the tax burden (LEV) is too high, considering the benefits the government provides (Question 21).

Conclusion

The level of the tax burden (LEV) is the only conceptual element that emerged from the data of Case Study 7 as contributing to the participant's perception that the taxes in South Africa are unfair towards his household.

Case Study 8

The participants of the household in Case Study 8 were of the opinion that the level of the tax burden (LEV) in South Africa is generally too high (Question 17) and they therefore deemed the tax burden of their household to be unfair (Question 22). They referred to the small number of persons (NTP) in South Africa that are burdened with paying taxes, while a large number of the other persons in the country benefit from this taxes, in the form of allowances (VER). The participants also expressed the opinion that it is unfair that their household's tax burden is increased (LEV) by the government, which spends taxpayers' money on maintaining non-South African citizens (Question 21). In their opinion, it is also unfair that the tax burden of their household is affected by paying taxes, while other households in the country receive government grants that effectively encourage the members of these other households not to work and pay tax (VER) (Question 23).

Conclusion

From the data elicited in Case Study 8, it is possible to conclude that the level of the tax burden (LEV) and the vertical fairness (VER) are conceptual elements contributing to this household's perception of the unfairness of the tax burden of the household.

Case Study 9

In the opinion of the head of the household in Case Study 9, the tax burden of the household is unfair (Question 22). He stated that if the tax burden in South Africa is compared to the tax burden in other countries (HOR), the level of the tax burden (LEV) is unacceptably high (Questions 17 and 21). He also expressed the opinion that the relatively small number of taxpayers (NTP) in South Africa is an unhealthy situation, nevertheless, a situation that is typical of Africa (Question 23).

Conclusion

The conceptual elements of the level of the tax burden (LEV), the number of taxpayers (NTP), and the horizontal fairness (HOR) emerged from the data in Case Study 9 as elements contributing to the perception in this household that the tax burden on the household is not fair.

Case Study 10

The participant in Case Study 10 was of the opinion that the tax burden on her household was unfair (Question 22). She indicated that the level of the tax burden (LEV) was too high, considering the limited number of benefits the government provides (Question 28).

Conclusion

The level of the tax burden (LEV) is the only conceptual element that emerged from the data from Case Study 10 as contributing to the participant's perception that the taxes in South Africa are unfair towards her household.

Case Study 11

The participants from the household in Case Study 11 were of the opinion that the level of the tax burden (LEV) in South Africa is generally too high (Question 17) and also referred to income tax and VAT (MIX) as the main contributing elements (Question 19). They therefore deemed the tax burden of their household unfair (Question 22).

Conclusion

The conceptual elements of the level of the tax burden (LEV) and the mix of direct and indirect taxes (MIX), emerged from the data in Case Study 11 as elements contributing to the perception in this household that the tax burden on the household was not fair.

Case Study 12

The participants in Case Study 12 were of the opinion that the tax burden on their household was unfair (Question 22) and stated that the current tax system was not fair towards the taxpaying citizens (HOR, VER), referring to the service delivery of government in return for the payment of taxes (Question 17).

Conclusion

The conceptual elements that emerged from the data gathered in Case Study 12 as contributing to the household's perceptions relating to the fairness of taxes in South Africa are the horizontal (HOR) and vertical fairness (VER) of the tax burden.

Case Study 13

The participant of the household in Case Study 13 was strongly of the opinion that the level of the tax burden (LEV) in South Africa is generally too high, which was an element that emerged from a number of questions (Question 17, Question 19, Question 28 and Question 30).

Conclusion

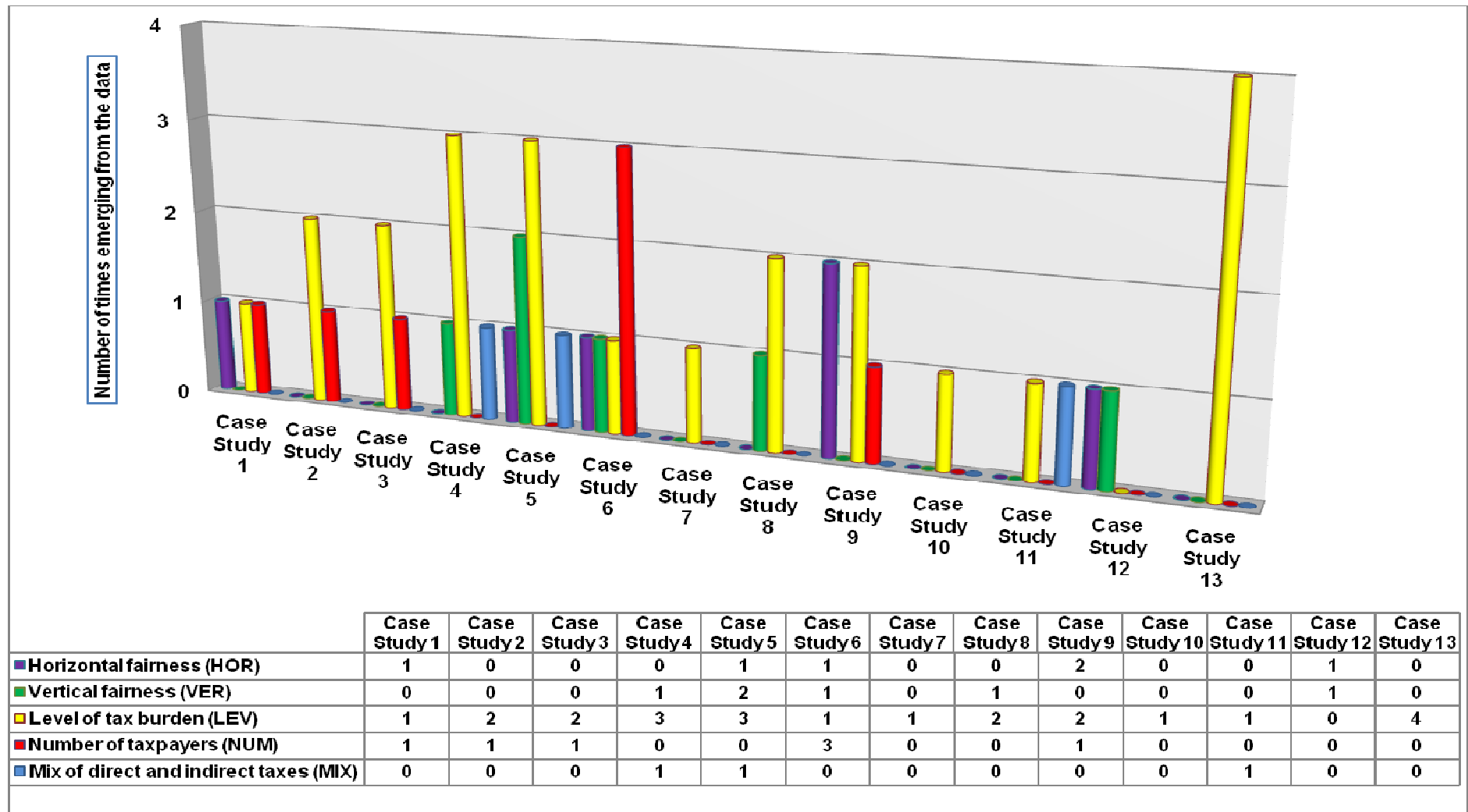
The level of the tax burden (LEV) is the only conceptual element that emerged from the data of Case Study 13 as contributing to the participant's perception that the taxes in South Africa are unfair towards her household.

In summary, from the analysis of the case study data in Table 82, the level of the tax burden (LEV), the number of taxpayers (NTP), the mix between direct and indirect taxes (MIX), and the horizontal (HOR) and vertical (VER) fairness of taxes all emerged as conceptual elements that contributed to the perceptions of the participating households relating to the fairness of taxes in South Africa. The number of times a specific conceptual element emerged from the data of each participating household was used as a basis for formulating a graphic overview

and summary of the real-life interpretation of the fairness of taxes in South Africa as experienced by these households.

The graph in Figure 14 provides an overview and summary of the number of times that each contributing conceptual element relating to the participating households' perceived fairness of taxes in South Africa emerged in the data for each of the participating households.

Figure 14: Conceptual elements contributing to the participating households' perceived fairness of taxes in South Africa



Source: Table 82 of the current study

7.5.3.4 Conclusion on Main Theme 6

Table 82, together with the summary in Figure 14, and the comparison of the preferred and imposed effective tax rates in Figure 13, provides a clear indication that the perceptions relating to the fairness of taxes in South Africa is a relevant and important construct that must be considered when the tax burden of individual taxpayers in South Africa is evaluated, especially from the taxpayers' point of view.

Conclusion 7.6

It is concluded from the results of the case study research that the construct of the fairness of taxes as defined in the present study is a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in this study.

7.5.4 Main Theme 7: Perceived taxes

The concept of perceived taxes is used in the current study as a theoretical method to measure the effects that the complexity of taxes and the taxpayer-government exchange have on the tax burden as perceived by individual taxpayers in South Africa.¹⁸³ The purpose of this section is to analyse the data on these topics elicited from the participants.

7.5.4.1 Sub-theme 7.1: Complexity of taxes in South Africa as perceived by the participating households

Questions 24, 25 and 26 of the interview schedule were used to collect data on the participating households' perceptions on the complexity of taxes in South Africa. Question 24 was used specifically to determine whether the household perceived taxes in South Africa to be complex or not. Question 25 was used to

¹⁸³ See Section 5.5.4.2 and Section 5.5.4.3.

establish the opinion of the participating households on the perceived effect that the complexity of taxes had on the tax burden of the household. Question 26 was then used to collect data on the underlying conceptual elements contributing to the perceptions of these households on the complexity of taxes in South Africa. The results from Questions 24, 25 and 26 are summarised in Table 83, below.

Table 83: Complexity of taxes in South Africa as perceived by the participating households

Case Study 1

The head of the household in Case Study 1 was of the opinion that taxes in South Africa are complex (Question 24), and that these complex taxes affect the tax burden of the household (Question 25). He interpreted expenses incurred by the household which originate from the perceived complexity of taxes as unnecessary expenses that increase the tax burden (PTX)¹⁸⁴ (Question 26).

Conclusion

From the data in Case Study 1, it is possible to conclude that the perceived complexity of taxes in South Africa is deemed to affect this household's tax burden, in the sense that expenses originating from the perceived complexity of taxes are interpreted as an additional tax (PTX) that increases the tax burden of the household.

Case Study 2

The head of the household in Case Study 2 was of the opinion that the taxes in South Africa are complex (Question 24), and that the perceived complexity of taxes affects the tax burden of the household (Question 25). His reason for his opinion is that the complexity of taxes necessitates the use of a tax specialist (Question 26). He argued that it must be a type of tax, as it should not be necessary to incur this expense¹⁸⁵ (PTX).

Conclusion

It emerged from the data collected in Case Study 2 that the participant deemed expenses relating to the complexity of taxes an additional tax (PTX) that increases the tax burden of the household.

¹⁸⁴ See Table 87, Annexure E, for a description of the identifiers (PTX) used in Table 83.

¹⁸⁵ His comment in Afrikaans was the following: 'Dit moet 'n tipe van belasting wees aangesien ons nie nodig moet hê om dit aan te gaan nie.'

Case Study 3

The participants in the household in Case Study 3 were of the opinion that taxes in South Africa are complex (Question 24). The participants also indicated that in their opinion the complexity of taxes in South Africa does affect the tax burden of their household (Question 25). They explained that the complexity of taxes in South Africa forced the household to use the services of a tax expert (Question 26), and from their point of view, this is an unnecessary expense originating from complex taxes in South Africa. Hence, they deem these expenses to be an additional tax (PTX) (Question 26).

Conclusion

From the data in Case Study 3, it is possible to conclude that this household perceives expenses that originate from the complexity of taxes in South Africa to be an additional tax (PTX) that affects the tax burden of the household.

Case Study 4

The participant in Case Study 4 did not express an opinion on the complexity of taxes in South Africa, as he was not certain whether the taxes in South Africa are complex or not (Question 24). Therefore he also did not express an opinion on the effect of complex taxes on the tax burden of his household (Question 25).

Case Study 5

The head of the household in Case Study 5 perceived the taxes in South Africa as complex (Question 24), and was of the opinion that it affected the tax burden of the household (Question 25). The participant expressed the opinion that the complexity of taxes makes it difficult for the household to comply with taxation. The household is therefore forced to make use of the services of a tax practitioner (Question 26), and in her opinion it is unfair that taxpayers need to incur this type of expense. She argued that this type of expense relating to the complexity of taxes is nothing short of a hidden tax (PTX) (Question 26).

Conclusion

The data from the household in Case Study 5 indicate that the household interpreted expenditure originating from the perceived complexity of taxes as an additional tax (PTX) that affects the tax burden of the household.

Case Study 6

The head of the household in Case Study 6 was of the opinion that taxes in South Africa are complex (Question 24), but was not sure if it affected the household's tax burden or not (Question 25).

Case Study 7

The participant in Case Study 7 expressed the opinion that taxes in South Africa are complex (Question 24), and also that in his opinion the complexity of taxes does affect the tax burden of his household (Question 25). He explained that the complexity of taxes prevents him from recognising tax breaks that can reduce his tax burden, and also that the complexity of taxes forces him to employ the services of a tax expert whose fees in essence he saw as a tax (PTX) imposed on his household (Question 26).

Conclusion

The data from Case Study 7 suggest that the participant perceived expenditure originating from the complexity of taxes to be an additional tax (PTX) that affects the tax burden of his household.

Case Study 8

The participant in Case Study 8 did not think that taxes in South Africa are complex (Question 24).

Case Study 9

The participant in Case Study 9 expressed the opinion that taxes in South Africa are not complex (Question 24).

Case Study 10

The participant in Case Study 10 was of the opinion that the taxes in South Africa are complex (Question 24), but that the perceived complexity of taxes does not affect the tax burden of her household (Question 25).

Case Study 11

The participants in Case Study 11 perceived the taxes in South Africa as complex (Question 24), and was of the opinion that it affected the tax burden of their household (Question 25). However, the participants did not provide an indication as to how the complexity of taxes affects the tax burden of their household.

Case Study 12

The participants in Case Study 12 did not express an opinion on the complexity of taxes in South Africa, as they were not certain whether the taxes in South Africa are complex or not (Question 24). However, they did indicate that in their opinion the complexity of taxes should not affect the tax burden of their household (Question 25).

Case Study 13

The participant in Case Study 13 perceived the taxes in South Africa as complex (Question 24), and was of the opinion that it affected the tax burden of the household (Question 25). However, the participant did not provide an indication as to how the complexity of taxes affects the tax burden of the household.

In summary, the majority of the participating households indicated that the taxes in South Africa are complex, and they were also of the opinion that the complexity of taxes affects the tax burdens of their households. (Case Studies 1, 2, 3, 5 and 7 all indicated that they saw expenses incurred by their households relating to the complexity of taxes as an additional tax imposed on their households.)

Conclusion 7.7

The concept that expenditure originating from complex taxes is perceived as a tax by individual taxpayers is a valid theme to the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in this study.

7.5.4.2 Sub-theme 7.2: The taxpayer-government exchange in South Africa as perceived by the participating households

Questions 27, 28 and 29 of the interview schedule were used to collect data on the participating households' interpretations of the effect that the taxpayer-government exchange had on the tax burden of their households. Table 84 provides a summarised analysis of the data relating to these questions.

Table 84: Taxpayer-government exchange in South Africa as perceived by the participating households

Case Study 1

The head of the household in Case Study 1 indicated that in his opinion ineffective or inadequate service delivery by government increases the tax burden on the household (Question 27). His reason for this opinion was that public healthcare services, education services and security services in South Africa are so inadequate (IES)¹⁸⁶ that his household is forced to incur expenses for similar private services (Question 28). In his opinion, this is not a normal situation in countries where taxes are used properly by governments for providing services, and this was also not the situation in South Africa prior to 1994, and therefore he sees these types of expense as a tax (Question 28). The participant argued that paying for the consumption of water and electricity in South Africa affected the tax burden of the household (Question 29) because the ineffectiveness (IES) of Eskom (a public entity) causes the price of electricity in South Africa to increase unnecessarily, and therefore the increased tariffs are in effect a tax imposed (PTX) on taxpayers in South Africa (Question 29).

The head of this household also expressed the opinion that his household did not get value for the taxes that the household paid, as government renders ineffective services (IES) (Question 17). He also said that that his household only received around 10% of the taxes that the household paid back from government in terms of services (IES) (Question 21). The participant indicated that he thought his household's taxes were used to fund corruption in government and not to deliver services (IES) (Question 23). He was of the opinion that, due to the poor maintenance and ineffective services by municipalities (IES), the municipal account of the household just kept rising (Question 23). He also used the administrative services of SARS as an example of ineffective services (IES) which in effect force a household to use the services of tax experts (Question 26). The fees of the tax expert were, in his opinion, a tax (PTX) (Question 26).

Conclusion

From the data in Case Study 1, it is possible to conclude that this household deemed unnecessary expenditure which originates from the perceived ineffective services (IES) by the government to be an additional tax (PTX) imposed on the household.

¹⁸⁶ See Table 87, Annexure E, for a description of the identifiers (IES, PTX) used in Table 84.

Case Study 2

The perceived ineffective service delivery by the South African government was deemed by the head of the household in Case Study 2 to affect the tax burden of the household (Question 27). He was of the opinion (Question 26) that ineffective services by government (IES) caused his household to incur private expenses for services that government should have provided, and that this in essence is a tax (PTX). The participant was also of the opinion that ineffective services (Question 28), referring, for instance, to road maintenance, policing, and healthcare, effectively burden households with private expenditure for these services, which is therefore a tax (PTX).

Conclusion

From the data in Case Study 2, it emerged that this household interpreted expenses originating from the perceived ineffective service delivery by government in South Africa (IES) in essence to be a tax that affected the tax burden of the household.

Case Study 3

The participants in the household in Case Study 3 expressed the opinion that ineffective service delivery by government affected the tax burden of the household (Question 27). Their reason for saying so was that if the government does not provide adequate services (IES), the effect is that households need to incur additional expenses to obtain these services (Question 28). The expenses a household needs to incur for such services are viewed by them in essence to be a double tax (PTX) imposed on the taxpayer in South Africa (Question 28). They explained the double tax concept as having to pay tax for something that they did not get, and then having to incur additional expenses to obtain these services (Question 28).

Conclusion

From the data in Case Study 3, it is possible to conclude that this household interpreted private expenditure that originates from ineffective services delivered by government (IES) in South Africa as a tax (PTX) that affects the household's tax burden.

Case Study 4

Ineffective service delivery by government was perceived by the head of the household in Case Study 4 to affect the tax burden of his household (Question 27). In his opinion, taxpayers are forced to incur private expenditure to make up for the government's inability to provide effective services (IES), for instance, medical and security expenses,

which he saw as a tax (PTX) (Question 28). The participant from this household also expressed the opinion that paying for water and electricity in South Africa affected the tax burden of the household (Question 29), in the sense that the increased Eskom tariffs are, from his point of view, nothing short of a tax (PTX).

Conclusion

The data support the conclusion that the household in Case Study 4 deem ineffective services from government (IES) to increase the tax burden of the household, as the household interpreted expenditure originating from these ineffective services as an additional (PTX) tax imposed on the household.

Case Study 5

The head of the household in Case Study 5 was of the opinion that ineffective service delivery by the South African government affected the tax burden of the household (Question 27), because she thought that the household had to pay government for services that it never received (IES) and then the household also had to pay privately for these services (PTX) (Question 28). She argued that the healthcare services provided by the government in South Africa are so ineffective (IES) that the household's domestic worker refused to go to a provincial hospital (Question 28).

Conclusion

From the data elicited in Case Study 5, it emerged that the household interpreted expenditure originating from the perceived inadequate services by government (IES) as an additional tax (PTX) that affected the tax burden of the household.

Case Study 6

In the opinion of the head of the household in Case Study 6, ineffective service delivery by the government affected the tax burden of the household (Question 27). Security costs, private medical and other similar expenses relating to ineffective government services (IES) are taxes (PTX), in his opinion (Question 17). The indiscriminate utilisation of taxes by government (IES) was deemed by the participants not to be beneficial to the citizens (Question 23, 28 and 30), and they argued that numerous examples exist of expenditure that should not have been paid from tax revenue (IES) (Question 30).



Conclusion

The data from Case Study 6 indicate that this household held the view that expenditure that originates from ineffective services by government (IES) is in essence an additional tax (PTX) that affects the tax burden of a household.

Case Study 7

The participant in Case Study 7 was of the opinion that ineffective services by government affected the tax burden of his household (Question 27). The participant's perception of the (in)effective service delivery by government (IES) in South Africa can best be illustrated by quoting his response: 'The government is robbing us. We pay tax, but we do not get anything from the government in return. No proper medical [care] that one can make use of, potholes causing damage to our vehicles, the list is endless' (Question 17). The participant also stated that he did not rely on the services provided by government (IES) (Questions 21 and 23). The participant was of the opinion that, in effect, taxpayers in South Africa are being taxed doubly (PTX) (Question 28). The participant explained this double tax as one payment (read tax) going for the maintenance of inefficient government services (IES), and the other payment (read tax) going to the effective private enterprises that provide the same services in a more efficient manner.

Conclusion

From the data elicited in Case Study 7, it emerged that the participant in this household interpreted expenditure originating from the perceived ineffective services by government (IES) as an additional tax (PTX) that affects the tax burden.

Case Study 8

The participants of the household in Case Study 8 stated that ineffective services by government affected the tax burden of the household (Question 27). These participants were of the opinion that the tax burden is already high (Question 17), but that the government does not use the tax money to provide for effective services (IES). The effect of this is deemed by the participants to increase the tax burden (PTX), as the household is forced to incur private expenses towards services such as medical, pension, education and transport services (Question 17). The participants referred to a number of ineffective services provided by government in South Africa (IES), for instance, the ineffectiveness of Eskom, unproductive salaries in State departments, poor road maintenance, and poor healthcare services (Question 28). In their opinion,

these ineffective services create the effect of a double tax (PTX) for taxpayers in South Africa (Question 28). The participants were also of the opinion that paying for water and electricity affected the tax burden of their household (Question 29), as they saw the tariffs charged for electricity by Eskom as a tax (PTX) (Question 29).

Conclusion

The data on the household in Case Study 8 support the conclusion that the participants of this household interpreted expenditure that originates from the perceived ineffective services by the South African government (IES) as an additional tax (PTX) that affects households' tax burdens.

Case Study 9

In the opinion of the head of the household in Case Study 9, the tax burden of the household was affected by the ineffectiveness of the services provided by government (Question 27). He argued that ineffective services from government (IES), resulting from corruption, budget deficits or other elements, give rise to new taxes (PTX) imposed by the government on consumers in South Africa (Question 28).

Conclusion

From the data in Case Study 9, it emerged that the perceived ineffective services by the South African government are seen as creating new taxes (PTX) that affect households' tax burdens.

Case Study 10

The participant in Case Study 10 was of the opinion that ineffective service delivery by the South African government affected the tax burden of the household (Question 27), because in her opinion it is inherently a tax (PTX) if the household has to pay the government for services that are ineffective (IES) and then the household also has to pay privately for these services (Question 17 and Question 28). She explained that the healthcare services provided by the government in South Africa are ineffective (IES) and therefore this forces her to pay for private medical care (PTX) (Question 28). She also stated that the ineffective social grant (old age pension) from government (IES), in essence, is the reason she must make provision for her own pension in the future (Question 28).

Conclusion

From the data elicited in Case Study 10, it emerged that the participant in this household interpreted expenditure originating from the perceived ineffective services by government (IES) as an additional tax (PTX) that affects the tax burden.

Case Study 11

The participants of the household in Case Study 11 stated that ineffective services by government affected the tax burden of the household (Question 27). These participants were of the opinion that 'wasteful expenditure' by government (IES) increases the tax burden by placing an additional burden on the taxpayer to fork out 'more money' (PTX) (Question 28). They also indicated that the 'prolonged nature' of submitting income tax returns and receiving payments from SARS leads government services to be perceived as ineffective (IES) (Question 30).

Conclusion

The data on the household in Case Study 11 supported the conclusion that the participants of this household interpreted expenditure that originates from the perceived ineffective services by the South African government (IES) as an additional tax (PTX) that affects households' tax burdens.

Case Study 12

The participants in Case Study 12 were of the opinion that ineffective services by government affected the tax burden of the household (Question 27). The participants' perception of the (in)effective service delivery by government (IES) can be illustrated by quoting their response: 'We pay taxes to the government or municipality, but the basic services are sometimes not provided' (Question 17). The participants argued that if a taxpayer has to incur any expenses to obtain these services from private companies, the tax burden of the household in effect increases (PTX) (Question 29). The participants used the perceived inadequate police services in South Africa (IES) as an example of poor service delivery resulting in taxpayers' incurring additional expenses in the form of security services from private companies (PTX) (Question 28).

Conclusion

The data from Case Study 12 indicate that this household held the view that expenditure that originates from ineffective services by government (IES) is in essence an additional tax (PTX) that affects the tax burden of a household.

Case Study 13

In the opinion of the participant in Case Study 13, the tax burden of the household was affected by the ineffectiveness of the services provided by government (Question 27). She argued that ineffective services from government (IES) give rise to additional taxes (PTX) in the form of expenditure on privately provided services (Question 28).

Conclusion

From the data in Case Study 13, it is possible to conclude that this household interpreted private expenditure that originates from ineffective services delivered by government (IES) as a tax (PTX) that affects the household's tax burden.

In summary, all the participating households expressed the view that ineffective services from the South African government affect the tax burden of households. The participating households all, in one way or another, explained that ineffective government services force these households to provide for these services themselves by paying private service providers. They interpreted this necessity as an additional tax that burdens households in South Africa.

Conclusion 7.8

The argument that expenditure originating from the perceived ineffective government services is perceived as an additional tax by taxpayers is found to be a valid theme to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in the present study.

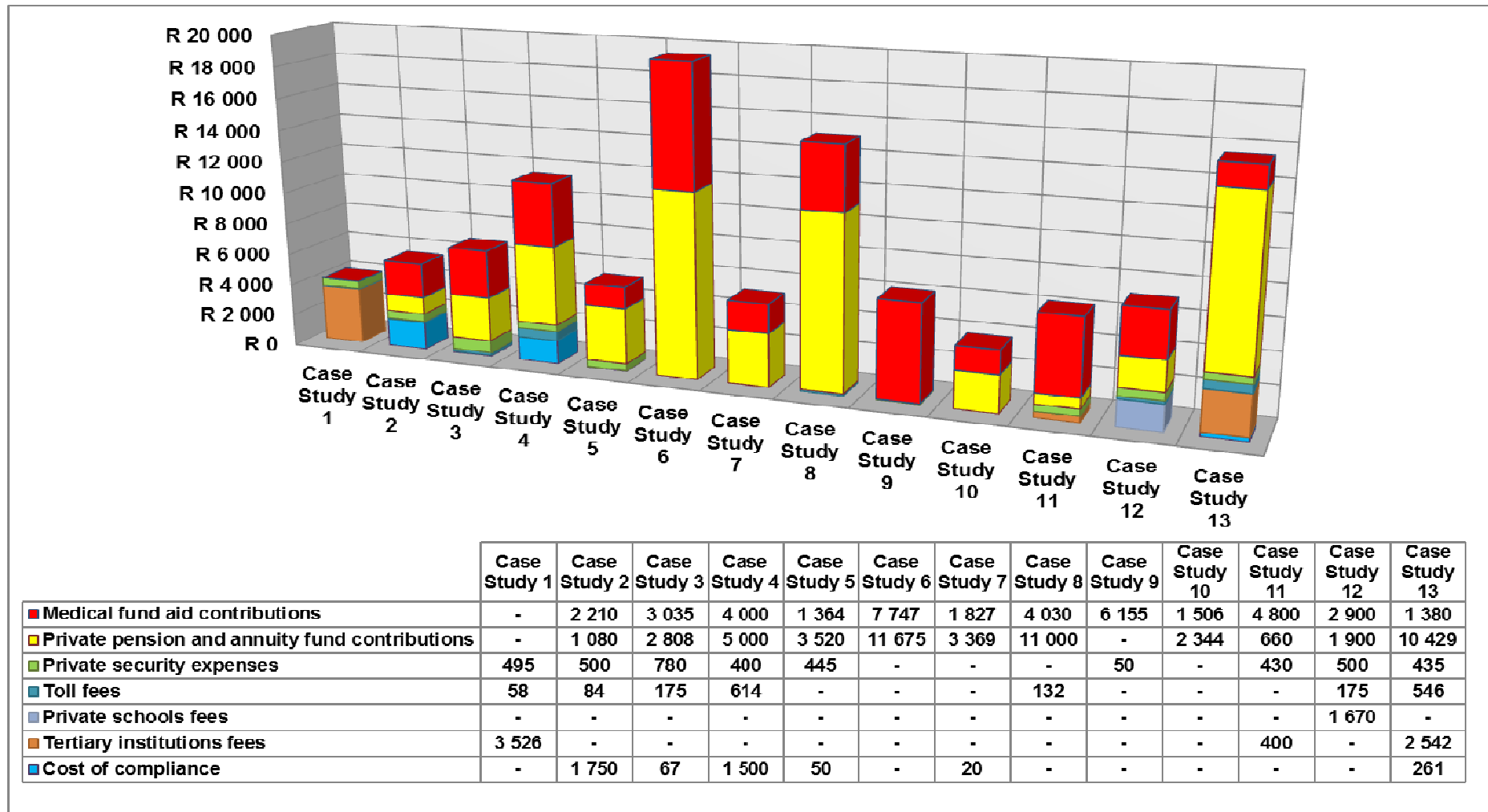
7.5.4.3 Summary of the results from Theme 7

The results of the data from the case study research, summarised in Tables 83 and 84, suggest that the participating households were generally of the opinion that the complexity of taxes and the taxpayer-government exchange in South Africa affected the tax burden of their households. The participating households that expressed this opinion all indicated, in one way or another, that they saw expenditure originating from complex taxes or ineffective government services in South Africa as additional taxes that increased the tax burden of their

households. However, the results from the case study research also highlighted that the complexity of taxes, measured only in terms of the monetary costs related to tax practitioners, does not provide a sufficiently comprehensive basis for measuring the complexity of taxes. Of the thirteen households that participated in the case studies, only six incurred costs related to tax practitioners and in each case, the amount was relatively immaterial compared to the households' expenses in total. Because all the households should at least be affected by complying with the requirements in the Income Tax Act (58 of 1962), it is possible to conclude that the cost of compliance for these households must contain some of the elements of the 'hardcore' costs discussed in Section 5.6.3.1 of the current study. For instance, they must at least some spend time on completing and submitting their annual income tax returns.

The graph in Figure 15 below provides an overview and a summary of the perceived taxes of the participating households. The perceived taxes in Figure 15 were formulated in line with the theoretical concepts explained in Sections 5.6.3.1 and 5.6.3.2 of the current study.

Figure 15: Participating households' perceived taxes



Source: Table 92, Annexure F

7.6 MEASURING AND COMPARING THE TAX BURDEN

The thematic framework formulated in the present research used the constructs from Table 70 as an underpinning.¹⁸⁷ Therefore, it was considered to be appropriate to use the constructs from Table 70 as a structure to present a summary of the results from the data analysis, as set out in the sections above in the current chapter. Table 70, in essence, provides a framework for measuring the tax burden of individual taxpayers in South Africa. This measurement is used as an underpinning for evaluating the tax burden of these individual taxpayers.

7.6.1 Main Theme 8: Measuring the tax burden

From the theory in the present research, it was established that the tax burden of individual taxpayers in South Africa can be measured by determining the economic and the perceived spending ability of a taxpayer's household, as well as by using the concept of effective tax rates as a basis for measurement (see Section 5.5).

The data from the case study research was used to determine the economic and perceived spending ability of the participating households, together with the effective tax rates, as formulated in Table 70 of the present study. The case study research showed that the theoretical constructs used in the present study to underpin the measurement of the tax burden of individual taxpayers in South Africa provide a consistent and reliable basis for measuring the tax burden. The results of applying the theoretical constructs in a real-life context using case studies are presented in Table 85, overleaf.

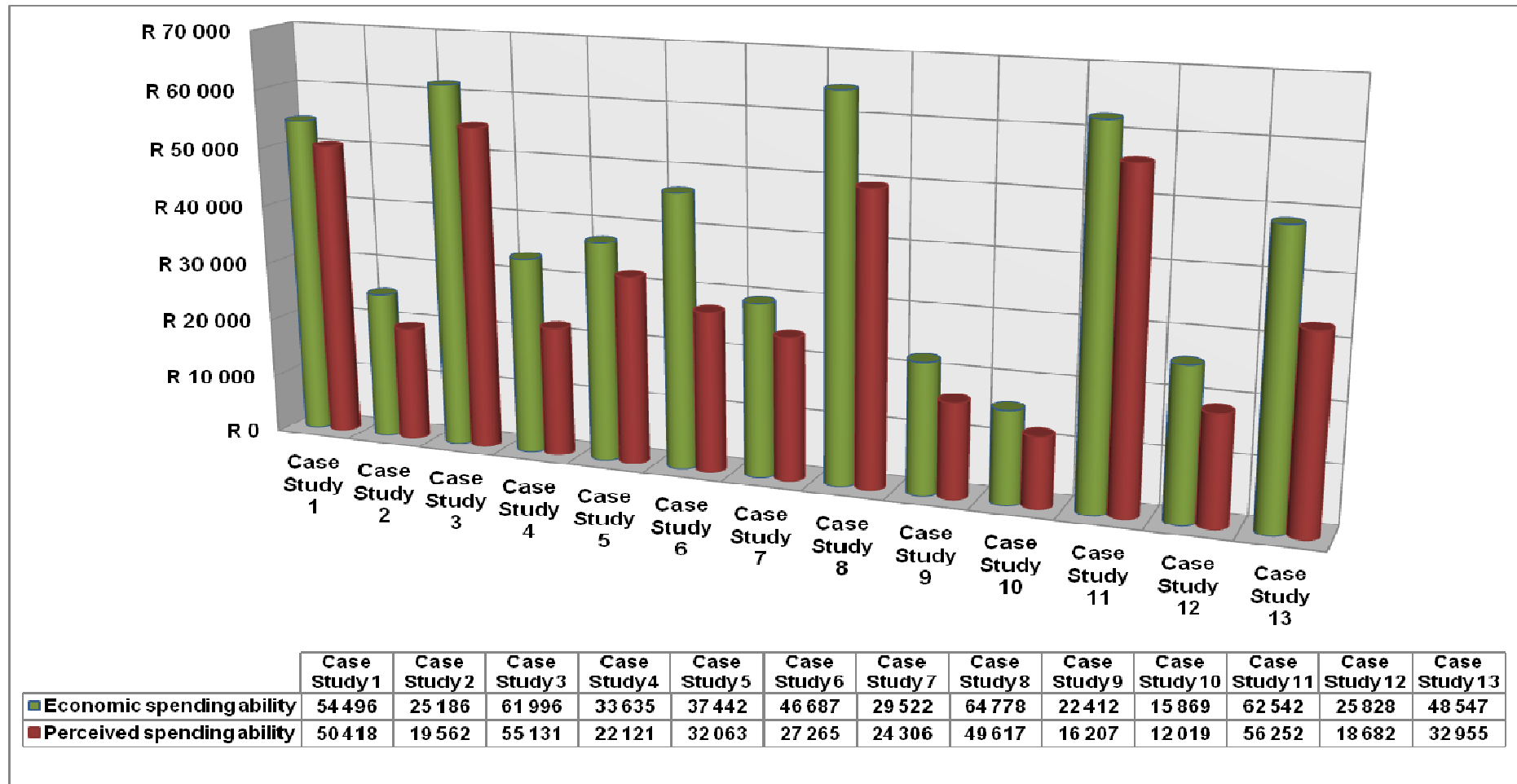
¹⁸⁷ See Section 7.2.2 of the current study.

Table 85: Measuring the tax burden of the participating households

Detail	Case Study 1	Case Study 2	Case Study 3	Case Study 4	Case Study 5	Case Study 6	Case Study 7	Case Study 8	Case Study 9	Case Study 10	Case Study 11	Case Study 12	Case Study 13
Gross monthly household income:	75 840	40 000	91 666	53 000	56 800	74 280	40 544	90 500	40 367	18 666	91 000	35 000	67 965
Less: Imposed taxes:	21 344	14 814	29 670	19 365	19 358	27 593	11 022	25 722	17 955	2 797	28 458	9 172	19 418
• <i>Direct recurrent taxes</i>	16 254	8 844	24 425	11 976	13 185	23 998	9 387	22 706	11 419	2 152	21 793	6 651	15 634
• <i>Indirect recurrent taxes</i>	5 089	5 970	5 244	7 389	6 173	3 594	1 635	3 015	6 536	644	6 665	2 521	3 783
Economic spending ability:	54 496	25 186	61 996	33 635	37 442	46 687	29 522	64 778	22 412	15 869	62 542	25 828	48 547
Less: Perceived taxes:	4 079	5 624	6 865	11 514	5 379	19 422	5 216	15 162	6 205	3 850	6 290	7 145	15 593
• <i>Complexity of taxes</i>	-	1 750	67	1 500	50	-	20	-	-	-	-	-	261
• <i>Taxpayer-government exchange</i>	4 079	3 874	6 798	10 014	5 329	19 422	5 196	15 162	6 205	3 850	6 290	7 145	15 332
Perceived spending ability:	50 418	19 562	55 131	22 121	32 063	27 265	24 306	49 617	16 207	12 019	56 252	18 682	32 955
Effective tax rates													
Imposed effective rate	28%	37%	32%	37%	34%	37%	27%	28%	45%	15%	31%	26%	29%
Perceived effective rate	34%	51%	40%	58%	44%	63%	40%	45%	60%	36%	38%	47%	52%
Estimated effective rate	48%	60%	40%	60%	45%	60%	50%	60%	70%	13%	42%	14%	30%
Preferred effective rate	20%	10%	25%	25%	10%	35%	25%	35%	35%	10%	30%	7%	15%

Table 85 provides a clear indication that the economic spending ability of the participating households, comprised of the gross monthly household income, less the taxes imposed monthly on the households, differs from the perceived spending ability of the participating households. The graph in Figure 16 shows a comparison between the economic and the perceived spending abilities of the participating households.

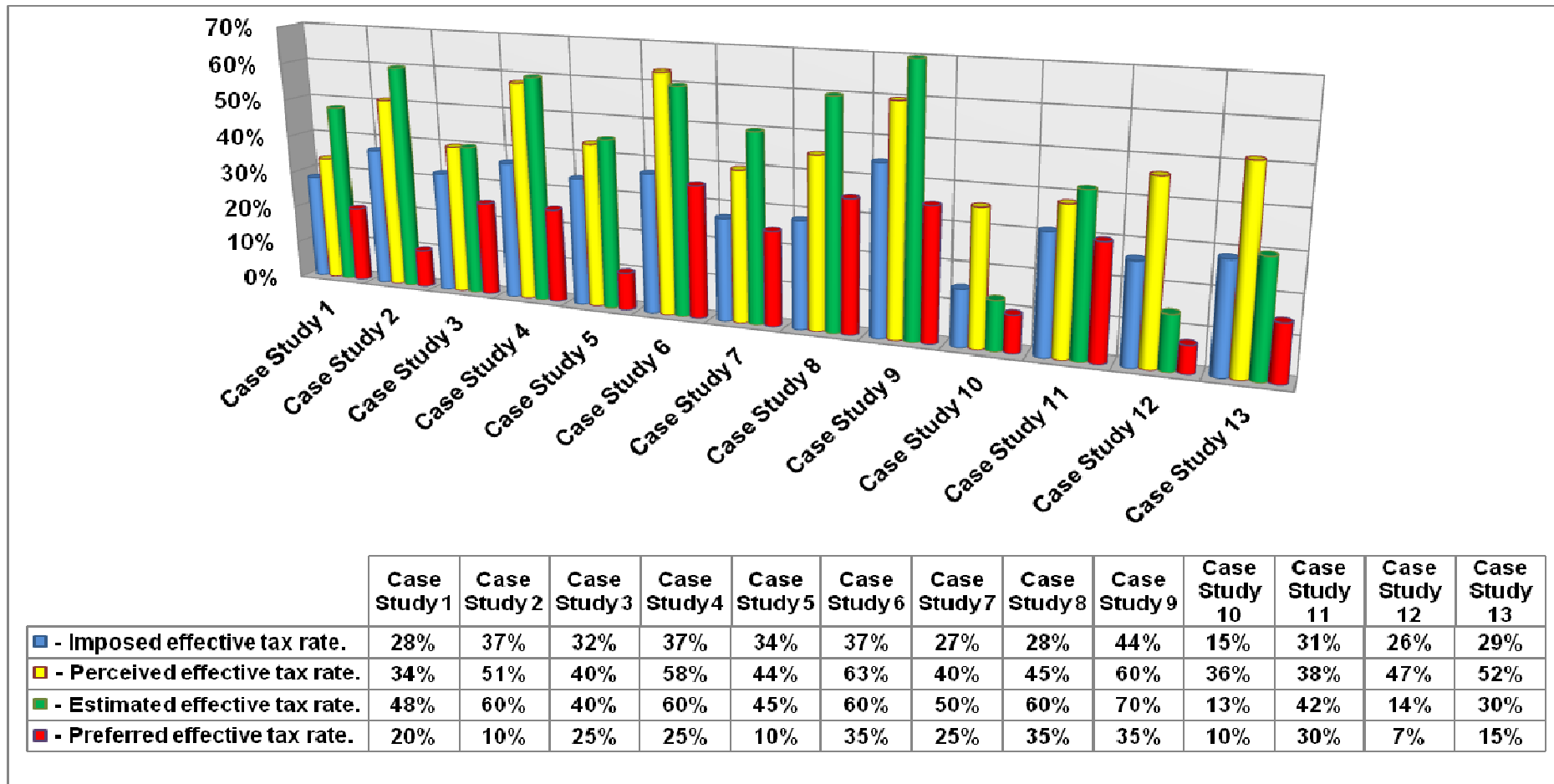
Figure 16: Economic and perceived spending ability of the participating households



Source: Table 85 of the current study

Table 85 also provides a clear indication that there is a difference between the effective tax rates used to measure the different constructs that contribute to the evaluation of the tax burden of individual taxpayers in South Africa. The graph in Figure 17 below shows a comparison between the differences of these effective tax rates for each of the participating households.

Figure 17: Effective tax rates of the participating households



Source: Table 85 of the current study

The results of measuring the tax burden of the participating households, as presented in Table 85 and Figures 16 and 17, indicate that there is clearly a difference between measuring the imposed tax burden objectively and measuring the perceived tax burden subjectively.

Conclusion 7.9

It is concluded from the case study research that the imposed tax burden and the perceived tax burden as constructs defined in the present study are both valid constructs to include in the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in the present study.

Measuring the tax burden of individual taxpayers is only one of the components essential for evaluating the tax burden of individual taxpayers in South Africa. Another component of evaluating the tax burden of individual taxpayers in South Africa is to compare the tax burden of individual taxpayers on an equal basis.

7.6.2 Main Theme 9: Comparing the tax burden

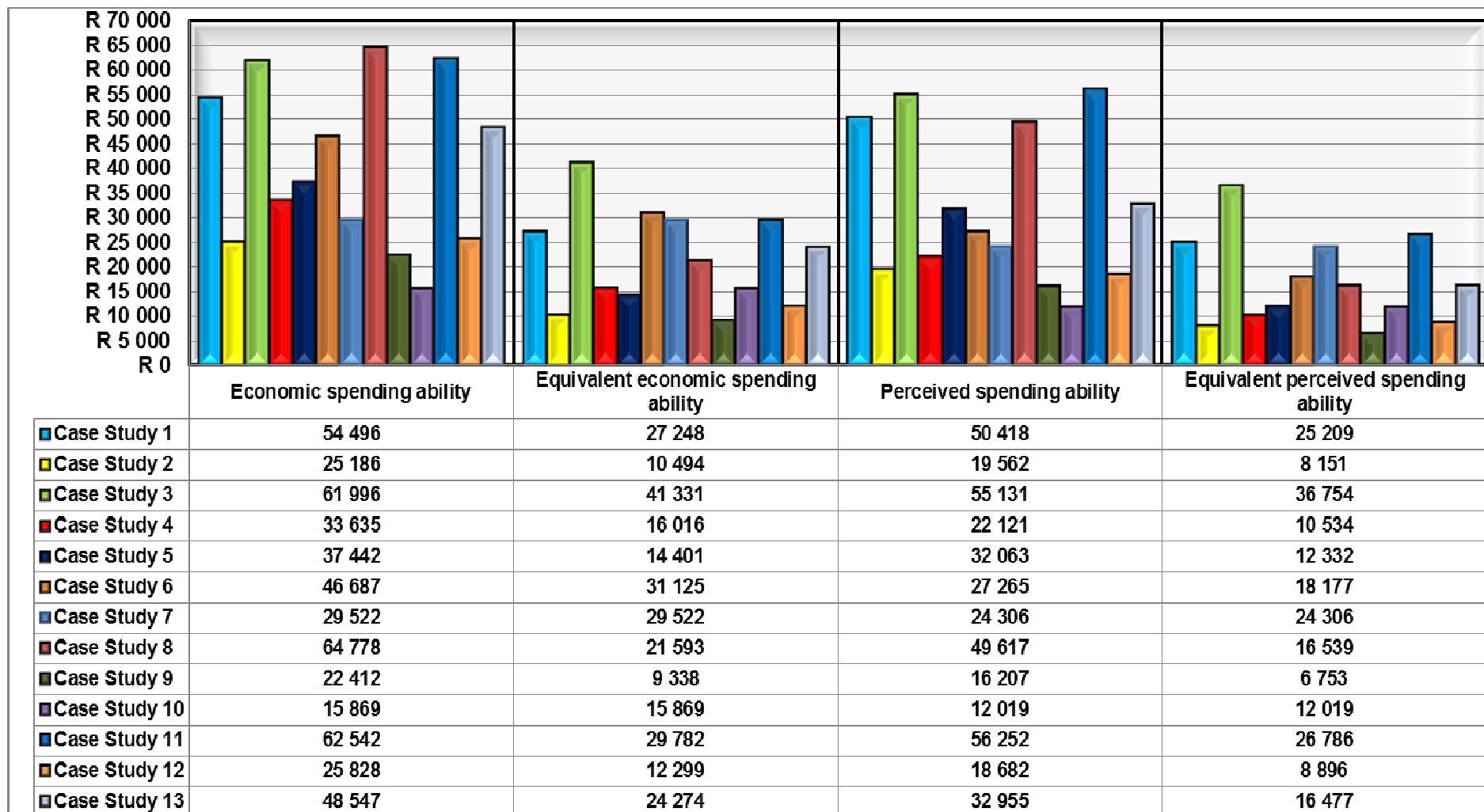
The current study used the construct of equivalence scales as a theoretical underpinning to provide an equitable foundation from which to compare the tax burdens of households in South Africa. As indicated previously in Section 5.8 of the current document, studies traditionally used the cash income adjusted in many ways to measure and compare economic well-being between households, but the modern trend is to focus on *equivalent disposable income* that is widely used in studies measuring and comparing the distribution of economic well-being. The disposable income, for the purposes of this study, refers to the **economic spending ability** and the **perceived economic spending ability** of a household as determined in terms of Table 70. This theoretical basis was applied to a real-life context by using the data from the case study research, especially the data from Main Themes 1 and 8, as an underpinning. The results are presented in Table 86, overleaf.

Table 86: Comparing the tax burden of the participating households

Detail	Case Study 1	Case Study 2	Case Study 3	Case Study 4	Case Study 5	Case Study 6	Case Study 7	Case Study 8	Case Study 9	Case Study 10	Case Study 11	Case Study 12	Case Study 13
Equivalence scales													
Number of persons in the household:													
Adults in the household	3	2	2	2	3	2	1	5	2	1	2	2	3
Children in the household	0	3	0	2	2	0	0	0	3	0	2	2	0
Equivalence scale factors:													
Head X factor 1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Additional adults X factor 0.5	1.0	0.5	0.5	0.5	1.0	0.5	0	2.0	0.5	0	0.5	0.5	1.0
Each child X factor 0.3	0	0.9	0	0.6	0.6	0	0	0	0.9	0	0.6	0.6	0
Cumulative equivalent factor:	2.0	2.4	1.5	2.1	2.6	1.5	1.0	3.0	2.4	1.0	2.1	2.1	2.0
Comparison of the spending abilities of the participating households:													
Economic spending ability of the participating households:													
Economic spending ability	54 496	25 186	61 996	33 635	37 442	46 687	29 522	64 778	22 412	15 869	62 542	25 828	48 547
Equivalent economic spending ability	27 248	10 494	41 331	16 016	14 401	31 125	29 522	21 593	9 338	15 869	29 782	12 299	24 274
Perceived spending ability of the participating households:													
Perceived spending ability	50 418	19 562	55 131	22 121	32 063	27 265	24 306	49 617	16 207	12 019	56 252	18 682	32 955
Equivalent perceived spending ability	25 209	8 151	36 754	10 534	12 332	18 177	24 306	16 539	6 753	12 019	26 786	8 896	16 477

The results from using equivalence scales as a basis for comparing the effect of tax burdens (expressed in terms of imposed and perceived taxes) on the economic well-being of the participating households set out in Table 86, are illustrated by referring to the economic spending ability and the perceived economic spending ability, before and after the application of the scales. The graph in Figure 18 illustrates the effect of using equivalence scales as a basis for comparison.

Figure 18: Effect of equivalence scales as a basis for comparing the tax burden of the participating households



Source: Table 86 of the current study

In summary, Table 86 and Figure 18 clearly indicate that the unique composition of a household in terms of the number of persons in the household is relevant to the comparison of the effect of the imposed tax burden and the perceived tax burden on the economic well-being of these participating households. Equivalence scales make provision for the unique composition of participating households, which, in turn, provide a basis for comparing the tax burden of the participating households on an equal basis. Together with the results illustrated in Figure 18, it is possible to conclude that the comparison of the tax burdens of households on an equal basis is relevant to the evaluation of the tax burden of individual taxpayers in South Africa.

Conclusion 7.10

It is concluded from the case study research that equivalence scales, as a basis for an equal comparison of the tax burdens of individual taxpayers, is a valid theme to add to the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in the present study.

7.7 CONCLUSION

In this chapter, the results of the data gathered by means of multiple case studies and analysed using a thematic framework were set out for the constructs that were chosen to underpin the development of a conceptual framework for evaluating the tax burden of individual taxpayers in South Africa in the current study.

The results of applying the theoretical constructs in the current study in a real-life context indicate that the theoretical constructs are valid underpinnings for the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in this study. The results from this chapter also suggest that the households of individual taxpayers as a unit of analysis, the months in a year of assessment as a period for review, and the methodology for measuring and comparing the tax burden, are all valid constructs. However, the main aspect that emerged from the case study research is that there is a distinct difference between the imposed tax burden as it was determined objectively for the participating households, and the tax burden as it was subjectively perceived by the participating households.

The next chapter is the final chapter, which summarises the findings of the study and indicates possible future research to capitalise on the conceptual framework for evaluating the tax burden of individual taxpayers in South Africa developed in this study.