

# EXPLORING INDIVIDUAL TAXPAYERS' PERCEPTIONS OF TAX COMPLEXITY

by

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*“Therefore take no thought, saying, What shall we eat? or, What shall we drink? or, Wherewithal shall we be clothed? (For after all these things do the Gentiles seek:) for your heavenly Father knoweth that ye have need of all these things. But seek ye first the kingdom of God, and his righteousness; and all these things shall be added unto you. Take therefore no thought for the morrow: for the morrow shall take thought for the things of itself. Sufficient unto the day is the evil thereof.” - Matthew 6:31-34*

(Bible, 1968)

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## **ABSTRACT**

# **EXPLORING INDIVIDUAL TAXPAYERS PERCEPTIONS OF TAX COMPLEXITY**

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Generally, tax systems are perceived to be complex. This study takes a qualitative empirical approach to examine individual taxpayers' perceptions of tax complexity. This was achieved by obtaining individual taxpayers perceptions on the complexity of the tax system. The study also investigates whether taxpayers perceive that their tax burden is influenced by the complexity of the tax system and also analyses suggestions by respondents on how the South African tax system can be simplified.

The findings are that not all taxpayers perceive that the tax system is complex. These respondents mainly acknowledge the various means available, such as e-filing, to counter the effects of tax complexity. They also point out that taxpayers should be responsible for educating themselves on how the tax system works.

However, there are more people who believe that the tax system is complex. The complexity is mainly attributed to the challenges taxpayers face in attempting to comply with tax legislation. These challenges include difficulties in keeping up to date with constant changes to legislation, the fear of filing an inaccurate tax return and the general lack of adequate knowledge to confidently handle one's tax affairs. An interesting theme emerged on how respondents make the presumption that the tax system might be complex for other taxpayers due to a lack of education or knowledge of the tax system.

The study concludes that perceptions of tax complexity seem to be influenced by complexities in tax legislation, user needs as well as user abilities. Recommendations are

made for further studies to assess taxpayers' tax literacy levels. These studies may also investigate taxpayers' awareness of their rights and obligations under tax laws

**KEY WORDS:**

Tax complexity

Tax burden

Perception

Individual taxpayer

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## LIST OF ABBREVIATIONS

The table below provides the meaning of the abbreviations and acronyms used in this study:

**Table 1: Abbreviations used in this study**

<b>Abbreviation</b>	<b>Meaning</b>
ed.	Editor
eds.	Editors
<i>et al.</i>	And others
ITA	Income Tax Act, No. 58 of 1962 (hereafter referred to as the Income Tax Act (ITA))
SARS	South African Revenue Service
TAA	Tax Administration Act, No. 28 of 2011 (hereafter referred to as the Tax Administration Act (TAA))
VAT	Value Added Tax

## DEFINITION OF KEY TERMS

Certain key terms are used throughout this document and thus, for the purpose of this study, are defined as follows:

**Table 2: Definition of key terms**

Term	Definition
<b>Complexity</b>	Complexity is said to be the state or quality of being very detailed (intricate) and having many interconnecting parts (complicated) (Oxford Dictionaries, 2013a).
<b>Direct taxes</b>	Direct taxes are taxes imposed directly on individuals and companies which are intended to bear the tax burden (Black, Calitz & Steenkamp, 2011:166).
<b>Indirect taxes</b>	Indirect taxes are taxes imposed on commodities or market transactions. The tax burden imposed can be shifted onto another person, for example, a merchant can transfer his VAT burden by imposing VAT on qualifying sales transactions to his/ her customers (Black <i>et al.</i> , 2011:166).
<b>Perceive</b>	To perceive is to comprehend or understand. This is the way one interprets or regards something (Oxford Dictionaries, 2013b).
<b>Tax</b>	A tax is a compulsory transfer of resources to government by persons or economic units (Black <i>et al.</i> , 2011:163). It may also be considered to be a charge on personal or corporate income, “estates, gifts or other sources by government to obtain revenue” for the benefit of the public (Shim & Siegel, 2010:461) and the implementation of government’s fiscal policy (Oxford, 2010:409).
<b>Tax Act</b>	A Tax Act refers to any of the twenty-three Acts currently being administered by the Commissioner of the South African Revenue Service (SARS), see Appendix C (p.94-95), plus any other Act the Commissioner may be called upon to administer in terms of section 4 of the South African Revenue Service Act, 1997 or in terms of the Constitution (South African Revenue Service, 2013). Though the Customs and Excise Act is excluded from the TAA tax Act definition, as taxpayers are mobile and transact with entities and individuals across foreign tax jurisdictions, the Customs and Excise Act will be included in the tax Act definition for the purpose of this study.

<b>Tax avoidance</b>	Tax avoidance is the legal arrangement of one's financial affairs in such a way that the least amount of tax is payable (Hart, 1981:210).
<b>Tax burden</b>	The Collins English dictionary (2013) defines a tax burden as the total amount of taxes paid by a person, company or country in proportion to the income received in any given period. Steyn (2012:44) described this as the "responsibility or duty to pay taxes". The short definition provided by Heyndels and Smolders (1995:128) that states that the tax burden is "the amount of taxes paid" will be used for this study as it incorporates both the definitions by Steyn (2012:44) and the Collins English Dictionary (2013).
<b>Tax evasion</b>	Unlike tax avoidance, tax evasion involves the elimination or reduction of one's tax liability by illegal means such as "fraud, neglect or wilful default" (Hart, 1981:210).
<b>Tax planning</b>	Tax planning is the arrangement of a taxpayer's affair, in accordance with tax laws in order to reduce one's tax liability (Oxford, 2010:411) in the current and future tax periods (Shim & Siegel, 2010:464).
<b>Tax system</b>	A tax system refers to how taxes are raised and collected according to tax laws (Oxford, 2010:412).
<b>Taxpayer</b>	A taxpayer is defined under the Tax Administration Act, No. 28 of 2011 (TAA) (South Africa, 2011) as: <p style="margin-left: 40px;">(a) a person chargeable to tax;  (b) a representative taxpayer;  (c) a withholding agent;  (d) a responsible third party; or  (e) a person who is the subject of a request to provide assistance under an international agreement."</p>

# EXPLORING INDIVIDUAL TAXPAYERS PERCEPTIONS OF TAX COMPLEXITY

## CHAPTER 1

### INTRODUCTION

#### 1.1 BACKGROUND

Tax revenues are the dominant source of finance for public expenditure (Black, Calitz & Steenkamp, 2011:162) and are of essential value in funding the mandates of governments worldwide. Williams (2013:24) notes that "...tax is levied in terms of legislation and is not imposed at the whim of the revenue authorities". Thus, the policies that govern the raising, collection and administration of taxes are governed by legislation. However, tax legislative drafting is often faced with the challenge of designing, implementing and administering an equitable tax system that needs to cater for a variety of transactions conducted by different types of taxpayers (Krause, 2000:412; Sørensen & Johnson, 2010:208).

Attempts to reduce the tax burden through tax evasion has led to the tax gap, which is described as the disparity between the taxes a country can collect and the taxes actually collected (Chau & Leung, 2009:34). One of the means adopted to counter tax evasion is the scrutiny, and consequently, amendments to legislative provisions which are prone to abuse (Black *et al.*, 2011:194; Kirchler, 2007:5). Though the amendments are necessary, the unintended result is that the amendments have an effect on not just the abusers of the specific tax provisions but also on the honest taxpayers. Thus, the constant amendments to tax legislation tend to add to the detail and ultimately, the complexity of existing tax laws (Thuronyi, 2003:19).

Tax complexity has also been identified as one of the contributing factors to unintentional non tax compliance. This is due to the fact that some taxpayers are unequipped with the knowledge and expertise necessary to administer their own tax affairs (Carnes & Cuccia, 1996:42). Hence, when tax preparation is seen as burdensome and overwhelming, tax complexity might have a negative impact on compliance (Mikesell & Birskyte, 2007:1067).

Other than being a contributing factor to non-compliance behaviour, tax complexity has also been cited as a contributing factor to the misconception of what the actual tax burden borne by taxpayers is (Heyndels & Smolders, 1995:138; Slemrod, 2010:29).

## **1.2 PROBLEM STATEMENT**

Tax legislation often makes provisions for various allowances and deductions to ensure that taxpayers are not worse off due to the settlement of their tax liability and the equitable distribution of the tax burden. However, taxpayers with little to no tax knowledge often forego these allowances and deductions as the calculations and interpretation of the applicable legislative provisions are quite complex (Krause, 2000:395).

Where taxpayers are faced with complex tax provisions, they tend to have misconceptions of what their tax rates are (Fochmann, Kiesewetter, Blaufus, Hundsdoerfer & Weimann, 2010:7).

Fochmann *et al.* (2010:7) note how previous studies have mainly focused on defining tax complexity; the effect tax complexity has on compliance behaviour and how compliance costs impact on the tax burden of taxpayers. Most of these studies have been quantitative in nature with the purpose of generating results. Though insightful in directing future research on taxpayer behaviour and attitudes, these studies have not taken a specific in-depth qualitative analysis of taxpayers' perceptions of tax complexity. Only a few qualitative studies have been conducted on how individual taxpayer's perceive tax complexity in relation to the tax burden (Steyn, 2012). Thus,



there is a need for an in-depth qualitative study on taxpayers' perceptions of tax complexity.

### **1.3 PURPOSE STATEMENT**

The main purpose of this study is to explore individual taxpayers' perceptions of tax complexity using a qualitative methodology.

### **1.4 RESEARCH OBJECTIVES**

The main purpose of the study is supported by the following research objectives:

- To identify the theoretical constructs underlying the phenomenon of tax complexity.
- To explore individual taxpayers perceptions of tax complexity.

### **1.5 IMPORTANCE AND BENEFITS OF THE STUDY**

Countries worldwide are faced with the challenge of how to address non-tax compliance as this significantly affects the ability of the appointed government agencies in providing essential goods and services to its citizens. Gordon and Thuronyi (1996:2) emphasise that addressing tax policy issues is a continuous effort which is spearheaded by the identification of the issues to be addressed. One such issue is tax complexity. Chattopadhyay and Das-Gupta's (2002) study suggests that the simplification of tax legislation might have a significant impact in encouraging tax compliant behaviour amongst taxpayers. Hence, by understanding how individual taxpayer's perceive tax complexity, the legislature may take these perceptions into consideration as a frame of reference when drafting new or amending existing tax laws.

Oberholzer and Stack (2009:753) noted that there is a need to understand taxpayer perceptions of taxation as these perceptions can either have a negative or positive influence on a taxpayer's compliance attitude. Thus, an understanding of the taxpayers' perceptions may also be beneficial to various revenue authorities on how

to enhance taxpayer education when promoting adherence to existing laws and acceptance of future legislation. As revenue authorities move away from enforced compliance strategies, this study also aims to contribute to existing literature by emphasising the importance of taxpayer engagement as a means of enhancing voluntary compliance behaviour by taxpayers.

Indirectly, the study also provides some feedback to the tax legislatures and administrators on whether and how taxpayers respond to tax simplification mechanisms available to them.

## **1.6 DELIMITATIONS**

The focus of this study is on individual taxpayers, which are defined as “natural persons”. Thus, entities such as companies, close corporations, partnerships, trusts and non-profit organisations are excluded from the study.

As this is an exploratory study aimed at identifying how individual taxpayers perceive the complexity of taxes, the focus is on a limited sample of taxpayers selected from South Africa for the sake of convenience. As a convenience sampling approach is adopted, the sample is not representative, and therefore, the findings of this study cannot be generalised to the South African population.

This study is cross-sectional and represents a snapshot of individual taxpayers’ perception of the tax complexity phenomenon at a particular point in time. Hence, any changes to respondent characteristics and legislation may influence the results of any similar future studies.

## **1.7 ASSUMPTIONS**

It is assumed that the individuals who took part in the survey are taxpayers as they contribute towards indirect and or direct taxes. Unless stated otherwise, the words laws, statutes and legislation refer to any Act enacted and promulgated in South Africa. These words are used interchangeably throughout this study.

## **1.8 RESEARCH DESIGN**

A literature review was first performed in order to establish the theoretical constructs of tax complexity. The theoretical constructs were then used as a framework to empirically examine the perceptions of individual taxpayers' perceptions of tax complexity using a qualitative approach. This was done through the collection and analysis of data obtained from a survey. The survey was conducted online and consisted of both structured and open ended questions.

## **1.9 CHAPTER OVERVIEW**

An outline of the chapters for this study is set out below.

### **Chapter 1: Introduction**

Chapter 1 provides a brief discussion on the background of the study while highlighting the problem statement (research gap) and the purpose of the study. The research objectives are also presented together with the delimitations, assumptions, a brief description of the research design and an overview of the chapters contained in the study.

### **Chapter 2: Literature review**

Chapter 2 provides a discussion on the trends and debates surrounding the research topic in order to clarify the theoretical constructs of individual taxpayers' perceptions of tax complexity.

### **Chapter 3: Research design and methodology**

Chapter 3 presents the research paradigm governing the research design and methodology adopted for the study.

## **Chapter 4: Data analysis and discussion of results**

Chapter 4 provides a data analysis and discussion of research findings from the empirical data collected from the research sample.

## **Chapter 5: Conclusion**

Chapter 5 provides an overall summary of the research findings and how these have met the research objectives. Limitations of the study and recommendations for further study are presented.

## CHAPTER 2

### LITERATURE REVIEW

#### 2.1 INTRODUCTION

The main purpose of this study is to explore individual taxpayers' perception of the tax complexity phenomenon. The purpose of this chapter is to clarify the status of the topic in the existing literature and to establish the theoretical foundation underpinning the study.

The chapter commences with an overview of the existing literature on the phenomenon of tax complexity. Then the chapter clarifies tax complexity as a construct by referring to three questions underpinning the debates on tax complexity, namely: to whom, in what sense and to what extent. The chapter then moves on to briefly explain the influence of tax complexity on the perceived tax burden. The chapter finally concludes on the theoretical framework underpinning the study.

#### 2.2 EXISTING LITERATURE

Unlike physical goods, where one can exercise his or her right to choose whether to take them or not, how much to take, where and how to obtain them, a tax is more of an imposition on the taxpayer (Slemrod, 2010:29). This is mainly due to the fact that how much of one's income is to be disposed on taxes is a unanimous decision made by the government of a country (Kirchler, 1997:421).

How taxpayers come to the conclusion of what their tax burden is based on various perceptions that are influenced by the following factors:

- personal preference and skills in tax compliance (Krause, 2000:399),
- the intentions of other taxpayers to comply with tax laws (Slemrod, 2010:26),
- the income of taxpayers (Van de Braak, 1983:110),

- trust in the government (Kirchler, 2007:205),
- the compliance costs incurred by taxpayers (Kaplow, 1998:78),
- uncertainties in the application of tax laws (McCaffery, 1990:1321-1322; Paul, 1997:220), and
- tax complexity, fiscal illusion and government-taxpayer exchange (Steyn, 2012:242).

Governments are in place to provide public goods and services to satisfy public needs, irrespective of whether all contributors actually partake of these goods and services (Van de Braak, 1983:97). How taxpayers view this expenditure on public goods and services might influence the taxpayers' perceptions of fairness (Slemrod, 2010:23; Steyn, 2012:342-347) as well as their understanding of what contribution their taxes make for the nation (Williamson & Wearing, 1996:5). From Steyn's (2012:342-347) study, it can be deduced that the tax burden may be perceived to be high and unfairly distributed when:

- a small percentage of the population perceive that they pay taxes to cover the costs of the majority of the population, and
- taxpayers perceive that the government is inefficient in utilising tax revenue.

However, in determining the collection and use of tax revenues, governments inevitably end up with complex tax laws in an attempt to collect taxes from those who are able to pay as well as redistributing tax revenues equitably (Krause, 2000:398). Thus, tax complexity can also be seen as a result of government's attempts to equally distribute the tax burden (Paul, 1997:155).

### **2.3 TAX COMPLEXITY AS A CONSTRUCT**

The ideal tax system aims to raise the most amount of revenue while causing the least amount of harm to the economy (Galle, 2009:61). Slemrod and Bakija (1996:15) suggest that the ideal tax system should be fair, simple, enforceable and promote economic prosperity. Thus, when there are insignificant benefits derived from tax complexity, there is a need for simplification (Slemrod & Bajjika, 1996:135).

Most studies that have alluded to tax complexity as an issue in tax compliance and administration refer to tax complexity without contextualising the specific aspects of complexity being addressed (Slemrod, 2010:16; Ulph, 2013:2). According to Cooper (1993:242), the concept of complexity or simplicity of a tax system may encompass a discussion of the following seven issues:

- Predictability - where rules and their scope are comprehensible to taxpayers.
- Proportionality - where there should be a balance between the efforts required to achieve a stated rule and the objectives of the rule.
- Consistency - where rules should be applied in a similar way for similar issues.
- Compliance - where rules should not be hard and expensive for taxpayers to adhere to.
- Administration - where rules should be easy to administer for the revenue authorities.
- Co-ordination - where rules do not obscure and are not in conflict with other tax rules.
- Expression - where rules are clearly expressed.

However, tax complexity is highly subjective as people perceive this phenomenon differently based on their frames of reference (Krause, 2000:399). For instance, these perceptions could be influenced by the person's level of knowledge, time expended in acquiring knowledge, resources expended in pursuit of this knowledge as well as the support structures in place to facilitate the ease of use in the application of the tax system (Owens & Hamilton, 2004:355; Slemrod & Bakija, 1996:130; South African Revenue Service, 2012:6).

McCaffery (1990:1270) suggests that three questions; simplicity to whom, in what sense and to what extent, need to be answered in order to provide a platform from which the tax simplification debate can begin. As something that is not complex is considered to be simple, it is deemed for the purpose of this study that the same questions that are asked in conceptualising simplification can be applied to the concept of tax complexity.

### 2.3.1 Tax complexity to whom?

This question expresses at whose perspective tax complexity is experienced. Different people, from the legislature, revenue authorities, interpreters of legislation (the courts), tax practitioners (planner, advisor, preparer) and the taxpayer, will perceive tax complexity differently based on the objective of use and level of interaction with tax laws (McCaffery, 1990:1272-1273; Oberholzer, 2007:45). For the purpose of this study, tax complexity is discussed mainly from the individual taxpayer's perspective.

### 2.3.2 Tax complexity in what sense?

McCaffery (1990:1270-1271) states that there are three aspects of complexity, namely; technical complexity, structural complexity and compliance complexity. These are discussed further below.

- **Technical or rule complexity** is concerned with the challenges faced in interpreting the meaning of specific provisions and sections in tax legislation. This results in the taxpayer investing a substantial amount of time and effort in trying to comprehend the legislation (McCaffery, 1990:1270-1271). Depending on the needs and financial ability of the taxpayer, professional advice may be sought in order to tackle technical complexity (McCaffery, 1990:1271; Krause, 2000:397).
- **Structural complexity** is experienced when the taxpayer is unable to conduct tax planning with confidence as he or she is unable to apply the provisions of a tax Act and comprehend the tax consequences of engaging in any given economic activity (McCaffery, 1990:1271; Slemrod, 2010:17).
- **Compliance complexity** addresses the administrative and procedural burden placed on the taxpayer through record keeping, form completion and all other obligations imposed by the tax Act(s) (McCaffery, 1990:1272; Slemrod, 2010, 196:16-17).



For the purpose of this study, the concept of tax complexity is addressed on all three of these aspects of complexity as experienced by individual taxpayers.

### 2.3.3 Tax complexity to what extent?

The extent to which taxes are complex refers to “the extent of inquiry” into the intricacies of the law. Thus, legislative tax complexity can be either at section level, the entire tax Act or the interactions with other tax Acts or other forms of legislation (McCaffery, 1990:1272). The attempt to simplify tax provisions in isolation of the whole tax legislation or tax Acts results in a domino effect whereby the simplification of one aspect in a specific tax Act results in the complexity of related legislation (Thuronyi, 2003: 19). This study also explores the extent of inquiry faced by individual taxpayers.

## 2.4 POSSIBLE CAUSES OF TAX COMPLEXITY

Smith (1776:676-677) states that individuals are taxed on at least one of the three sources of revenue which are: rent, wages or profits. However, the tax charged on revenue should adhere to Smith’s (1776:676-677) four maxims of taxation as follows:

- **Maxim 1:** taxes should be fair and equitable. Every person should contribute towards the support of the government in accordance to their abilities and the revenue received under the protection of the state;
- **Maxim 2:** the tax should be certain and not arbitrary;
- **Maxim 3:** the levying of the tax should be convenient to the taxpayer in terms of the timing and the manner it is levied; and,
- **Maxim 4:** the tax should not be burdensome and take out as little as possible from the taxpayer’s pockets.

While drafting tax laws, legislatures tend to sacrifice the need for certainty in favour for equitable redistribution of resources and the need to reduce unfairness through tax laws (Krause, 2000:412; Thuronyi, 2003:19). This is contrary to Smith’s

(1776:677) belief that it is better to have more inequality than to have even a small degree of uncertainty in taxes.

An analysis of existing literature brings out three possible sources of tax complexity namely, legislative complexity, administrative complexity and taxpayers perceptions. Each of these factors are discussed further in the following sections.

#### **2.4.1 Legislative complexity**

McCaffery (1990:1274) notes that one needs to acknowledge the existence of static sources of complexity which arise due to the initial choices made in the legislative drafting process. There is a chain of approval that needs to be followed when enacting new tax laws. At each level of approval, changes have to be made to draft legislation in order to meet the mandates of each authoritative level as well as the needs of a diverse socio-economic society (McCaffery, 1990:1275). These include inherent choices such as stating the tax base, measurement, attribution and timing of the tax. During this process, legislatures may adopt policies and concessions into legislation such as exclusions of a certain group from the tax base or allowing a deduction for a specific set of individuals. This normally results in compromises to the underlying principles of the new tax law being made to allow for “limited concessions” to the different interest groups (Thuronyi, 2003:17). This adds to tax complexity as these concessions and persons have to be defined by setting certain criteria for eligibility. The final product normally differs significantly from the initial concept as an attempt is made to come to an ideal solution while trying to keep sight of the fact that the reason for a new tax is to raise revenue (Paul, 1997:155).

However, over time, the eligibility criteria for concessions set in the initial legislative process become distorted as taxpayers begin to exploit loopholes in legislation as part of their tax minimisation efforts through tax planning (McCaffery, 1990:1274; Owens & Hamilton, 2004:350). The existence of tax planning schemes that utilise tax loopholes is against the spirit of the law and the purpose in which the law was intended (Van de Braak, 1983:98). This, together with tax evasion are seen as unintended dynamic sources of complexity which adapts over time as taxpayers get

used to the legislation and become creative in their tax planning endeavours (McCaffery, 1990:1275-1276). This results in an unintended redistribution of the tax burden from those with the means and ability to evade or avoid taxes to those without the same means and abilities (Van de Braak, 1983:98). Thus, the static sources of complexity become dynamic as legislatures attempt to close identified loopholes by adding more detail into existing legislation or withdrawing certain concessions altogether. This, in turn, requires the taxpayer to be aware of changes to legislation when entering into transactions and submitting their tax returns for assessment.

Tax complexity is also influenced by the judicial processes in place for the appeal of tax assessments (Thuronyi, 2003:17). In South Africa, sections 101 to 150 of the TAA (South Africa, 2011) are quite detailed in terms of matters of dispute resolution. This includes details on how to make an appeal, when to make it and the dates that need to be adhered to in order for the taxpayer to initiate the appeal process and for SARS to address an appeal. The TAA gives further guidance as to the other avenues of appeal the taxpayer can consider should they not be satisfied with the response obtained from SARS. These avenues include approaching the Tax Court or a higher court such as the High Court, Supreme Court of Appeal or the Constitutional Court. However, there are specific rules as to when each of these courts can be approached. The judicial process, once it reaches the courts, can be a highly expensive and time consuming exercise for any taxpayer.

Once in court, should the matter be one of interpretation of an Act rather than of facts, a judge can either use a grammatical or purposive approach to interpret legislation. Judge Smalberger, in *Public Carriers Association and others v Toll Road Concessionaries (Pty) Ltd and others*, 1989 ZASCA 164, noted that where there is ambiguity in a legislative Act, a judge should use the purposive approach to interpretation of statutes. With a purposive approach to interpretation, the Act is interpreted in a manner as to promote the purpose of the particular Act.

However, in *Standard Bank Investment Corporation Ltd v Competition Commissioner*, 2000 (2) SA 797 (SCA), a grammatical approach was taken whereby

statutes are interpreted based on their grammatical meaning as expressed in legislation. Thus, when taxpayers consult case law for guidance, they need to be aware of several factors such as:

- which court currently has the most authoritative sway in terms of a specific tax matter;
- if the same logic applied, based on the facts presented in that particular case, can be applied to the taxpayer's circumstances; and
- whether the judge applied either a grammatical or purposive approach to the interpretation of statute.

As at 23 October 2013, SARS (South African Revenue Service, 2013b) had reported a total of 348 tax cases that had been tried in the Constitutional Court, Supreme Court of Appeal, High Court and the Tax Court. From these figures, it is evident that learned and experienced judges, advocates and scholars continuously battle with the practical interpretation and application of certain provisions in tax legislation (Kirchler, 2007:7; Krause, 2000:412). The extent to which there is uncertainty over what the tax liability is by both tax professionals and tax administrators has consequently been used as one of the measures of tax complexity (Slemrod & Bajjika, 1996:130). Parallel to the concern over uncertainty about the tax liability is the question about the sources one then uses to obtain clarity on tax matters.

In addition to the judicial process, tax complexity may also occur when there are a number of sources one needs to consult in order to address a tax issue (Thuronyi, 2003:18). An example of this is the TAA (South Africa, 2011) where section 4(2) makes provision that should there be any inconsistencies between the administrative rule contained in the TAA and in a tax Act, then that tax Act rule overrides the provision contained in the TAA. One first needs to identify the relevant legislative sources and apply the provisions to these sources appropriately. To address this, some countries opt to write tax rules in a single statute (Thuronyi, 2003:18).

Another dilemma faced by the taxpayer is identifying which of these sources have the most impact in terms of legal sway. Rieh and Hilligoss (2008:49) note that in searching for information amongst various sources, one chooses the most

understandable source which might not necessarily be the most authoritative. In South Africa, the overriding authorities are the Constitution and the Acts promulgated in Parliament. SARS issues, among others, Interpretation Notes, Practice Notes, binding general rulings as well as user guides in order to assist users in the interpretation of tax Act provisions. However, in *ITC 1830, (70 SATC 123)*, it was held that SARS Practice Notes and guides cannot override the provisions of a given statute and thus, are not binding on neither SARS nor the taxpayer. Though not explicitly stated in the statute, it is tacitly implied that taxpayers need to obtain some level of understanding of statutes and how to apply them. This is further compounded by the fact that in South Africa, the rules for reporting transactions for tax purposes are different from the reporting rules for accounting purposes.

Separate financial reports for accounting and taxation do not need to be prepared when the tax laws are in line with accounting rules (Thuronyi, 2003:18). However, when the reporting requirements are different, the taxpayer needs to either gather the necessary knowledge in order to prepare his or her financials for tax purposes or engage the services of a tax expert to do this for him or her. An example of this is gross income, which for tax purposes is normally accounted for at the earlier of receipt or accrual in terms of section 1 of the ITA gross income definition (South Africa, 1962). Another example is expenses which are allowed as a deduction if incurred in the production of income in terms of section 11a of the ITA (South Africa, 1962). On the other hand, with financial accounting, transactions are often recorded and reported on the accrual basis without the necessity of the transaction being made in the production of income. The taxpayer then needs to be aware of the timing rules for the different sources of income as well as have an understanding of the permissible deductions that are allowed as well as those which are specifically prohibited.

Besides the different rules required for tax accounting, one still faces the challenge of interpreting these rules as the language used is quite different from everyday language. Moser (in Kirchler, 2007:7) gave the following as examples of problems in linguistics that make it difficult for the taxpayer to understand tax laws:

- *“The use of abstract language;*

- *The use of long and complex sentences;*
- *Use of abbreviations; and,*
- *Reference to experts rather than ordinary readers.”*

A tax system that has underlying concepts that cannot be applied is said to be intractable (Paul, 1997:160). However, as legislatures attempt to bring more clarity to provisions contained in legislation and to avoid unfairness, more detail is often added into existing statutes (Thuronyi, 2003:19), which might, in turn, lead to technical and structural complexity in the whole tax system (McCaffery, 1990:1278). Most developing countries lack administrative capacity in order to provide taxpayers guidance on compliance (Thuronyi, 2003:19). Thus, tax simplification should then be done as part of the tax reform effort rather than in isolation of the whole tax system (McCaffery, 1990:1279; Thuronyi, 2003:19).

When taxpayers cannot understand the tax laws, it is inconceivable that they will be able to apply the laws. Tax legislation in countries such as Australia, New Zealand and the United States have been said to have tax legislation that is too long and detailed (Kirchler, 2007:7-8). This complaint is raised mostly due to the fact that the meaning behind most tax provisions becomes lost in the details and thus, becomes difficult to understand.

Legislatures often have mechanisms in place, such as provisions that allow tax deductions and tax credits that individual taxpayers can utilise in order to reduce their tax burden. However, due to the complexities, that may lead to uncertainty for the taxpayer, contained within some of these provisions, “uninformed taxpayers” are more likely to forego these deductions due to uncertainty over their eligibility, calculations required, the risk of being selected for a tax audit and the compliance requirements attached to utilising the provisions. This is the same class of taxpayers who are mostly likely to unintentionally underpay or overpay their taxes due to misinterpretation of tax laws or unconscious omission of revenues (Krause, 2000:396-399; Van de Braak, 1983:97-98).

When faced with complex tax provisions, the choice on whether or not to acquire the required tax knowledge to deal with these provisions becomes an investment decision as these knowledge seeking activities are costly (Massarat-Mashhadi & Sielaff, 2012:9). The informational costs of the taxpayer have to be weighed against the taxpayer's time constraints and financial ability to pay to acquire the necessary information, the implications of foregoing a claim for a complex tax deduction, and the overall impact of being non-compliant (Alstadsæter & Jacob, 2013:1; Heyndels & Smolders, 1995:132).

The resultant effect is that of perceptions of unfairness in the tax system. This is mainly because that there is a large disparity between those who understand tax laws and can plan their tax affairs to their advantage and those who have insufficient tax knowledge to minimise their obligations under tax laws (Batrancea, Nichita & Batrancea, 2012:98). Informed taxpayers either make use of these provisions correctly or take advantage of the ambiguity contained in these provisions to make excessive deductions (Kirchler, 2007:13). Thus, the risk of tax evasion is increased with informed taxpayers (Carnes & Cuccia, 1996:42; Krause, 2000:396-399). In addition to the increased risk of tax evasion and the perceived unfairness of taxes, tax complexity eventually results in taxpayers being unable to correctly estimate their tax burden (Mikesell & Birskyte, 2007:1067).

#### **2.4.2 Administrative complexity**

In an attempt to ensure equitable distribution of the tax burden, governments often utilise the concept of fiscal illusion in revenue collection. Fiscal illusion refers to the taxpayer's belief that taxes are actually lower than what they are (Black *et al.*, 2011:334). This is achieved by either distributing tax revenues over different sources or reducing the visibility of taxes (Heyndels & Smolders, 1995:128). When taxes are spread over different sources, this leads to a corresponding increase in the spread of information on taxes as well as an increase in the informational costs that the taxpayer incurs to be informed (Heyndels & Smolders, 1995:128). This is further achieved by the use of "hidden taxes" such as indirect taxes, which are not usually visible to the taxpayer. With hidden taxes, consumers' choices are often distorted by

their inability to identify the visibility of these taxes (Gale, 2009:95). Thus, Heyndels and Smolders (1995:127) consider tax complexity to be a source of fiscal illusion. These complexities in the tax system increase the compliance costs of the taxpayer and subsequently, their tax burden.

Some of the ways of evaluating a tax system include determining how tax complexity contributes to the compliance costs of the taxpayer as well as assessing if the tax compliance costs aid in reducing uncertainty for tax planning purposes (McBride, 2011). Compliance cost studies have been used to give an indication of the complexity of the tax system (Slemrod, 2005; Smulders, 2010). McKechar (2002:289-290) concludes that taxpayers' high commitment to compliance is the main reason why they incur compliance costs and that there is a direct relationship between tax complexity and compliance costs. These compliance costs include the time, monetary and physical resources spent by taxpayers in order to comply with their tax affairs (Slemrod & Bajika, 1996:130). However, these compliance costs vary from individual to individual based on the detail involved in their tax affairs (Slemrod & Bajika, 1996:133-134).

Where the taxpayer's are subject to third party reporting, such as employers withholding employees tax on behalf of the employees, the employees compliance activities are significantly reduced (Alstadsæter & Jacob, 2013:1; Kleven, Knudsen, Kreiner, Pedersen & Saez, 2011:690). However, with self-reported income, there is more room for the taxpayer to distort their income as there are no stringent checks and balances to ensure that every taxpayer complies to the letter with tax laws (Kleven *et al.*, 2011:690-691). As time progresses, legislatures and revenue authorities make amendments to counter these deficiencies in the tax system either through increasing specific anti-avoidance provisions in legislation or increasing penalties for non-compliance. The reaction to complexity by taxpayers committed to compliance can either be unintentional non-compliance whereby taxpayers comply with tax laws up to the best of their abilities, which may not be adequate to ensure total compliance. Alternatively, intentional over compliance may occur (McKechar, 2002:290).



Pedersen (2012) has suggested the adoption of the “usability model” in order to measure tax complexity. The usability model suggests that the analysis of how taxpayers perform their tax compliance tasks needs to be performed from studying the human-product interaction. In the human-product equation, the taxpayer is the human the tax system is the product. The usability model mainly focuses on how and whether taxpayers actually succeed in their tax compliance tasks. This includes how the taxpayers complete their tax compliance tasks and how they perceive the effort expended during the tax compliance task. This method of analysis allows for the possibility that though there is an increase in complexity; policymakers might have implemented mechanisms, such as the introduction of e-filing, which can counter this complexity.

### **2.4.3 Taxpayer perceptions**

As time progresses, so do people’s perceptions of reality. Perception is defined as the “awareness of complex environmental situations as well as single objects” (Allport, 1955:14). This awareness incorporates a person’s reaction to various stimuli and is affected by the following three facts as described by Lumsden, Lumsden and Wiethoff (2010:92):

1. What people choose to see or not to see things is based on their motives, needs, drives, wants and experiences. This filtering results in people perceiving selectively.
2. A person’s background, culture, language, gender and experience prepares one to perceive things and consequently, how one sees and thinks about things.
3. As the way each person perceives things is different, so too is the way people perceive others. This is also true about the way people perceive how others feel and think about them.

An understanding of perceptions is crucial in understanding human behaviour as perceptions guide a person’s thoughts and actions (O’Callaghan, 2012:73). Oberholzer and Stack (2009:753) pointed out that taxpayer perceptions were influenced by a number of factors and that it is important to find out taxpayers

perceptions of taxation as these may have an influence on taxpayers' compliance attitudes. One of the factors negatively influencing taxpayers' perceptions of making tax contributions is the complexity of taxes (Oberholzer, 2007:175).

## **2.5 CONCLUSION**

From the above literature review, it can be concluded that various factors lead to tax complexity, which, in turn, might have an influence on the perceived tax burden of individual taxpayers. These factors can be split between complexity in tax legislation and taxpayer compliance activities. Tax legislation factors include, amongst others, the language used, the number of taxes, the extent sections and Acts are connected to each other. Taxpayer compliance activities include, amongst others, the compliance costs associated with complying with tax laws and the extent of inquiry one needs to familiarise themselves with tax legislation and the tax system.

However, due to the complexity of the tax system and cognitive abilities of individuals, the extent to which these two factors influence each other is still not yet clear. The following chapter provides a description on the methodology followed in order to investigate the phenomenon of tax complexity and how individual taxpayers perceive it. It includes an investigation into:

- whether or not taxpayers perceive the tax system to be complex,
- whether or not those taxpayers who perceive the tax system to be complex think that the complexity of taxes affects their tax burden, and
- what mechanisms taxpayers think should be in place in order to simplify the tax system for individual taxpayers.

## CHAPTER 3

### RESEARCH DESIGN AND METHODS

#### 3.1 INTRODUCTION

One of the ways Gordon and Thuronyi (1996:3-4) recommend for identifying if there is a need for tax reform is to conduct a survey on user's experience of the tax system. The aim of the study is to explore the phenomenon of tax complexity as perceived by individual taxpayers in South Africa. This chapter aims to describe the methodological approach adopted in exploring the phenomenon of tax complexity as perceived by individual taxpayers in South Africa. The methodological approach includes an analysis of the research paradigm underlying the study, the research design used to collect data and the methods used to select samples.

#### 3.2 RESEARCH ORIENTATION

The research paradigm, also known as the research philosophy, refers to how one views the world, reality and what is viewed as knowledge and truth (Guba & Lincoln, 1994:105). The research paradigm sets the context of the study and guides the research effort (Ponterotto, 2005:128). This study follows a constructivist research paradigm. The underlying assumptions of this paradigm are discussed below.

Ontology is a “branch of philosophy that studies the nature of reality or being” (Saunders, Lewis & Thornhill, 2012:676). It is about “what we may know” (Grix, 2002:177). The constructivist paradigm assumes that there are “multiple, equally valid and socially constructed realities” (Ponterotto & Grieger, 2007:410).

Epistemology is a “branch of philosophy that studies the nature of knowledge and what constitutes acceptable knowledge in a field of study” (Saunders, Lewis & Thornhill, 2012:670). It is about “how we come to know what we know” (Grix,

2002:177). The constructivist paradigm assumes that the researcher plays a participative and interactive role which results in deeper meanings and understandings being obtained from the lived experience of the participant (Ponterotto & Grieger, 2007:410).

Axiology is a “branch of philosophy that studies judgements about the role of values” (Saunders, Lewis & Thornhill, 2012:666). The constructivist paradigm, assumes that it is inevitable that there will be researcher bias as the researcher is part of what is being researched (Ponterotto & Grieger, 2007:410; Saunders, Lewis & Thornhill, 2012:666). However, for the purpose of this study, researcher bias was minimised by utilising an online survey in order to enquire about the participants’ perceptions of tax complexity. In order to achieve some degree of impartiality, the questions asked in the survey were based on prior studies and also incorporated open ended questions in order to obtain explanations for respondents’ perceptions.

The study involves an interaction between the researcher and the participants, with the goal of understanding the phenomenon of the perceived complexity of taxes in relation to the perceived tax burden of individual taxpayers from the participants’ perspective. This is achieved by asking structured and open-ended questions by the researcher to the respondent through a survey. An interpretation of the participants’ interaction with the phenomenon is done. As this interpretation is done within the participants’ social context, it is prone to some level of subjectivity. Based on the above synopsis, the constructivist research paradigm is deemed to be the appropriate guide for the study.

### **3.3 DESCRIPTION OF INQUIRY STRATEGY AND BROAD RESEARCH DESIGN**

#### **3.3.1 Description of inquiry strategy**

A literature review was first performed in order to establish the theoretical construct of tax complexity. The theoretical constructs were then used as a base on which to generate questions to empirically examine the perceptions of individual taxpayers’

perceptions of tax complexity through a survey. The survey consisted of both structured and open-ended questions.

As there is a need to explain the reasoning behind taxpayers' perceptions of tax complexity, there was a need to first identify whether or not taxpayers viewed the tax system as being complex and subsequently obtaining an explanation of why they held that particular view. This was done through a through the simultaneous collection and analysis of both qualitative and quantitative data obtained through a survey. This approach was deemed to be relevant for the purpose of this study as established factors contributing to tax complexity (what and how) were measured quantitatively through the structured questions. The explorative qualitative question of "why" taxpayers have specific perceptions of tax complexity was investigated by asking open-ended questions in the survey. Though both qualitative and quantitative data is collected, the research design is chiefly qualitative as the study's main focus is on exploring on how taxpayers perceive tax complexity. Leedy and Ormrod (2013:139) state that qualitative research has the following in common:

- the focus is on a phenomenon that occurs in the real world, and
- it endeavours to capture and study the complexity of these phenomena.

The characteristics of qualitative research also give an indication of the benefits derived from conducting a qualitative study. Bryman and Bell (2007:416-421) describe five common characteristics of qualitative research as follows:

- events and the social or organisational world are seen through the eyes of the research participants as meaning is ascribed through the participants world view. This is achieved through asking the question why the participant has that view;
- there is an emphasis on understanding the descriptive information when reporting research results though it is clearly stated that the descriptions have to be understood within the specific social or organisational context in which the study is done;
- there is an emphasis on understanding of the process leading to and after a phenomenon or event;

- the data collection methods are flexible with limited structure as the research needs to be adaptive to new issues uncovered during the research process; and,
- concepts should emerge inductively from data after which theories that are grounded in data are formulated.

Qualitative research allows the researcher to gain new insights into a given phenomenon (Leedy & Ormrod, 2013:139). Thus, as empirical interpretations are made on the perceived complexity of taxes, the study can be classified as being chiefly qualitative.

### **3.3.2 Core characteristics of this study**

This is an empirical study in which primary data is collected for the purpose of the current study (Saunders *et al.*, 2012:678). This is basic research as the value of the study can mostly be attributed to academics in developing further focused studies on this topic (Saunders *et al.*, 2012:666). The study is an exploratory study as the aim is to gain insight into individual taxpayers' perceptions of tax complexity as the results of this study will be useful in stimulating and guiding future research into this topic (Saunders *et al.*, 2012:171).

The study is a cross-sectional study as the phenomenon of tax complexity is examined at one particular time (Saunders *et al.*, 2012:190). This is a non-experimental study as the study occurred in a real life setting where the respondents experienced the tax complexity phenomena (Marshall & Rossman, 2006:53). The researcher had little to no control over any of the variables that may influence or shape how the participants responded to the various questions posed to them. This is mostly because each participant experiences and interprets the phenomenon under investigation in different ways (Mouton, 2007:81).

Primary data specific to the current study was collected from respondents (Saunders *et al.*, 2012:678). Textual (qualitative) data was collected from participants and

analysed to identify themes that emerge from the textual data through qualitative data analysis techniques.

### **3.4 DATA COLLECTION TECHNIQUE**

Though a survey is mainly associated with quantitative studies, a survey can also be used as a data collection method for qualitative studies. This is because the critical assumption made when conducting a survey is that the phenomena under investigation can be described accurately through self-reporting (Marshall & Rossman, 2006:125).

#### **3.4.1 General characteristics of a survey**

A survey involves the researcher asking questions to a sample of the target population in order to obtain information about the population (Leedy & Ormrod, 2012:189). Surveys are used to explain or explore a research question and are appropriate for reporting on self-reported beliefs (Neuman, 1997:228). An electronic, self-administered structured questionnaire was used to collect relevant data for the study. Though prior studies utilised interviews with respondents (Steyn, 2012; Oberholzer, 2008) for data collection, a self-administered questionnaire was deemed appropriate as respondents are able to answer the questions with minimum interviewer bias imposed on them. Self-administered surveys have the advantage of being anonymous, which aids in gathering honest responses (Leedy & Ormrod, 2013:191). Electronic surveys also cover a large geographic area with the least administrative costs (Neuman, 1997:251).

The main drawback with electronic surveys is that it is associated with a low response rate (Neuman, 1997:251). However, attempts were made to counter the low response rate by using snowball sampling in conjunction with judgemental sampling in order to increase the sample size and consequently, the response rate.

### **3.4.2 Data collection instrument**

Respondents were asked to complete the questionnaire included in Appendix A (p. 87-91). The questionnaire is based on Oberholzer (2008) and Steyn's (2012) studies and adapted, where necessary, to fit into the context of this study. Part 1 of the questionnaire asks respondents to provide personal information about them. Part 2 asks respondents to answer questions on perceptions of their tax system. Five out of the twenty one questions contained in the questionnaire are structured questions with the remaining sixteen questions being open-ended. Thus, primary data was collected in both textual and numerical format.

A pilot-test of the data collection method and the data collection instrument was performed with a lecturer, an administrator and an academic trainee from the Department of Taxation at the University of Pretoria as well as one language editor based in Pretoria and another one based in Cape Town. The pilot test group was varied in terms of income levels, level of education, gender, population group and employment status. This was to ensure that problematic areas in terms of usability were identified and rectified before the survey could be distributed (Saunders *et al.*, 2012:451; Marshall & Rossman, 2006:125). The pilot test group was also used to identify problems or errors that could affect the quality of the data to be collected while ensuring that respondents would be able to understand and complete the questionnaire.

### **3.4.3 Sampling**

The target population and units of analysis were individual taxpayers in South Africa. However, due to time, financial and access constraints, only a sample of this population was selected to participate in the study. As this is an exploratory study, it was not necessary to have a representative sample of the whole population. Thus, a non-probability sampling approach was adopted which combined purposive and volunteer sampling techniques. This comprised the use of heterogeneous and snowball sampling.



Purposive sampling involves sampling where the researcher uses his or her own judgement in order to select cases that meet the research objectives. One of the techniques falling under purposive sampling is heterogeneous sampling. This is where the researcher uses his or her own judgement in order to select participants with diverse characteristics in order to obtain maximum variation in the collected data (Saunders, 2012:287).

The use of a heterogeneous sampling technique also ensures that there is a rich blend of responses from a varied sample set. This is due to the fact that the sample is selected based on the user characteristics that the researcher is aware of and applicable to the study (Daniel, 2012:93). The most important characteristic of the initial sample set was that they were interested in the research topic. This was ascertained through earlier discussions with the participants as they had indicated that they would be keen to take part in the study.

For qualitative data analysis purposes, heterogeneous sampling allows patterns in the responses from the sample set to be used in describing and explaining the key themes pertaining to the research question (Saunders *et al.*, 2012:287-288). However, the main drawback is that the results generated from the sample cannot be extended to the rest of the population (Daniel, 2012:93).

It is common practice to utilise a combination of sampling techniques in research in order to reach a large proportion of the target population. This usually begins with a sampling technique that utilises respondents that are accessible to the researcher and then building up on the sample size with referrals from the initial sample set (Marshall & Rossman, 2006:70-71). Thus, for the purpose of this study, the heterogeneous sampling technique was supplemented by snowball sampling.

Snowball sampling is a volunteer sampling technique whereby respondents are asked to recruit their associates from the target population into taking part in the study (Daniel, 2012:111). The first step in the snowballing process is to identify and make contact with cases from the target population. This initial phase in the snowballing process was achieved through the use of heterogeneous sampling. This

people are then in turn also invite other invite people that they think might be willing and interested in taking part in the study. The process is continuous and stops until the desired sample size is reached (Saunders *et al.*, 2012:289). However, Daniel (2012:112-113) notes that one of the weaknesses of snowball sampling is the risk that there might be less variability in the resulting sample as “similar elements may be sampled”. As a counter measure, the simultaneous use of snowball and judgemental sampling ensures that there is a wide variation in respondent characteristics chosen in the initial sample set through judgemental sampling.

#### **3.4.4 Data collection**

As the respondents were in various geographic locations and had varying availability schedules, the questionnaire was administered through Qualtrics, an online survey instrument, which allows the respondent to complete the questionnaire at a time and at a place that is convenient for them. The survey was opened for a total of 11 days from the 29<sup>th</sup> of August to the 9<sup>th</sup> of September 2013. From the 29<sup>th</sup> of August to the 5<sup>th</sup> of September 2013, 150 emails were sent with the survey link to contacts in the researcher’s contact list. The email requested the recipient to forward the email to any other person that the recipient thought might be interested in taking part in the survey. A link to the survey was also posted on a Facebook group page on which the researcher is an active member. Three respondents cc’d the researcher on emails forwarded to 29 other potential respondents. The total number of emails sent that the researcher is aware of is 179.

As the researcher is only fluent in English, the survey was conducted and recorded in English. This is a limitation to the study which was countered by phrasing the questionnaire in simple English terms and sending the questionnaire for language editing. The researchers contact details were also provided to the respondents for clarity on any matters pertaining to the study. However, none of the respondents expressed any difficulties in interpreting the questions posed to them.

### 3.5 RESEARCH ETHICS

The following ethical principles were applied throughout the study:

- Permission to conduct an empirical study from the Faculty of Economic and Management Sciences' Research Ethics Committee was obtained before data could be collected.
- The anonymity of the respondents was maintained by sending out an anonymous link of the survey to the respondents. A unique respondent identifier (ID) was automatically generated by Qualtrics for each respondent who opened the survey. This unique identifier did not collect any of the respondents' personal details.
- Participants were informed of what the research entailed and that their responses were to be used for academic purposes only. Refer to the informed consent form included in Appendix B (p. 92-93). Respondents who indicated that they did not want to participate in the survey were excluded from the study.
- Participation in the study was on a voluntary basis, and participants could withdraw from the study at any point without incurring any negative consequences.
- No incentives, either financial or non-financial, were offered or given to respondents in order to encourage participation.
- No respondents experienced any physical or psychological harm while participating in the study. Questions were phrased in a manner that avoided causing anxiety among respondents. Participants also had the right not to respond to any of the questions posed to them.
- Only data obtained from the participants formed part of the data set. A record of all responses was captured and stored on Qualtrics.
- The researcher endeavoured to maintain the principles of objectivity, honesty and integrity throughout the study. This was achieved by not altering the participant's responses and reporting on the findings in an objective and truthful manner.
- Research data will be archived and stored in an electronic format on both a CD-ROM and on the University of Pretoria's digital repository, UP Space, for a

period of up to 10 years. The responses generated from the study are treated as private and confidential.

### **3.6 ASSESSING AND DEMONSTRATING THE QUALITY AND RIGOUR OF THE RESEARCH DESIGN**

Four tests can be performed to assess the quality and rigour of empirical qualitative social research. The tests are; construct validity, internal validity, external validity and reliability (Yin, 2003:33-34). Internal validity measures a questionnaire's appropriateness and ability to address the research question (Saunders *et al.*, 2009:372). Internal validity is not applicable to exploratory studies (Yin, 2003:36). However, as this is not a causal study and no inferences are made from the study results, the principles of internal validity are not applicable in this study.

Construct validity refers to whether the operational measures of the concepts to be studied have been established (Yin, 2003:34). The concept of "tax complexity" is defined based on existing literature. The review of previous studies provides the measurement basis on which to demonstrate individual taxpayers' perceptions of tax complexity, how tax complexity influences the perceived tax burden of individual taxpayers as well as to investigate whether individual taxpayers' perceptions of tax complexity have an effect of taxpayers' attitudes towards tax evasion. Data collected was captured and stored in a coherent manner. The use of online survey software, Qualtrics, to collect data ensured that responses were captured without any capturing errors. This also ensured that the essence of the responses was not misinterpreted, as is common with face-to-face interviews.

External validity looks at whether generalisations can be drawn from the results of the study (Yin, 2003:37). Results are applied in order to make generalisations about a broader theory. This is called analytical generalisation. The sample selected was quite diverse in terms of age, gender orientation, population groups, education levels, employment status, income levels and their level of tax knowledge. Despite the diversity of the sample, generalisations can only be made in reference to this particular sample set as the sample was not selected with the aim of

representativeness but rather on convenience. Thus, the generalisations made from this study cannot be expanded to include the whole South African population of individual taxpayers.

Reliability refers to whether the study can be replicated with the same results. The aim of reliability is “to minimize the errors and biases of a study” (Yin, 2003:37). However, one needs to bear in mind the fact that perceptions of tax complexity gathered for this study were obtained at a particular point in time from the respondents’ perspective. As perceptions change over time, one needs to be cognisant of the fact that similar responses may not necessarily be achieved should the study be replicated at a different point in time with the same group of respondents (Grbich, 2013:115). However, in order to counter this weakness, an audit trail was maintained through maintaining a code book and output reports for all analytical activities performed on both the quantitative and qualitative data. This ensures that any other researcher can follow the manner in which the data was analysed in order to reach the conclusions made based on the data collected.

### **3.7 SUMMARY**

This chapter aimed to describe the methodological approach adopted in exploring the phenomenon of tax complexity as perceived by individual taxpayers in South Africa. The chapter described the applicability of the use of an online survey in the current study.

Through this data collection technique, 91 responses were collected. However, it must be noted that only 80% of the responses were usable. A larger response rate might have been obtained had the survey been left open for a longer period of time.

The following chapter presents a more detailed analysis and discussion of the findings from the survey.

## CHAPTER 4

### DATA ANALYSIS

#### 4.1 INTRODUCTION

The aim of the study is to explore the phenomenon of tax complexity as perceived by individual taxpayers in South Africa. This chapter aims to provide an analysis of empirical evidence obtained from a survey of individual taxpayers' perceptions of tax complexity in a real life context. Utilising statistical software, Statistical Software Package for the Social Sciences (SPSS) version 21, descriptive statistics in the form of cross-tabulation and frequency distribution tables are presented on the quantitative data collected. A generic qualitative data analysis approach was taken in order to analyse the qualitative data. This analysis resulted in themes being generated from the data in order to explain the research findings.

#### 4.2 DATA ANALYSIS TECHNIQUE

Data was downloaded from Qualtrics as SPSS compatible files. The quantitative data on the questionnaire was used to describe the characteristics of the respondents using basic descriptive statistics through frequency distribution charts using SPSS.

To analyse the qualitative data collected, a generic approach to qualitative data analysis was adopted which comprises the following steps (Saunders *et al.*, 2012:557-562):

1. identify codes to help understand the data;
2. integrate the data by assigning codes to it;
3. identify themes that “identify relationships and patterns” within the coded data;
4. develop theories based on the patterns and theories identified; and,

5. draw up and verify conclusions made based on the data collected, emerging themes and theories developed.

Coding involves the systematic arrangement of things into categories (Saldana, 2009:8). This allows a large amount of data to be interpreted through the allocation of descriptive codes to data that best suits the code description (Grbich, 2013:259-260). For this study, the codes created were used to identify common underlying themes emerging from the data. An analysis and discussion of the themes, as perceived by the respondents, was also done in order to grasp the essence of the respondents' perceptions of tax complexity.

The qualitative data consisted of respondent's responses to the following three open-ended questions:

- Q10 which explored respondents perceptions on whether the South African tax system was complex;
- Q12 which asked whether respondents who considered the tax system to be complex thought tax complexity affected their tax burden, and
- Q17 which asked all respondents to give their suggestions on how the tax system could be simplified for individual taxpayers.

The responses to each of the above questions was extracted from SPSS and exported to Microsoft Word. Where respondents used terms that met the definition of theories and terms used in prior studies, the prior studies' terms and theories were used to create and define codes (Saunders *et al.*, 2012:569). An analysis of each response was then carried out and then a code was allocated to whatever part of the respondents' statement that met the definition of that particular code. Where none of the created codes met the contextual meaning behind a phrase or the full sentence, a new code was created. All codes were then analysed to identify underlying themes. Themes were then generated and the data reanalysed to allocate the responses to the respective themes.

## 4.3 RESULTS

Though a total of 91 respondents took part in the study, only 83 of the responses were considered to be usable. This is due to the fact that 8 of the responses were unusable for the following reasons:

- One of the respondents was below the age of 18 years was excluded from the survey as the survey terminated with a thank you message to any respondent who stated that they were born after 1995.
- Two respondents opened the survey but did not complete any questions.
- Five of the respondents only answered 2 to 3 of the demographic questions without completing the rest of the survey questions.

However, of the 83 responses obtained, only 78 were completed responses while the remaining 5 were partially completed. This might partly be due to the fact that participation was on a voluntary basis and respondents could choose to stop participating in the survey at any point that they wanted.

As a minimum sample size of 30 respondents is usually required for statistical analysis (Saunders *et al.*, 2012:291) and as no inferences are to be made from the results obtained, the sample size of 83 was considered to be appropriate for the purpose of this exploratory study. In addition, due to the fact that snowball sampling approach was adopted, it was impossible to calculate an accurate response rate as total number of invitations sent out to participate in the survey could not be determined.

### 4.3.1 Demographic profile of respondents

Part 1 of the questionnaire collected demographic information of the respondents which is presented below.

#### 4.3.1.1 Age and gender profile of the respondents

Table 2 presents a cross-tabulation of the age and gender of the respondents. Approximately 62% of the respondents who indicated their gender were female. The



bulk of the respondents, approximately 57% of the respondents were between the age groups of 26 to 39.

**Table 3: Age and gender profile of the respondents**

		Age group					Total	
		22-25	26-29	30-39	40-49	50-59		60-67
Gender	Male	6	10	10	2	3	0	31
	Female	10	14	13	6	5	3	51
Total		16	24	23	8	8	3	82

#### **4.3.1.2 Location and population group profile of the respondents**

The sample comprised of respondents from eight of the nine provinces in South Africa and four of the five population groups in South Africa. Though the survey was open to all individuals in South Africa, unfortunately, none of the respondents were Asian nor were there any respondents from the Northern Cape Province. The Black/African and White population groups had the highest representation in the survey which accounted for approximately 94% of the total respondents. The majority of the respondents were situated in the Gauteng Province. Table 3 presents a more detailed summary of the respondents profile by location and population group.

**Table 4: Location and population group profile of the respondents**

		Province							Total	
		Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	North West	Eastern Cape	Free State		Western Cape
Population group	Black/African	36	1	1	3	1	3	0	1	46
	Coloured	1	1	0	0	0	0	1	0	3
	Indian	2	0	0	0	0	0	0	0	2
	White	29	1	0	0	0	0	0	2	32
Total		68	3	1	3	1	3	1	3	83

#### 4.3.1.3 Tax knowledge of the respondents

Respondents were also asked to rate their level of tax knowledge of which the majority of the respondents, approximately 43%, indicated that they had an average level of tax knowledge. Table 7 presents a summary of the respondents' level of tax knowledge.

**Table 5: How do you rate your level of tax knowledge?**

	Frequency	Percentage
<b>High</b>	28	35%
<b>Medium</b>	34	43%
<b>Low</b>	17	21%
<b>None</b>	1	1 %
<b>Total</b>	<b>80</b>	<b>100%</b>

#### 4.3.1.4 Employment and academic profile of the respondents

Table 4 presents a summary of the employment status of the respondents. Though there was a wide mix between the employment status and highest educational achievements of the respondents, the majority of the respondents were tertiary postgraduates and those working within the private sector.

**Table 6: Employment and academic profile of the respondents**

		Highest level of qualification obtained to date:				Total
		Completed secondary education	Tertiary - Undergraduate	Tertiary - Postgraduate	Other	
<b>Employment status</b>	Pensioner and Salaried employee - semi-public sector	1	0	0	0	<b>1</b>
	Pensioner and Salaried employee - private sector	1	0	0	0	<b>1</b>
	Pensioner and self employed	1	0	0	0	<b>1</b>
	Salaried employee - public sector	2	3	7	0	<b>12</b>

Table 6 (continued)

		Highest level of qualification obtained to date:				Total
		Completed secondary education	Tertiary - Undergraduate	Tertiary - Postgraduate	Other	
<b>Employment status</b>						
	Salaried employee - public sector and self employed	0	0	1	0	1
	Salaried employee - public sector and private sectors	0	0	1	1	2
	Salaried employee - public sector and semi-public sector	0	1	0	0	1
	Salaried employee - private sector	1	13	19	0	33
	Salaried employee - private sector and self employed	1	0	0	0	1
	Salaried employee - private sector and other	0	0	1	0	1
	Salaried employee - semi-public sector	0	5	11	2	18
	Self employed	1	2	1	0	4
	Unemployed	0	1	1	0	2
	Other	0	1	4	0	5
	<b>Total</b>	<b>8</b>	<b>26</b>	<b>46</b>	<b>3</b>	<b>83</b>

#### 4.3.1.5 Income levels and income sources of the respondents

Respondents were asked to provide an estimate of their annual income from their various income sources before providing for any deductions, expenses and taxes. 77% of the respondents indicate that they had income from one source, 22% of the respondents had income from two different sources and only 3% had income from three different sources. Table 6 below presents a summary of the respondents' income sources and income levels.

**Table 7: Income levels and tax knowledge profile of the respondents**

		Income group							Total
		R0– R67 111	R67 112– R165 600	R165 601– R258 750	R258 751– R358 110	R358 111 – R500 940	R500 941– R638 600	R638 601 and above	
<b>Income Source</b>	Employment (salary, benefits, etc)	30	5	6	3	7	3	2	<b>56</b>
	Business	2	1	0	0	0	1	1	<b>5</b>
	Other	2	0	0	0	0	0	0	<b>2</b>
	Employment and business (2 income sources)	1	0	0	0	1	0	1	<b>3</b>
	Employment and capital (2 income sources)	1	1	2	1	1	1	1	<b>8</b>
	Employment and private pension (2 income sources)	1	0	0	0	0	0	0	<b>1</b>
	Employment and other (2 income sources)	1	2	0	0	0	0	0	<b>3</b>
	Employment, business and other (3 income sources)	1	0	0	0	0	0	0	<b>1</b>
	Employment, capital and private pension (3 income sources)	1	0	0	0	0	0	0	<b>1</b>
	<b>Total</b>	<b>40</b>	<b>9</b>	<b>8</b>	<b>4</b>	<b>9</b>	<b>5</b>	<b>5</b>	<b>80</b>

#### 4.4 PERCEPTIONS OF TAX COMPLEXITY

In Part 2 of the questionnaire, respondents were asked about their perceptions of different tax issues. The first question asked in this section was whether the respondents thought the South African Tax system was complex. The majority of the

respondents, 53%, thought that the South African tax system was complex. The results to this question are presented in Table 8.

**Table 8: Is the South African tax system complex?**

	<b>Frequency</b>	<b>Percentage</b>
<b>Yes</b>	42	53%
<b>No</b>	25	31%
<b>Unsure or do not know</b>	13	16%
<b>Total</b>	<b>80</b>	<b>100%</b>

When asked to provide the reasons for their perceptions on the complexity of the tax system, 51 of the 80 respondents gave reasons for their answers. After analysing the responses, the following four main themes were identified and used to describe the respondents' perceptions of tax complexity.

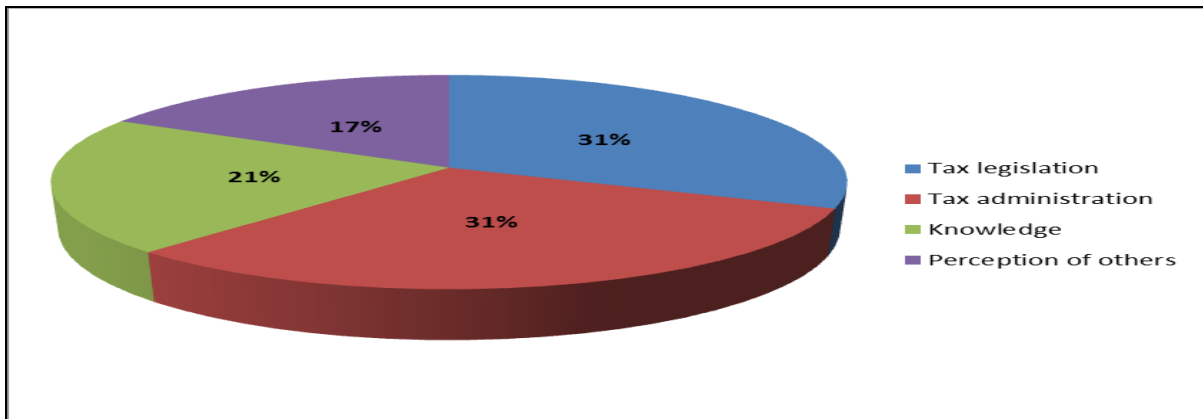
**Table 9: Themes used to group individual taxpayers perceptions of tax complexity**

<b>Theme</b>	<b>Description</b>
Tax legislation	This includes reference to the number of taxes, language used, the number of taxes, the extent sections and Acts are connected to each other and reference to specific provisions within tax legislation. It also includes reference to any other aspect specific to tax legislation.
Tax administration	This refers to any of the compliance activities conducted by the respondent. This includes filing tax returns, employing a tax practitioner, costs of compliance with tax legislation and interacting with revenue authority employees.
Knowledge	Refers to any reference to the respondent's level of knowledge, the knowledge needed to comprehend and apply the tax laws.
Perception of others	Reference to how other people may perceive the tax system.

#### **4.4.1 Is the South African tax system complex? Yes**

32 respondents who indicated that the tax system is complex elaborated on this statement. A graphic presentation of the emerging themes is presented in Figure 1.

**Figure 1: Is the South African tax system complex? Yes**



Though more than one theme emerged from most of the responses given, Figure 1 reveals that tax legislation and tax administration are the main reasons why the respondents perceive that the South African tax system is complex. A further analysis of the reasons falling under each theme is presented below.

#### **4.4.1.1 Tax legislation**

In terms of tax legislation, the structure was said to be dated and frequently subjected to too many changes. These changes include additions of sections on an ad-hoc basis which leads to either complexity in the whole legislation and or complexity to specific sections in the legislation. The South African tax system is said to be characterised by too many tax types, too many taxes being applicable to a single transaction and by taxes that are imposed on too many events and transactions. Tax laws are also said to be too integrated with different rules and rates applicable to different individuals. Thus, the application of tax legislation is deemed to be complex.

#### **4.4.1.2 Tax administration**

Respondents noted that the complexities in the tax system were due to the fact that the reporting requirements are burdensome for people who earn more than one income as some of the taxpayers are obliged to submit a tax return even when they are below the tax threshold. Another issue related to this was the fact that a pension is considered to be a separate income which needs to be accounted for by the taxpayer. Most of the taxes imposed are based on the individual's earnings. This

then raises the challenge on how to account for these transactions. The respondents indicated that some taxpayers are not aware of how to accurately calculate their tax liability. This is due to the fact that tax legislation is perceived to have too many parts, provisions and rules on what can be deducted and allowances available to the taxpayer. These make it difficult to understand and apply tax laws. The resultant effect is that taxpayers pay too much for their taxes due to the payment for the number of taxes imposed and the failure to claim deductions and allowances available to them. Thus, some of the respondents employ the services of a tax practitioner in order to avoid incorrectly reporting their taxes.

However, though some of the respondents point that e-filing assists in reducing the compliance burden, there are challenges in interpreting the various codes when filing tax returns, those who have faced difficulties with e-filing resorted to using tax practitioners to do their taxes. The system was also said to be not user friendly. The requirements imposed on taxpayers in terms of the information the taxpayer is supposed to know and keep make it difficult to understand the tax system when changes are made frequently to existing legislation. The inefficiency in the use of tax revenues and improper prioritisation of projects was cited as one of the reasons that led to the complexity of the tax system.

#### **4.4.1.3 Tax knowledge**

The lack of knowledge about the tax system was also cited as one of the reasons leading taxpayers to perceive that the South African tax system is complex. Some of the respondents indicated that one needs some level of experience and education in order to understand and apply the tax system. This lack of knowledge is said to create a challenge for those who do not have the necessary technical skills in dealing with tax issues. These issues include the inability to correctly calculate taxable income, claim benefits and allowances and complete tax returns. The resultant effect, even for those who are well educated, is said to be a lack of understanding of the tax system. Some respondents indicated that they used tax practitioners to handle their affairs as they lacked the necessary understanding of the tax system to competently handle their own tax affairs.

#### 4.4.1.4 Perceptions of others

When asked to provide reasons why they thought the tax system is complex, some of the respondents indicated that the tax system may be complex for other people. These other people were described as those who are not good with Maths, who do not know accounting or tax, the man on the street and those who have more than one source of income. This category of taxpayers was assumed to lack the capabilities to accurately calculate and report their tax liabilities.

Table 10 presents a summary of the responses given from respondents who perceive that the tax system is complex.

**Table 10: Is the South African tax system complex? Yes**

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
1	Yes	SARS wants to tax to many events and transactions. This cause complexity or incorrent treatment if you do not know the legislation properly. It the legislation is more simplified and direct it will cancel out most problems.	1		1	
3	Yes	Sections have been added on an ad hoc basis on a dated structure.	1			
5	Yes	There are too many types of taxes and the legislation is too complex	1			
6	Yes	For an unschooled person the medical deductions etc are quite complex	1		1	
7	Yes	We have so many taxes: VAT, PAYE, PROPERTY and other taxes. They revolve around our earnings	1	1		
8	Yes	i think they must still look at there system like mine i get less than the income amount per year.... but still pay in beacause they see that i get 2 incomes ..... i work and get R1500.00 per month from my pension - they must look at that 2	1	1		



Table 10 (continued)

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
9	Yes	Application of tax legislation is complex	1			
10	Yes	The system requires a knowledgeable person, the computer system for the filing works much better but the codes can be confusing as they are not narrated.		1	1	1
11	Yes	There are a variety of sections that are complex (eg. capital gains and losses)	1			
12	Yes	The average person is unsure how the taxable amount and the amount payable/refundable is calculated.		1		1
13	Yes	I work in the financial sector and attend Fasset and SAIP seminars regularly. but for some of my friend who dont know much about accounting or tax its a complex system.			1	1
14	Yes	The Income Tax Act was passed into law 51 years ago, has been amended by 97 pieces of legislation. It is an Act that runs to over 460 pages, and, arguably lacks structure. It is doubtful whether there exists an area of law with greater complexity, one constantly has to grapple new concepts as the tax amendment Bill is introduced more than once a year.	1	1		
15	Yes	The calculation of taxable income is very difficult for people that are not good at maths and also people without the knowledge of what expenses are allowed as deductions and why.		1	1	1
16	Yes	South Africa's tax system is complex for the man on the street. there are different tax acts which most South African are unaware of.	1			1

Table 10 (continued)

Resp onde nt ID	Is the South African tax system complex?	Reason why	Legis lation	Adminis tration	Kno wled ge	Oth ers
17	Yes	<p>Its too complex for an average person to do their own taxes. The greater part of the SA population doesnt have the necessary qualification to do their own taxes.</p> <p>There are too many different type of taxes- Income tax, vat, property taxes, carbon taxes, tc etc.</p> <p>Even the income tax system is complex- there are too numerous parts to it. for every rule there are 10 exceptions.</p>	1	1	1	1
19	Yes	Havent given it a chance to understand			1	
20	Yes	Definitely not user friendly or understandable even to well-educated people.		1	1	
21	Yes	Tax System in South Africa is complex because is raised in different tax law . One taxpayer can pay a lot in one transaction . Eg sale of assets will attract the VAT output in terms of VAT Act , CGT which is capital Gain tax (18.6%) in terms of section 26 of income tax and Income tax of 28% in terms of section 8(4) (a) recoupment. When the conpnay pays the Dividends out of profits derved from the sale of assets the befacial opwner will pay the dividend tax at 15%	1	1		
24	Yes	Not all provisions are known by a person who does not deal with income tax on a daily basis. Some sections are linked, therefore have other implications and outcomes.	1		1	1
25	Yes	The South African tax system allows benefits that most taxpayers are not aware of. It relies heavily on the integrity of taxpayers to voluntarily disclose their taxes for the year.		1	1	1

Table 10 (continued)

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
26	Yes	the taxpayers money is wasted on unnecessary things, and the things that need attention is pushed to the side, a very complex situation.		1		
27	Yes	The tax system is complex due to the amount of different taxes an individual has to comply with. For example: VAT, income Tax, transfer duty, propriety rates and taxes, customs, donations tax, company tax, estate duty, capital gains tax ect...	1			
29	Yes	There is a lot of integration in our tax laws and one effect normally leads to another.	1			
30	Yes	I'm saying they are complex because it's a subject that I leave to experts. I have tried to do complete my own tax returns and more often I do them wrong.		1	1	
31	Yes	It is only complex for individuals who have more than one source of income.		1		1
34	Yes	If you only have one income from one employer then it is quite simple with e-filing, But as soon as it turns to business tax or income from various places it gets to be quite tricky		1		1
35	Yes	I do not have the patience to do my taxes as I claim my contract wok and salary ( that are from different companies) and medical aid. I struggled with the passwords for 2 days and thereafter I have asked somebody to do my taxes for me.		1		
36	Yes	Any type of system is complex, we don't always see how complex it is until we try to understand the tax system. Not all people appreciate the administration ect that the tax system entails.		1		

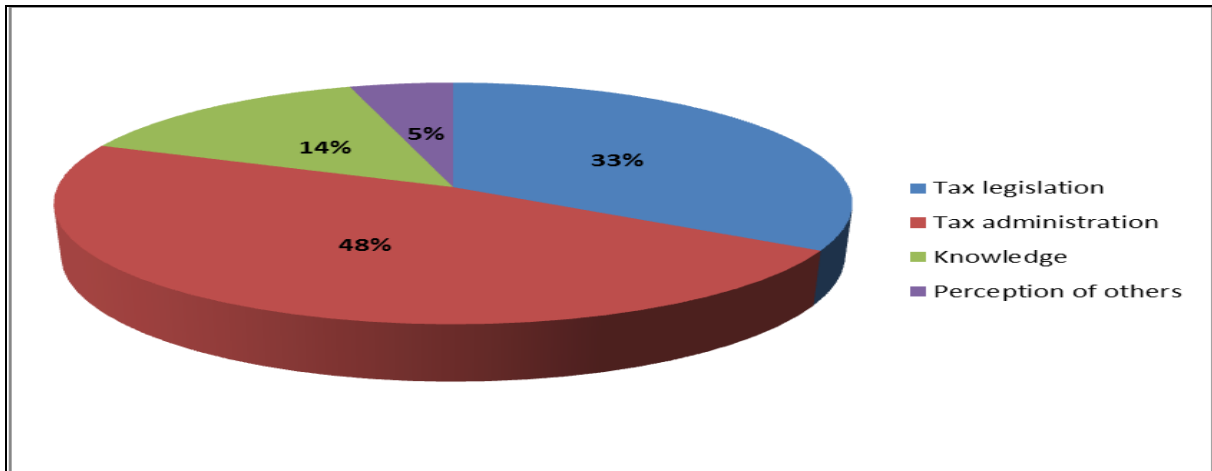
Table 10 (continued)

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
38	Yes	How to apply for tax returns. What you can claim back. What info they need. What, in regards to your information, is your responsibility and what is your employer's responsibility. How they work out what your tax is per month/year. So basically nearly everything about tax.	1	1		
39	Yes	Due to the systems in place to give various individuals and small companies different rates along with the various deductions allowed and their maximum value, I believe the South African tax system is fairly complex.	1			
40	Yes	due to the changes in tax and alignment of tax to international tax laws it becomes complex. the changes to the TA Act and its uncertainties. it is not clear sometimes to understand some of the provisions of the Act	1	1		
42	Yes	i just dont understand how it works			1	
<b>Total</b>			<b>18</b>	<b>18</b>	<b>12</b>	<b>10</b>

#### 4.4.2 Is the South African tax system complex? No

Fifteen of the respondents who indicated that the tax system is not complex elaborated on this statement. Figure 2 below presents a graphic presentation of the frequency with which the themes of tax legislation, tax administration, knowledge and perceptions of others appeared in the responses given by respondents as to why the South African tax system is not perceived to be complex.

Figure 2: Is the South African tax system complex? No



#### 4.4.2.1 Tax legislation

One respondent noted that tax for individuals is simple. Other respondents noted that:

- it is regulated by an act that is accessible to all;
- it is clearly defined, what is taxable and how it is taxed is defined upfront; and,
- there is certainty of the calculation and certainty of the amount.

However, one of the respondents noted that SARS may look into providing free information sessions for owners and prospective owners of small businesses on the statutory requirements and basics of taxation.

#### 4.4.2.2 Tax administration

Tax administration was cited as the largest contributing factor to why respondents were of the opinion that the South African tax system is not complex. This was mainly attributed to the ease with which one can register for tax and submit tax returns which has been easier by the use of e-filing. Some of the respondents noted that it is the responsibility of the taxpayer to utilise the various tools available in the public domain in order to educate themselves on how the tax system works. The

resources mentioned to be available and accessible to all include tax legislation and SARS guides and training.

#### 4.4.2.3 Knowledge

One of the respondents found taxes to be quite easy as he/she had completed an Honours degree in Tax. A couple of the respondents noted that with it is the taxpayer's responsibility to educate him or herself. The rationale given for this statement is that, with education, the complex becomes "ordinary everyday things".

#### 4.4.2.4 Perception of others

One respondent noted that tax for individuals is simple. However, this was qualified by the statement, "the more complex your transactions, the more complex the taxes thereon becomes".

Table 11 presents responses from respondents who do not perceive that the tax system is complex.

**Table 11: Is the South African tax system complex? No**

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
46	No	It's all about communication. Anyone getting involved in business need to ensure that they get to know how the tax system works. It will be enormously beneficial to owners/prospective owners of small business if SARS could hold/facilitate free information sessions regarding the BASICS of taxation, especially the statutory requirements.	1	1	1	
47	No	Easy to understand what returns are and the filing process is pretty much self-explanatory.		1		
48	No	I completed my honour's in tax, I find it quite easy.			1	

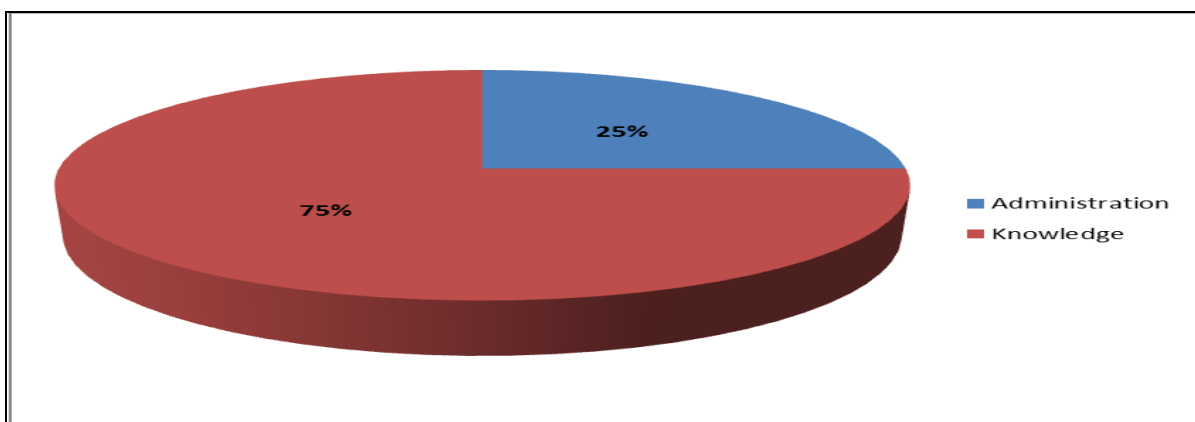
Table 11 (continued)

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
50	No	Tax for individuals is fairly simple. The more complex your transactions, the more complex the taxes thereon becomes	1			1
51	No	E filling makes it easy.		1		
53	No	Certainty of amount of tax payable and the calculation thereof. Use of e-filing/prepopulated tax returns makes completion of tax returns and filing easy.	1	1		
54	No	It clearly defined	1			
57	No	its a very simple and uncomplicated procedure to register and pay tax.		1		
58	No	Its regulated by an act that can be accessed by all	1	1		
59	No	It is defined upfront what is taxable and how. The fact that it is almost compulsory for all businesses to have an electronic system makes it even easier to work with.	1	1		
61	No	You pay tax multiple times, tax is deducted from your income and then you pay tax on everything you buy as well.		1		
63	No	Without knowledge everything seems complex but if one educates themselves the complex becomes ordinary everyday things			1	
64	No	The tax system in South Africa is fairly understandable. And the South African Revenue Services makes it easy by offering guides and training to citizens.		1		
65	No	SA has lots of different taxes that apply for different people. Trying to understand all of them is complex but you only ever really need to know 2 - 3 types that apply to any one person. So that is easy to understand.	1			
67	No	I have used it seem its simple and understandable		1		
<b>Total</b>			<b>7</b>	<b>10</b>	<b>3</b>	<b>1</b>

#### 4.4.3 Is the South African tax system complex? Not sure or do not know

Four of the respondents who indicated that they were not sure or do not know if the tax system is complex elaborated on this statement. Figure 3 below presents a graphic presentation of the frequency with which the themes of tax administration and knowledge appeared in the responses given by respondents as to why they were not sure or did not know whether the South African tax system is complex.

**Figure 3: Is the South African tax system complex? Not sure or do not know**



##### 4.4.3.1 Tax administration

Only one of the respondents indicated that tax administration was an issue. The respondent noted that the basics were fine. The respondent also noted that this was dependent on what a taxpayer needed from the underlying laws of the tax system.

##### 4.4.3.2 Knowledge

The remaining three respondents stated that they were not knowledgeable about the tax system. One of the respondents stated that the reason that they were not knowledgeable was because they were still newly acquainted with the system.

Table 12 presents a summary of the responses from respondents who were not sure or did not know if the tax system is complex.



**Table 12: Is the South African tax system complex? Not sure/ do not know**

Respondent ID	Is the South African tax system complex?	Reason why	Legislation	Administration	Knowledge	Others
71	Not sure/ do not know	Don't know much about it			1	
74	Not sure/ do not know	Depends on what you need from the laws around the system, the basics are fine		1		
78	Not sure/ do not know	I am not knowledgeable about the tax system			1	
79	Not sure/ do not know	Since I am still new I am not really sure of how it works			1	
<b>Total</b>			<b>0</b>	<b>1</b>	<b>3</b>	<b>0</b>

#### 4.4.4 How does the complexity of the tax system affect the perceived tax burden

In Question 11, respondents who perceive the tax system as being complex were asked whether this complexity affected their tax burden. Table 13 presents a summary of the frequencies of the responses obtained from this question.

**Table 13: Does the complexity of taxes affect your tax burden?**

	Frequency	Percentage
<b>Yes</b>	29	71%
<b>No</b>	11	27%
<b>Unsure or do not know</b>	1	2%
<b>Total</b>	<b>41</b>	<b>100%</b>

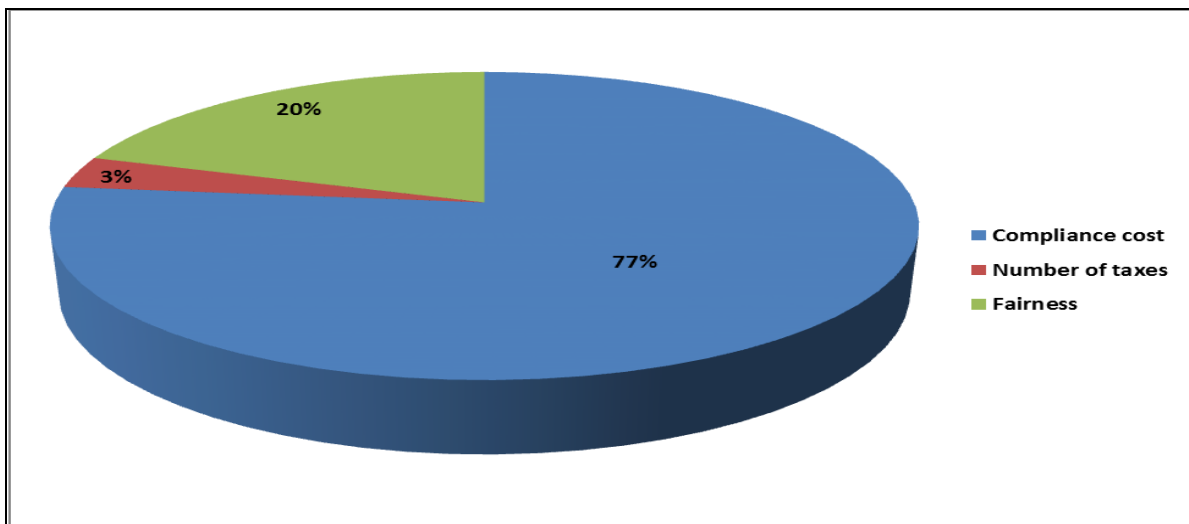
In Question 12, the 29 respondents who indicated that the complexity of taxes affected their tax burden were asked to provide reasons why and how they held this perception. Only 25 of the 29 respondents provided reasons why they thought that the complexity of taxes affected their tax burden. The responses were analysed, and the themes of compliance cost, number of taxes and fairness were identified to best group these responses. Table 14 presents a summary of the descriptions given for each of these themes.

**Table 14: Themes used to group individual taxpayers perceptions of tax complexity**

Theme	Description
Compliance cost	Any reference to the costs incurred by taxpayers to comply with tax legislation. This may refer to monetary and non-monetary costs incurred by the taxpayer. This includes psychological costs such as emotions associated with the taxpayer’s taxpaying activities.
Number of taxes	Any reference by the respondents to the number of taxes in South Africa. This includes mentioning more than one tax in the reasons provided.
Fairness	Any reference to comparison of the taxes paid and tax burden borne by different categories of taxpayers and reference to the benefits derived from the taxes paid. This also includes any reference to the taxpayer’s ability to pay per the basis of determining the tax base.

Figure 4 presents a graphical presentation of the contribution of each theme as perceived by the respondents.

**Figure 4: Influence of tax complexity on the perceived tax burden**



#### **4.4.4.1 Compliance cost**

At 79%, compliance cost was cited as the main reason why the respondents believed that tax complexity influenced their tax burden. Monetary costs mentioned included, paying too much for taxes as well as the additional costs incurred from the

need to employ the services of tax practitioners and tax lawyers to assist taxpayers with their tax compliance. Some respondents noted that they were not sure if they accurately calculated their tax liability. As one respondent noted, one is not certain whether they are paying too much or not enough. Other respondents noted that this calculation was compounded by uncertainty over what, how and how much one could deduct when determining one's tax liability or submitting a tax returns. This, along with the paperwork needed to complete tax returns, was said to cause respondents to spend a lot of time and effort administering and managing their tax affairs. In addition, respondents noted that they were afraid of misinterpreting tax legislation as the cost of submitting inaccurate tax returns in the form tax audits, penalties and interest is quite high. One respondent noted that complexity causes procrastination which eventually leads to non-submission of tax returns, late submissions of tax returns or the employment of a tax practitioner. To quote one of the respondent's tax complexity is said to add "extra stress to the already financially tense atmosphere".

#### **4.4.4.2 Number of taxes**

A respondent that his tax burden was too high because there are too many taxes imposed and that as one's income increases, so does the tax burden. From the respondent's perspective, taxes are said to be imposed on every purchase transaction.

#### **4.4.4.3 Fairness**

The tax system is said to be unfair as not all people pay taxes. Examples given of these persons are taxi drivers and entrepreneurs that work on a cash basis. This is said to increase the tax burden of salaried employees. The taxable amount of each individual is said to be different due to the various tax relief measures awarded to various entities as well as the different rates and tax calculation methods for these entities. This is said to cause complexities in the tax system which in turn affect the tax burden. Respondents noted that taxes should be imposed on earnings only and not on both earnings and consumption. One respondent noted that they did not receive a direct benefit from most of the activities the taxes are spent on. The same

respondent also noted that government mismanages tax revenues while another respondent noted that they were not sure where their money was going.

Table 15 presents the responses from respondents on why they believe that the complexity of taxes affects their tax burden.

**Table 15: Why do you believe that the complexity of the tax system affects your tax burden?**

Respondent ID	Does the complexity of the tax system affect your tax burden	Reason why	Compliance cost	Number of taxes	Fairness
1	Yes	Not always sure whether my taxes is calculated correctly Afraid of interest and penalties if misinterpreted a section	1		
3	Yes	More admin to work out and manage taxes	1		
4	Yes	Cause it takes money and play with it	1		
5	Yes	It take a lot of time and effort to submit tax returns. It requires a lot fo admin and therefore the tax buren goes beyond the monetary amount	1		
6	Yes	If a person does not understand the complex items like medical foreign tax etc it will likely influence their deductions they claim and also penalties etc if they claim incorrect expenditure	1		
7	Yes	Taxes should be billed according to earnings not to everything that we buy or utilize			1
8	Yes	i must pay R600.00 per month x 6 back every time because of that i dont have enouth money for my budget	1		
14	Yes	The answer quite simply is, that, the cost of compliance is now the burden of the taxpayer. Greater complexity amounts to an increased cost to comply. Tax practitioners and tax lawyers have to be commissioned and briefed by the taxpayer to comply with the complexity of the legislation.	1		
15	Yes	Not all people out there pay there taxes due to SARS - eg taxi drivers and a lot of entrepreneurs make cash money and don't declare it to SARS and don't pay tax on their taxable income. Salary employed people then have a higher burden of tax to pay to the Government than it would have been if everybody have paid their fare share.	1		1

Table 15 (continued)

Res pon den t ID	Does the complexity of the tax system affect your tax burden	Reason why	Com pli ance cost	Num ber of taxe s	Fai rne ss
16	Yes	a taxpayer who is not aware of certain provisions in the tax act will not be able to complete their tax returns accurately	1		
17	Yes	as its complex, most people dont know what they can dedcut oir not deduct from taxable income.	1		
19	Yes	not sure sometimes if i'm completing it correctly	1		
20	Yes	Time wasted, use of tax practitioner needed, negative impact on opening a small business.	1		
21	Yes	The tax burden is too much since we as individual we end up paying too much tax e.g PAYE , VAT and Dividend Tax . The other difficult thing is the more we earn the more we pay tax. In everything we purchase there is tax to be paid e.g VAT.	1	1	
22	Yes	The calculation of travelling allowance,dividends tax , income from other source. They are complex because the tax rate incese on the second IRP5. and the dividends administration from the individual tax pespective for capital gain purposes.	1		
24	Yes	If a section is not read properly, the tax implication can be major. And if an audit is performed and there is a finding, penalties and interest will be incurred.	1		
25	Yes	By taxing too much on the income brackets of salaried individuals.	1		1
27	Yes	The more complex taxes are the more of my time and resources I have to spend on complying with taxes. I have limited time and resources thus my burden is increased.	1		
29	Yes	It is a lot of admin and paperwork. The supporting docs are really a lot.	1		
30	Yes	My view is that SARS now wants t o tax everything and anything e.g. rental income, which I find it would be difficult to enforce. I got a letter from Old Mutual in March 2013 stating that my investments will now be taxed i.e. the interest thereof. Previously I would get money back on my R/A but I think now - because of my income bracket - this has either been stopped or restricted. Frankly it discourages saving.	1		

Table 15 (continued)

Res pon den t ID	Does the complexity of the tax system affect your tax burden	Reason why	Com pli ance cost	Num ber of taxe s	Fai rne ss
34	Yes	If taxes are too complex, people will keep putting it off till the last minute because they don't feel up for the struggle. This might lead to them forgetting about it or just postponing it. It may also lead to them having to pay a tax practitioner to do it for them which will cost them money.	1		
35	Yes	If I do not have somebody to do my taxes, I will not know when to claim my returns and therefore end up paying more than I should.	1		
38	Yes	It makes you feel unsure about where your money is going: are you inadvertently paying too much or not enough. Adds extra stress to the already financially tense atmosphere.	1		1
39	Yes	The majority of the complexities, in my opinion, is as a result of different tax measures and different rates for individuals that earn different annual salaries. On top of that Small to Medium are also taxed differently than larger organisations to try and provide them some tax relief. All of this affects tax burden, because the taxable amount of each individual is different as well as the method of calculation.			1
42	Yes	I feel I am paying too much and most of the taxes are used for things which I don't directly benefit from. The government mismanages these funds and we as citizens we are always disadvantaged	1		1
<b>Total</b>			<b>23</b>	<b>1</b>	<b>6</b>

#### 4.4.5 How can the tax system be simplified for individual taxpayers?

In question 27, all respondents were asked to provide comments on how the tax system could be simplified for individual taxpayers. However, only twenty four respondents completed this question. Four themes were identified from the responses collected which are: tax reform, education, administrative support and efficiency and transparency in revenue use. Table 14 presents a summary of the frequency percentages of the responses from the respondents according to their perceptions of the tax system.

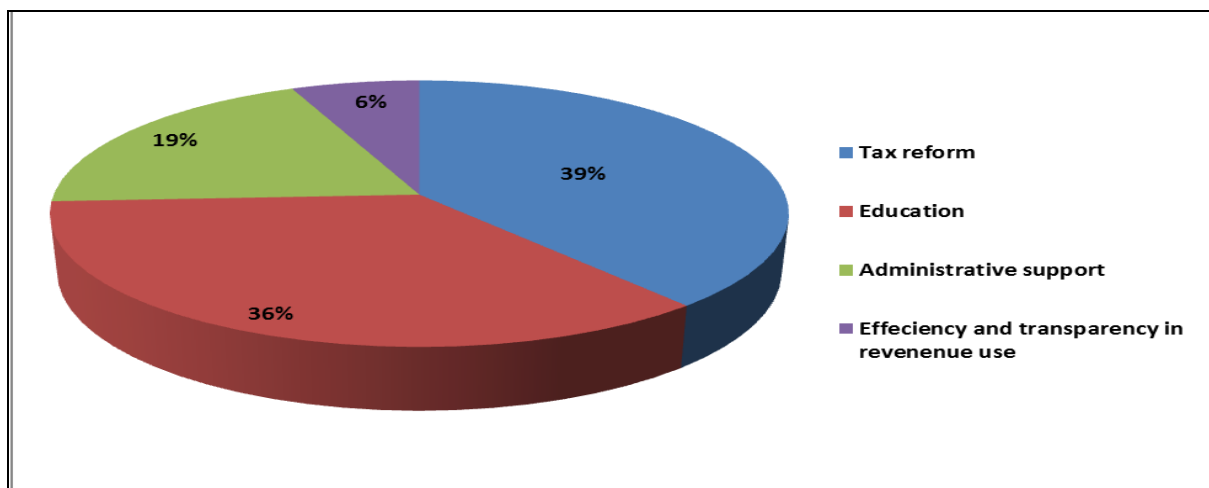
**Table 16: How the tax system can be simplified for individual taxpayers**

		<b>Tax reform</b>	<b>Education</b>	<b>Administrative support</b>	<b>Efficiency and transparency in revenue use</b>
<b>Is the South African tax system complex?</b>	<b>Yes</b>	75%	55%	67%	100%
	<b>No</b>	25%	18%	33%	0%
	<b>Not sure or do not know</b>	0%	27%	0%	0%
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Respondents who perceive the tax system as being complex stated all four measures, tax reform, education, administrative support and efficiency and transparency in revenue use, as means of addressing complexity for individual taxpayers. Respondents who perceive the tax system as not being complex suggest tax reform, education and administrative support as possible means to make the tax system simpler for individuals. Respondents who were uncertain if the tax system is complex suggested the education as a means to make the tax system simpler for individual taxpayers.

The section below provides an analysis of the combined responses of all the respondents. Figure 5 presents a graphical presentation of how the twenty five respondents believe the tax system could be simplified for individual taxpayers.

**Figure 5: How the tax system can be simplified**



#### **4.4.5.1 Tax reform**

Most of the responses given suggest that there is a need for reform of the current system. One respondent pointed out that they do not believe that tax cannot be simplified beyond what it already is. Other suggestions for tax reform included:

- re-writing of current legislation;
- lessening the amount of legislation;
- bringing in structure into the Income Tax Act;
- learn from simplification initiatives in other countries;
- reducing the number of taxes individual taxpayers need to comply with;
- introduction of one tax or a flat tax;
- abolishment of taxes;
- simplification of VAT registration provisions for new businesses; and
- simplifying tax compliance for people without tax qualifications.

#### **4.4.5.2 Education**

Tax education was also suggested as a means by which the tax system could be made simpler for individual taxpayers. Suggestions included:

- the introduction of a compulsory tax introduction course in high school;
- the use of videos;
- university and employment workshops;
- advising new employees on how the tax system works;
- publicise the possibility of getting a tax refund to encourage taxpayers to take the initiative to learn more about taxes;
- enlightening uneducated people about the tax system and their tax burden;
- teaching the general public in a simple way about all aspects the tax system including why they have to pay taxes, how to minimise their tax liability and what the taxes are used for; and,
- the use of newspaper articles.



#### **4.4.5.3 Administrative support**

The administrative provision that sets a minimum income threshold for the submission of tax returns was cited as one of the means being used to assist low income earners. The appointment of tax advisors by SARS to complete taxes for free for taxpayers below a certain bracket was suggested. One of the respondents suggested that SARS branch employees should be available to assist taxpayers with tax matters, or alternatively, to be able to refer taxpayers to external tax advisors. Another respondent also emphasised the need to “encourage and provide more one on one agents support”.

With regards to e-filing, one respondent suggested that it could be made easier and simpler. Another respondent gave the suggestion that this could be achieved by introducing a step-by-step guide that explains and demonstrates the filing process. Another suggestion was made to have tax clearances, once approved, available on e-filing.

#### **4.4.5.4 Efficiency and transparency in revenue use**

One respondent noted that complexity is a result of government’s need to increase revenue collections and to “make the effects of the recession neutral”. The respondent then suggests that government increases its efficiency in the use of tax revenues in order to reduce the tax burden. Another respondent noted that there is need for accountability by government in terms of use of tax revenues.

Table 17 presents suggestions by respondents on how the tax system may be simplified for individual taxpayers.

**Table 17: Responses on how the tax system can be simplified for individual taxpayers**

Respon dent ID	Is the South African tax system complex?	How can the tax system be simplified?	Tax reform	Educ ation	Admini strative support	Effeciency and transparency in revenue use
1	Yes	Not sure how SARS will achieve this. The current legislation should then be re-written in totality.	1			
3	Yes	The whole structure of the act should be reconsidered.	1			
10	Yes	It is pleasing to learn that the threshold for return submission has been increased so the less earning people, majority of which not knowledgeable of the system, should not submit.			1	
14	Yes	A logical starting point would be for the legislature to rewrite the Income Tax Act, and bring some welcomed structure. A tax introduction course compulsory in High School. Further, tax cannot be made much simpler than it already is.	1	1		
20	Yes	Don't need to reinvent the wheel - see what other successful countries are doing. Keep it simple. No need to make it so complex.	1			
21	Yes	To reduce the Tax liability by introducing only one tax to individual taxpayer	1			
26	Yes	no taxes should be paid!!!	1			
27	Yes	1) Limited the amount of taxes an individual taxpayer should comply with.	1			
		2) Give a flat rate of tax to all thereby taking away the benefit of going into complex tax structures.	1			
		3) E-filing should be made easier and simpler.			1	
		4) Lessen the amount of legislation	1			

Table 17 (continued)

Res pon den t ID	Is the South African tax system comple x?	How can the tax system be simplified?	Tax refor m	Educat ion	Admini strativ e suppor t	Effecienc y and transpare ncy in revenenu e use
30	Yes	My view is that previously the tax system was simple. However because of the financial crisis (2008) government has made it more complex so as to make the effect of the recession neutral; or at best to increase collections. As to how they can make it simpler, I don't know but the burden is becoming heavier by the year(s). Perhaps the state needs to increase the efficiency of how the funds are used. (I know I have not made suggestions as to how the system can be improved).				1
35	Yes	I would suggest videos, but not all taxpayers have internet access. If you are under a certain bracket, then perhaps SARS could appoint tax advisors to do your tax for you for free and then rotate these people around rural areas.		1	1	
		Or educate people by means of university workshops or employment workshops.		1		
		Also promote the fact that you can claim money back - that might inspire people to understand and find out for themselves.		1		
36	Yes	The tax system could be made more understandable by providing uneducated taxpayers with the necessary knowledge on the tax system and the tax burden they bear.		1		

Table 17 (continued)

Respon dent ID	Is the South African tax system comple x?	How can the tax system be simplified?	Tax refor m	Educat ion	Admini strativ e suppor t	Effecienc y and transpare ncy in revenenu e use
40	Yes	SARS people at the braches should avail themselves to taxpayers that do not understand some of the things or refer them to people that are capable and understand the tax system. some of the people working for sars gives taxpayers wrong advices which thenputs them in trouble			1	
42	Yes	Citizens should be educated with regards to the tax system in the simpliest terms. People should be made aware why they pay tax and what it is used for. There should be more accountability from the government in the use of the taves		1		1
43	No	It would be great is there were provisions for new businesses to register for VAT that is not as complex as the current system and also if tax clearance certificate could be loaded on efilng when approved.	1			
44	No	Education		1		
47	No	The e-filing process is quite simple but perhaps a step by step type of tool can be introduced whereby the most basic steps to filing a return are explained and the taxpayer is walked through the process.			1	

Table 17 (continued)

Res pon den t ID	Is the South African tax system comple x?	How can the tax system be simplified?	Tax refor m	Educat ion	Admini strativ e suppor t	Effecienc y and transpare ncy in revenenu e use
49	No	Some of the tax issues can only be understood by people who are knowledgeable about tax. SARS should look at ways to make tax collection easy for people who do not have tax qualifications.	1			
51	No	Encourage and provide more one on one agents support.			1	
52	No	The tax system could be made simpler through (demystifying taxation) educating the citizens on all matters relating to taxation. When people understand how the system works and what their responsibilities are, then each individual becomes aware of their prsonal responsibilities to remitting taxes.		1		
59	No	It is frightening how low the number of individuals who submit returns is per SARS publicity information. It certainly is not sustainable to carry the economy on the number of tax payers that bear the burden. What a difference it would make if every adut in this country put in R10 per month. If we can all do airtime, we certainly can pay R10 a month tax.	1			

Table 17 (continued)

Res pon den t ID	Is the South African tax system comple x?	How can the tax system be simplified?	Tax refor m	Educat ion	Admini strativ e suppor t	Effecienc y and transpare ncy in revenenu e use
71	Unsure or do not know	Newspaper articles explaining it		1		
73	Unsure or do not know	most people are not well aware or educated when doing their tax returns, and they must also know the way in which they can save money		1		
79	Unsure or do not know	New employees must be advised on how the South African tax system works so that they are not found on the wrong side of the law.		1		
<b>Total</b>			<b>12</b>	<b>11</b>	<b>6</b>	<b>2</b>

#### 4.5 PERCEPTIONS OF GENERAL TAX RELATED ISSUES AND TAX EVASION

Respondents were asked their opinion on eleven statements regarding general tax related issues and tax evasion using a five-point Likert scale which ranged from; strongly disagree, disagree, neither agree nor disagree, agree to strongly disagree. A cross tabulation was done between respondents responses to these statements and their opinion on whether the South African tax system was complex or not. An analysis of the results from the respondents to each statement is presented below.

#### **4.5.1 Tax is very complicated, I do not know how to calculate my own tax liability**

Even though 53% of the respondents indicated that the South African tax system is complex, most of these respondents indicated that they are able to calculate their own tax liability. This is in line with the qualitative responses given by respondents on the reasons for tax complexity. Respondents did not mention the complexity of tax calculations as an issue that they faced themselves but rather a challenge that others who are less educated and with limited tax knowledge might face.

Of the 31% of the respondents who indicated that the tax system is not complex, the majority of these respondents indicated that they are able to calculate their tax liability. This is in line with the responses in Question 10 by this group of respondents that the tax system was not complicated as was said to be simple and easy to understand.

There were mixed results among the group of respondents that indicated that they were not sure whether the South African tax system was complicated. 33% of the respondents said that they did not agree with the statement that they could not calculate their own tax liability. This might be because as one of the respondents indicated in Question 10, “the basics are fine”. 25% of the respondents indicated that they were not sure about the statement while 25% of the respondents agreed with the statement and 17% strongly agreed with the statement that they could not calculate their tax liability. This was the expected result as from the four respondents who said they were not sure about whether the tax was complex or not; the main reason given for this perception was that they did not know or understand the tax system. From these responses, it was also expected that the majority of the respondents would not be able to calculate their own tax liability.

Table 18 presents a cross tabulation of the responses to the statement, “Tax is very complicated, I do not know how to calculate my own tax liability”.

**Table 18: Tax is very complicated, I do not know how to calculate my own tax liability**

		Is the South African tax system complex? (Frequency and row percentage)			Total
		Yes	No	Unsure or do not know	
<b>1. Tax is very complicated, I do not know how to calculate my own tax liability.</b>	<b>Strongly Disagree</b>	25%	48%	0%	<b>28%</b>
	<b>Disagree</b>	40%	43%	33%	<b>40%</b>
	<b>Neither Agree nor Disagree</b>	10%	4%	25%	<b>11%</b>
	<b>Agree</b>	13%	4%	25%	<b>12%</b>
	<b>Strongly Agree</b>	13%	0%	17%	<b>9%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.2 I do not know why I have to pay taxes

Approximately 88% (44% strongly disagreeing and 44% disagreeing) of the respondents indicated that they knew why they have to pay taxes. As no follow up questions were asked on if the respondents knew why they had to pay taxes, the reasons why there was a high level of disagreement with the statement “I do not know why I have to pay taxes” were not ascertained. Table 19 presents a cross tabulation of the responses to the statement “I do not know why I have to pay taxes”.

**Table 19: I do not know why I have to pay taxes**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>2. I do not know why I have to pay taxes.</b>	<b>Strongly Disagree</b>	43%	61%	17%	<b>44%</b>
	<b>Disagree</b>	43%	39%	58%	<b>44%</b>
	<b>Neither Agree nor Disagree</b>	5%	0%	17%	<b>5%</b>
	<b>Agree</b>	0%	0%	8%	<b>1%</b>
	<b>Strongly Agree</b>	10%	0%	0%	<b>5%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



### 4.5.3 Every year, I report all of my income to the fiscal authorities (SARS) when I submit my income tax return

There is a strong level of agreement among the respondents that they declare all their income when they submit their tax returns. Though the total level of agreement, 79% (23% agreeing and 56% strongly disagreeing), is slightly higher than the total respondents who indicated that they could calculate their tax liability, 68%, these responses are in line with each other. It should be mentioned that based on the earlier qualitative responses on why respondents thought that the tax system was complex, only a few respondents who had more than one income source indicated that they had difficulties in accounting for their tax affairs.

Table 20 presents a cross tabulation of the responses to the statement “Every year, I report all of my income to the fiscal authorities (SARS) when I submit my income tax return”.

**Table 20: Every year, I report all of my income to the fiscal authorities (SARS) when I submit my income tax return**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>3. Every year, I report all of my income to the fiscal authorities (SARS) when I submit my income tax return.</b>	<b>Strongly Disagree</b>	13%	9%	0%	<b>9%</b>
	<b>Disagree</b>	3%	4%	17%	<b>5%</b>
	<b>Neither Agree nor Disagree</b>	5%	9%	8%	<b>7%</b>
	<b>Agree</b>	18%	26%	33%	<b>23%</b>
	<b>Strongly Agree</b>	63%	52%	42%	<b>56%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.4 I would consider not reporting all of my income to the fiscal authorities (SARS) when I submit my income tax return in the future

Only six of the respondents, who perceive the South African tax system to be complex, and two respondents, who did not think that the tax system is complex as well as one respondent, who was not sure whether the tax system is complex, indicated that they would consider not reporting all of their income in the future. 82% of the respondents indicated they would report all their income when submitting their tax returns in the future.

Table 21 presents a cross tabulation of the responses to the statement “I would consider not reporting all of my income to the fiscal authorities (SARS) when I submit my income tax return in the future”.

**Table 21: I would consider not reporting all of my income to the fiscal authorities (SARS) when I submit my income tax return in the future**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>4. I would consider not reporting all of my income to the fiscal authorities (SARS) when I submit my income tax return in the future.</b>	<b>Strongly Disagree</b>	51%	52%	42%	<b>50%</b>
	<b>Disagree</b>	27%	30%	50%	<b>32%</b>
	<b>Neither Agree nor Disagree</b>	7%	9%	0%	<b>7%</b>
	<b>Agree</b>	10%	4%	0%	<b>7%</b>
	<b>Strongly Agree</b>	5%	4%	8%	<b>5%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.5 I have sometimes made higher deductions than I was legally permitted to when I submitted my income tax return

82% of the respondents (57% strongly agree and 25% disagree) indicated that they did not make higher deductions than they were legally permitted to on their tax returns. This view is shared by the majority of the respondents who perceive the tax

system to be complex, those who perceive the tax system to be complex and those who were not sure or did not know whether the tax system was complex. Such assertive responses are indicative of the fact that the majority of the respondents are aware of their legal obligation to comply with tax laws.

7% of the respondents (4% agreed and 3% strongly agreed) indicated that they had sometimes made higher deductions than they were permitted to when they submitted their tax returns.

Table 22 presents a cross tabulation of the responses to the statement “I have sometimes made higher deductions than I was legally permitted to when I submitted my income tax return”.

**Table 22: I have sometimes made higher deductions than I was legally permitted to when I submitted my income tax return**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>5. I have sometimes made higher deductions than I was legally permitted to when I submitted my income tax return.</b>	<b>Strongly Disagree</b>	60%	61%	42%	<b>57%</b>
	<b>Disagree</b>	25%	26%	25%	<b>25%</b>
	<b>Neither Agree nor Disagree</b>	8%	9%	25%	<b>11%</b>
	<b>Agree</b>	5%	4%	0%	<b>4%</b>
	<b>Strongly Agree</b>	3%	0%	8%	<b>3%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### **4.5.6 I would consider making higher deductions than I am legally permitted to when I submit my income tax return in the future**

A higher percentage of the respondents, 88% (60% strongly disagree and 28% disagree), indicated that they would not consider making higher deductions than legally permitted. This is 6% higher than the respondents who had indicated that they had made higher deductions than they were entitled to in the past. Most of the respondents who were not certain whether they had claimed higher deductions than those legally permitted in the past indicated that they would not claim a higher deduction than is legally permitted in the future.

Table 23 presents a cross tabulation of the responses to the statement “I would consider making higher deductions than I am legally permitted to when I submit my income tax return in the future”.

**Table 23: I would consider making higher deductions than I am legally permitted to when I submit my income tax return in the future**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>6. I would consider making higher deductions than I am legally permitted to when I submit my income tax return in the future.</b>	<b>Strongly Disagree</b>	59%	65%	55%	<b>60%</b>
	<b>Disagree</b>	29%	30%	18%	<b>28%</b>
	<b>Neither Agree nor Disagree</b>	5%	4%	9%	<b>5%</b>
	<b>Agree</b>	7%	0%	9%	<b>5%</b>
	<b>Strongly Agree</b>	0%	0%	9%	<b>1%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### **4.5.7 I am not aware of all of the deductions that I am legally permitted to when I submit my income tax return**

As illustrated in Table 24, most of the respondents who perceive the tax system to be complex disagree with the statement, “I am not aware of all of the deductions that I am legally permitted to when I submit my income tax return”. This is the same for those respondents and those who do not perceive it to be complex. Those of the respondents who were unsure or do not know whether the tax system is complex mainly agreed with this statement.

Table 24 presents a cross tabulation of the responses to the statement “I am not aware of all of the deductions that I am legally permitted to when I submit my income tax return”.

**Table 24: I am not aware of all of the deductions that I am legally permitted to when I submit my income tax return**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>7. I am not aware of all of the deductions that I am legally permitted to when I submit my income tax return.</b>	<b>Strongly Disagree</b>	27%	30%	0%	<b>24%</b>
	<b>Disagree</b>	39%	43%	25%	<b>38%</b>
	<b>Neither Agree nor Disagree</b>	7%	17%	25%	<b>13%</b>
	<b>Agree</b>	12%	4%	42%	<b>14%</b>
	<b>Strongly Agree</b>	15%	4%	8%	<b>11%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.8 If a tax advisor advises me not to declare all of my income, I would take his/her advice

Table 25 shows that most of the respondents mainly disagree with the statement, “If a tax advisor advises me not to declare all of my income, I would take his/her advice”. This response is in line with responses from Table 16 and Table 17, where most of the respondents indicated that they have been honest and will continue to be honest in declaring all of their income on their tax returns.

**Table 25: If a tax advisor advises me not to declare all of my income, I would take his/her advice**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>8. If a tax advisor advises me not to declare all of my income, I would take his/her advice.</b>	<b>Strongly Disagree</b>	49%	52%	33%	<b>47%</b>
	<b>Disagree</b>	22%	22%	33%	<b>24%</b>
	<b>Neither Agree nor Disagree</b>	12%	9%	8%	<b>11%</b>
	<b>Agree</b>	10%	17%	17%	<b>13%</b>
	<b>Strongly Agree</b>	7%	0%	8%	<b>5%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.9 The fiscal authorities (SARS) would notice if I decided to evade tax

The perception that “The fiscal authorities (SARS) would notice if I decided to evade tax” is shared by the majority of the respondents. This is depicted in Table 26.

**Table 26: The fiscal authorities (SARS) would notice if I decided to evade tax**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>9. The fiscal authorities (SARS) would notice if I decided to evade tax.</b>	<b>Strongly Disagree</b>	7%	0%	8%	<b>5%</b>
	<b>Disagree</b>	10%	13%	0%	<b>9%</b>
	<b>Neither Agree nor Disagree</b>	17%	26%	17%	<b>20%</b>
	<b>Agree</b>	37%	39%	58%	<b>41%</b>
	<b>Strongly Agree</b>	29%	22%	17%	<b>25%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.10 People evade tax because the risk that the authorities will find out is low

Table 27, indicates that in aggregate, most of the respondents disagree with the statement, “People evade tax because the risk that the authorities will find out is low”. However, on closer inspection, most of the respondents who believe that the tax system is not complex mainly agree with this statement. This is also a significant divergence from the results in Table 26 where most of these respondents indicate that they believed that the fiscal authorities would notice if they decided to evade taxes.

**Table 27: People evade tax because the risk that the authorities will find out is low**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>10. People evade tax because the risk that the authorities will find out is low.</b>	<b>Strongly Disagree</b>	20%	22%	0%	<b>17%</b>
	<b>Disagree</b>	28%	22%	50%	<b>29%</b>
	<b>Neither Agree nor Disagree</b>	25%	22%	25%	<b>24%</b>
	<b>Agree</b>	23%	30%	17%	<b>24%</b>
	<b>Strongly Agree</b>	5%	4%	8%	<b>5%</b>
	<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

#### 4.5.11 People unintentionally evade tax because they do not know what is required of them by the law

The majority of the respondents indicated that they agreed with the statement that people unintentionally evade tax because they do not know what is required of them by the law. This confirms the findings from the qualitative data in question 9 (section 4.4.1) that indicated that most of the respondents are of the opinion that the tax system is complex for others.

However, the highest number of respondents who neither agreed nor disagreed with this statement were those who indicated that they did not think that the South African tax system was complex.

Table 28 presents a cross tabulation of the responses to the statement, “People unintentionally evade tax because they do not know what is required of them by the law”.

**Table 28: People unintentionally evade tax because they do not know what is required of them by the law**

		Is the South African tax system complex?			Total
		Yes	No	Unsure or do not know	
<b>11. People unintentionally evade tax because they do not know what is required of them by the law.</b>	<b>Strongly Disagree</b>	12%	4%	8%	<b>9%</b>
	<b>Disagree</b>	7%	22%	8%	<b>12%</b>
	<b>Neither Agree nor Disagree</b>	15%	35%	25%	<b>22%</b>
	<b>Agree</b>	37%	26%	33%	<b>33%</b>
	<b>Strongly Agree</b>	29%	13%	25%	<b>24%</b>
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## 4.6 CONCLUSION

The main aim of this chapter was to investigate individual taxpayers perceptions of tax complexity through an analysis of the empirical data collected from an online

survey. The chapter also aimed to investigate taxpayers' perceptions on how tax complexity affected their tax burden as well as to identify possible suggestions to make the tax system simpler for individual taxpayers from the respondents' perspectives.

The analysis shows mixed results from the respondents. Most of the respondents perceived the tax system to be complex. Some of the respondents do not perceive the tax system to be complex. A few of the respondents were uncertain if the tax system is complex. These perceptions were attributed to perceptions of tax legislation, tax administration activities to comply with tax legislation and level of tax knowledge of taxpayers. Some of the respondents noted that the tax system might be complex for other taxpayers who are not good with Maths, who do not know accounting or tax, the man on the street and those who have more than one source of income. The perception that other people may unintentionally evade taxes because they do not know what is required of them by law was mostly supported by the respondents who say that the tax system is complex. A further analysis of all the respondents' responses to statements relating to general tax related issues and tax evasion; indicates that most of the respondents are able to accurately account and manage their own tax affairs.

Due to the complexity of the tax system, the number of taxes payable, perceptions of unfairness and increased compliance costs were deemed to be factors affecting some of the respondents' tax burden.

Suggestions to make the tax system simpler for individual taxpayers noted the need for tax reform, taxpayer education, improving and increasing administrative support provided by the revenue administrator as well as increasing efficiency and transparency by government in the use of tax revenues.

The following chapter concludes on the whole study and also presents the implications of the study as well as suggestions for future research that may build onto the findings from this study.



## CHAPTER 5

### CONCLUSION

#### 5.1 INTRODUCTION

The main purpose of this study was to explore individual taxpayers' perceptions of tax complexity. Tax complexity has been cited as one of the reasons for both tax evasion and unintentional non-compliance (Carnes & Cuccia, 1996:42, McKerchar, 2002:290; Webley *et al.*, 1991:138;). Apart from having a negative impact on tax compliance, tax complexity may lead to misconceptions about the perceived tax burden (Mikesell & Birskyte, 2007:1067). Oberholzer and Stack (2009:753) stated that there is a need to understand the various factors that influence taxpayer behaviour. The identification of these influences is part of the initial processes in addressing tax policy issues (Gordon & Thuronyi, 1996:2). The study also provides some feedback to the tax legislatures and administrators on whether and how taxpayers respond to tax simplification mechanisms available to them. The literature review indicated that tax complexity occurs from the tax legislation and taxpayers' compliance activities. Thus, an empirical investigation of taxpayers' perceptions of tax complexity was conducted through a survey. The study explored tax complexity from the individual taxpayer's perspective by asking the following three core questions to the respondents:

- whether or not taxpayers perceive the tax system to be complex,
- whether or not those taxpayers who perceive the tax system to be complex think that the complexity of taxes affects their tax burden, and
- how taxpayers think the tax system could be simplified for individual taxpayers.

## 5.2 EMPIRICAL FINDINGS

The main empirical findings are analysed and discussed in Chapter 4. Hence, a summary of the findings on how taxpayers perceive tax complexity are presented below.

### 5.2.1 Is the South African tax system complex?

The findings are that not all taxpayers perceive that the tax system is complex. These respondents mainly acknowledge the various means available, such as e-filing, to counter the effects of tax complexity introduced by the South African Revenue Service. However, there are more people who believe that the tax system is complex. The complexity is mainly attributed to the challenges taxpayers face in attempting to comply with tax legislation. These challenges include difficulties in keeping up to date with constant changes to legislation, the fear of filing an inaccurate tax return and the general lack of adequate knowledge to confidently handle one's tax affairs. Despite stating that the tax system is complex, most of these respondents indicated that they are aware of why they had to pay their taxes and that they can accurately and honestly complete their tax returns.

An interesting theme emerged of how respondents make the presumption that the tax system might be complex for other taxpayers due to a lack of education or knowledge on the tax system. This was supported by most of the respondents' large proportion of respondents<sup>1</sup> agreeing to the statement, "People unintentionally evade tax because they do not know what is required of them by the law".

### 5.2.2 Does the complexity of the tax system affect the perceived tax burden?

Some of the respondents who perceive the tax system to be complex also indicated that the complexity of taxes affected their tax burden. It was said that complexity

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<sup>1</sup> This is including those respondents who perceive the tax system as complex, those who perceive it as not being simple and those who were uncertain whether the tax system is complex or not,

resulted in additional compliance costs, other than paying the tax liability, being incurred by the taxpayers when complying with tax laws. The complexity of the tax system was also deemed to increase the tax burden of taxpayers as it caused unfair treatment of taxpayers through differences in the calculation methods used to calculate the tax liability. Respondents also noted that they did not benefit directly most of the time from their tax contributions.

### **5.2.3 How can the tax system be simplified for individual taxpayers?**

Though a few respondents indicated that the tax system cannot be simplified beyond what it is currently other than by way of a total tax reform, most of the respondents who answered this question believe that there is still room for improvement. Two dominant themes emerged in terms of recommendations for simplification and these were education and transparency. Respondents felt that there is need for more communication by revenue authorities to taxpayers about their rights and obligations in terms of tax laws and the mechanisms in place for taxpayers to exercise their rights and meet these obligations.

It was stated that there is inadequate transparency in terms of how government spends tax revenues. Lack in transparency gave the respondents the impression that the government was wasting taxpayer money.

## **5.3 IMPLICATIONS OF THE STUDY**

From the empirical results, it can be said that though taxpayers acknowledge the innovations introduced, such as the introduction of e-filing, the service quality experience is not perceived in the same way by taxpayers. As innovation is a continuous process, there is a need for revenue authorities to continuously assess and improve the functionality of e-filing, the call centre and other customer support mechanisms they have in place. Legislatures and revenue authorities may take these perceptions into consideration as a frame of reference when drafting new or amending existing tax laws. The current study also indicates that though taxpayers may perceive that the tax system is complex, they are still able to use it. Thus, the

use of the usability model as a tool to measure tax complexity may be justified in future studies.

#### **5.4 LIMITATIONS OF THE STUDY AND RECOMMENDATIONS FOR FUTURE RESEARCH**

A major limitation of the study was that the survey only utilised few respondents who are natural persons and had internet access. Coupled with the fact that the sample size was not representative of the whole population, it is impossible to generalise the results of the survey to the rest of the population. Another limitation is that the survey was only open for a short period of time which could have hampered the number of responses received. These limitations could be addressed in future studies.

It is recommended that the study be extended to the rest of South Africa. Future studies may specifically assess the tax literacy levels and needs of the greater South African population. These studies may also investigate taxpayers' awareness of their rights and obligations under tax laws.

#### **5.5 CONCLUSION**

Despite the consensus in tax literature that tax systems are complex, this is subjective as users of the tax system, taxpayers, hold different perceptions about tax complexity. These perceptions seem to be influenced by the legislation, user needs and user abilities. Those taxpayers who have managed to grasp the different mechanisms available to ease the compliance burden tend to disagree with the statement that the tax system is complex. However, this is not the case for everyone else. Thus, a significant investment in taxpayer education and awareness may need to be considered to ensure that interactions with the tax system are not deemed to be neither overwhelming nor burdensome.

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## **APPENDIX A**

**- FINAL QUESTIONNAIRE USED TO COLLECT DATA FOR THE STUDY -**

V1     1-4

**Part 1:**

**Please provide us with the following information about yourself**

1. What year were you born?

(if after 1995 is selected, the survey is terminated)

V2   5-6

1. Please indicate your gender:

Male	1
Female	2

V3  7

3. Please indicate to which population group you belong:

Asian	1
Black/African	2
Coloured	3
Indian	4
White	5

V4  8

4. In which province is your household situated?

V5  9

5. Please indicate your highest level of qualification obtained to date:

No schooling	1
Completed primary education	2
Completed secondary education	3
Tertiary - Undergraduate	4
Tertiary - Postgraduate	5
Other - please specify: .....	6

V6  10

6. Please indicate your employment status (you may select all the choices that are applicable to you)

Pensioner	1
Salaried employee – private sector	2
Salaried employee – public sector	3
Salaried employee – semi-public sector	4
Self employed	5
Unemployed	6
Other - please specify: .....	7

V7  11

7. Approximately how much is your **gross annual income** before any expenses deductions and taxes?

Income Source	Amount (Rands)
Income from employment (salary, benefits, etc)	
Income from business	
Income from capital (rent, interest, etc)	
Income from private pensions and annuities	
Income from government grants (old age, war pensions, disability, child grants, etc)	
Other income (please specify) .....	
Total ( <i>the system calculates the total</i> )	

V8  12

8. How would you rate your **knowledge** of tax?

High	1
Medium	2
Low	3
None	4

V9  13

**Part 2:**

**A tax system is defined as how taxes are raised and collected according to tax laws. Please answer the questions that follow on how you perceive the tax system in South Africa.**

9. In your opinion, is the South African **tax system** complex?

Yes	1
No	2
Unsure or do not know	3

V10  14

10. Please give reasons for your opinion regarding the complexity of the South African tax system: (*the question is not displayed if the respondent answered no or unsure or do not know to Question 9*)

V11   15-16

11. In your opinion, does the complexity of taxes affect your tax burden? *(the question is not displayed if the respondent answered no/unsure or do not know to Question 9)*

Yes	1
No	2
Unsure or do not know	3

V12  17

12. Please explain briefly how and why the complexity of taxes, in your opinion, affects your tax burden. *(the question is not displayed if the respondent answered no or unsure or do not know to Question 11)*

V13   18-19

13. Do you submit an individual income tax return?

Yes	1
No	2

V14  20

14. Please provide the reason why you do not submit an individual income tax return: *(the question is not displayed if the respondent answered yes to Question 13)*

I do not earn enough income to qualify for submission of an income tax return	1
I do not know if I need to submit an individual income tax return	2
A tax practitioner submits my individual income tax return	3
Other - please specify: .....	4

V15  21

15. How do you submit your individual income tax return? *(the question is not displayed if the respondent answered no to Question 13)*

SARS e-Filing	1
Manually (post or drop off at any dedicated SARS drop box)	2
Branch Front End Capturing (i.e. SARS staff assist taxpayers by capturing their returns at branch offices directly into SARS systems).	3
A tax practitioner submits my individual income tax return	3
Other - please specify: .....	4

V16  22



16. The statements below relate to general tax issues and tax evasion. Tax evasion refers to illegal activities deliberately undertaken by a taxpayer to free himself/herself from a tax burden; for example, where a taxpayer who is supposed to pay tax does not register for tax purposes or where a taxpayer omits income from his or her annual tax return. Please indicate, for tax purposes, whether you agree or disagree with the	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree			
1. Tax is very complicated – I do not know how to calculate my own tax liability.	1	2	3	4	5	V17		23
2. I do not know why I have to pay taxes.	1	2	3	4	5	V18		24
3. Every year, I report all of my income to the fiscal authorities (SARS) when I submit my income tax return.	1	2	3	4	5	V19		25
4. I would consider not reporting all of my income to the fiscal authorities (SARS) when I submit my income tax return in the future.	1	2	3	4	5	V20		26
5. I have sometimes made higher deductions than I was legally permitted to when I submitted my income tax return.	1	2	3	4	5	V21		27
6. I would consider making higher deductions than I am legally permitted to when I submit my income tax return in the future.	1	2	3	4	5	V22		28
7. I am not aware of <b>all</b> of the deductions that I am legally permitted to when I submit my income tax return.	1	2	3	4	5	V23		29
8. If a tax advisor advises me not to declare all of my income, I would take his or her advice.	1	2	3	4	5	V24		30
9. The fiscal authorities (SARS) would notice if I decided to evade tax.	1	2	3	4	5	V25		31
10. People evade tax because the risk that the authorities will find out is low.	1	2	3	4	5	V26		32
11. People unintentionally evade tax because they do not know what is required of them by the law.	1	2	3	4	5	V27		32

27. Please complete the section below if you have any comments on how the tax system could be made simpler for individual taxpayers:

V28   33-34

**Thank you for participating in the survey.**

**APPENDIX B**  
**- Informed consent form on Qualtrics-**



Dear Taxpayer

**INVITATION TO PARTICIPATE IN A STUDY EXPLORING INDIVIDUAL TAXPAYERS'  
PERCEPTIONS OF TAX COMPLEXITY**

You are invited to participate in an academic research survey conducted by Kudakwashe Millicent Mutee Muli, a Masters student from the Department of Taxation at the University of Pretoria.

The purpose of the study is to explore individual taxpayers' perceptions of tax complexity.

This is an anonymous and confidential survey. Your identity will not be revealed and the answers you provide will be used for research purposes only and your individual responses cannot be identified and linked to you as an individual.

Your participation in the research project is very important to us, but it is also voluntary. You may choose not to participate, and you may also stop participating at any time without any negative consequences. The survey should not take more than 10 minutes to complete.

By completing this questionnaire, you are giving your consent to participate in the study on a voluntary basis:

I agree, and I give my consent to participate  
anonymously



I disagree, and would like to be excluded from the  
study *(if this option is selected, the survey is  
terminated)*



## **APPENDIX C**

**- Acts administered by the Commissioner of SARS -**

### ACTS ADMINISTERED BY THE COMMISSIONER OF SARS

	Name of Act and year promulgated	Act No.
<b>1</b>	Tax Administration Act, 2011	Act No. 28 of 2011
<b>2</b>	Mineral and Petroleum Resources Royalty Act, 2008	Act No. 28 of 2008
<b>3</b>	Mineral and Petroleum Resources Royalty (Administration) Act, 2008	Act No. 29 of 2008
<b>4</b>	Diamond Export Levy (Administration) Act, 2007	Act No. 14 of 2007
<b>5</b>	Diamond Export Levy Act, 2007	Act No. 15 of 2007
<b>6</b>	Securities Transfer Tax Act, 2007	Act No. 25 of 2007
<b>7</b>	Securities Transfer Tax Administration Act, 2007	Act No. 26 of 2007
<b>8</b>	Small Business Amnesty and Amendment of Taxation Laws Act, 2006	Act No. 9 of 2006
<b>9</b>	Second Small Business Amnesty and Amendment of Taxation Laws Act, 2006	Act No. 10 of 2006
<b>10</b>	Sections 4 and 28 of the Exchange Control Amnesty and Amendment of Taxation Laws Act, 2003	Act No. 28 of 2003
<b>11</b>	Unemployment Insurance Contributions Act, 2002	Act No. 4 of 2002
<b>12</b>	Skills Development Levies Act, 1999	Act No. 9 of 1999
<b>13</b>	Uncertificated Securities Tax Act, 1998	Act No. 31 of 1998
<b>14</b>	Demutualisation Levy Act, 1998	Act No. 50 of 1998
<b>15</b>	Tax on Retirement Funds Act, 1996	Act No. 38 of 1996
<b>16</b>	Sections 56 and 57 of the Income Tax Act, 1995	Act No. 21 of 1995
<b>17</b>	Section 39 of the Taxation Laws Amendment Act, 1994	Act No. 20 of 1994
<b>18</b>	Value-Added Tax Act, 1991	Act No. 89 of 1991
<b>19</b>	Customs and Excise Act, 1964	Act No. 91 of 1964
<b>20</b>	Income Tax Act, 1962	Act No. 58 of 1962
<b>21</b>	Estate Duty Act, 1955	Act No. 45 of 1955
<b>22</b>	Transfer Duty Act, 1949	Act No. 40 of 1949
<b>23</b>	Union and Southern Rhodesian Death Duties Act, 1933	Act No. 22 of 1933

Source: South African Revenue Service (2013).