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A construction of the fundamental principles of taxation

by

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ABSTRACT

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DEPARTMENT: Taxation

DEGREE: Philosophiae Doctor (Taxation)

The importance of considering Taxation[1] a specialised field of study is often ignored because people assume that taxation is already adequately dealt with in other disciplines. It is therefore imperative to identify or construct the Fundamental Principles of Taxation to establish Taxation as a specialised field of study for the purposes of research and education, and to inform the practice. The theory of the discipline of Taxation encompasses the most basic principles required to comprehend Taxation. By contrast, taxation policy addresses the practical arena of taxation, including the collection and spending of tax revenue, as well as citizens' contributions. Bearing in mind the many nuances of taxation, their possible roots and their relevance in practice, education and research, this study asked the following question:

> **What are the Fundamental Principles in Taxation that are essential to Taxation internationally both in the present, and as Taxation evolves into the future?**

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[1] When Taxation as a discipline is meant, upper case is used. When the act of taxing or taxation in general is meant, lower case is used. The same rule is applied in referring to other activities or constructs (lower case) versus academic disciplines (upper case). The term "fundamental principle" (lower case) refers to a basic concept, or a general idea of the practice. The term "Fundamental Principle" (upper case) refers specifically to the outcomes of this study, i.e. the most basic concepts guiding the discipline of Taxation.

The aim of the study was to construct Fundamental Principles for Taxation. A multi-method qualitative research design was chosen, allowing the triangulation of three sets of findings. This multi-method design allowed the limitations of every data collection method to be offset by the strengths of other methods. The research design provided depth to the picture of the phenomenon of interest, namely the Fundamental Principles of Taxation.

The **first** data collection strategy was an extensive historical review (Method 1). This method was supported by a thematic analysis using Atlas ti of the aspects of taxation history that were identified. The **second** method was an Interactive Qualitative Analysis, a systematically executed focus group activity conducted with international experts on Taxation (Method 2). The **third** method was the presentation of a single question to international Taxation experts to elicit written responses (Method 3). A thematic analysis of their responses was conducted using Atlas ti.

Three sets of taxation principles emerged from these discrete analyses. These sets of principles were then triangulated to achieve a synthesis to answer the research question: *What are the Fundamental Principles in Taxation?* The process of triangulation led to the construction of six Fundamental Principles of Taxation. Each was supported by a rich description, compiled as an outcome of the analysis. The six principles are achieving (i) Efficient and effective administration and communication, (ii) Certain, neutral, understandable legislation, (iii) Equity influencing different levels of society, (iv) Taxpayers' duty to contribute to society versus the government's duty to find a balance between taking too little and taking too much, (v) Benefits to the public through taxation, and (vi) Changes to unwanted social behaviour.

The application of Taxation is still evolving in terms of Taxation's interdisciplinary role in the international economic and socio-political arena, where tax policies are made and tax systems are implemented in the unique circumstances of every country. Future research will draw more countries into the discussion and include more disciplines in an attempt to adhere to the true interdisciplinary nature of Taxation. Against this background, a tentative universal set of Fundamental Principles of Taxation was constructed and proposed.

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LIST OF ABBREVIATIONS AND ACRONYMS

AICPA	American Institute of Certified Public Accountants
ATTA	Australasia Tax Teachers' Association
CAQDAS	Computer-Assisted Qualitative Data Analysis Software
E&Y	Ernst and Young Global Limited
IQA	Interactive Qualitative Analysis
NTA	National Tax Association
OECD	Organisation for Economic Co-operation and Development
PWC	PricewaterhouseCoopers
SARS	South African Revenue Service
SID	Systems Interrelationship Diagram
TRN	Tax Research Network
UK	United Kingdom
UP	University of Pretoria
USA/US	United States of America/United States

SECTION A: AN INTRODUCTION TO THE STUDY

CHAPTER ONE

RATIONALE FOR AND OVERVIEW OF THE STUDY

This chapter outlines the rationale for and research aim of the study, and then maps the plan of enquiry. In the plan of enquiry, the researcher discusses the research paradigm, design, strategies, setting and roles, rigour of the study and ethical considerations. The remainder of the chapter deals with the limitations of the study, and definitions of the key concepts used in the study. The chapter concludes with a brief overview of the content of each section of the study. Figure 1.2, at the end of this chapter, provides a conceptual orientation to the sections, methods and chapters of the study.

1.1 Rationale

Taxation is intrinsic to every business transaction today, since the tax consequences of every transaction need to be acknowledged and addressed. In response to this necessity, the six biggest international audit firms, BDO International, Deloitte, Ernst and Young Global Limited (E&Y), Grant Thornton, KPMG and PricewaterhouseCoopers (PWC), have all established taxation services as a primary service in their firms (BDO, 2015; Deloitte, 2015; E&Y, 2015; Grant Thornton, 2015; KPMG, 2015; PWC, 2015; Verleyen & De Beelde, 2011). Given the crucial role that taxation plays in the economy today and the complexity of taxation legislation, Taxation has become a highly specialised field of enquiry.[2] The theory of the discipline of Taxation encompasses the most basic principles required to comprehend Taxation. By contrast, taxation policy addresses the practical arena of taxation, which includes the collection and spending of tax revenue.

[2] When Taxation as a discipline is meant, upper case is used. When the act of taxing or taxation in general is meant, lower case is used. The same rule is applied in referring to other activities or constructs (lower case) versus academic disciplines (upper case).

Public economics focuses on taxation policy from the perspective and through the lens of the field of economics. The field includes political economics of taxation, which contemplates the central body (or bodies) in charge of organising a fiscal system, and of facing incentive constraints and social welfare issues.[3]

The South African Revenue Service (SARS) acknowledges in its *Annual Performance Plan for 2015/2016* that taxation policy goes beyond the questions of what, how and whom to tax (SARS, 2015). The document notes that the delivery of services and benefits to the public pose a strategic risk – SARS (2015:12) identifies an “[u]nfavourable public perception of poor state delivery and corruption” as a strategic risk for 2015 and 2016. SARS explains that this risk includes corruption in the public sector, poor service delivery and the quality of service delivery, as these factors influence taxpayers’ willingness to comply with legislation (SARS, 2015). It is therefore vital to uncover whether principles of service and benefits to the public are internationally regarded as fundamental to both taxation and thus to Taxation as a discipline.

Focusing on Taxation education at a tertiary level, the following questions may arise:

- How effective are tertiary institutions in equipping graduates to interpret and apply the ever-changing tax legislation of the future?
- How well do academics specialising in Taxation understand their social responsibility when educating tax specialists?
- How ethically responsible is it to lecture on the current tax legislation if that legislation might change in the near future?

The answers to such questions are multi-faceted. In order to find grounded answers, it is necessary to explore the essence of Taxation as a discipline.

In the international research arena, Taxation has gained ground as a focus area. This is evident in established global networks and associations such as the National Tax Association (NTA) in the United States of America (USA), founded in 1907 (Mehrotra & Thorndike, 2011), the Australasia Tax Teachers Association

[3] See the brief discussion on public economics applicable to taxation under 1.5, where Key Terms are defined.

(ATTA), established in 1987 (ATTA, 2015), and the Tax Research Network (TRN) in England, initiated in 1992 (TRN, 2015).

Furthermore, an increasing number of specialist journals are focusing on Taxation as an area of scholarly endeavour, for example, *The National Tax Journal* in the USA, the *Australian Tax Forum,* the *British Tax Review,* the *Canadian Tax Journal* and the *New Zealand Journal of Tax Law and Policy*.

From the perspectives of the practice,[4] education and research, it is clear that, worldwide, Taxation is evolving into a specialised discipline. Hence, it is increasingly important to identify, formulate and critically evaluate the Fundamental Principles[5] of Taxation which should serve as criteria in the further development of theory and practice in the field.

In 500BC, Confucius formulated guiding principles of taxation. These principles were refined by his successor, Mencius (Adams, 2001). They based their principles on mutual respect between a ruler and his or her subjects, epitomised by a policy of taking only what is needed, and not what is wanted.

Later an attempt to formulate principles of taxation was made by Adam Smith[6] (1784:888, cited verbatim) – he called them the four maxims of taxation:

- The subject of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities. (Equity and fairness).
- The tax which each individual is bound to pay ought to be certain, and not arbitrary. (Certainty).
- Every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. (Convenience of payment).
- Every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. (Economy in collection).

[4] For this study, "practice" refers to exercising a profession in general and the tax profession in particular.

[5] The term "fundamental principle" (with a lower case) refers to a basic concept or a general idea of the practice. The term "Fundamental Principle" (with an upper case) refers specifically to the outcomes of this study, namely .the most basic concepts guiding the discipline of Taxation.

[6] In this research, seminal older sources were consulted, as well as recent publications, because even recent studies continue to refer to seminal texts such as Smith's famous work.

The principles formulated by Smith were grounded in his observations and personal experiences of the world. One example is the “property rent” that the rich collected during the 18th century. He believed, based on his own experience, that this type of income should be taxed, leading to equity and fairness. Smith’s maxims can be seen as very important principles of taxation, but the world of the 18th century is far removed from the world of the 21st century. Alley and Bentley (2005:624) emphasise the importance of revisiting the principles of Taxation when they state that, although Smith’s maxims are seminal, “in the light of modern business practices…it is suggested that Smith’s principles need modernising”.

In 1861, Newmarch attempted to refine tax principles. One of his principles stated that savings and the contribution to capital should not be taxed. He was asked the following question: “Tax falls equally upon all, but does it demand equal sacrifice from all?” He answered that “every man has an opportunity to decide the measure of sacrifice that he will make” (Seligman, 1921:56).

Although the importance of the guiding principles that have been formulated over the centuries cannot be disputed, some questions that may be asked are the following: What were the principles based on? Where did they come from? Were the principles so willingly used through the years grounded in any way? No scientific evidence could be found on the methods followed to ground these principles. In the last 200 years, Smith’s (1784) maxims have taken centre stage whenever principles of taxation were mentioned or formulated, and they continue to play an important role. This is evident from the report of the Organisation for Economic Co-operation and Development (OECD) on the taxation framework conditions in 1998. They commenced with the maxims of Smith, and included the principles of Fairness and Effectiveness, Certainty and Simplicity, Efficiency, Neutrality and Flexibility outlined by Smith (OECD, 1998).

The American Institute of Certified Public Accountants (AICPA) published its guiding principles of good tax policy in 2001, and AICPA also commenced with the maxims of Smith: Equity and Fairness, Certainty, Convenience of Payment, Economy in collection. Then AICPA elaborated on some of these principles by adding the concepts of Simplicity and Neutrality. AICPA also included the principles of Economic growth and Efficiency, Transparency and Visibility, the Minimum tax gap and Appropriate government revenues (AICPA, 2001).

Ten years later, the Mirrlees Review (2011) in the United Kingdom (UK) also used the maxims of Smith, merely adding the principles of Minimizing the negative effect on welfare and economic efficiency, Minimizing administrative and compliance cost, Fairness in more than a distributional sense, and Transparency (Mirrlees, 2011).

Most recently, in South Africa, the Davis Tax Committee (2015) adopted the principles of Equity and Certainty from Smith. The Committee added as its point of departure the principles of Transparency, Efficiency, Simplicity and Tax buoyancy – which the Committee defined as “raising sufficient revenue during all phases of the business cycle, while simultaneously embodying scope for a counter-cyclical fiscal framework” (Davis Tax Committee, 2015:13).

How did all these prestigious tax reviews and committees formulate their principles? It seems that most of the reviews and committees commenced by applying, in some form, the principles formulated by Adam Smith. Principles were added after discussions among the members of the review or committee. However, no scientific evidence has been published on the methods followed to ground these principles.

An important factor that may have influenced the principles adopted by tax reviews and committees may be their original mandate(s). One should not underestimate the possible influence of politics, social and/or economic pressures on the reviews’ or committees’ decisions regarding the principles they proposed. For example, the document reporting on the United States’ President’s Advisory panel on Federal Tax Reform (2005) explains the compilation of the principles used during the Panel’s processes as follows: “We followed the President’s instructions to emphasize simplicity, fairness, and to remove impediments to growth. Achieving all of these principles is no easy task.” This panel also acknowledged equity as an important idea. Five years later, the President’s Economic Recovery Advisory Board (2010) was tasked to achieve three broad goals: simplify the tax system, improve taxpayer compliance with existing tax laws, and reform the corporate tax system. These two examples highlight the perception that the principles used in some reviews were not based on scientific research but on the mandates of the reviews, panels and committees.

Searching for a deeper understanding of specific "guiding principles of Taxation" has opened the door for the analysis and interpretation of such principles towards Taxation in practice. This study acknowledges the fact that Taxation scholars have unpacked either the meaning or the practical application of some of the previously defined principles of taxation. Such unpacking is crucial to the field of taxation. A few examples of analysis and interpretation are found in the discussion of tax equity by Skinner and Slemrod (1985) as part of their consideration of tax evasion, the pairing of tax simplicity with tax compliance (Awasthi & Bayraktar, 2015), and the proposition that tax equality is a condition for poverty alleviation (Gatzia & Woods, 2014). In these examples, the guiding principles were applied in practice, but the question whether or not these principles were scientifically grounded remains unanswered. The aim of this study is therefore not to dissect the principles for their practical application, but to construct the fundamental principles of Taxation.

The guiding principles of taxation, as identified and applied, are also used in specific models and tax theories such as the Optimal tax theory including Optimal taxation[7] and the Slippery slope framework. Optimal taxation and Optimal tax theory address the application of the guiding principles of taxation and not the underlying theoretical discussion on the principles *per se*. The Slippery slope framework attempts to explain the interaction in tax compliance (Prinz, Muehlbacher & Kirchler, 2014). Yet again, the guiding principles are applied in practice and are not theoretically underpinned.

The evidence exists that there are guiding principles in Taxation and these principles are applied in the practice of taxation. From historical research it seems that these guiding principles were compiled by philosophers and leading thinkers. Nevertheless, no scientific grounding could be found for the formulation or even current relevance of existing guiding principles.

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[7] Refer to a brief discussion of Optimal taxation and the Optimal tax theory in 1.5: Key Terms - Public economics applicable to taxation.

The Davis Tax Committee (2015:7) observes that "attitudes towards the tax system have varied markedly". Taxation can be seen as a "market distortion", but this also implies that it is possible to use taxation to correct market failures. Adding to the uncertainty about taxation systems is the fact that "there is no universally recognised theoretical framework or conclusive empirical literature on how to craft a [tax] system" (Davis Tax Committee, 2015:4).

Attempts to "craft" or reform the principles of taxation are thus not a new idea, as there has been intensive debate on what the principles should be for at least the last 200 years. In this regard, Kabinga (2015:6) remarks:

> The interesting point that can be underscored is that at all times there was a discussion about the 'correct' taxation principles and/or the 'just' taxation system and that at no time there were any unanimously agreed sets of principles.

It is evident that in the last 200 years Smith's maxims have provided a set of guidelines as a point of departure for attempting to construct the fundamental principles of taxation. Although the construction of such principles has been attempted repeatedly, Alley and Bentley (2005:624) declare:

> Most reports adopt a variation of Smith's principles. As the variations become fractured, it will be useful to return to a common starting point… As Tax law design becomes increasingly international in perspective, and countries look to contemporary tax design in formulating their own tax systems, it would be very useful if the recommended framework was widely adopted and used.

In order to "return to a common starting point", clearly, more than Smith's maxims need to be consulted. We need to reflect on the concept of fundamental principles of taxation from a much broader perspective. What is a "common starting point" in considering taxation? Perhaps the search should commence with a review of taxation history. The starting point should then be grounded in scientific research with identified and recognised research methods.

A common starting point may then be the first mention of taxation in recorded history. Evidence of taxation in Sumer from around 4000 BC can be gleaned from a number of excavated artefacts (Adams, 2001). In Ancient Egypt (from 3000 BC onwards) taxation played an important role in society, and almost everything was taxed. The calculation of taxation took into account the status of the cultivator (as later studied by Sociology), the crop cultivated (as later studied by Economics and

Agriculture), and the current level of the Nile (as later studied by Geography) (Webber & Wildavsky, 1986). From that time onward, taxation was thus influenced by other disciplines and perspectives. The interdisciplinary nature of Taxation has been extended since then to include yet more disciplines, and this provides the field with depth, and presents a variety of lenses to identify the principles of Taxation. However, this advantage may also contribute to a dilution and/or fragmentation of Taxation theory and of the practice itself. The importance of Taxation as a specialised field of study is often dismissed because people assume that taxation is already adequately dealt with in other disciplines (Oats, 2012). The urgency to formulate the Fundamental Principles of Taxation is therefore growing, to establish Taxation in practice, education and research. As taxation is an international phenomenon, international Taxation experts should be involved when the construction of the Fundamental Principles of Taxation is attempted.

Internationally, tax resistance movements use tax as a focus to oppose corruption, change unfair taxes, stop new taxes or draw attention to unreliable governments. Several tax unrests have erupted in recent history. Table 1.1 provides an overview of some of the resistance to taxation in the last three years.

Table 1.1: Overview of recent resistance to taxation (2013-2015)

YEAR	COUNTRY	TAX RESISTANCE
2013	Argentina	Refusal to pay municipal tax after an increase in property taxes
	Madagascar	Refusal to submit to and pay taxes due to perceived illegitimacy of government
	Canada	Claims by tax protesters that laws supersede or nullify regulations
	France	Warning to government of civil unrest against continued tax hikes
2013-2014	France	Destruction of highway portals to tax truck transportation results in the abandonment of the tax
2014	Tunisia	Protest by taxi drivers against tax on motorists
	Italy	Refusal to pay taxes, demand that the government leave citizens with enough to live on
	Austria	Refusal to pay taxes due to claims of government corruption
	Kenya	Refusal to pay taxes due to a lack of services provided, for example, sanitation
	Greece	Massive tax evasion due to mistrust of the government, which many Greeks see as corrupt, inefficient and unreliable
2015	Puerto Rico	Consumer and business strikes against 16% value added tax
	Belarus	Strike and refusal to pay tax due to claims of government corruption
	Denmark	Attack on Tax Administration Office in Fredenborg

Sources: Adapted from Armstrong-economics, 2015; *France24*, 2015; *History of tax resistance*, 2015; *Wall Street Journal*, 2015.

From Table 1.1, it appears that tax resistance is a global phenomenon, making a uniform and internationally accepted set of Fundamental Principles of Taxation all the more important. Such Principles would support each country's unique tax system, while also providing an acceptable foundation for taxation and Taxation studies around the world.

The principles of taxation have been compiled over centuries, in various countries, by individuals, tax reviews and committees. They have been discussed and documented. The question remains whether these contributions were based on scientific research or on a mere reiteration of previous contributions. What role did the political, economic and social influences of each specific period play in the construction of these principles?

This study attempted to base the formulation of the Fundamental Principles of Taxation on scientifically defensible research. Keeping the various nuances of taxation in mind, together with their possible roots and their relevance in practice, as well as in education and research, this study asks the following question:

> **What are the Fundamental Principles in Taxation that are essential to Taxation internationally, both in the present and as Taxation evolves into the future?**

1.2 Research aim

The aim of the research is to construct Fundamental Principles for Taxation. In order to achieve this aim, the aim is divided as follows: [8]

- to formulate guidelines for the identification of fundamental principles by briefly consulting the origins of Philosophy as a First Science.
- to apply the identified guidelines from philosophy to the history of taxation in order to extract the Fundamental Principles of Taxation adhered to by various regimes and policies through the ages;
- to conduct an Interactive Qualitative Analysis (IQA) with a focus group consisting of international role-players in the field of Taxation to formulate the

[8] At the appropriate points in this chapter (as in the rest of the study), the text is printed in the colour allocated to a specific section, as shown in Figure 1.2 (see 1.6).

Fundamental Principles for Taxation that are currently deemed relevant and to indicate relationships between the Principles;

- to present a single question to present-day international Taxation experts to elicit a written response on the formulation of Fundamental Principles in Taxation; and
- to triangulate the three sets of principles, in order ultimately to propose a set of Fundamental Principles for Taxation.

1.3 Plan of inquiry

The section presents a brief discussion of the research paradigm and design, the data collection and analysis processes, the research setting and the roles of those who were involved, and issues relating to the rigorousness of and ethical considerations relating to the study. A more detailed description and discussion of the data collection and analysis processes of the different methods follow in Sections B, C and D, as shown in Figure 1.2 (see 1.6), which serves as map to the study.

1.3.1 Research paradigm

Denzin and Lincoln (2003) describe a paradigm as a philosophical system that contains a researcher's epistemology, ontology and methodology.

The current study is anchored in a social constructionist paradigm. Social constructionism is based on the view that there is no given reality, but that phenomena are constructed as aspects of reality by means of a social and psychological process of meaning-making. A phenomenon is understood through a deconstruction of different elements of the phenomenon (Terre Blanche & Durrheim, 2004). Denzin and Lincoln (2000) argue that the construct of a research paradigm supports the notion that individuals are self-interpreting beings who co-construct reality through language. Social constructionism *per se* focuses on language, not as a tool of research, but as a subject for disclosing meaning and truth itself. Through language, a system is constructed by means of which objects, practices and the relationships between them can be understood (Terre Blanche & Durrheim, 2004). In this case, the phenomenon to be researched is the

Fundamental Principles of Taxation, and these Principles are constructed by means of a social and psychological process through language over time.

Epistemology refers to a theory of “knowledge” and what distinguishes mere belief from knowledge. Thus it describes the nature of the relationship between a researcher and what can be known. Social constructionists see reality as fluctuating constructs embedded in language, and adopt a sceptical and contesting epistemological stance (Colman, 2003; Terre Blanche & Durrheim, 2004). Adhering to this stance, in this study, the researcher constructs what is communicated about the Fundamental Principles of Taxation.

An ontology postulates the nature of reality and what is known about reality (Cohen, Manion & Morrison, 2002; Colman, 2003; Saunders, Lewis & Thornhill, 2012). Social constructionists argue that reality is produced in discourse and that it is inevitably socially constructed (Terre Blanche & Durrheim, 2004). In the current study, as the researcher engages with the ontology of Fundamental Principles of Taxation by visiting Philosophy and Taxation history, conducting a focus group activity, and consulting with international Taxation experts. Throughout, she consistently adopts the position that this reality is socially constructed in discourse.

Methodology is concerned with empirical study of a phenomenon, using a range of approaches to gather trustworthy or reliable data (Cohen *et al*., 2002; Saunders *et al*., 2012). Social constructionists can deconstruct various perceptions of reality through textual and discourse analysis (Terre Blanche & Durrheim, 2004). The current study employed a deconstruction and co-construction of reality through historical review, Interactive Qualitative Analysis (IQA), thematic analysis, and triangulation. Throughout the historical review (Method 1), it was evident that particular social power discourses and legacies of civilizations guided the reality of taxation as a construct. In the IQA process (Method 2), the constructionist paradigm was evident from the very nature of the engagement, analysis and member checking that the participants performed themselves. In Method 3, when a single question in writing was sent to Taxation experts, the non-prescriptive, open way in which the participants could construct their answers and express their experiences, together with a thematic analysis done by the researcher, opened the field for the co-construction of the Fundamental Principles of Taxation by various role-players, from different disciplines and from different places in the world. The study thus complied with social constructionist principles and thinking.

1.3.2 Research design

A research design consists of various steps in the collection, analysis, interpretation and reporting of data collected for research purposes – it forms the plan or blueprint for how a particular study is conducted. A research design can be a single or multi-method design in either a qualitative or quantitative paradigm, or a mixed methods design straddling qualitative and quantitative research (Creswell, 2002, 2003; Mouton, 2001).

The research design chosen for the current study is triangulation of different forms of multi-method qualitative research. A multi-method design refers to the use of different data collection methods in an inquiry. The data collection strategy employed in this study consisted of three discrete qualitative methods. Thereafter the results were triangulated to enhance the conceptualisation and understanding of the Fundamental Principles of Taxation. Through this design, the various data collection methods had equal value in the triangulation process (Creswell, 2002).

The first data collecting strategy was an extensive historical overview (Method 1). The second data collection method was a focus group activity executed in accordance with the design of an IQA (Method 2). The third data collection method was the presentation of a single question to international Taxation experts for their written responses (Method 3).[9]

The rationale for choosing a multi-method research design was the advantage of offsetting the limitations of one method of collection with the strengths of others. The research design provided depth to the picture of the phenomenon under review, namely Fundamental Principles of Taxation. The triangulation process integrated the various types of data, and assisted with the emergence of the Fundamental Principles. It also highlighted possible inconsistencies and complementary themes in the findings, as recommended by Creswell (2002).

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[9] The use of various colours is intended to assist the reader in recognising which stage of the research is discussed at any given point in the thesis.

The concept of triangulation, as used in the current study, describes the search for an in-depth understanding of the richness and complexity of a phenomenon (Cohen *et al*., 2002:112-116; Denzin & Lincoln, 2003:8). It is a strategy of action where multiple research methods are applied during data collection to corroborate, elaborate and illuminate various perspectives to create more confidence in the findings and eliminate possible research bias (Denzin & Lincoln, 2003; De Vos, Strydom, Fouché & Delport, 2005; Leedy & Ormrod, 2010; Saunders *et al*., 2012). This method of overlapping layers of data is used to build a confirmatory structure leading to consistent conclusions and demonstrating concurrent trustworthiness (Cohen *et al*., 2002; Denzin & Lincoln, 2003; Welman, Kruger & Mitchell, 2005). Contradictions that might occur in the structure need to be reconciled. Triangulation is particularly useful when a complex phenomenon with controversial aspects (such as the Fundamental Principles of Taxation) needs to be illuminated (Cohen *et al*., 2002), and is thus applicable to the complexity of identifying Fundamental Principles in Taxation. The decision to strive for the triangulation of data enabled the landscape of the inquiry in this study to be enlarged, and offered a deeper and more comprehensive picture (Tobin & Begley, 2004) of the phenomenon under review, namely the Fundamental Principles of Taxation, as focused on in the research.

Some may wonder why the researcher did not choose crystallisation rather than triangulation as a method. Crystallisation does not necessarily oppose or exclude triangulation, it merely differs in its goals (Ellingson, 2009). The concept of a crystal allows for an infinite variety of shapes, substance, transmutations, dimensions and angles to a phenomenon (Denzin & Lincoln, 2003; Tobin & Begley, 2004). It provides a deepened and complex understanding of a phenomenon (Denzin & Lincoln, 2003) and "combines multiple forms of analysis and genres of representation in a coherent series of related texts" (Ellingson, 2009:6). Crystallization provides a framework for the truth, and it also reveals the problems with the construction of these truths, focusing on a researcher's vulnerabilities and the incompleteness of knowledge claims. The process of crystallization should include more than one genre of writing or presentation (analytical, narrative, artistic, critical, etc.) and a significant amount of reflection should be present at every level of the research. Although triangulation encompasses this to an extent, crystallization goes further and acknowledges the fact that any search for knowledge and truth can never be completed. Thus the final image of the process of crystallization is marked by the absence of a completed image (Ellingson, 2009), whereas this study aimed to propose a specific set of Fundamental Principles of Taxation. Triangulation was therefore chosen because it resonates with the aim of the research – although in this regard, Richardson (2000:14) rightly says: "Paradoxically, we know more and doubt what we know. Ingeniously, we know there is always more to know."

1.3.3 Data collection strategies

The research design consists of three data collection methods. In this section, the three methods are discussed by explaining the specific methodological choices, the selection of the participants (where applicable), the data collection process, instrumentation and analysis process. Table 1.2 and Figure 1.1 summarise the research process.

Table 1.2: Outline of research process

	METHOD 1	METHOD 2	METHOD 3
Research design	Multi-method qualitative design		
Pre-data collection strategy	Philosophy as guiding principle		
Data collection strategies	Historical positioning	Interactive Qualitative Analysis (IQA)	Single question in writing to Taxation experts
Selection process	Searches on databases using various search terms	Non-probability – convenience sampling (Individuals for a group activity) *Attendees of the TRN Conference of 2014*	Non-probability – convenience sampling and snowball sampling (Individuals) *International Taxation experts*
Data collection	Literature study	Focus group activity in accordance with IQA methodology	Single question sent in writing to Taxation experts in an asynchronous environment
Data analysis	Critical analysis of content Thematic analysis using *Atlas ti* software	• Inductive coding • Axial coding • Theoretical coding • Emergent coding	Thematic analysis using Atlas ti software

In-depth understanding	Triangulation		
Qualitative rigour	**Trustworthiness**: Credibility; Transferability; Dependability; and Confirmability		
Ethical considerations	Avoidance of plagiarism	*IQA process - data collection and analysis required to be -* • Public and non-idiosyncratic • Replicable within reasonable bounds • Not dependent on the nature of the elements themselves • Part of same process • Confidential and anonymous • With informed consent • Voluntary participation and withdrawal • Approved by the Ethical Committee of the University of Pretoria • Without deception and/or betrayal of participants.	*Data collection and analysis required to be -* • Confidential and anonymous • With informed consent • Voluntary participation and withdrawal • With approval from the Ethical Committee of the University of Pretoria • Without deception and/or betrayal of participants.

1.3.3.1 Philosophy as a guiding principle

The rationale for consulting the origins of philosophy was to gain insight into guidelines for identifying and constructing Fundamental Principles, because philosophy may be regarded as a First or Primary Science.

1.3.3.2 Method 1: Historical positioning

A study was conducted into the historical development of taxation. Then, the guidelines identified from philosophy were applied to the history of taxation as a first step in formulating the Fundamental Principles of Taxation. Data collection Method 1 was supported by a thematic analysis (using Atlas ti) of the identified taxation history. In Section B, a detailed description is given of this research process.

1.3.3.3 Method 2: Interactive Qualitative Analysis

For the second method of the study, a focus group activity was conducted using the IQA method as described by Northcutt and McCoy (2004). With the consent of the organising committee of the TRN Conference of 2014, the focus group activity was conducted during the TRN conference at Roehampton University in London in September 2014. In response to an invitation (see Appendix A) to selected individuals, nine participants attended the focus group activity as scheduled.

The question to the participants was the following: What are the Fundamental Principles of Taxation? Under the guidance of an independent facilitator and in complete silence, the focus group commenced with concept identification and then grouping of the concepts. Thereafter, the independent facilitator clarified the groupings/themes with the participants. Finally, each theme was given a name or heading by the group members themselves, as proposed by Northcutt and McCoy (2004). The focus group constructed ten themes (called affinities) in answer to the question. The IQA method provides for a further process in order to identify the relationships between the various affinities, which then duly followed. As a final outcome of the IQA method, a Systems Influence Diagram (SID) was created (Northcutt & McCoy, 2004). A detailed description of this research process is given in Section C (Method 2).

1.3.3.4 Method 3: Single question in writing to Taxation experts

For Method 3 of the study, a single question was sent in writing to international Taxation experts in an asynchronous environment. This data collection method was selected because one of its major benefits is that busy participants can find a convenient time to respond in their own time frame and international time zone (Berg, 2007). The researcher sent an invitation via e-mail (see Appendix B) to the selected participants to answer the question: What are the Fundamental Principles of Taxation? The format of the response was a written document. In reply, 18 responses were received. A thematic analysis was then conducted using Atlas ti. The outcome yielded a co-constructed answer to the question. A detailed description of this research process is given in Section D.

1.3.3.5 Triangulation of the three sets of findings

In conclusion, the three sets of Fundamental Principles (Methods 1, 2 and 3) of Taxation that emerged were triangulated to achieve a synthesis for answering the research question: What are the Fundamental Principles in taxation? A detailed description of the triangulation, as well as a discussion of the concluding process and findings is presented in Section E.

1.3.4 The research setting and the roles of those involved

1.3.4.1 The role of the researcher

In Chapter Two of the study (Philosophy as a guiding science), the researcher briefly visited the early history of philosophy in search of guidelines on how to define a fundamental principle. The study continued with Method 1 (Chapter Three) where the collection of and reflection on the data (from historical taxation literature) in order to construct Fundamental Principles of Taxation was based on a selective study of relevant literature. The findings of Method 1 were not available to the participants of Methods 2 and 3 during the data collection stages. To ensure dependability and confirmability of the identified principles, the document compiled by the researcher and based on the selected literature was submitted to Atlas ti as a tool to assist the thematic analysis process.

For the second method of the study (the IQA), the researcher was a non-participating observer in the IQA focus group activity, only assisting the facilitator by ensuring that the definitions of the affinities put forward by the participants were recorded and formulated accurately. The researcher only worked with the data generated after the focus group activity had been concluded. Using the IQA method of analysis, the researcher compiled a SID where the interactions (relationships) among the various affinities (themes) were indicated. During the application of Method 3 of the study (Single question in writing to Taxation experts), the researcher corresponded with the accepting invitees and collected their writings on the Fundamental Principles of Taxation. An advantage of this data collection method is that the correspondence between the researcher and each participant is effectively private, with no interference from an outside source. Privacy was honoured from the invitation stage onwards, and in all further interaction. The participants were not known to each other. The researcher conducted a thematic analysis using Atlas ti on each participant's written response in the quest for the emerging Fundamental Principles of Taxation.

The researcher is a registered Doctoral student at the University of Pretoria (UP) and adhered to the requirements of the ethical principles laid down by UP. Throughout the research, both supervisors were consulted on a continuous basis.

1.3.4.2 The role of the participants

During the IQA focus group activity (Method 2), the participants were required to produce any number of cards, each of which contained a single concept answering the question: *What are the Fundamental Principles of Taxation?* This stage took place in silence. This was followed by collaborative interactivity in the focus group, again in total silence, where the participants were required to sort the cards into related sets. Without being granted an opportunity for discussion, each participant thus identified his or her own Fundamental Principles of Taxation and was subsequently free, collectively, but still without discussion, to organise the proposed Fundamental Principles into categories (called affinities). This step was followed by a discussion in the focus group where the independent facilitator facilitated group clarification and confirmation of each concept and set. Participants were free to include a new concept that emerged during the facilitation process. After the completion of the focus group and via e-mail, the participants were requested to confirm the formulation of the different affinities.

The final activity by the participants was to indicate possible relationships that might exist between the affinities. This last step took place a month after the focus group activity and via e-mail correspondence, as agreed on before the focus group activity took place.

In the application of Method 3 of the study (Single question in writing to Taxation experts), participants were required to prepare a document with their response to the question: *What are the Fundamental Principles of Taxation?* The participants were free to use their own background and readings, or discuss the question with colleagues. No limitations were placed on the format or length of the document. The privacy of the participants was observed, as e-mail correspondence is a private communication medium. Each participant sent the document to the researcher via e-mail, and the document was then directly entered into Atlas ti for the process of thematic analysis.

1.3.4.3 The role of the independent facilitator

The independent facilitator (an experienced IQA focus group facilitator) was only involved in Method 2 of the research. During the focus group activity, the facilitator started by creating an atmosphere which encouraged silent reflection. He then requested the participants to produce cards, each containing a single concept or idea in answer to the question: *What are the Fundamental Principles of Taxation?* Thereafter he invited the participants, as a group, to sort the cards into categories. The final activity of the facilitator in the focus group was to encourage the participants to clarify and confirm each category and to provide a name for each category. After the focus group activity, the independent facilitator confirmed and double-checked all the thematic and affinity allocations in the analysis. This increased the rigour of the research by strengthening the confirmability and consistency of the data.

1.3.5 Qualitative rigour

In response to the question of whether qualitative research adheres to the concept of trustworthiness, the researcher must show that the research is worth trusting *and that the findings of the study are worthy of attention.* In order to answer this question, the following four criteria of trustworthiness need to be met: credibility, transferability, dependability and confirmability (Babbie & Mouton, 2004). These criteria were first posited by Lincoln and Guba (1985), who believe that the conventional quantitative research concepts of internal and external validity, reliability and objectivity are not appropriate for qualitative research designs.

In the current study, the overall truth value of the research was strengthened by honesty, depth, richness and scope, and it was further enhanced by the choice of appropriate participants (Cohen *et al*., 2002; Silverman, 2000). The researcher validated the data continuously by controlling for bias, neglect or lack of precision; questioning her procedures and making decisions critically; and interpreting the findings theoretically, as recommended by Henning, Van Rensburg and Smit

(2004). More specifically, the following qualitative aspects of rigour were adhered to.

1.3.5.1 Credibility

Credibility is concerned with the compatibility between the constructed realities of the participants and what is attributed to them. It is enhanced by looking at a phenomenon from different angles, applying different sources and methods (Babbie & Mouton, 2004; Cohen *et al*., 2002). For the IQA process in this study, credibility is related to the extent to which the mind-map of the focus group is consistent with the individual hypotheses of which it is comprised (Northcutt & McCoy, 2004). The credibility of the IQA was ensured by its public, accessible and accountable procedures (Northcutt & McCoy, 2004). Member-checking during the IQA supported the credibility of Method 2. To ensure the credibility of all three methods further, the data collection procedures are explained in detail in this thesis, with greater clarification in the data analysis and interpretation chapters. Finally, the process of triangulation enriched the research and strengthened the overall trustworthiness of the findings through such credibility.

1.3.5.2 Transferability

Transferability refers to the requirement that the results from a study should be detailed and rich in description in order to construct a framework to be applied to a new set of data for reflection and meaningful comparison. Transferability is also adhered to when the raw data are used as often as possible to support the claims made throughout the interpretation process (Marschan-Piekkari & Welch, 2004). This aspect of rigorous research should be striven for, but, within a constructionist paradigm, it is unlikely that complete transferability can be achieved (Terre Blanche & Durrheim, 2004). In Method 2, transferability was supported by the public, accessible and accountable procedures of the IQA process (Du Preez, 2005; Northcutt & McCoy, 2004). The raw data collected in Methods 1 and 3 were submitted to a thematic analysis. Raw data were used for all three methods in formulating the Fundamental Principles which were identified.

1.3.5.3 Dependability

This is also referred to as consistency, and is a prerequisite for credibility. For a constructionist, dependability acknowledges that reality is changeable, and that, in a social environment, reality is flexible. A researcher should convince readers that the findings did indeed emerge as described. Dependability requires that findings be supported by rich and detailed descriptions of the process that developed from the contextual analysis (Terre Blanche & Durrheim, 2004). An inquiry audit to establish dependability is recommended and may also counter some of the criticism against qualitative research in general (Babbie & Mouton, 2004; Cohen *et al*., 2002; Silverman, 2000). An inquiry audit examines the documentation, the process and, finally, the product for their acceptability. Acceptability is established when confirmation is obtained that the data support the findings (Babbie & Mouton, 2004). Such an inquiry audit seemed unnecessary for Method 2 (the IQA focus group), because the focus group participants checked the procedures inherent in the process themselves. The dependability of the IQA has been tested on groups of doctoral students over several years, and more similarities than differences were found in terms of the elements and relationships among the elements (Northcutt & McCoy, 2004). Furthermore, dependability was ensured with the public, accessible and accountable procedures of the IQA (Northcutt & McCoy, 2004). Dependability was also adhered to by using the raw data in supporting the findings of Methods 1 and 3 (Marschan-Piekkari & Welch, 2004). For these two methods, rich and detailed descriptions were provided of the processes followed.

1.3.5.4 Confirmability

This term describes the qualitative criterion that the findings should be the product of the research itself, and that it should be possible to compare the findings with the findings of another study to show whether the new findings confirm or contradict previous findings. Confirmability can be achieved together with dependability, because an inquiry audit can yield sufficient support for both qualitative criteria (Babbie & Mouton, 2004; De Vos *et al*., 2005). In Method 2 (the IQA process), researcher bias was controlled for by using an independent facilitator for the focus group activity, as well as to confirm and double-check all the thematic and affinity allocations, thus ensuring that the data generated by the focus group supported the findings of the focus group. The research design chosen allowed the findings for each of the three methods to be established on their own and finally to be triangulated by comparison, to yield Fundamental Principles of Taxation. By using triangulation, a correlation between the data and the findings was confirmed.

1.3.6 Ethical considerations

Ethical clearance for the study was obtained from the Ethics Committee of the Faculty of Economics and Management Sciences at the University of Pretoria (see Appendix C). For Method 2 of the study, the organisers of the TRN Conference consented to the focus group activity's being conducted during the 2014 conference (see Appendix D). The following ethical requirements were adhered to in the research:

- Informed consent: The aim of the study was communicated to all participants. For Methods 2 and 3, informed consent was obtained from the participants and they were all informed that their participation was voluntary, that they could withdraw at any stage, and that the principle of no harm would apply.
- Anonymity and confidentiality: Participants were informed that partial anonymity would be maintained. For focus group research, full anonymity cannot be guaranteed, given the method of data collection. Confidentiality in the final report can be guaranteed, as well as in any other publication of the findings.

1.4 Limitations

For the historical positioning (Method 1), the researcher relied on research by the authors of the sources consulted. It is impossible to know and understand the underlying reasons for all actions in the past fully. Therefore many well-researched and informed assumptions may have been made by the historians, although some assumptions may have been less firmly grounded. Unrecorded events and considerations could also have played a significant role in the development of the history of taxation.

For the IQA focus group activity (Method 2) conducted at the TRN Conference, a limitation was the fact that only individuals attending the conference could be invited to participate in the focus group activity. Due to financial constraints and travel arrangements, a number of invitees who had initially indicated they would participate could not attend. Therefore, only nine invitees participated in the focus group activity, and eight participated in the entire IQA focus group process.

The invitation to participate in Method 3 (the single question sent in writing to Taxation experts) was sent via e-mail. The number of respondents was limited, due to the fact that constructing the response would be time-consuming. The response rate was 46% of the initial invitees. Another possible limitation is the difficulty in clarifying responses. The possibility exists that the researcher may misinterpret the arguments put forward by the participants due to limited opportunity for them to explain their responses.

1.5 Key terms

The following key terms formed the point of departure for the current study. The definitions given below delimit the concepts and, although there may be other interpretations of these terms, it was decided to use these definitions to guide and to direct the understanding of the study.

Fundamental

The term refers to "the most important part of something, the essential structure" and the "innate or ingrained characteristics of something" (*Merriam-Webster Encyclopaedia*, 2014). This key term is discussed and explained in detail in Chapter Two.

Principle

A principle is "a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour or for a chain of reasoning" (*Oxford Dictionaries*, 2014). The *Collins Dictionary* (2014) defines a principle as "a fundamental or general truth, the essence of something, a source or origin". Therefore, for the purposes of the study, a principle was defined as a general truth that forms the foundation of something through a chain of reasoning. This key term is discussed and explained in detail in Chapter Two.

In this study, a distinction is made between "principle" and "Principle". When "principle" is used as a common noun, it refers to a general idea and encompasses a concept, strategy or policy. It may be described as fundamental and then refers to the most basic concept of a general idea. When “Principle” is used as a proper noun, it refers to a specific idea identified for the purposes of this study. “Principle” can then be further specified by referring to a “Fundamental Principle”, which is the critical outcome of this research. The concept “Fundamental Principle” is thus capitalized to stress its specific meaning as the outcome of this study.

Public economics applicable to Taxation

Guesnerie (1995) discusses three areas of public economics relevant to taxation, namely institutional economics, positive economics and normative economics.

Guesnerie (1995) explains that the institutional economics of taxation discusses a simple model of the theory of tax institutions. This model is based on informational and incentive considerations. He declares that some restriction on the availability of information relating to taxation is a basic feature of institutions dealing with taxation. Hammond (1979) states that it is equally problematic to devise an optimal incentive compatible procedure and to find an optimal scheme of taxation.

Positive economics suggests that a tax system can maintain equilibrium between production and consumption prices. This branch of economics focuses on tax incidence theory, which is concerned with the effects that small changes in tax systems have on tax equilibriums (Guesnerie, 1995).

Normative economics of taxation explains the welfare effect of economic choices and finding a tax equilibrium. Tax reform involves a continuous process to find a tax equilibrium in a particular tax system. It revolves around the following question: What are the tax changes that increase the welfare of the consumer? Optimal taxation can be described as finding the optimum where there is sufficient financing of public goods and an acceptable social equilibrium is reached (Guesnerie, 1995).

An example of a public economics theory applicable to taxation is the optimal taxation theory. This field was opened by Ramsey (1927), who discussed the effect of taxation on the supply and demand of commodities. His work is regarded as seminal to the field. A large body of work has appeared based on this theory. According to Stiglitz (2014a), Ramsey's contribution provided the basic insight into the concept that "taxes should reduce the consumption of each good equi-proportionately". The concept "Ramsey taxes" refers to the notion that taxation can be efficient if a complete set of taxes is used when tax policy is implemented.

Musgrave (1959) took further the discussion of taxation in economics. He applied the price theory and Keynesian macroeconomics to the issues of tax incidence, efficiency and achieving full employment. He identified three branches of tax incidence, efficiency and achieving full employment namely the allocation branch (economic efficiency – designing taxes for minimal loss to real income), the distribution branch (politically acceptable redistribution of income), and the stabilisation branch (full employment to prevent inflationary excess demand).

Mirrlees (1971) focused mainly on labour income taxation, declaring that "the shape of the optimum earned-income tax schedule is rather sensitive to the distribution of skills within the population, and to income-leisure preferences".

Stiglitz (2014b), a Nobel Prize winning economist, then identified two principles that are important for tax reform. The Generalised Henry George Principle states that "tax goods that are inelastic in supply" should be taxed because there are no economic side effects from taxing these goods. The second principle is named the Generalised Polluter Pay Principle. According to this principle, some activities should be taxed to discourage "negative externalities". The focus should be on enhancing progressivity while limiting distortion.

According to Slemrod (1990:158), "[t]he spirit of the optimal tax literature is that the efficiency costs of taxation are potentially large, and therefore it is worthwhile to focus attention on how to minimize these costs". Gentry (1999:307) argues along similar lines, commenting: "Optimal tax theory addresses such questions as: Should the government use income or commodity taxes? Within commodity taxes, how should tax rates vary across commodities? How progressive should the tax system be?"

Slemrod (1990:158) claims that the optimal tax theory implies judging the "desirability of any tax policy…solely by its consequences for individuals and… not…independently on how closely it meets abstract principles such as fairness and efficiency".

This discussion shows that optimal theory is an economic tax model that considers the implementation of taxation at different levels. It assists in optimising tax policy regarding the best possible combination of which taxes, what tax rates and who should be taxed to ensure the most sustainable income for a given government. Slemrod (1990) argues that tax policy (optimal tax theory) should not be judged by fundamental principles. This perspective then concludes that optimal tax theory uses principles but does not generate the principles *per se*.

For the purposes of taxation, public economics is the study of the application of the taxation principles through a central government body (for example, a revenue agency) in order to find a tax equilibrium between the welfare function of the state and the income received from its citizens. Public economics as a field of study is therefore concerned with the application of taxation principles in practice and not the formulation of the fundamental principles of taxation.

The initial development of the principles of taxation originated from philosophers (for example, Confucius in 500BC) and economists (for example, Adam Smith in 1776), and are included in Chapter Three (3.5.2 and 3.5.4) in the discussion of Taxation history. However, recent philosophers have not focused to the same extent on taxation and are therefore not included in the discussion of Taxation history in Chapter Three (3.5.4). Although economists and specifically public economists further contributed to the development of taxation in modern times, it is perceived that their contributions focus on the application and/or clarification of the principles in taxation and not primarily on the further construction or formulation of the principles in taxation. Public economists were usually represented on recent tax review panels and because these reviews are included in the study. Their contributions have been acknowledged to the extent that this study perceived them to be relevant.

Taxation

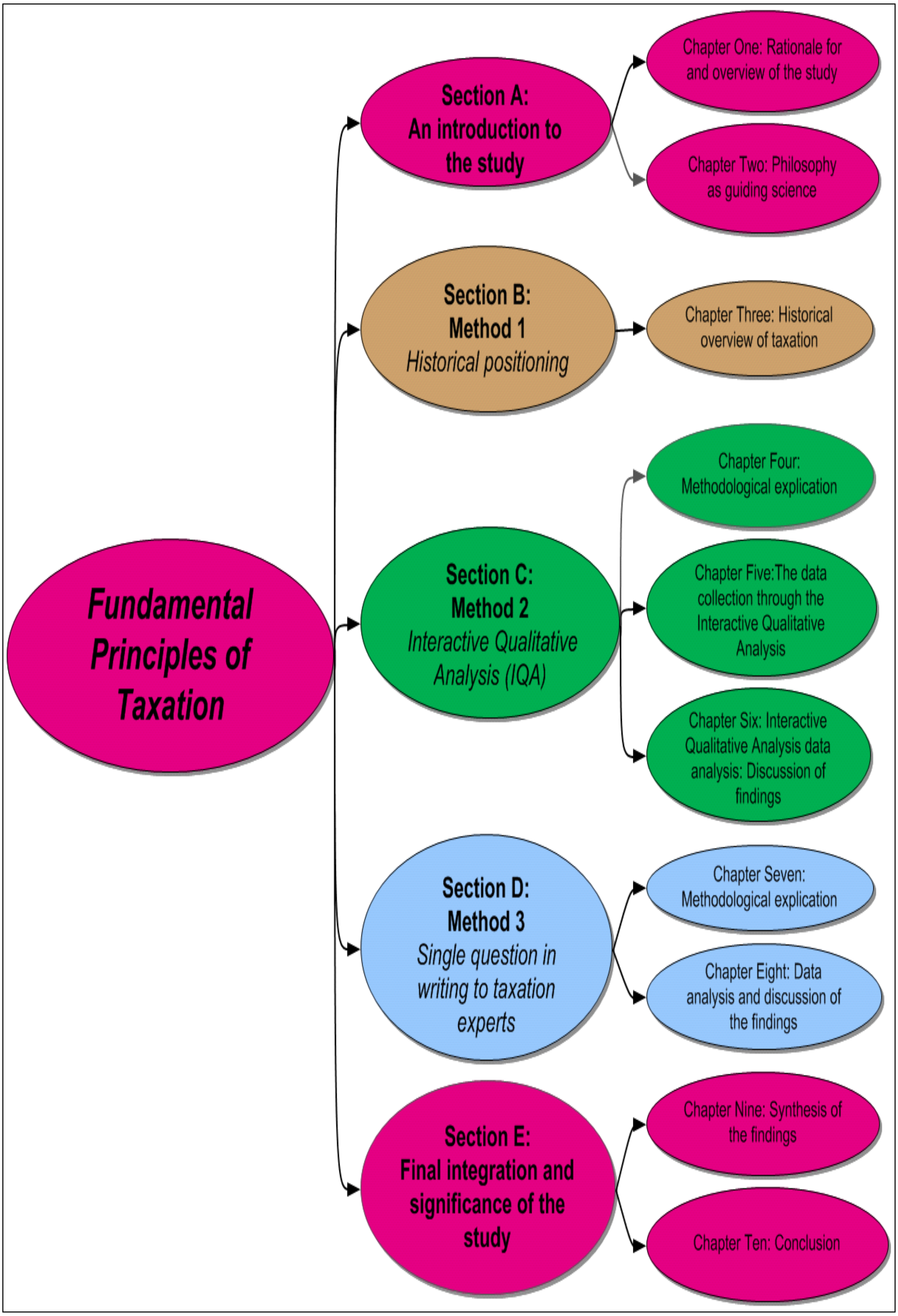
Taxation is a system for raising “revenue for government, where the revenue is intended for funding general expenditure in the provision of public goods and services, to the shared benefit of the public as a whole” (Steyn, 2012:36). When Taxation as a discipline is meant, upper case is used. When the act of taxing or taxation in general is meant, lower case is used. The same rule is applied in referring to other activities or constructs (lower case) versus academic disciplines (upper case).

1.6 Outline of sections

The thesis consists of five sections. Sections A and E are respectively the introduction and conclusion to the study. Sections B, C and D contain the report on the three methods of the research.

Figure 1.1 (overleaf) presents a structural diagram of the layout of the different sections divided into the specific chapters, clarifying the use of colours in the thesis.

Figure 1.1: Structural diagram of the layout of the different sections of the study



Section A consists of two chapters which provide an introduction and overview of the whole study. In Chapter One, the rationale of the study is outlined, together with the main research question and aims, followed by a brief discussion of the research paradigm, research design and data collection strategies. The roles of the researcher, participants and the independent facilitator are discussed. The qualitative rigour and ethical considerations are presented. The anticipated limitations of the study are discussed, and a summary of the key concepts to be used in the thesis is provided. Chapter Two starts with an orientation, containing the rationale, process and methodology adhered to. This is followed by a brief review of the origins of philosophy. From the overview, guidelines are extracted for the identification of fundamental principles.

Section B presents Method 1 (Historical positioning) of the study and consists of one chapter, namely Chapter Three, which contains an historical literature overview of taxation. Here, a thematic analysis is performed in accordance with the guidelines formulated in Chapter Two to identify the Fundamental Principles of Taxation that developed over time. The chapter ends with a summarising discussion of the findings.

Section C reports on Method 2 of the study and consists of three chapters. The method entailed conducting the IQA focus group. Chapter Four commences with the rationale for using the IQA process, followed by a detailed description of the method. Chapter Five describes the application of the method in the current research. In Chapter Six, the data analysis is presented and discussed. The relationships between the various affinities (themes)/Fundamental Principles are presented on a Systems Influence Diagram (SID). In conclusion, the Fundamental Principles of Taxation, as finally identified by the focus group, are presented together with the relationships between them.

Section D deals with Method 3 of the study (single question sent in writing to Taxation experts). The section consists of two chapters, commencing in Chapter Seven with the rationale for the strategy of a single question sent in writing and then leading to a detailed discussion of the research method. Chapter Eight contains a description of the implementation of the data collection method, followed by a thematic analysis of the results using the software program Atlas ti.

In conclusion, the Fundamental Principles of Taxation, as finally identified by the research method, are presented.

Section E consists of two chapters. Chapter Nine addresses the process of triangulation between the results obtained from Methods 1, 2 and 3 and culminates in presenting a synthesis of the findings. Chapter Ten concludes by reflecting on the research process and endeavouring to answer the research question and aims. It presents the final conclusions, and recommendations concerning the theory and practice of Taxation and further research on the Fundamental Principles of Taxation.

CHAPTER TWO

PHILOSOPHY AS A GUIDING SCIENCE

Chapter Two starts with a brief review of and reflection on the early history of Philosophy. The guidelines for the identification of Fundamental Principles of Taxation are extracted from this review.

The research objective addressed in this chapter is to formulate guidelines for the identification of fundamental principles by briefly consulting the origins of Philosophy as a First Science.

2.1 Orientation

In order to construct the Fundamental Principles of Taxation, it is logical to seek guidance on the construction of principles from sciences that have already been formulated and developed. In order to formulate the Fundamental Principles of Taxation, it was decided to start with the first of all sciences, which, according to Ochulor and Egbai (2011), is Philosophy, the most fundamental and basic science or study discipline. In this study, the discussion of Philosophy commences with the Athenian philosopher Aristotle (ca 384–322 BC), who posited that philosophy was the "First Science" when he stated in his theory of metaphysics that the one science that considers the Entity (the totality of things for what they are) as a whole, or entirely in a universal manner, is Philosophy. He explained: "Metaphysics [his term for philosophy] is a single science and at the same time the science of the Entity for what it is, the science of God and the science of substance" (Aristotle, quoted in Marais, 1967:64). Philosophy thus attempts to describe the totality of things for what they are, whereas all other sciences appear to study a part of the Entity or a section of the whole.

2.2 Why use Philosophy?

Verene (2008) explains that, historically, Socrates (ca 470–399 BC) provided the foundation on which Plato (ca 429–347 BC) developed his ideas; Plato's thought was in turn a stepping stone for Aristotle. Plato's thought and Aristotle's work are regarded as the two pillars of Ancient Philosophy. Aristotle both continued and opposed Plato's doctrines. Their writings are the foundation for the arguments of almost all the great thinkers that followed them, so it is appropriate to turn to them, especially Aristotle, to clarify the concept of philosophy.

The word "philosophy" is derived from two Greek words, namely *philos*, which means "love of", and *sophia*, which means "wisdom". The word "wisdom" in this context is perhaps rather old-fashioned, and today, the term "knowledge" is preferred. In other words, "philosophy" refers to a love of knowledge (Craig, 1998), so it may be postulated that all knowledge must have a philosophical foundation. According to Aristotle's argument, all scientific knowledge should be based on *arché*. In Ancient Greek, *arché* meant "beginning", and the term was adopted in philosophy to mean a "first principle" (Craig, 1998). It is therefore argued that it is imperative to seek the *arché* of Philosophy when formulating the fundamental principles of a science.

Philosophy constantly moves between theoretical philosophy, where the ultimate human knowledge is sought, and applied philosophy, where all other sciences are evaluated in terms of firmly grounded criteria for their practical relevance to humanity (Ochulor & Egbai, 2011). In the endeavour to define Taxation as a field of science, Philosophy can be used as a point of departure. Through applied philosophy, the practical relevance of Taxation for humanity can be conceptualised and evaluated.

2.3 Defining a "fundamental principle"

No definition of the concept "fundamental principle" *per se* is given in any of the philosophical dictionaries consulted; therefore general dictionaries were consulted for clarification. The following identical definition for a fundamental principle was found in two dictionaries: "a principle from which other truths can be derived" (*Dictionary.com*, 2014; *The Free Dictionary*, 2014). In order to clarify this definition for use in the specialist field of Taxation, a clear understanding of the concepts "principle" and "truth" is required.

Aristotle stated that one

> only knows a thing completely when we know its causes and first principles – only wisdom (*sophia*) can give this knowledge. This highest level of knowledge must tell what things are and why they are – they must demonstrate these things on the basis of their principles. (Aristotle, cited in Marais, 1967:63)

He continued this line of thinking when he declared:

> Principles cannot be demonstrated – that is why they are principles, they do not derive from anything. Therefore an intuitive knowledge of principles is necessary. True science plus intuitive knowledge of principles are essential ingredients of wisdom. Wisdom is philosophy. Awe is the root of philosophy. (Aristotle, cited in Marais, 1967:63)

The *Oxford Dictionaries* (2014) define a principle as "a fundamental truth or proposition that serves as the foundation for a system of belief or behaviour or for a chain of reasoning". The *Collins Dictionary* (2014) defines a principle as "a fundamental or general truth, the essence of something, a source or origin", and the *Merriam-Webster Encyclopaedia* (2015a) states that a principle is "a basic truth or theory: an idea that forms the basis of something".

Analysing these three definitions of a principle, it seems that a principle is the source, origin or general truth that is the essence of a belief, behaviour or "chain of reasoning". Then how does one identify a principle? When a "chain of reasoning" or behaviour or belief is scrutinized, the essence emerges, and that is the general truth, origin or source of the subject, defining the principle of the subject.

In this study the focus is on a "chain of reasoning" and not behaviour or beliefs. Therefore, for the purposes of this study, a principle is defined as **"a general truth that forms the foundation of the field of study that can be accessed through a chain of reasoning".**

Truth has long been one of the central subjects of philosophy. The *Stanford Encyclopaedia of Philosophy* (2014) explains that truth is "conformity with fact or reality" and adds that the concept "truth" has been developed over thousands of years and represents "the real facts about something". The *Collins Dictionary* (2014) defines "truth" as "the quality of being true, genuine, actual and factual". The dictionary further declares that truth is "a proven or verified fact that accurately represents some aspect of the world or universe". It can therefore be concluded for the purpose of this study that **a truth is developed over time and represents a fact or reality that is verified or proven according to the current knowledge available to humanity.**

To clarify the concept of a "fundamental principle", the word "fundamental" requires some attention. The term "fundamental" relates to "**the most important part** of something, the essential structure" (*Merriam-Webster Encyclopaedia*, 2014). It refers to the "innate or ingrained characteristics of something" (*Merriam-Webster Encyclopaedia*, 2014).

Based on the clarifications above, the working definition of a fundamental principle chosen for this study is "**a general truth, constructed through a chain of reasoning, that forms the most important part of the foundation of a unique field of study from which theories and applied practices can be derived and verified in accordance with the current knowledge available to humanity".**

2.4 Characteristics of a fundamental principle

2.4.1 Preamble to an analysis of the working definition

The working definition of a "fundamental principle" constructed above can be unpacked as containing the following characteristics:

- it is a general truth;
- it forms the most important part of the foundation of a unique field of study;
- it is identified through a chain of reasoning; and
- theories and applied practices can be derived from it and are verified in accordance with the current knowledge available.

Each characteristic needs to be deconstructed and explained in order to extract its specific meaning in the context of the study.

2.4.2 A fundamental principle is a general truth

Since the time of Socrates, truth has been one of the most widely discussed concepts in philosophy (*Stanford Encyclopaedia of Philosophy*, 2014). One dominant and uninterrupted line of thought throughout history concerns the interaction between truth and the challenge of finding truth.

Philosophers first attempted to access truth by looking at different forms of love: *eros*, *philia*, and *agape*. Plato used the word *eros*, which referred to the desire for something that one does not have and misses. It can also be described as a longing for beauty (Marais, 1967:57-58). Aristotle tried to describe truth with the word *philia*, meaning a concerned and familiar companionship or friendship. *Philia* is also found at the root of the word “philosophy”, and Aristotle chose it to talk about philosophy (Marais, 1967:57-58). The translation of the *Koine* Greek word *agape*, as assimilated into Latin, is delight, pleasure and goodwill (Latdict, 2014). *Agape* is also the word St Augustine (AD 354–430) chose to describe truth. Christianity provided a richer meaning for this word by defining *agape* as a selfless, sacrificial, unconditional love (Christianity, 2014). Spinoza (AD 1632–1677) (cited in Marais, 1967:58) declared in the 17th century that philosophy should be the intellectual love of God, but in the 20th century, Ortega defined philosophy as the general science of love (cited in Marais, 1967:58). According to Marais (1967:423), it would seem that truth can only be described through philosophy, and a philosophical truth must appear in the form of a system in which each truth is sustained by all the others. Defining truth is clearly a more complex achievement than can be covered in this discussion.

For the purpose of this study (see 2.3), a **truth is thus defined as a fact or reality that is verified or proven according to the current knowledge available to humanity.**

2.4.3 A fundamental principle forms the most important part of the foundation of a unique field of study

Bearing in mind that this is the second element of the working definition of a “fundamental principle”, the term “foundation” needs to be defined. A foundation is “something (such as an idea, a principle, or a fact) that provides support for something, a basis (as a tenet, principle, or axiom) upon which something stands or is supported, an underlying base or support” (Merriam-Webster Encyclopaedia, 2014). A further definition is “that on which something is founded, the base on which something stands, the act of founding or establishing or the state of being founded or established" (*Collins Dictionary*, 2014).

To summarize these definitions for application in this research, one could say that a foundation is a general truth that supports or underpins a unique field of study or on which the unique field of study rests. In the current case, the "unique field of study" refers to the act of taxing and the field of Taxation.

2.4.4 A fundamental principle is constructed through a chain of reasoning

Reasoning can be defined as "the process of thinking about something in a logical way in order to form a conclusion or judgment, the ability of the mind to think and understand things in a logical way" (*Merriam-Webster Encyclopaedia*, 2014). Another way of defining "reasoning" is the "action of thinking about something in a logical, sensible way" (*Oxford Dictionaries*, 2014). "A chain of reasoning" is then the repeated process of thinking in a logical, sensible way in order to allow the mind to form a conclusion about something. Again, for the purposes of this research, this "something" is Taxation.

When the field of Taxation is examined in applied philosophy, as a part or section of the entity as a whole, the following quotation is applicable to Taxation: "Philosophy begins when one learns to doubt – particularly to doubt one's cherished beliefs, one's dogmas and one's axioms. There is no real philosophy until the mind turns round and examines itself" (Durant, 1927:12).

2.4.5 Theories and applied practices can be derived from a fundamental principle and are verified according to the current knowledge available

Verene (2008:5) posits that the "modern agora, or marketplace of ideas, is history". Therefore it follows logically – indeed, it is imperative – for the identification of the Fundamental Principles of Taxation, for this study to visit the history of taxation, and Taxation as a field of study, because it is in the history of taxation that the development of ideas and principles took place.

2.5 Guidelines to construct fundamental principles derived from Philosophy

"Philosophy is the rational inquiry into the fundamental nature of all things human" (Verene, 2008:12). This statement underpins the idea of commencing this study with concepts from Philosophy. Aristotle (cited in Verene, 2008: vii) argues that the most appropriate point of departure for a study is to return to the origins of the field of study: "He who considers things in their first growth and origin … will obtain the clearest view of them." This view establishes the notion that the principles that evolved in a field of study are the logical place to start for a "clear […] view". Verene (2008:13) declares firmly that no principle is "perfect or final", but warns that to attempt a study "without some sense of a canon is a kind of ignorance". He also postulates that "Knowledge requires a standard".

For this study to be grounded then, it is assumed that the Fundamental Principles of Taxation are the point of departure. However, what should the guidelines be to go about identifying fundamental principles? In answering this question, Philosophy was consulted, and in 2.3, a working definition for a "fundamental principle" is formulated. This definition is then dissected in 2.4 to enhance understanding of the meaning and constructs of the definition. However, understanding the concept of a fundamental principle is only the first part of answering the question. To operationalise the working definition for the next step in the research, the constructs in the definition may be used to formulate guidelines for identifying fundamental principles.

The working definition for a fundamental principle is repeated here as a frame of reference: a **fundamental principle** is "a general truth, constructed through a chain of reasoning, that forms the most important part of the foundation of a unique field of study from which theories and applied practices can be derived and verified in accordance with the current knowledge available to humanity".

The first guideline addresses the concept that "the current knowledge available to humanity" should be consulted. This "current knowledge" is contained in the history of humankind. Verene (2008:14) argues as follows:

> Any principle needs historical distance to have a useful sense of fixity. The passage of time and the formation of tradition are needed to produce a

> genuine principle. The present must be read in terms of the past. It cannot be read intelligently in terms of the present.

This statement illustrates the dictum of the philosopher, Sir Francis Bacon (1561–1626), who said: “History makes men wise” (quoted in Adams, 2001:447). For principles and ideas pertaining to taxation to be identified, a closer look at the history of taxation is thus required.

Guideline 1: The point of departure should be the study of the history of a phenomenon or field of knowledge, as ideas and practices can only be identified as the basis for guiding principles by analysing and understanding the history of these policies and the practices that shaped it.

Guideline 1 identifies the need for analysing and understanding the history of taxation. A second guideline must be formulated to address the construct of “a general truth, constructed through a chain of reasoning”. Socrates (cited in Durant, 1927:12) said *Gnothi seauton,* meaning “Know thyself”. The importance of this idea was reiterated by Durant (1927:12) (and repeated for a second time in the study) when he declared: “There is no real philosophy [*a single science and at the same time the science of the Entity*] until the mind turns round and examines itself.”

Any truth has many layers; therefore one cannot expect to know the truth without progressing through layers of truth to arrive at the most important or basic form of the truth. It seems that the only way to find the Fundamental Principles of Taxation is to start in history (as indicated in Guideline 1) and work through the layers of truth regarding taxation, to reach a possible centre where the Fundamental Principles of Taxation are revealed – as suggested by Guideline 2.

Guideline 2: The principles identified from the research of the history of taxation policies and practices should be reflected on and tested through a repeated process of thinking in a logical, judicious way in order to allow the mind to form grounded conclusions about possible Fundamental Principles of Taxation.

Once Guideline 2 has been applied, the principles identified through history and subjected to a process of repeated scrutiny can be verified against the ideal of Fundamental Principles that should form the basis of Taxation. The working definition formulates these as the principles that form the most important part of the foundation of a unique field of study from which theories and applied practices can be derived.

Guideline 3:

The next step in the process is to ascertain whether the identified Fundamental Principles are the truths (within a system that sustains other truths) that support or underpin Taxation, or upon which Taxation stands.

A truth that emerges from and in line with Guidelines 1, 2 and 3 may then be posited as a Fundamental Principle for Taxation. Hegel (quoted in Verene, 2008:142) succinctly stated: “Only at the completion of the whole course is the despair of incomplete thinking relieved.” He declared that “the course” is in fact a circular system where the end meets up with the beginning, making it a perfect but continuous motion. The search for the Fundamental Principles of Taxation is therefore a process that has a beginning and an end, but the end meets up with the beginning, setting the entire process in motion again.

Although the aim of this study was the formulation of the Fundamental Principles of Taxation, the proposition that fundamental principles are dynamic and should be constantly revisited for their relevance to humankind has already been posited in Chapter One. For the purposes of this study, the dynamic process of formulating the Fundamental Principles of Taxation begins by following Guideline 1 in Section B, C and D, where the analysis of the history of taxation is explicitly executed (Section B) and implicitly used (Sections C and D). Guideline 2 is followed by means of the motion of repeated thinking about the principles in Sections B, C and D. The implementation of Guideline 3 finally draws the study to a close in Section E, where the dynamic motion is continued in the triangulation of the Fundamental Principles identified by means of Guidelines 1 and 2, thus answering the question of whether the identified Fundamental Principles support or underpin Taxation as a field of study.

SECTION B: METHOD 1 - HISTORICAL POSITIONING

The section presents Method 1 of the research and consists of one chapter, Chapter Three, which contains an historical overview of taxation. A thematic analysis is performed to identify the Fundamental Principles of Taxation that developed over time. In conclusion, a discussion on the findings is presented.

The research objective addressed in this section of the study is to apply the identified guidelines from philosophy to the history of taxation in order to extract the Fundamental Principles of Taxation adhered to by various regimes and policies through the ages.

CHAPTER THREE

HISTORICAL OVERVIEW OF TAXATION

3.1 Orientation

In line with Guideline 1 as constructed in Chapter Two (2.5), the search for the Fundamental Principles of Taxation commenced with an overview of taxation history. Moving on to Guideline 2, it was necessary to continue the search through a process of analysis and repeated thinking about the historical overview in order to construct the Fundamental Principles of Taxation.

Chapter Three commences with the data collection and analysis strategy. This is followed by a consideration of the strengths and limitations of the research method. An overview of the history of Taxation follows, concluding with a summary of the history of the formulation of the principles of Taxation. The construction of the Fundamental Principles of Taxation derived from history is presented as the conclusion to this chapter.

3.2 Data collection strategy

Research was conducted into the historical development of taxation. However, this research should not be classified as a pure historical research project, although there are some similarities. Historical research can be defined as a method for discovering and uncovering what happened in the past, but the outcome is not a merely fact-centred account of the past. It also offers a theoretical explanation for the historical events that it describes (Berg, 2007). The research is not a historiography either, as historiography is based on historical research and refers to a written narrative account of the past that attempts to present history as vibrant, revealing and alive (Babbie & Mouton, 2004; Berg, 2007).

Method 1 of the research should not be read as a pure literature review either, although one type of literature review can be described as an historical review, where the chronological development of events or a theory is researched and constructed, breaking down the literature into recognisable stages and phases of development (Terre Blanche & Durrheim, 2004). However, such a review was not the aim of the current study.

One of the disciplines associated with taxation, is law. Method 1 contains elements of doctrinal research. According to Hutchinson and Duncan (2012):

> Doctrinal research is not simply the locating of secondary information. It includes that intricate step of 'reading, analysing and linking' the new information to the known body of law. It seeks to achieve more than simply a description of the law.

Therefore, it is deemed appropriate for Method 1 to follow doctrinal research in compiling the historical development of taxation, extracting principles of taxation and formulating principles based on the history.

The research required constructing a factual summary of history, using secondary data sources as a first step. The next step was to extract the Fundamental Principles of Taxation. A history of taxation is therefore presented below as a factual, narrative account of the past. However, no attempt is made to explain past events or to bring the events to life.

In using secondary data sources in a study of the literature on the history of a policy and/or a practice, care should be taken to establish the credibility of the sources. In order to evaluate credibility, Berg (2007) suggests that one should criticise the documents externally and internally. When criticising a source externally, questions such as the following should be asked:

- Who wrote the text?
- Who is the intended audience?
- What evidence for the information and/or analysis is offered?

For internal criticism, appropriate questions would be the following:

- What is the author trying to say?
- Are the author’s statements accurate?
- What inferences are offered – what is the level of argumentation?

The researcher attempted to evaluate the secondary sources used by means of internal and external criticism. The main aim of the historical construction was to provide a factual account of tax history, so the credibility of the facts was confirmed by using a variety of resources written over more than a century. The facts identified from the various resources were specifically selected for their potential contribution to a summary of the history of taxation.

The collection of resources took place over a period of two years. Resources were identified through a process of snowball sampling. Snowball sampling is a sampling procedure where new searches/resources are established through resources found in previous searches (Saunders et al, 2009). The initial searches included various databases, for example, Google Scholar, Heins-online, Proquest, EBSCOhost, Worldcat, eJournals and the UP catalogue. A refinement of this action was specific searches in taxation, philosophy, economics, business, accounting and law journals. The search terms included “history”, “taxation”, “tax”, “fundamental”, “principle”, “accounting”, “economics”, “law”, “philosophy” and combinations of these. Sources identified through this process were consulted, as were sources recommended by Taxation experts. Reference lists of the identified sources provided additional information. This process continued until saturation was reached.

The data selected and collected from the sources described above were subsequently reconstituted and reconstructed to give a factual, narrative description of the history of taxation.

3.3 Data analysis strategy

The historical overview adheres to Guideline 1 (as explained in Chapter Two (2.5)) in that the data were not interpreted in the literature review, as the objective of Guideline 1 is to ensure that the facts about the historical development of taxation were ascertained. The data were therefore organised and presented in terms of periods and systems, without critically evaluating or reflecting on the content or context of the data. While studying the literature, the research question and Guideline 1 were revisited regularly. This assisted in focusing the reading on the search for possible Fundamental Principles that developed over time.

In line with a recommendation by Marschan-Piekkari and Welch (2004), before starting thematic data analysis of the description of the history of taxation, the research question was foregrounded. Throughout the process of identifying the themes relevant to the study, there needed to be a clear idea of what the study aimed to do; hence, the research constantly referred back to the research question.

The first step in the analysis was to organise and prepare the data, and then themes were identified by means of the software program Atlas ti. This program provides computer-assisted qualitative data analysis software (CAQDAS), and is one of several such programs available. CAQDAS supports qualitative research by facilitating the organisation and analysis of large amounts of data. Such software can greatly reduce the time consumed by data coding and analysis. The findings and interpretations of the research can also easily be traced back to the original documents, which increase the rigour of the research. Documents can be cross-checked throughout the data collection process to measure the quality of the data. Atlas ti can enrich the qualitative data by providing more opportunities for interpretation and understanding. Although this software program can create new documents, a researcher should be careful not to read the coded data out of context when interpreting and analysing these data (Marschan-Piekkari & Welch, 2004). The coding, interpretation and analysis of the data remain the responsibility of the researcher, but Atlas ti can support a researcher in these processes.

Qualitative research uses words to categorize and sort different themes. Theme identification is one of the most basic tasks in qualitative research (Welman *et al*., 2005) and has been described as complex and ambiguous, but also as creative and enjoyable (De Vos *et al*., 2005). There are various techniques that can be used to identify themes. Themes can be derived from existing theories and positions described in the literature and that are confirmed by the data, or they can be derived afresh from unique statements in the data *per se* (Saunders *et al.*, 2012), or they can be derived from both. A word analysis can be done by searching for keywords or phrases in the data, and new themes can be identified by examining statements contained in the data (Welman *et al*., 2005).

In the current study, the techniques suggested by Saunders *et al*. (2012) and Welman *et al*. (2005) were used to identify themes. Firstly, the themes were identified through existing policies and principles described in the literature. In the presentation of the history, it was necessary to include descriptions and detail to understand the background of a given event. Table 3.2 presents a summary of the discussion on the history of the principles of Taxation. The content of Table 3.2 was used to identify themes. Secondly, themes were identified through new principles that emerged from the historical occurrences themselves.

The text compiled in the manner described above was submitted to the software program Atlas ti for thematic analysis. Deductive coding was used to assign codes to themes in the document. During the coding of the themes, only the core themes and their direct context were included, and not the background information as well. Every potential theme was tested against Guidelines 1 and 2 (Chapter Two, 2.5) by asking the question: Does this theme adhere to Guidelines 1 and 2? When the answer was in the affirmative, the theme was coded by creating a new code in Atlas ti.

An output report was printed from Atlas ti that contained all the codes, with the various quotations from the literature assigned to each code. Next, all the codes with the associated quotations were examined in order to confirm that each quotation was allocated to the correct code. In some instances, the same quotation was assigned to more than one code, as the quotation could be used to support different themes. Every code with its quotations was tested against Guidelines 1 and 2 in order to establish whether the code represented a potential Fundamental Principle of Taxation.

Descriptive coding was used to name the Fundamental Principles, as recommended by Welman *et al*. (2005). Finally, each named Principle and the supporting data allocated to it were analysed and Fundamental Principles of Taxation could be constructed.

3.4 Strengths and limitations of the research method

To determine the historical position of Taxation, the data search was performed over a prolonged period, therefore allowing the researcher to find as many as possible sources for the study. The searches included several databases and search engines, thereby ensuring the inclusion of as many alternatives as possible. The search terms were chosen carefully in an attempt to find data on the periphery of the search area.

The researcher relied on research by the authors of the sources consulted. It is impossible to know fully and understand the underlying reasons for all actions in the past. Therefore many well-researched and informed assumptions may have been made by the historians, although some assumptions may have been less firmly grounded. Unrecorded events and considerations could also have played a significant role in the development of the history of taxation. Consulting only secondary sources would thus have been limiting to the study.

The researcher was unable to verify the historical facts herself, but the verification of the facts took place, as far as possible, by using several sources to confirm the facts. The overlapping information extracted from the various sources allows the researcher to be confident about the historical summary. As already indicated, the summary integrated the facts and did not interpret the facts, therefore delivering a product containing facts only. The fact that the summary is a compilation and not primary data can be seen as a limitation of the research method.

The historical summary was submitted to a thematic analysis using the software program Atlas ti. A strength of this kind of thematic analysis is the iteration of a particular action by the researcher. The researcher coded the data four times, refining the coding every time, and adjusting for duplication and erroneous coding. Sufficient time was allocated for the process to allow the researcher time to think about the method of coding and achieve consistency in her coding.

3.5 Where did taxation originate and how did it evolve?

Whoever hopes a faultless tax to see,
hopes what ne’er was, is not, and ne’er shall be.
(Alexander Pope, quoted in Adams, 2001:257)

3.5.1 Orientation

Guideline 1 requires an overview of Taxation history. Taxation appears to have developed from a desire for power. It came into existence due to rulers’ desire for more – more income, more power, more territory, more influence – and, ultimately, supremacy (often in life and in death). These statements may seem radical, but each appears to be true, based on the literature, as is shown below. Table 3.1

summarises the tax events relevant to this study in chronological order, providing a basis for expansion and further discussion.

Table 3.1: Chronological tax timeline for this study

PERIOD	TIME RANGE	PLACE	TAX RELEVANT EVENT
Ancient Kingdoms (4000BC – 499AD)	4000BC	Sumer (modern Iraq)	Dawn of taxation history
	3500BC	Mesopotamia	Priest-kings received offerings to gods and voluntary gifts
	3000BC	Mesopotamia and Egypt	Tithes were collected based on the status of the cultivator, the crop cultivated and the level of the Nile
	1750BC	Mesopotamia and China	Tax-farming
	1400BC	Egypt	Israelites served as slaves to Pharaoh
	900–800BC; 200BC–200AD	Chou Emperor; Han Dynasty	Structured and centralized system of tax collection
	800–300BC	Classical Greece	Documentation of history “Liturgy” tax Tax-farming (Auditing commenced in Athens in the 4th century BC)
	500BC		Aristides the Just (father of tax equity and a just tax system)
	500BC	China	Confucius formulates the 10% tax principle
	ca 200BC	Egypt	Engraving of the Rosetta stone
	300BC–500AD	Roman Republic and later Roman Empire	Tax-farming (*publicani*)
	225BC	Roman Republic	Delos – first tax haven
	27BC–180AD	Roman Empire	Height of Roman greatness regarding tax Emperor Augustus, the master tax strategist of all time
	306AD	Roman Empire	Constantine introduces first income tax on commerce
Dark Ages and Middle Ages (500AD – 1499AD)	500–700AD	Dark Ages	Disintegration of the tax administration
	600-900AD	India to Spain	Conquering Islamic armies
	700–1200AD	Middle Ages, Frankish kings in Merovingian kingdoms	Improvement in agriculture Fairs start; improved tax collection Church collects taxes on behalf of the Pope (9th century AD) King taxes the church 10% of its income to support the Crusades (1096-1272AD) Creation of the double entry accounting system (12th century AD)
	950-1718	Russia	From an efficient tax system under Princess

PERIOD	TIME RANGE	PLACE	TAX RELEVANT EVENT
			Olga to tax extortion under Genghis Khan "Soul" Tax under Peter the Great
	1100-1500	Feudal kingdoms	Re-establishment of order Stabilised coinage Centralised governments
	1215	England	Signing of the Magna Carta Founding of the House of Commons Parliament authorizes the King to tax exports (13th century)
	1291	Switzerland	Democracy, liberty and taxes connected
	1300-1400	France Florence Europe	French king receives right to tax all men 34 different indirect taxes Tax revolts
	1347-1350	Europe and the world	Black Death kills 20 million people
	1404	England	Income tax implemented and quickly discarded as evil
Modern age (1500AD – today)	1500-1600	Spain	Consumption taxes World domination Tax called *alcabala* Decline of Spain's power: Rebellious taxpayers and bad tax system
	1500–1800	Europe in the Early Modern Age / Enlightenment	Rich, strong kings with centralised control Finance ministers play important role Reformation (16th century) Exploitation of colonies
	1643	England	Commencement of formal documentation of discussion of fair and equal tax system Pros and cons of Excise duty (Mun in 1664; Cary in 1695; Fauquier in 1756)
	1775–1783	America	American War of Independence
	1776	England	*Wealth of Nations by* Adam Smith: first tax principles formulated
	1789–1799	France	French Revolution End of tax-farming
	1791	America	First sin tax implemented on distilled spirits
	1799	England	Income tax implemented and discarded again (the tax that beat Napoleon)
	1815	Europe	Napoleon beaten at Waterloo
	1842	England	Income tax is permanently implemented (initially 3%)
	1861	England	Newmarch – attempt to refine tax principles
	1861	North America	American Civil war
	1898	USA	Chief Justice: Income Tax is unequal Expansion of the principles of taxation into

PERIOD	TIME RANGE	PLACE	TAX RELEVANT EVENT
			different fields of study (various contributions)
	1900 – 1916	Post-modern USA	Income Tax rate reaches 90%
	1918	France	Implements income tax
	1966-2015	Worldwide	Tax reviews or commissions (internationally)
	1970s	Worldwide	Environmental tax policies emerged
	2012	Denmark	Implementation of first fat tax

Source: Compiled as summary of this section; individual sources are noted in the text.

3.5.2 Ancient Kingdoms (4000BC – 499AD)

Taxes (the collection of revenue and sourcing of income) were part of life in the Ancient Kingdoms. Some clay cones that were excavated show that the people of Sumer were heavily taxed around 4000BC. A saying engraved on one of these clay cones read: "You can have a Lord, you can have a King, but the man to fear is the tax collector" (Adams, 2001:3). Taxation was the means for the Ancient kings to achieve their goals of providing safety to the people (this would depend on the strength of the king) and justice for all (the king had to provide the wisdom), and to ensure the welfare of the people (the king had to have foresight). If a king met these goals, people were more willing to pay their taxes (Webber & Wildavsky, 1986).

In Ancient times, many kings had a double role, as they headed both the state and the priesthood. From 3500BC onwards, there is evidence that the contributions of the people to the priest-kings were seen as offerings to the gods, or voluntary gifts (service or food). These "gifts" were in-kind payments, as there was no coinage (Webber & Wildavsky, 1986). The offerings to the gods were made in order to attract the favour of the gods. An example of such service "gifts" is the compulsory labour tax (*corveé*) imposed in Egypt to get workmen to build structures such as temples, the pyramids and palaces (Webber & Wildavsky, 1986).

The Egyptians taxed almost everything, from slaves to agricultural goods (Adams, 2001). In-kind payments of grain (at 20%) were also common, due to the Pharaoh's obligation to feed the royal family and court, and his army. This often became a regular tax. The argument for these regular payments was that they ensured a constant flow of grain to the palace and army (Webber & Wildavsky,

1986) and reduced uncertainty in times of famine – one example is the gathering of grain in Genesis 41:34-42,[10] when the Egyptian Pharaoh appointed Joseph (an Israelite) to collect grain throughout the land during the seven years of plenty to provide for the anticipated seven years of hunger and famine. The Pharaoh was so pleased with Joseph that he gave Joseph and his family (the Israelites) the land of Goshen in Egypt to live in (Gen 47:5-6).

The Israelites stand out as exceptional. Years after Joseph died in Egypt; a new pharaoh came to power. He was threatened by the wealth of the Israelites. This pharaoh probably enslaved the Israelites through crippling taxes around 1400BC. After the Israelites were freed from this yoke, they settled in Palestine without a government (Judges 17:6) and lived without paying taxes for 400 years. Then, because they wanted a king (1 Samuel 8:6), they gave up their freedom from taxes and willingly took up the burden of paying taxes again (1 Samuel 8:11-19). The Israelites paid a heavy price throughout history for having given up their right not to be taxed. The third king of Israel, King Solomon, reigned from 971 to 931BC (2 Chronicles 1:1). He gathered enormous amounts of wealth, partly through exceedingly high taxes (2 Chronicles 9:24) and by using cruel tax collectors (2 Chronicles 10:11; Adams, 2001). After King Solomon's death, the Israelites requested their new king, Rehoboam, to lighten the yoke [tax burden] imposed by his father, King Solomon (2 Chronicles 10:4). After three days, Rehoboam responded with an even heavier yoke [tax burden] and harsher tax collection methods (2 Chronicles 10:11,14). On that very day, the kingdom of Israel revolted against the tax extortion of Rehoboam, and the kingdom was divided, never to be united again (2 Chronicles 10:19).

During the 3000 years of the Egyptian empire (from around 3000BC till 30BC), there were brief periods of humane tax administration. However, the decline of this impressive empire probably began when Pharaoh Akhenaten lost substantial territories to foreign invaders, an event which cut his tax base in half. Moreover, after this catastrophe, and with new rulers in place, the temples and priests received tax immunity. Almost one third of all the lands of Egypt were involved. The tax immunity given to religious institutions, at this point in history, was the first

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[10] In this study, *The Amplified Bible* (1987) was used.

known instance of a fraught relationship between the state and religious institutions, a conflict that recurred throughout history. A famous artefact from Egypt is the Rosetta Stone, engraved around 200BC (now in the British Museum in London). The inscription on the stone is in three languages and confirms the tax amnesty given to the temples. Many extant documents from Ancient times are tax records, evidence of the important role that tax played in Ancient Egypt (Adams, 2001:17).

Taxation advanced with new technology, for example, the development of the wheel and flat-bottomed ships that could be used to transport whatever was collected as taxes. Technology enabled rulers to increase their territories, as taxes could be collected further away from the centre of power and then transported over greater distances, making these rulers more powerful. Another important factor was innovations in writing technology, for example, writing on papyrus instead of clay tablets, to record or document tax contributions. Papyrus was easier to write on and to transport to where the taxes were collected (Webber & Wildavsky, 1986). All this led to refinements in the application of taxation.

The first calculated compulsory taxes, called “tithes”, were recorded in Mesopotamia around 3000BC. These contributions or tax payments were calculated as a fixed proportion of the total crop, based on an official’s estimate of what a farmer harvested. A “scribe of the field” would collect these payments three times a year. In Egypt, similar tithes were collected, but the amount to be paid also took into account the status of the cultivator (as studied by Sociology), the crop cultivated (studied by Economy) and the current level of the Nile (studied by Geography) (Webber & Wildavsky, 1986). Note that for taxes to be collected, various sciences were called upon. From this it appears that taxation was not a subdivision of these sciences, but that these sciences were to inform the calculation of taxes.

When rulers wanted to expand their territories through war, they needed more money to pay for the warfare, and then they increased taxes, and what was once a voluntary contribution became compulsory, and was taken by force, if necessary. Increasing taxes did not usually mean an increase in the advantages to the people. In many cases, they lost their livelihood, their property and even their lives (Webber & Wildavsky, 1986). This strategy of increasing taxation in times of war was applied by rulers throughout history. Many centuries later, the Magna Carta in 1215AD was an example of the people's rejection of such a strategy. However, in Ancient times, the notion of "public finance" was unknown, as there was no structure to the system, and the concept of fairness was not applied (Webber & Wildavsky, 1986).

Due to the expansion of the borders of the state, a lack of organisational skills and a desire to collect more taxes over a greater area, the kings in Mesopotamia and China around 1750BC introduced a practice now called "tax-farming". The state delegated its collection to cities, which would delegate this task to a council of elders (History of taxation, 1999). In turn, the council would delegate its power to tax-farmers. Tax-farmers were normally prosperous businesspeople who collected taxes from the people. Although the state required 10% of the crop, the tax-farmers often collected between 25% and 50% of the crop (Webber & Wildavsky, 1986). Over the centuries, this type of tax collection was replaced, in many parts of the world, by a structured and central system of tax collection, whenever a powerful emperor or king was on the throne. An example of a structured and central tax system was recorded between 900BC and 800BC, when the Zhou emperor[11] was in power, and again in the Han dynasty[12] of 200BC to 200AD (Webber & Wildavsky, 1986). However, tax-farming was a very successful and efficient way to collect taxes with minimal risk to the rulers. Tax-farming on a grand scale continued until the French Revolution (1789), when most tax-farmers in France were sent to the guillotine (Adams, 2001).

In China, around 500BC, Confucius developed guiding principles for just taxation. The most important principle was that only 10% tax should be collected. This principle was observed rigorously, and when an emperor ignored the principle, the people had the right to rebel. (Even 1700 years later, the Mongol leader, Genghis

[11]The Zhou Dynasty during this period existed around a network of city-states on the plains, from which military and political control spread over the surrounding farming villages (Zhou Dynasty, 2015).

[12] The Han Dynasty rivalled the Roman Empire. It lasted for more than four centuries and was considered a golden age in Chinese history especially in arts, politics and technology (Han Dynasty, 2015).

Khan,[13] adhered to this principle when he took 10% of everything, even people.) Mencius, Confucius's successor, developed the guiding principles further, as follows (cited verbatim from Adams, 2001:47-48):

- Tax net income, not gross production.
- If already subject to a land tax, do not tax the production of the land, then all the merchants of the world will be pleased to have stocks in your market.
- If at the ports there is inspection but no taxation, all travellers in the world will be so pleased that they will want to travel to your country.
- In the case of farm workers, if you do not tax them, all the farm workers in the world will be pleased to work your fields.
- If workers' dwellings are not subject to a head tax, everybody in the world will be pleased enough to become your subjects.

It is evident from the philosophy expressed by Confucius and Mencius that there should be mutual respect between a ruler and his or her subjects, epitomised in the policy of taking only what is needed, and not what is wanted.

The Ancient Kingdoms were followed by the period of Greek civilization. The Greeks were the first to document history. They believed that history repeats itself. History taught them that too much power leads to tyranny, and that tyranny is a product of the tax system. The biggest threat to liberty was, in their view, the tax system of tyrants. They saw indirect taxes as the badge of liberty, and believed that direct taxes were to be avoided at all costs. Nevertheless, they levied direct taxes on professions that they despised, such as prostitution, soothsaying and medicine. They thought taxes such as harbour tax were justified, because facilities need maintenance. True Athenians were tax-exempt; if a person's parents were both born in Athens, the person did not pay taxes, but all foreigners had to pay poll tax[14] (Adams, 2001).

Around the 5th century BC, a trusted Athenian general, Aristides the Just, was appointed to oversee the tax system. He might be called the father of just taxation

[13] "Between 1206 and his death in 1227, the Mongol leader Genghis Khan conquered nearly 12 million square miles of territory—more than any individual in history. Along the way, he cut a ruthless path through Asia and Europe that left untold millions dead, but he also modernized Mongolian culture, embraced religious freedom and helped open contact between East and West. He passed laws declaring religious freedom for all and even granted tax exemptions to places of worship" (Genghis Khan, 2015).

[14] A poll tax is a tax of a fixed amount per person levied on adults and often linked to the right to vote (Poll tax, 2015).

because taxes were assessed according to ability and worth, using the principle now called tax equity (Adams, 2001).

For the Greek government, the tax system was not the main source of revenue. They introduced “liturgy”, a voluntary payment by rich citizens for the good of society. This was not enforced by the rulers, but by tradition and strong public sentiment. Each wealthy citizen was required to contribute a certain amount, but they often paid much more. There was no need for a bureaucracy to demand these contributions, as public sentiment was a sufficiently powerful force. Redistribution of wealth took place without any interference by a bureaucracy. The Greek civilization is the only civilization in recorded history that managed to redistribute wealth without a bureaucracy (Adams, 2001).

Like the Chinese, the Greek civilization and the Roman Empire (1st century BC to 5th century AD) used a form of tax-farming through contracted business people (Adams, 2001; Webber & Wildavsky, 1986). Tax-farming was an extreme application of capitalism, and often led to the very kind of corruption that was supposed to be checked by public officials. These tax-farmers were seen as “dangerous and unscrupulous” ruffians, and were often dishonest and cruel (Adams, 2001:70).

The golden years of Greek civilization did not last, and the tyranny that the Greeks so despised became part of their world. At the end, the suffering of the smaller cities due to oppressive taxation was deemed unimportant compared to the might of Athens (Adams, 2001). An important idea surfaced, namely that a rich government results in poor citizens, and a poor government results in rich citizens. The combination of rich governments and rich citizens is not possible. This concept was acknowledged again in 1820 by John Taylor, a senator from Virginia, upon a visit to Switzerland (Adams, 2001).

The Roman Empire followed the Greek era and was marked by extreme tax systems. At one stage, the Roman tax collectors were referred to as a “band of robbers” and the tax system as “more or less organised robbery”. At the other extreme, there was unheard of charity to the people and a very humane and honest tax administration under the Emperor Augustus in particular (Adams, 2001:75; Dowell, 1888a).

Around 225BC, the Romans established the first tax haven in the port of Delos (Adams, 2001). A tax haven is an area where no taxes or very low taxes are levied. Although this decision was politically driven, it did pave the way for tax-free trade.

Emperor Augustus may be regarded as the master tax strategist of all time. He redirected the tax money of the Roman Republic and destroyed its power. The rise of a tax bureau under the control of Augustus was an important administrative change. He negotiated the collection of taxes with each provincial town, giving the responsibility for the collection of taxes to the towns. The tax-farmers (*publicani*) were no longer of use. The new tax system decentralized the collection of taxes. This resulted in more taxes flowing into Augustus's tax bureau. He could then lower the tax rates, which in turn led to better living conditions for the peasants (Adams, 2001).

The period from the rule of Augustus (30BC) to that of Marcus Aurelius (180AD) can be seen as the height of Roman greatness with regard to taxes. Tax moratoria in years of poor harvests, remission of tax delinquencies, cancelation of all taxes and the burning of tax records made this the greatest period of peace and prosperity in human history. Finally, Marcus Aurelius cancelled all taxes, but this decision decreased the revenue of Rome to such an extent that, years later, it possibly contributed to the fall of Rome (Adams, 2001; Cipolla, 1970). The disadvantage of the cancelling of the taxes by Marcus Aurelius was that his successor had to reinstate extreme taxation in an attempt to fund the expenses of Rome, for example, the military.

Constantine, in 306AD, proclaimed the first income tax on commerce. This was a tax paid by merchants, as they did not pay tax on the production of their products. He abolished torture as a form of punishment for tax evasion, and replaced it by confinement, probably some kind of house arrest. Seventeen years later, all punishment for tax evasion was abolished. With no punishment or control, tax evasion ran rampant. In many cases, the tax collectors were themselves tax evaders, with the result that very little revenue reached Rome. In desperation, Rome increased the taxes, empowering tax collectors to be merciless and cruel, forcing many taxpayers to give up their land and liberty to pay or to avoid taxes (Adams, 2001).

Speculations on the reasons for the Fall of Rome include crushing taxation, coupled with wide-spread tax evasion, which resulted in peasants' dying from malnutrition and too few soldiers to defend the Roman Empire against the invasion of the Barbarians, notably migrating Germanic tribes such as the Vandals, Huns, Slavs and Avars (Adams, 2001; Cipolla, 1970; Dowell, 1888a; Grapperhaus, 1989; Rosser, 2012). There was a general decline in the population due to the invasions by the Barbarians, as well as high infant mortality, and men died young. Because the Roman government could not protect the Empire, the Barbarians were able to overrun the rural areas and outposts of the Roman Empire, eventually penetrating as far as Rome itself. The provincial towns disappeared, and the outposts were governed by an uneasy mixture of Roman and Germanic laws imposed by local governments. As a result, very little income reached the national government. The end of the Roman Empire in the 5th century AD was followed by a period of poor administration and very little government activity – a period called the Dark Ages (Cipolla, 1970; Grapperhaus, 1989; Webber & Wildavsky, 1986).

3.5.3 Dark Ages and Middle Ages (500–1499AD)

The over-taxed and enslaved Roman citizens were overwhelmed by the invasion of Islamic armies (600–900AD). The armies inspired by the prophet Mohammed came from the Arabic Peninsula. It was a religion-based movement that swept through the Middle East, North Africa and Spain (Adams, 2001). The territory under Islamic protection stretched from India in the east to Spain and the Pyrenees in the west (Grapperhaus, 1989). An Islamic general in 633AD noted that they brought relief from taxation to all who converted to Islam:

> In the name of God, the Merciful and Compassionate, become Moslem and be saved. If not, accept protection from us and pay the poll tax. If not, I shall come against you with men who love death as you love wine. (quoted in Adams, 2001:131)

Why did the Islamic expansion end in Spain? Converting to the Islamic religion was a sure and safe way to avoid taxes, and thus conversion was a loophole in the tax system. In Spain, almost everyone converted to avoid taxes, therefore the income of the Sultan who reigned in Spain diminished. Without income, there was no revenue to pay soldiers to act as a protection against the Crusaders from Europe. The small section of the population that did not convert to Islam was subjected to the tax collectors. The tax collectors were the local governors, and they became as cruel as tax-collectors in the time of the Roman Empire (Cipolla, 1970). Adams (2001:141) comments: *"*Their existence, passed exclusively in oppressing the people of their time, was a disgrace to humanity."

In approximately the same period (700–1200AD), the Frankish Kings in the Merovingian Kingdom[15] ruled over great areas in Europe (what is now Germany, France and the Low countries[16]) (Adams, 2001; Bleiber, 1996; Grapperhaus, 1989). The Frankish Kings were recent converts to Christianity, and some believed that collecting taxes was evil. This view was endorsed by an incident in the 6th century when King Celperic's two children became seriously ill. The Franks saw this as a sign of the vengeance of God, and the solution was to "burn the wicked tax registers". The burning of the tax registers accelerated the disintegration of the administration in the kingdom (Grapperhaus, 1989; Webber & Wildavsky, 1986). Consequently, taxes were not collected for the king, but by local noblemen for personal use (Webber & Wildavsky, 1986). Harsh and punitive measures were taken against anyone introducing new "un-heard of" taxes. This was a strong anti-tax period where the people believed they lived under the protection of God. However, both Christians and Muslims regarded the Jews as heathens, who could be taxed at any time (Adams, 2001:144-147).

The period following the Dark Ages, the early Middle Ages (the 8th to 12th centuries) was marked by improvements in agriculture that led to increased food production and economic revival. The amount of arable land was increased by clearing forests, draining swamps and building dykes (Webber & Wildavsky, 1986). Royal revenues were collected through sheriffs for the privilege of farming

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[15] During the Early Middle Ages, the Merovingian kingdoms were arguably the most powerful and most important polities to emerge after the collapse of the Western Roman Empire, blending Gallo-Roman institutions with Germanic Frankish customs (Merovingians, 2015).
[16] Collective name for the Netherlands, Belgium and Luxembourg. This name is given to them due to the fact that much of their land surface is at or below sea level. These countries have often been culturally and historically united and bordered by the most powerful nations in Europe (Low Countries, 2015).

in the royal domain, for violations of the law, whenever a marriage took place, or for taking anything from the royal forests (Frecknall-Hughes & Oats, 2004). Rulers realised that wherever people are gathered, revenue can be collected. Therefore, new towns were created and people migrated to them, because these centres offered amenities such as schools, churches and markets. By the 12th century, fairs were held at Champagne[17] six times a year. This type of activity increased revenue from tolls and market taxes. Fairs also started to appear in smaller towns (Webber & Wildavsky, 1986).

The final stages of the Middle Ages (the 11th to 15th centuries) were marked by the re-establishment of order. Feudal kingdoms stabilised the use of coinage and demanded that market taxes be paid in coinage (Dowell, 1888a). In the reign of King John in England, from 1199 to 1216, the transition from a feudal system to the modern fiscal state began (Dowell, 1888a), when King John felt the "perceived need of regular income from all classes of subjects to support government" (Frecknall-Hughes & Oats, 2004:204). However, in England, the collection of taxes was unsuccessful due to resistance to the ruler's unconditional power to levy taxes (Adams, 2001:162).

In 1215AD, this problem led to the Magna Carta agreement between King John and the noblemen (Dowell, 1888a; Frecknall-Hughes & Oats, 2004). This agreement stated that King John could not levy taxes without the consent of Parliament. In other words, the King had to gain consent from his subjects before levying taxes (Adams, 2001:162; Frecknall-Hughes & Oats, 2004; Webber & Wildavsky, 1986). The Magna Carta limited the King's ability to tax on the basis of the principle that "a lawful tax requires a just expenditure" (Adams, 2001:164). The Magna Carta established the guiding principle that tax should be levied with the consent of the people (Dowell, 1888a). Another tax policy enforced with the Magna Carta was the concept that the King, who spent the money, could not raise taxes at will. In other words, the power to tax and the power to spend the income were situated in two separate entities (Adams, 2001:166). Today, only Switzerland

[17] The fairs of Champagne are perhaps the most famous of the medieval European fairs. They originated during the first half of the 12th century as a centre for the sale of horses. They developed from local markets to regional markets and finally to fairs of Europe-wide importance (Fairs of Champagne, 2015).

still adheres to this principle. The rest of the world centralises the power to tax and the power to spend to a greater or lesser extent in the same establishment.

Although the Magna Carta resulted in fairer taxes in England, the system led to other abuses. The King still had to receive income, and more money was needed to support the royal household, so revenue was derived from

- the appropriation of church property;
- currency manipulation;
- royal borrowings; and
- confiscation (Webber & Wildavsky, 1986).

After the Magna Carta, England took into account a third factor in levying taxes, namely the acceptance and approval of the taxpayer. The first two factors in the taxation nexus were the King (and what he wanted) and Parliament (with what it was willing to give). The third factor, taxpayer acceptance and approval, was acquired through the House of Commons. If the taxpayers were not satisfied via the House of Commons, they often rebelled (Adams, 2001:221). An application of the Magna Carta can be found in the 13th century, when Parliament authorized the King to place a tax on wool shipped from English ports (Sabine, 2006). Occasionally this sort of “lay subsidy” (tallage) was levied and accepted by the people, and this was a direct tax on income and personal property (Dowell, 1888a; Seligman, 1914; Webber & Wildavsky, 1986).

Thomas Aquinas, a famous scholar, philosopher and Church Father (Verene, 2008), commented between 1248 and 1252 in Cologne that tax should promote the general welfare of the people and abide by the requirement of justice and equity before the law. He had little faith in the system and commented that the only way to describe tax was as a “kind of robbery” (quoted in Grapperhaus, 1989:67).

Although Aquinas decried tax as a kind of robbery, it did not prevent the levying of taxes. Four situations could trigger the levying of taxes in Western Europe in the Middle Ages. The first was a case of national emergency – this was a flexible notion, but usually implied military action. The second was when a ruler fell into hostile hands and a ransom needed to be paid. A third was the marriage of the ruler’s daughter, which required a dowry to be given, and the fourth was when neighbouring lands needed to be purchased. The general welfare of the people was not seen as a specific reason for taxation (Grapperhaus, 1989).

Tax revolts occurred as a direct result of the difference between what people wanted and what the ruler wanted. The ruler might want military glory, whereas taxpayers would prefer security in their homes, adequate food and housing, education and peace. In England, prudent rulers such as Queen Elizabeth I were aware of this, and were content to be adored by their subjects and satisfied with their loyalty (Adams, 2001; Dowell, 1888a; Sabine, 2006). Examples of rulers in England who were obsessed with gaining power and glory were Henry VIII, James I and Charles I (Grapperhaus, 1989).

In the Middle Ages, Russia (950-1682AD) went from an efficient and prosperous tax system (decentralization) under the rule of Princess Olga around 950 AD to a most oppressive tax system under Genghis Khan in the 13th century (Invasion, 2011). He levied a 10% tax, claiming to adhere to the tax system of Confucius, but took 10% of everything (including people), to sustain his military power. An important concept derived from this age is the idea that a tax system should not be judged on the tax rate alone (Adams, 2001:170-171). The oppression of the Russians through the tax system continued into the Modern Age, until the rule of Peter the Great (b.1672–d.1725). He reshaped the tax system by abolishing many old taxes and levying a “soul” tax on all men in 1718. Peasants could not understand how a person’s “soul” could be taxed, but then in Russia “it was not necessary for the taxpayer to understand; it was necessary that he pay” (Adams, 2001:176-177).

Today, Switzerland still implements its taxes in a unique way. Switzerland emerged in response to Austrian tax aggression in 1291. The Austrian Hapsburgs ignored Swiss independence and decided to collect taxes, but this attempt provoked a rebellion. Switzerland claimed that there is a connection between democracy, liberty and taxes, and stated that a true democracy lies with the voters, who should have the final say on tax matters. According to the Swiss, true liberty can only exist if the people decide on taxes. This confirmed the policy of separating the “power to tax” (who decides on what and how much tax should be paid) from the “power to spend” (who has the right to use the tax money) (Adams, 2001:183-190).

In Florence, in the 13th century, Florentine law stated that a business had to submit a statement of profit and losses (accounting) when it submitted a tax return. Direct taxes were unpopular and costly, and were therefore discontinued. However, indirect taxes were levied on everything “but air and water”, resulting in 34 indirect taxes. At this time, noblemen often devised ingenious tax evasion strategies (Webber & Wildavsky, 1986; Seligman, 1914).

Between 1347 and 1350, the Plague (also called the Black Death) killed almost one third of the population in Europe (20 million people) (Black Death, 2015). Discontent and poor living conditions in this time led to tax riots in Florence, Lucca, Flanders, France and England (Grapperhaus, 1989; Webber & Wildavsky, 1986). The instability and distress in the wake of the Plague was a perfect breeding ground for the numerous tax revolts in the 14th century (Grapperhaus, 1989; History of Taxation, 1999).

In France, in the 14th century, the French king’s right to receive regular taxes from all men (except noblemen) and the church was established. The taxes took the form of property taxes, but the valuation of the property tended to be a problem. Initially, the property was assessed through self-assessment or assessment by neighbours and elders, and later, through costly and complex property surveys (Webber & Wildavsky, 1986). The French tax system was also referred to as the “Devil’s tax system” and it epitomised bad taxation (Adams, 2001:221-237).

The tax systems of the Middle Ages were often used as a way to oppress the population, as various taxes were enforced, often through violence. The modern age would bring new insights into what people wanted.

3.5.4 Modern Age (1500 to today)

The 15th to 18th centuries were marked by wealthy, strong kings in Europe who had absolute power (absolutism). Authority was concentrated in the king, who had absolute power over the government, who in turn held the state in a strong grip, assisted by centralised administrative controls (Webber & Wildavsky, 1986; Seligman, 1914). Other characteristics of this period were colonial exploration and exploitation, the construction of roads and canals, and the introduction of street lights and piped water in large cities. Capitalism took shape and creative men were supported by kings and the nobility. Items such as fine tapestries, porcelain and richly decorated glass became popular (Webber & Wildavsky, 1986).

Spain was described by a 16th century historian as follows: *"*The sun never sets on the dominion of the King of Spain and at the slightest movement of that nation the whole world trembles" (Adams, 2001:191). For a hundred years, Spain controlled the largest territory across various continents that the world has ever seen, and the Spanish empire was compared in terms of its might with the Roman Empire. The Spaniards were able to defeat the Aztecs and the Incas of the New World by exploiting the oppressive tax system devised by these peoples' own rulers. Gold and silver poured into Spain from the new worlds they had conquered. Why then, did Spain fade from the world stage? At the heart of this decline lies a bad taxation system. The tax called *alcabala* was the most hated of all taxes, as the transfer of all property was taxed (Adams, 2001; Cipolla, 1970). This tax system was brought to Spain by the Islamic armies in the Middle Ages. As early as 1504, the rulers of Spain acknowledged that this tax was oppressive, but the tax remained responsible for most of the income of the Crown, and instead of being abolished, the tax was expanded (Adams, 2001:191-202).

The result was predictable. Several tax revolts broke out over the years, but they were largely unsuccessful, so other tax-related means of undermining the Spanish empire were also found. Some examples of strategies to avoid tax were the following (Adams, 2001; Cipolla, 1970):

- depopulation – Spanish taxpayers found sanctuary from taxes in the New World;
- tax-immunity in the civil service – educated taxpayers joined the civil services, leading to excessive numbers of unwanted civil servants;
- *hidalgos* – rich taxpayers bought nobility status and therefore became tax-immune; and
- joining the gypsies – when taxes took all their income-producing capacity, overtaxed and uneducated peasants sometimes joined the nearest band of gypsies.

According to Cipolla (1970), the decline of Spain as a world power began in the 17th century as a result of rebellious taxpayers and a bad tax system. This part of history reveals that, firstly, taxes are measured by the burden that people are willing to accept; secondly, massive taxpayer discontent can lead to the fall of the mightiest empire; and thirdly, non-compliance and taxpayer anger at a tax system should be warning signs that any government should heed (Adams, 2001:202).

In the remaining parts of Europe, the legacy of Feudalism (from the Middle Ages) was still intact (16th to 17th centuries), and the nobility was exempt from taxes; governments were limited in their power to tax; and poor peasants and small merchants carried the heaviest tax burden (Webber & Wildavsky, 1986). Governments and kings eventually became desperate for income. Where possible, they supplemented their revenue by exploiting the colonies, selling titles (an annual tax had to be paid to keep the title) and imposing market taxes on domestic and foreign trade. Market taxes were an especially discouraging tax, which encouraged tax evasion. The governments' desperation led to consumption tax, where everything was taxed, for example, food (sugar, spices, meat, etc.), beverages (wine, beer, tea, etc., and chocolate, which was drunk rather than eaten when it first came to Europe from Central Europe, via Spain), salt, heat (coal), light (candles), cleanliness (soap), luxuries (wigs) and pleasures or vices (tobacco, playing cards) (Dowell, 1888b; Kennedy, 1913; Seligman, 1914; Webber & Wildavsky, 1986).

Their desperation for income led governments to raise revenue by any means possible. They explored various new avenues, for example (Dowell, 1888b; Seligman, 1914; Webber & Wildavsky, 1986):

- direct taxes on land (land was taxed in two ways: firstly, tax was levied as a percentage of what was produced and, secondly, the property itself was assessed; these assessments were always problematic due to the value of the property as a result of the problems with updating registers);
- joint-stock companies between publicly and privately owned businesses;
- additional taxes were levied by governments on monopolies that in turn over-valued mineral resources;
- indirect taxes in the form of consumption tax; and

- direct taxes on income, which were again abolished in the 18th century for about 30 years.

In the Protestant Reformation of the 16th century, the scattered German principalities saw an opportunity to confiscate Roman Catholic church property to increase their own power and to sell off such property, thereby increasing these princes' wealth (Butler, 2007), and collect income at every opportunity. Tax exemption for churches was abolished. The Counter-Reformation in turn saw a reversal in power, and property was then taken from the Protestants by the Roman Catholics (for example, from the Huguenots in France). The confiscation of Jews' property in the Hapsburg Empire also continued (Grapperhaus, 1989).

Oppressive English kings paved the way for the British Civil War in the mid-1600s. Oliver Cromwell and the Rump Parliament took control of England for ten years (Adams, 2001; Dowell, 1888b; Grapperhaus, 1989; Sabine, 2006). England invited Charles II back to the throne in 1660, setting up a parliamentary monarchy, and the country set about developing an equitable tax system. Through trial and error over the next 200 years, the British reached the following conclusions:

- a dual tax system, in other words, fixed rates for the nobility and 5% tax on income for commoners should be used; workers and the poor paid no tax or very low taxes;
- property taxes (window and land tax) should not fall on the poor, who should be exempted;
- tax is the people's business;
- the government should function on moderate taxes;
- liberty means privacy; and
- there should be no tax immunity for the rich (Adams, 2001).

In England, Downing (1665) ensured that the public debt was guaranteed by Parliament (Coward, 2014; Webber & Wildavsky, 1986). Godolphin founded the Bank of England in 1694. He created the concept of National Debt in 1693, to estimate the annual expenses of the state and balance this with taxes (Sabine, 2006; Sidney Godolphin, 2014; Webber & Wildavsky, 1986).

The British legacy is summarised aptly in the words of Henry Fox, who said the following when addressing the House of Commons in the 18th century:

> All governments must have a regard not only for what the people are able to bear, but what they are willing to pay, and the manner in which they are willing to pay, without being provoked to a rebellion. (Fox, quoted in Adams, 2001:268)

Wars were the greatest expense for governments in the 17th and 18th centuries (Sabine, 2006). Finance ministers had to find sufficient income to sustain wars. Well-known finance ministers, for instance, Colbert (17th century) in France, were forceful personalities. Colbert managed to balance income and expenses, order and honesty – however, this was temporary. Turgot, the finance minister in the time of Louis XVI, attempted to implement fundamental shifts in tax assessments from the powerless poor to levying taxes on the powerful rich – needless to say, he was in office only for a very short time (1774–1776). Turgot warned King Louis XVI (b.1754–d.1793) against unfair taxation: “What is a tax? Is it a burden imposed by force upon the weak? If so, then the government would rest upon no other principle than that of might, and the prince would then be regarded as a public enemy” (Webber & Wildavsky, 1986:243). These were prophetic words: the French Revolution began in 1789.

The second half of the 18th century was characterised by revolutions, the most famous being the War of Independence in America (1775–1783) and the French Revolution (1789–1799). Tax systems were undoubtedly among the driving forces of these revolutions (Adams, 2001). In the Thirteen Colonies in British North America, tax-related legislation such as the Stamp Act, the Sugar Act, and the Revenue Act led to discontent and ended in protest, notably the Boston Tea Party of 1773 (Rickard, 2003). The French Revolution was sparked by a weak king’s poor rule, generating a never-ending need for income through taxes. The desire for independence became unstoppable in these two countries.

The Americans, or rather, the Thirteen Colonies in British North America, objected to tax, not only to the taxes levied on them, but to the very principle of being taxed. For once, the Colonies agreed, arguing that Britain could not levy taxes on them if they did not consent to it. This rare agreement among the Colonies brought them together against the Crown to fight for independence in the American War of

Independence, 1775–1783 (Adams, 2001; Grapperhaus, 1989). When the War of Independence was won, a national government came into existence. As a result of their prior experience with taxes, the new state decided that the government should not have any taxing power. This government lasted seven years, but thereafter, the government received taxing power. The second version of the government is still in power (Adams, 2001:297-288). The new congress in power had massive debts due to the War of Independence and needed ways to repay them. They decided to pass a bill in 1791 claiming tax on all distilled spirits in order to gain revenue to repay their debts. The result of this infamous tax on alcohol was a rebellion. This was the first introduction of the concept of sin taxes as a basis for the collection of revenue (Shughart, 1997).

Tax-related incidents were not limited to the Americas. The French Revolution was the last of a series of attempts to change a tax system. The French peasants never had a say in the decisions about taxes, but they were the taxpayers of France. After two hundred years of oppression, they realised that the only way to demonstrate their discontent was through violence (Adams, 2001:221-237). With the French Revolution, the practice of tax-farming finally came to an end, and leading tax-farmers were beheaded. It is ironic that at this point in history, the tax-farmers were providing loans to the Crown, thereby in fact protecting the taxpayers against an even harsher tax system (Adams, 2001:221-237). However, the perceptions of taxpayers were more powerful than the facts, an insight that should act as a warning to governments to take taxpayers' perceptions of their tax burden seriously. In the late 18th century, after the French Revolution, the royal property was sold in an attempt to minimize taxes and maximize government income (Webber & Wildavsky, 1986).

The second half of the 18th century was a time of rebellion all over the world. The Declaration of Independence (1776) and the Bill of Rights that became entrenched as the American Union's Constitution were written in this period, with leaders such as Franklin, Jefferson, Madison and Jay. The French named this period the Enlightenment, with the philosophy of Kant in Germany, and of Descartes in France, and the science of England's Newton as the leading lights. Many changes took place, for example, the beginnings of the abolition of slavery, changes in the law and justice systems, and the simplification of the tax system (Webber &

Wildavsky, 1986). It was believed by the earlier governments that the most important guiding principle when levying taxes was that of uniformity. Everyone should pay the same taxes, irrespective of wealth. This policy was, however, one of the most significant factors in the start of the American Civil War in 1861 (Adams, 2001:342-343).

In contrast to wars and revolutions against tax systems, a discussion was formally documented by various people from 1643 onwards on a tax system that would be fair and equal to all (Evans, Krever & Mellor, 2010; Mirrlees, 2011; Seligman, 1921). The tax system that was most advocated in this period was excise tax (a tax on expenditure or goods). In 1664, Thomas Mun concluded that excise tax was commendable because it would shift the tax burden away from the poor to producers (Kennedy, 1913; Seligman, 1921). It was argued that when the price of expenditure or goods increased, the wages of poor labourers would escalate and the producers or employers would have to carry the burden of the tax, as they could not increase their profit. In 1756, Fauquier endorsed this line of thought, stating: “A man that has nothing, can pay nothing” (quoted in Seligman, 1921:28-29), thereby arguing that the poor should not be burdened by tax.

As early as 1695, Cary began to identify flaws in the excise tax system. He attempted to prove that this tax ultimately devolved on the poor and therefore brought about unequal pressure on them. Excise tax was therefore unjust and led to an unequal distribution of income (Kennedy, 1913; Seligman, 1921). Cary reiterated the protest that had been made in the previous two years in the House of Parliament that a tax on food (excise tax – especially on salt) would destroy the liberty of the nation. In 1701, Hill commented that a tax “should be a tax on every one (*sic)* in proportion to his revenue” (quoted in Kennedy, 1913:46). The discussion turned to land tax, house tax and window tax (Sabine, 2006). Even a tax on dogs was introduced in 1796 (Sabine, 2006). This was extended to road tax, transportation and communication tax and a tax on privileges and luxuries (Seligman, 1921), and a tax on knowledge (newspapers were taxed per page). Then there were progressive taxes on houses and building materials (tiles, bricks), windows, chimneys, silver, pewterware, carriages and horses. The poor also paid direct taxes in the form of road *corveé*, grain and animals (Webber & Wildavsky, 1986). These are but a few of the avenues followed in the 17th and 18th centuries

(Seligman, 1921). It would seem that the discussions during this period were mainly influenced by each individual's specific and personal information. Each participant in the discussion would argue in a particular way to secure the best possible tax position for him- or herself.

When Adam Smith wrote his seminal work, *An inquiry into the nature and causes of the wealth of nations* in 1776, he provided an economic base for the formulation of a tax system (Bandelj & Sowers, 2010; Kennedy, 1913; Smith [1776] 2000; also cited in Stamp, 1921). Adam Smith's four maxims (see Table 3.2) led to two basic guiding principles, namely the benefit principle and the ability principle (Smith, [1776] 2000; Stamp, 1921), which are acknowledged to this day. The French Physiocrats (Quesnay, Cantillon and Turgot) focused mainly on the economy, and David Hume (a philosopher) and Adam Smith (an economist) promoted the idea of a free market (Webber & Wildavsky, 1986). Freedom from oppressive taxation was an important principle during this period (Adams, 2001:343).

An important aspect of the Enlightenment was the many debates around the world regarding just and equal taxation. After the period of excessive bloodshed and war sparked by tax injustices, the governments and thought leaders of the 19th century spent a lot of time on devising just and equal taxes. The men of the Enlightenment period left their legacy in ten ideas as formulated by Adams (2001: 279-295):

- Government is at best a necessary evil. Taxation leads to tyranny.
- Government has imaginary wants. Taxation should take into account the necessities of the state and those of the subjects.
- Government should stay out of the business world.
- Liberty carries the seed of its own destruction. Montesquieu (1689–1755) proclaimed that "[l]iberty produces excessive taxes; the effect of excessive taxes is slavery" (quoted in Adams, 2001:285).
- Direct taxes are the badge of slavery, while indirect taxes are the badge of liberty.
- Tax evasion is not a criminal act. Tax evasion follows excessive taxes.
- Liberty's most dangerous foe is arbitrary taxation. Arbitrary taxation leads to evasion, defiance, violence, treason and armed revolt. Three guiding principles were formulated to measure arbitrary taxation, namely

- taxation must be levied with consent of the taxpayers;
- apportionment should be observed according to definite rules; and
- taxation must be applied equally.

If taxation developed around these bigger concepts, then taxation would not be a burden but a payment for benefits. The "ability to pay" concept is in contrast with the concepts of apportionment and equality, and should be avoided.

- Common sense economics supports the supply-siders who believe that a low tax rate encourages higher savings and investment, thereby expanding the economy: "…if revenue is here the only objective, taxes that are moderate are confessedly the most productive" (Adams, 2001:292).
- The marks of a bad tax system are reflected in Adam Smith's four points – a bad tax
  - requires a large bureaucracy for administration;
  - destroys funds that are needed for maintenance and employment;
  - encourages evasion; and
  - puts people through unnecessary examinations by the tax-gatherer and exposes them to trouble, vexation and oppression.
- The six rules of Lord Kames for a good tax system are upheld:
  - when the opportunity for evasion exists, taxes must be moderate;
  - taxes that are expensive to levy, should be avoided;
  - taxes based on "vague and conjectured opinions of others" are arbitrary and should be avoided;
  - taxes should relieve the poor of any tax burden;
  - taxes should protect, not oppress; and
  - taxes requiring an oath should be avoided.

The ideas of the Enlightenment period were forged in the fires of war and injustice, of tax revolts and pain. They emerged from an era when liberty was a luxury, not a necessity that one fought for and might die for. Their wisdom, where it was applied, was derived from history and led to a time of tax peace and low taxes.

A further refinement of the guiding principles of a good tax structure was attempted by Newmarch in 1861. He formulated three leading principles:

- every person should be taxed according to ability;

- savings and contribution to capital must not be taxed; and
- the government should avoid appointing a taxpayer as his or her own assessor (cited in Stamp, 1921).

After all the revolutions and rebellions, governments sought a tax system that was not oppressive, and that was accepted by the people. A first taste of what was to be the future of taxation can be found in the war against and defeat of Napoleon. The British, under the leadership of the Prime Minister, William Pitt the Younger, levied a tax on income in January 1799 that was so productive that the government had enough money to pay for and win the war against Napoleon at Waterloo in 1815 (Battle of Waterloo, 2015; Kennedy, 1913; Sabine, 2006). Some parts of this original income tax legislation are still used in the current British tax legislation – "foreign income has not changed over the past 200 years and still manages to work" (Avery Jones, 2004:16). This was not the first encounter the British had with income tax. In 1404, income tax had been levied, but was soon discarded as evil. Income tax was not implemented again before 1799. In 1842, a modest 3% income tax was levied on an annual income above £150. Objections against income tax were again voiced in 1845, for example, when Lord John Russell complained that "the man of most integrity and most honour, and who gave his return fairly, was subjected to the greatest imposition of the tax" (quoted in Sabine, 2006:63). Sir Robert Peel declared in his budget speech of 1845: "I do maintain that any attempt at modification [of the income tax] would be attended with the utmost risk" (quoted in Sabine, 2006:63). Although the intention was to repeal the income tax within three years, it was never repealed and is still in existence (Adams, 2001:349-357). The financial urgency created by the Revolutionary and Napoleonic wars required greater income for the government, and income tax was seen as the avenue to take. The introduction of income tax was followed by similar taxes in Austria (1849), Italy (1864), Japan (1887) and New Zealand (1891), to name but a few (Aidt & Jensen, 2009).

The French held out against income tax until 1911, just before World War I (Aidt & Jensen, 2009). They included the following policies in their new income tax system:

- tax should be on an object, not a person;

- tax should be levied on a person's average income calculated over a number of years; and
- privacy and the liberty of a person were very important and therefore the tax should be determined on external signals (how prosperous one looks, one's presumed income) (Adams, 2001:359-360).

The USA implemented income tax in 1913 (Aidt & Jensen, 2009). The tax-related principles that were advocated in the USA were equality, as expressed by a lawyer in the *Pollock v Farmers Loan and Trust Co* case of 1895 (Adams, 2001:372), and fairness and reasonability for all, as formulated by Holmes in 1895 (Adams, 2001:366-367). Progressive rates (in contrast to the principle of uniformity) were used, but soon the original 7% in the USA escalated to 90% in 1916. This was predicted by a Supreme Court judge in 1898, who said that income tax was "a tax directly and intentionally made unequal" (Adams, 2001:371). Surprisingly, the American people paid these excessive taxes ungrudgingly due to their patriotic desire for an anticipated successful conclusion to World War I (Mellon, 1924:12).

Switzerland was one of the last countries to accept income tax, in 1939 (Aidt & Jensen, 2009).

According to Adams (2001:385), income tax does not abide by a guiding principle of equality; instead, income tax corrupts the social order by changing equality into intentional and deliberate inequality, by changing integrity into fraud and liberty into an invasion of privacy. Taxes, but especially income tax, can therefore damage the social order in such a way that people justify tax evasion through illegal means, expatriation, transferring investments to tax havens, and other ways. Carter (quoted in Eisenstein, 1961:4) commented on society's attitude towards income tax as follows: "In every community, those who feel the burden of taxation are naturally prone to relieve themselves." Adams (2001:345) declared that for a government, income tax is the golden egg, as more income can be collected with this type of tax than with any other form. Therefore, no government in the world would give it up. In an attempt to make tax more agreeable to society, Holmes (quoted in Eisenstein, 1961:5) defines tax as "what we pay for civilized society". He adds: "I like to pay taxes. With them I buy civilization."

Sin taxes can be levied on the percentage of alcohol in wines and spirits or on cigarettes. Although sin taxes were initially implemented to generate revenue and provide the government with a steady collectable stream of income, it also became a way of reducing the consumption of substances that are considered detrimental to a person's health (Fouché, 2014), thus endeavouring to manipulate behaviour.

During the 1970s the first attempts at manipulating environmental behaviour through tax policies surfaced. The initial aim was to conserve energy rather than to minimize pollution (Barthold, 1994). Environmental taxes can also be implemented to curb the carbon emissions of cars (carbon emissions taxes) and pollutants expelled by factories (carbon taxes are to be implemented in South Africa in 2016[18]). The 16th Global Conference on Environmental Taxes was held in September 2015 in Sydney, Australia. The theme of the conference was "Protecting our Natural resources for a sustainable future". This indicates that environmental taxes are still used to manipulate behaviour (Sixteenth Global Conference on Environmental Taxes, 2015).

Governments constantly want to find new ways to manipulate behaviour and generate income. Denmark was the first country in the world to implement a "fat tax" on 1 October 2011. Fat taxes are an attempt to encourage healthy eating habits by increasing the price of processed or unhealthy foods. Fat tax was paid per kilogram of saturated fat, when the saturated fat content in foods exceeded 2.3g/100g. Smed (2012:142-147) indicates that foods subjected to this tax were meat, dairy products and margarine, to name but a few. Denmark implemented a fat tax in 2011, but repealed it again in 2012, after the government was pressured by the agricultural sector to abandon the tax (Snowden, 2013).

A recent confirmation that taxation could be levied with the intent to manipulate behaviour can be found in the Shuttleworth case (2015) in South Africa, where the government restricted the flow of money out of the country by imposing a 10% exit fee.

[18] The National Budget speech delivered by The Minister of Finance, Nhlanhla Nene, on 25 February 2015 confirmed the implementation of a carbon tax in 2016 (Budget Speech, 2015).

Since the start of the 20th century, several contributions were made to extend the concept of “a good tax structure”. These contributions came in the form of reviews or commissions, for example, the Warren Kerr Royal Commission of 1921–1923, and the Ferguson Royal Commission of 1932-1934 in the UK, the Carter Canadian Royal Commission in 1966, and the Ross Committee of 1967 (New Zealand Tax Review commission) (Mirrlees, 2011). In South Africa, there were the Franzen Commission of 1969-1970, the Margo Commission of 1986 and the Katz Commission of 1995 (Mirrlees, 2011). The sociological aspects of the current period are pivotal in reviewing tax systems when formulating a good or appropriate tax structure in a specific environment. The following questions derived from the reviews and commissions, should be asked prior to reforms (Mirrlees, 2011; Evans *et al*., 2010):

- Does the current population have a clear understanding of the economy?
- What is the impact of the system and how do the taxes fit together?
- What constraints do people face and how will they behave towards change?
- How have conditions changed and what are the political issues?

The work of the Davis Tax Committee (2015) is still on-going in South Africa.

Finally, Adams (2001:481-482) declares that the lessons learned from history are encapsulated in the following three conclusions:

- The power to tax should be separated from the power to spend.
- The current generation must avoid tax self-destructiveness or taxing themselves to death. This has been the end of many great nations in the past.
- Moderation is the common denominator of all good tax systems.

3.5.5 Brief overview of the history of principles constructed to guide taxation

As demonstrated by the brief historical overview in 3.5, various individuals and groups have attempted to formulate guiding principles for taxation, resulting in a variety of perspectives and emphases in various contexts. An extract from the history of participants participating in the quest to formulate principles of Taxation is provided in Table 3.2. The extract was compiled by means of snowball sampling (as explained in 3.2). For this specific application of snowball sampling, recent tax reviews and review articles were identified and references in these reviews were then used to expand the search. Care was taken to include reviews over the previous century from various regions of the world. This process continued until saturation of identified principles was reached. No ranking is implied in the order of the principles – in an effort to facilitate comparison, the principles follow the order in which each one surfaced for the first time (the first occurrence of each is in marked in brown).

Table 3.2: An extract of the history of formulating guiding principles of Taxation

AUTHOR/S	PRINCIPLES	TITLE OF PUBLICATION
Adam Smith - England (1776)	Equity Certainty Convenience of payment Economy in collection (Fairness, Government revenue, Efficiency)	*Wealth of Nations*
Newmarch - England (1861)	Tax according to ability Savings and contribution to capital not taxed Taxpayer not his own assessor	The Newmarch lectures of 1919
Carter Report – Canada (1966)	Equity Certainty Simplicity Neutrality Transparency and Accountability Flexibility	The use of the Tax system to achieve economic and social objectives
Asprey Report – Australia (1975)	Fairness Efficiency Simplicity Growth Stabilisation	Criteria for Tax systems
Meade Report – UK (1978)	Incentives and economic efficiency Simplicity and cost of administration and compliance Flexibility and stability Distributional effect International aspects Transitional problems	Characteristics of a good Tax structure
Her Majesty's Stationery Office (HMSO) Green Paper report – UK (1981)	Fairness Cost of administration Accountability Fiscal dimensions Financial control Practicality	Requirement of a local Tax system
O'Brien Report – Ireland (1982)	Equity Efficiency Simplicity Low administration and compliance cost	Criteria for a Tax system

AUTHOR/S	PRINCIPLES	TITLE OF PUBLICATION
Ridge and Smith: Institute of Fiscal Studies (IFS) Report - UK (1991)	Equity and accountability Economic efficiency Administrative feasibility	Criteria for local Tax
Jackson: Chartered Institute of Public Finance and Accounting (CIPFA) – UK (1994)	Equity or Fairness Certainty Convenience of payment Economy in collection and compliance Transparent	Characteristics of an effective Tax system
James and Nobes (1997)	Equity Efficiency Incentives Macroeconomic considerations	Principles of Taxation
Organisation for Economic Co-operation and Development (OECD) – Ottawa (1998)	Certainty and simplicity Effectiveness and fairness Efficiency Neutrality Flexibility	Taxation framework conditions (for electronic commerce)
Institute of Chartered Accountants in England and Wales (ICAEW) Tax faculty (1999)	Certainty Fair and reasonable Simplicity Easy to collect and calculate Properly targeted Constant, consultation Regular review Statutory Competitive	Principles of a better tax system
American institute of Certified Public Accountants (AICPA) – USA (2001)	Equity and fairness Certainty Convenience of payment Economy in collection Simplicity Neutrality Economic growth and efficiency Transparency and visibility Minimum tax gap Appropriate government revenues	Guiding principles of good Tax policy
Alley and Bentley - Australia (2005)	Equity and fairness Certainty and simplicity Efficiency Effectiveness Neutrality	A remodelling of Adam Smith's Tax design principles
The President's Advisory panel on Federal Tax Reform (2005)	Simplicity Fairness Economic growth	Report of the President's Advisory Panel on Federal Tax Reform
Henry Review –	Equity	Australia's future Tax

AUTHOR/S	PRINCIPLES	TITLE OF PUBLICATION
Australia (2010)	Efficiency Simplicity Sustainability Policy consistency	system
The President's Economic Recovery Advisory board (2010)	Simplicity Compliance	The President's Economic Recovery Advisory Board
Mirrlees Review – UK (2011)	Equity Certainty Convenience of payment Economy in collection Minimize negative effect on welfare and economic efficiency Minimize administration and compliance cost Fairness in more than a distributional sense Transparency	Tax by design
Davis Tax Committee – South Africa (2015)	Equity Simplicity Efficiency Transparency and certainty Tax buoyancy	First Interim report on macro analysis

Compiled from multiple sources: AICPA, 2001; Alley & Bentley, 2005; Asprey & Parsons, 1975; Davis Tax Committee, 2015; Evans *et al*., 2010; Meade, 1978; Mirrlees, 2011; OECD, 1998; Smith [1776] 2000; Stamp, 1921.

When Smith (1776, cited in Stamp, 1921; Kennedy, 1913; Sabine, 2006) expounded the economic point of departure for a good tax structure, he used the following terms: equity (ability), certainty (time, amount, manner of payment), convenience (time and manner) and economy (take as little as possible). The reiteration of Smith's ([1776] 2000) terms can also for example still be found in the tax reviews of Meade (1978) and Mirrlees (2011). In the 18th century, Verri (cited in Seligman, 1921) declared that every tax should bring about equilibrium, since it should affect everyone according to his or her consumption. In 1830, Paley (cited in Stamp, 1921) sought to simplify the concept of what to tax by stating: "We should tax what can be spared." Thus he reiterated the argument of Turgot in 1764, namely that tax should fall on disposable wealth, in other words, income that is not needed for production in the following year (Seligman, 1921). In 1861 Newmarch expanded on the principles of Adam Smith by adding that savings and capital contributions should not be taxed. He further declared that a taxpayer cannot be his own assessor (cited in Stamp, 1921).

In the 1920s, Mellon (1924:9) simplified the concept of a tax policy by stating:

> A sound tax policy must take into consideration three factors. It must produce sufficient revenue for the government; it must lessen, as far as possible, the burden of taxation on those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on which… so much of our prosperity depends.

The Carter Report in Canada (1966) formulated additional principles by adding simplicity, neutrality, transparency, accountability and flexibility to the existing principles of taxation at that time (Alley & Bentley, 2005).

The Asprey Review in Australia attempted to formulate a good tax structure (Asprey & Parsons, 1975). It posited the following guiding principles:

- simplicity – there must be a measure of certainty with regard to the cost to administer the tax structure;
- efficiency – there should be minimal loss of efficiency through waste;
- flexibility and stability in the economic and political arena; and
- fairness/equity – the structure must be acceptable to the public and adhere to horizontal and vertical equity.

The Asprey Review also stated that alternative methods should be explored in assessing income for tax purposes, suggesting the two alternatives of economic well-being (life-time income) and consumption as measures, rather than income (Asprey & Parsons, 1975).

In the Meade Report written in the late 1970s in England (Meade, 1978), Smith's ([1776] 2000) concepts were refined and reformulated to form an extended list – tax should be just, efficient, effective, redistributing wealth, equitable, coherent, simple and easy, straightforward, flexible, stable and compatible with the country's international position.

A continuation of the development of taxation principles in the UK was the HMSO Green Paper Report of 1981. Financial dimensions, financial control and the practicality of taxation implementation were contributed as requirements of a local tax system (Alley & Bentley, 2005).

The O'Brien Report in Ireland (1982), the IFS Report by Ridge and Smith in 1991(UK) and the CIPFA Report by Jackson in 1994 (UK) all drew on previously formulated principles of taxation (Alley & Bentley, 2005).

James and Nobes in 1997 re-established equity and efficiency as principles of taxation and added the identification of incentives and macroeconomic considerations (Alley & Bentley, 2005).

The OECD Report of 1998 identified conditions for a taxation framework. These conditions are (Alley & Bentley, 2005):

- Certainty and simplicity;
- Effectiveness and fairness;
- Efficiency;
- Neutrality; and
- Flexibility.

In 1999 the ICAEW formulated principles of a better tax system. They contributed the concepts of better targeting tax revenue and the idea that taxation must be constant through consultation. They confirmed that a regular review of the tax system should be performed and taxation legislation should support competitiveness (Alley & Bentley, 2005).

The guiding principles of good tax policy according to the AICPA in 2001 focused on economic growth, minimizing the tax gap and collecting appropriate government revenues (Alley & Bentley, 2005).

In a remodelling of Adam Smith's tax design principles, Alley and Bentley (2005) confirmed the importance of the principles proposed by Adam Smith. They formulated the principles as equity and fairness, certainty and simplicity, efficiency, effectiveness and neutrality.

The President's Advisory panel on Federal Tax Reform (2005) in the USA and later the President's Economic Recovery Advisory Board (2010) both confirmed the principle of simplicity.

In Australia, the Henry Review (Evans *et al*., 2010) was an extension of the Asprey Review. The importance of the stability of a tax system was confirmed by the Henry Review (Evans *et al*., 2010). The guiding principles earlier identified by the Asprey Review (Asprey & Parsons, 1975) and Meade Review (1978) were extended to include sustainability and policy consistency as tax policy objectives.

In the UK, the Meade Review was followed by the Mirrlees Review (Mirrlees, 2011). Mirrlees (2011:21) states: “The challenge of a tax design is to achieve social and economic objectives while limiting welfare-reducing side-effects.” Mirrlees (2011) attempted to provide the following guidance when judging a tax system:

- The four maxims posited by Smith in 1776 (Kennedy, 1913; Smith, [1776] 2000) should be revisited.
- The negative effect of tax on social and economic welfare should be minimized. Administrative and compliance costs should be reduced. Fairness in procedures and expectations should be observed and the system should be understandable and transparent to the general public.
- The tax system can change behaviour and should be able to correct market failures.

The Davis Tax Committee (2015:7) observes that “attitudes towards the tax system have varied markedly”. Taxation can be seen as a “market distortion” as well as using taxation for the correction of market failures. Adding to these extreme attitudes is the fact that “there is no universally recognised theoretical framework or conclusive empirical literature on how to craft a [tax] system” (Davis Tax Committee, 2015:4). This may indicate that the place of taxation is blurred in the process of application.

Taxation has been around for thousands of years. Many attempts have been made to find common ground in designing a tax structure. The above overview of different guiding principles mentioned by various role players suggests the need for careful reflection to achieve a synthesis of the principles which should form the primary point of departure for Taxation as a field of study. In order to adhere to Guideline 2 (as posited in Chapter Two (2.5)), the history of taxation is analysed below to identify the guiding principles that have emerged over the course of history.

3.6 Fundamental Principles of Taxation that evolved through history

3.6.1 Orientation

To synthesise the literature, the overview of the historical development of taxation and the principles constructed by various commissions and individuals to guide taxation (see 3.5) were used. The literature was not interpreted or integrated when it was presented above – the overview contains the where, what and how of taxation. In order to adhere to Guideline 2, which requires a repeated process of thinking about the phenomenon, the compiled text was submitted to Atlas ti in a thematic analysis, where the coding process was repeated several times to ensure that the coding was accurate.

In some instances, a code was not deemed to be a potential Fundamental Principle, but rather to be an implication for the application of taxation in practice. In the working definition, a fundamental principle is described as a general truth that forms the most important part of the foundation of something. It was argued that the applications do not form a foundation of taxation, as they originate from practice itself and represent the function of taxation. However, these applications play an important role in establishing best practices for taxation policy. Examples of such applications are the calculation of taxes (Box 3.1), liberty and taxes (Box 3.2), and tax immunity (Box 3.3).

Box 3.1: Calculation of taxes

In Ancient Egypt, tax payments were calculated as a fixed proportion of the total crop, based on an official's estimate of what a farmer harvested. The amount to be paid took into account the status of the cultivator, the crop cultivated and the current level of the Nile. In the earlier Modern Age, the levying of consumption taxes was calculated as a percentage of the price of food (sugar, spices, meat, etc.), beverages (chocolate, wine, beer, etc.), salt, heat (coal), light (candles), cleanliness (soap), luxuries (wigs) and pleasures or vices (tobacco, playing cards). Taxes were also calculated on the number of windows or chimneys in a house.

In calculating taxes, the government should carefully consider the relevance and implications of the tax. Important ideas that emerged from history through regular implementation when calculating taxes are the following:

- calculate tax on net income, not gross production;
- do not judge a tax system on its rate only;

- measure taxes by the burden that people are willing to accept;
- levy tax on an object, not a person; and
- use moderation in calculation as the common denominator of all good tax systems.

Recognising the manipulative nature of the income tax system, governments are still searching for more appropriate ways to levy income tax. Suggestions for alternative calculation methods include the arguments that tax should be levied on:

- the average income calculated over a specified number of years;
- the "economic well-being" (life-time income) of a taxpayer (Asprey Review); and
- on consumption as a measure, rather than income (Asprey Review).

Box 3.2: Liberty and taxes

Throughout history, taxes have been one of the avenues explored by rulers to exploit citizens of a country. When rulers yearned for power and riches, they ignored the plight of the people and their right to be free. History suggests that governments always need an income to feed their own ambitions. An example of people in history who did not pay taxes to a ruler was the Israelites, after they were freed from the Egyptians. They settled without a government and lived without paying taxes to any government for 400 years.

"Government is at best a necessary evil" (Adams, 2001:282) and therefore "taxation produces tyranny" (Adams, 2001:282). The Athenians recognized this when they saw that too much power could result in tyranny, and that tyranny could be the product of a tax system. Freedom from oppressive taxation was an important issue in the Enlightenment period. Montesquieu proclaimed that liberty carries the seed of its own destruction in that "[l]iberty produces excessive taxes; the effect of excessive taxes is slavery" (quoted in Adams, 2001:285). Direct taxes are oppressive taxes and should be avoided at all costs. Another example of oppressive taxation is arbitrary taxation, which can also be seen as a dangerous enemy to liberty. Arbitrary taxation leads to tax evasion and elicits defiance, violence, treason and even armed revolt.

The Ancient Greeks viewed indirect taxes as the badge of liberty. The Swiss adopted this idea too, and believe that there is a connection between democracy, liberty and taxes. The Swiss take the position that liberty can only exist when the liberty of every individual is protected. The Thirteen Colonies in British North America (1775–1783) objected to tax, not only to the taxes levied on them, but to the very principle of being taxed. They fought for their liberty from taxes in the American War of Independence.

Another interpretation of the liberty concept can include the issue of privacy. Privacy can be defined in terms of individual and financial privacy. Individual privacy was one of the driving forces behind the cancellation of taxes on fireplaces in England, as the inspectors needed to enter taxpayers' houses for an accurate assessment. This was seen as a serious breach of the individual's privacy. In an attempt to preserve the individual's privacy, and after the cancellation of taxes on fireplaces, a tax was instituted on chimneys, which can be assessed from outside the house. Invasion of individual privacy should be restricted, as the privacy of a person is important, and therefore tax should be determined on external signals, not be made dependent on a breach of the individual's privacy. The privacy of a person is a fundamental doctrine in English Common Law, where "a man's house is his castle, and … not even the monarch has the right to intrude" (Adams, 2001:189).

Financial privacy is rigorously observed by the Swiss, especially in their banking sector. "Bank secrecy is an Ancient Germanic law" (Adams, 2001:188). Adams quotes (2001:189) a prominent Swiss apologist, who stated: "Banking secrecy is a major component of the wall of discretion that must protect the individual with his privacy if liberty is to be defended with success against the dominance of the state."[19]

Box 3.3: Tax immunity

Tax immunity has occurred in every era of taxation history. However, every age appeared to apply this concept in a different way to achieve different objectives.

Ancient Kingdoms:

In Ancient Egypt, the temples and priests received tax immunity, involving almost one third of all the lands of Egypt. Tax immunity given to religious institutions at this point in history was the first instance of the frequent conflict between rulers and religious institutions throughout history. True Athenians were tax exempt, meaning that if a person's parents were both born in Athens, that individual did not pay taxes. In the years of a good taxation policy in the Roman Empire, a tax moratorium was observed during years of poor harvests.

Middle Ages:

When Islamic armies invaded much of the area between India and Spain in the 7th century, some of their success was based on the concept of tax immunity. The three alternatives given to the already tax-exploited people in the path of the Islamic army were to fight and be killed; surrender and pay taxes; or convert to Islam and receive tax immunity. In the words of an Islamic general: "In the name of God, the Merciful and Compassionate, become Moslem and be saved." In the early Middle Ages, the feudal kings were recent converts to Christianity, and some believed that collecting taxes was evil. This was a strong anti-tax period where Christians believed that they lived under the protection of God, the heavenly King. Therefore making taxes payable to the earthly king was seen as a sin.

[19] In terms of a 2013 agreement, the secrecy of Swiss bank accounts is about to end.

Modern Age: The Reformation saw the abolition of tax immunity for the Church. In the early Modern Age, the poor were exempted from property taxes (window and land tax) in England. This was in sharp contrast to the legacy of Feudalism (Middle Ages), where the nobility were exempt from taxes and the poor peasants carried the main burden of paying taxes. In France, Turgot attempted to implement a fundamental shift in tax liability towards the powerful rich, but he was dismissed by King Louis XVI ten years before the French Revolution started. After the French Revolution, tax immunity for the rich was cancelled. Tax immunity or exemption is a concept that needs to be observed and implemented with the utmost caution, as this can lead to a distortion of the notions of equity and equality. Equity encompasses the concepts of being just and fair in terms of all taxation concepts, while equality refers to the notion that all citizens must pay taxes.

The remaining codes with quotations were deemed to be potential Fundamental Principles in accordance with Guideline 2.

The Fundamental Principles of Taxation developed over time, so the Principles identified by means of the thematic analysis were sorted according to the period in which the development of each Principle commenced (based on when that Principle was first mentioned). The same periods have been used in the discussion below as in the historical overview in 3.5, namely **Ancient Kingdoms, Dark Ages and Middle Ages**, and the **Modern Age.** A summary of the Fundamental Principles extracted from the historical overview is presented in Table 3.3.

Table 3.3: Fundamental Principles of Taxation extracted from the historical overview

PERIOD	FUNDAMENTAL PRINCIPLE

Ancient Kingdoms	• A tax system that is impartial and lawful should lead to honest taxpayers.
	  ○ Entities/individuals should be taxed impartially on their sustainable value.
	  ○ Entities/individuals should be taxed according to their economic status in the same way as their economic equals.
	• Compliance with specific tax legislation should be enforced by means of vigilant procedures.
	• Taxation should lead to the redistribution of national income to create a society with the ability to sustain itself.
	• Taxes should result in sustainable public benefits.
	• The cost of administering a tax system should be minimized by effective procedures and minimal loss of efficiency through waste.

Dark Ages and	• Governments should receive income from the citizens of the country, but should

PERIOD	FUNDAMENTAL PRINCIPLE
Middle Ages	observe the balance between taking too little and taking too much. • The general public should perceive the tax system to be understandable and transparent.
Modern Age	• Tax should be levied on the portion of income that is not needed to generate sustainable income for the future. • Taxpayers should know with certainty when, how much, and how they are liable to pay taxes. • The tax system should be stable, while being perceived as flexible. • The country's international position should be compatible with its internal taxation system. • Unwanted or inappropriate social behaviour can be manipulated through appropriate tax policies.

The formulation of each Fundamental Principle takes the form of a summary statement and integration of the quotations from the historical overview assigned to that specific principle. The discussion commences with moments throughout history where this Principle was applied to the advantage of the people and its underpinning concepts were stated, and traces the development of the Principle and the concepts through time. Then the discussion continues with moments in history where the Principle was not adhered to. In some cases, sub-principles were formulated because of the complexity of the Principle and its development.

3.6.2 Fundamental Principles that emerged in the Ancient Kingdoms[20]

3.6.2.1 A tax system that is impartial and lawful should lead to honest taxpayers

In the course of history, in ancient times, this Principle encompassed the concepts of equity (taxes that are "just" and "fair"), as well as of equality. Each of these terms had a specific emphasis (although the meanings were sometimes made to overlap) and they are all used in the discussion which follows.

Confucius (500BC) developed "principles" for "just" taxation. The most important principle was that only 10% tax should be collected. This principle was rigorously observed, and when an emperor ignored it, the people had the right to rebel against the altered measure. Thus, the principle was established that people will

[20] The thematic analysis is based on the historical content of 3.5, where most of the references are given. For the sake of simplicity, the references are not always repeated here.

honestly pay their taxes as long as the emperor requested an amount inside the law.

Since 1643, in the Enlightenment period, efforts to devise a tax system thought to be just and/or fair and/or equal to all have been formally documented by various participants in this debate. After a period of excessive bloodshed and wars sparked by resistance to taxes, the governments and thinkers of the 19th century spent much time on devising taxes that would be perceived as just and/or fair and/or equal.

The Principles of the income tax system advocated in the USA in 1898 still include equality with fairness and reasonableness. Adams (2001) observes that income tax does not abide by the principle of equality; instead, income tax corrupts the social order by changing the principle of equality into a principle of intentional and deliberate inequality.

In the history of taxation, the concepts of just and/or fair and/or equal taxes have been used on two levels. Firstly, it has been argued that the position of every individual should be considered according to his or her unique and individual economic and social circumstances. However, it has also been argued that a tax should be just and/or fair and/or equal in a society, meaning that every individual should be treated equally with reference to his or her economic peers. In the data analysis, it was clear that there are two guiding principles, one applicable to the **individual alone**, and the other applicable to the **individual in a societal context**.

The guiding principle regarding **the individual alone** was formulated as follows:

Entities/individuals should be taxed impartially on their sustainable value

In Ancient Greek civilization, Aristides the Just might be called the father of just taxation because the taxes he levied were assessed according to ability and worth. This was the birth of tax equity (just and fair taxes).

In 1756, Fauquier picked up on this concept when he stated: “A man that has nothing can pay nothing.” When Smith ([1776] 2000) expounded an economic point of departure for a good tax structure, he used the concept of convenience with regard to time and manner of payment as one of his four maxims. Whether taxpayers have the ability to make a payment depends directly on whether they have the means to make such a payment at a specific time and in the required manner. Smith ([1776] 2000) thus formulated the ability-to-pay principle focusing on individual taxpayers. A century later, Newmarch (in 1861) refined Smith's principles by stating every person should be taxed according to his or her ability.

According to Head, Osberg, Green, Cassin & Panitch (1993), "ability to pay" (does the taxpayer have the means to pay the tax?) or "sacrifice" (what does the taxpayer have to give up in order to make the payment?) or the "benefit principle" (what is the advantage that the taxpayer receives as a result of paying taxes?) should be used to establish equity. Equity requires circumstances where a taxpayer perceives the tax system as just and fair.

The guiding principle applicable to **the individual in a society** was formulated as follows:

Entities/individuals should be taxed according to their economic status in the same way as their economic equals.

When Adam Smith ([1776] 2000) formulated his economic point of departure for a good tax structure, he used "equity" as one of his four maxims. During the same period, Verri (cited in Seligman, 2001) declared that every tax should bring "equilibrium".

Across the Atlantic Ocean, the American Civil War commenced in 1861. It has frequently been claimed that one of the most significant factors for the start of the war was taxes, and specifically the policy that everyone should pay the same taxes, irrespective of wealth. At the time, governments deemed uniformity an important policy when levying taxes, because they believed that this was fair and just – although today we question this argument.

3.6.2.2 Compliance with specific tax legislation should be enforced by means of vigilant procedures

Increased income derived from honest tax administration was recorded around the 5th century BC in Greece, when Aristides the Just was appointed to oversee the tax system. He might be called the father of just taxation because the taxes he levied were assessed according to ability and worth.

The rise of a tax bureau under the control of Augustus (30BC) was an important administrative change. Augustus negotiated the collection of taxes with each provincial town, giving the responsibility to collect taxes to the towns. The new tax system decentralized the collection of taxes to the local people. There was no need for a large tax bureaucracy any longer. In the time of Augustus, there was an extremely humane and honest tax administration. As a result, more tax revenue was received, enabling Augustus to lower the tax rates, which in turn led to better living conditions for the peasants.

In the Middle Ages, an example of good tax administration can be found in Russia under the rule of Princess Olga around 950 AD. She implemented an efficient and prosperous tax system (decentralization) to the advantage of her people.

Over the centuries and in many parts of the world a structured, central system of tax collection was found when a powerful emperor or king was on the throne.

Another form of tax administration originated in Ancient Egypt, where a “scribe of the field” collected tax payments three times a year. The kings in Mesopotamia and China around 1750BC introduced the concept we now call “tax-farming” to enforce tax collection. Like the Chinese, the Greek civilization and Roman Empire at times made use of a form of tax-farming through contracted business people. Tax-farming was an extreme application of capitalism and ironically often led to the very corruption that was supposed to be checked by public officials. The tax-farmers were often referred to as “dangerous and unscrupulous” ruffians (Adams, 2001:70) who were dishonest and cruel. These tax collectors were often also tax evaders, and very little revenue reached the government. The Roman taxmen have been referred to as a “band of robbers” and the tax system as “more or less organised robbery” (Adams, 2001:75). Following the Romans, the Islamic tax collectors eventually became as cruel as those in the time of the Roman Empire: "Their existence, passed exclusively in oppressing the people of their time, was a disgrace to humanity" (Adams, 2001:141). Tax-farming was a very successful and efficient way to collect taxes, from the ruler's perspective, with minimal risk. Tax-farming on a grand scale continued until the French Revolution (1789), when many tax-farmers in France were executed in retaliation for the cruelties they had inflicted.

There is also speculation that the fall of Rome came about because of poor tax administration, with extreme tax evasion. As a result, very little income reached the national government. The end of the Roman Empire in the 5th century AD was followed by a period of poor administration and very little government activity.

It is evident that enforcement of tax legislation is vital to compliance. However non-compliance and taxpayer anger at a tax system should be warning signs that any government should heed.

3.6.2.3 Taxation should lead to the redistribution of national income to create a society with the ability to sustain itself

In history, the only civilization that voluntarily redistributed wealth without any interference (in the form of a tax bureaucracy) was the Greeks. This feat has never been repeated.

Ancient civilizations had the ability to sustain themselves. This is evident from the offerings they brought to the temples, voluntarily. Voluntary contributions were overtaken by rulers' greed, and the rulers then extorted what they wanted from the people. In Mesopotamia and China, around 1750BC, the state delegated its collection to cities, who in turn delegated this task to a council of elders, who then delegated their power to tax-farmers. Tax-farmers collected 25% to 50% of the crops, instead of the 10% of the crop required by the state. Another case of this practice is the Israelites in Egypt (1400BC), who were enslaved through crippling taxes.

In the Meade Report written in the late 1970s in England, Adam Smith's ([1776] 2000) four maxims were extended to include the redistribution of wealth. In the

Modern Age, the redistribution of wealth seems to be regarded as vitally important by most countries, on account of the unbalanced distribution of riches globally.

3.6.2.4 Taxes should result in sustainable public benefits

Making offerings to the gods via priest-kings and priests was voluntary when people believed that they could gain the favour of the gods by bringing gifts to them.

In the Ancient Kingdoms, people willingly paid taxes when a king provided safety to his people (this would depend on the strength of the king) and justice for all (the king had to provide the wisdom), and ensured the welfare of the people (the king had to have foresight). After 400 years, the Israelites gave up their freedom from taxes willingly for the perceived advantages of having a king.

Taxes were paid essentially to:

- feed the royal family and the king's army;
- reduce uncertainty in times of famine;
- sustain order; and
- protect the people's livelihood, property and lives.

The Magna Carta agreement in 1215 was an attempt to curb the kings' growing expenses and re-establish the relationship between the king and the people. The Magna Carta agreement stated that King John could not levy taxes without the consent of Parliament. In other words, the King had to get consent from his subjects before levying taxes, specifying the need for and goal(s) of the tax. The power to tax was thus separated from the power to spend. This was to ensure that the people could see the benefits of paying taxes. The House of Commons in England was established to ensure the consent of the people.

When taxes are perceived to be a payment for benefits, people are more willing to pay their taxes. However, history shows that an increase in taxes does not always mean an increase in the number of benefits for the people. In many cases, they have lost their livelihood, their property and even their lives. An example from history is the inadequate government protection at the end of the Roman Empire. The Barbarians were able to infiltrate the rural areas and outposts of the Roman

Empire, causing much suffering and many deaths, eventually sacking Rome itself. The Roman Empire was not the only one to decline due to a lack of revenue from taxes. The Islamic period commenced in the 7th century, but ended four centuries later because of a lack of sufficient revenue, resulting in poor protection for the people and the Sultan.

Examples of misuse of tax revenue by individual rulers and governments for their own luxury and self-enrichment are common in history. Examples of rulers in England set on power and glory are Henry VIII, James I and Charles I. Their actions ultimately led to the British Civil War. During the Protestant Reformation of the 16th century, the German princes confiscated Roman Catholic church property to increase their own power and to sell the property, increasing their personal wealth. When there were such abuses, the distance between the rulers and the people grew, and the outcomes were evident in Europe in extreme reactions, such as the French Revolution.

Adam Smith ([1776] 2000) reiterated that taxes should lead to benefits for the public when formulating the benefit principle:

> The subject of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities that is in proportion to the revenue which they respectively enjoy under the protection of the state.

Therefore, in return for paying taxes, taxpayers expect the state to provide infrastructure in a “civilized society”.

3.6.2.5 The cost of administering a tax system should be minimized by effective procedures and minimal loss of efficiency through waste

The Roman Emperor Augustus was a master tax strategist. He managed to redirect the tax money of the Roman Republic and destroyed the power of the Roman Republic. The tax bureau under the control of Augustus was an important administrative change. Because he instituted efficient tax collection, he could increase revenue and could then decrease the taxes levied. This period marks the height of tax administration in history.

Ineffective procedures lead to a larger tax bureaucracy, because then more people are needed to administer legislation. This leads to higher taxes in order to pay for the tax bureaucracy. An example of a large tax bureaucracy is the case of the declining Spanish empire, when taxpayers entered the tax bureaucracy to be exempted from taxes. This implies that a bad tax can require a large bureaucracy to administer it. Taxes that are expensive to administrate should be avoided.

Another example of a bad tax is one that requires a large tax bureaucracy to put people through unnecessary examinations by the tax-gatherer (for example, the fireplace taxes in England), and exposes people to trouble (for example, the tax-farmers or *publicani*), vexes them (for example, taxes on the height of the top hats of gentlemen) and oppresses them (for example, taxes paid to England by the Thirteen Colonies of America).

Efficient administrative procedures lead to effective administration, with minimum loss of revenue.

3.6.3 Fundamental Principles that emerged in the Dark and Middle Ages

3.6.3.1 Governments should receive income from the citizens of the country, but should observe the balance between taking too little and taking too much.

In France in the 14th century, the French king claimed the right to receive regular taxes from all men, except noblemen and the church, thereby acknowledging the Principle that a ruler should receive income from the people of the country on a regular basis.

When there is mutual responsibility and respect between a ruler or government and the people, the concept of taking only what is needed, and not what is wanted, should apply. This philosophy can be summarised in the maxim that "a lawful tax requires a just expenditure".

When this philosophy is not adhered to, the result is tax exploitation. In taxation history, there are many examples of tax exploitation and its consequences:

- In the final years of the Roman Empire, many taxpayers gave up their land and liberty to avoid excessive taxes.
- Some historians believe that crushing taxation coupled with severe tax evasion resulted in peasants' dying from malnutrition and in a shortage of soldiers to

defend the Roman Empire against the invasion of the Barbarians, thereby contributing to the final downfall of Rome itself.

- In Florence in the 13th century, indirect taxes were levied on everything "but air and water" (Webber & Wildavsky, 1986:201), resulting in 34 indirect taxes. During this time, noblemen often devised tax evasion strategies.
- The Spanish were able to defeat the Aztecs and the Incas of the New World by exploiting the oppressive tax systems levied by the Aztecs' and the Incas' own rulers.
- Although the Spanish used the tax system of other civilizations against these civilizations, they inflicted a tax called *alcabala* on their own people, and this became the most hated of all taxes, as the transfer of all property was taxed. Tax evasion took place on a grand scale. Examples of tax evasion strategies included the depopulation of Spain, disproportionate growth in a tax-immune civil service, *hidalgos*, and overtaxed and uneducated peasants' joining the nearest bands of gypsies when crippling taxes robbed them of their income-producing capacity.
- In the USA, progressive income tax rates were used, but the original 7% escalated to 90% in 1916. This had been predicted by a USA Supreme Court judge in 1898, when he said that income tax was "a tax directly and intentionally made unequal" (Adams, 2001:371). Progressive taxes allow lower income taxpayers to pay less than high income taxpayers. Therefore, there is no concept of every taxpayer contributing equally.

Tax evasion should not necessarily be seen as a criminal act, but rather as a warning sign that taxes are excessive. The negative effect of tax on social and economic welfare should be minimized.

An important idea surfaced in this period, namely that a rich government results in poor citizens and a poor government results in rich citizens. In theory and in practice, rich governments and rich citizens do not coincide. It has frequently been argued that the government should function on moderate taxes, taking into account the necessities of the state as well as those of its subjects.

3.6.3.2 The general public must be able to perceive the tax system as understandable and transparent

When people can see that a tax structure represents horizontal and vertical equity, they are generally more willing to accept their tax liability.

After the Magna Carta (1215) in England, the acceptance and approval of taxpayers were taken into account in levying taxes. After all, tax is the people's business. This hinges on the idea that a ruler, who spends the money, should not have the power to change taxes. Taxes should only be changed with the taxpayers' consent. Transparency describes a situation where taxpayers have a clear understanding of who spends tax money and on what. Taxes based on "vague and conjectured opinions of others" (Adams, 2001:294) have been recognised to be arbitrary and are to be avoided.

In Russia, in the reign of Peter the Great (1682 to 1725), the peasants could not understand how a person's "soul" could be taxed. The state reasoned that they did not need to understand, they only had to pay. This example from history highlights the fact that people's understanding of taxes was not always a requirement for being liable to pay taxes. In the 17th century, there were many discussions regarding taxes. The content of these discussions demonstrated that even the participants in the discussions often did not clearly understand taxation.

Switzerland, which has been a democracy since the 13th century, has long held the firm view that a true democracy depends on voters' having the final say on tax matters. According to the Swiss, that is the only way true liberty can exist. This confirms the policy of separating the "power to tax" (who decides on what and how much tax should be paid) from the "power to spend" (who has the right to use the tax money).

3.6.4 Fundamental Principles that emerged in the Modern Age

3.6.4.1 Tax should be levied on the portion of income that is not needed to generate sustainable income for the future

In 1830, Paley sought to simplify the concept of what to tax by stating: "We should tax what can be spared." This reiterates Turgot's argument in 1764 that tax should be levied on disposable wealth, in other words, on income that is not needed in the following year for production. Savings and contributions to capital should not be taxed. Sustainability of the income flow of a tax system is also one of the principles identified by the Asprey Review (1975) and the Meade Review (1978).

It has been argued that a tax can be classified as a bad tax when it destroys the funds that are needed to maintain the individual's livelihood and/or for employment, thereby restricting economic growth and increasing unemployment.

The current generation must extract itself from tax self-destructiveness or it will tax itself to death (Adams, 2001). Such tax behaviour spelled the end of many great nations in the past. The golden years of Greek civilization did not last – tyranny became part of the Greek world, and the suffering of the smaller cities due to oppressive taxation was deemed unimportant compared to the might of Athens. In Spain, the rulers acknowledged as early as 1504 that the *alcabala* taxes were oppressive, but the tax remained responsible for most of the income of the Crown, and instead of being abolished, the tax was expanded. The decline of Spain as a world power started in the 17th century and was partly a result of a bad tax system leading to rebellious taxpayers.

For a government to receive sustainable income, the tax system should support the preservation of income that is needed to generate future income.

3.6.4.2 Taxpayers should know with certainty when, how much, and how they are liable to pay their taxes

Certainty about the timing of tax payments, the amount to be paid and the manner in which the payment is to be made is one of the four maxims of Adam Smith ([1776] 2000). In the 19th century, the English proposed a dual tax system of fixed rates for nobility and 5% tax on income for commoners, while the workers and the poor would pay no taxes or very low taxes. This was an attempt to ensure the concept of certainty in the tax system.

Arbitrary taxes were often levied when the ruler of the day needed money for a war (for example, the war against Spain in the time of Charles I) or a wedding (for example, the wedding between Charles I and Henrietta Maria of France). Although the House of Commons needed to approve the tax, it was a tax imposed at random and without any prior warning.

The Asprey Review (1975), Meade Report (1978), Henry Review (2010) and Mirrlees Review (2011) draw on the “certainty” principle of Smith ([1776] 2000) in formulating the principles of a good tax system, emphasizing the importance of this Principle.

3.6.4.3 The tax system should be stable, while being perceived as flexible

The implementation of income tax brought stability to the taxation environment, a factor that had been lacking in the history of taxation. Throughout history, rulers have struggled with what and how to tax. Rulers attempted to collect income, for example, by levying excise taxes and taxes on consumables, but none of the taxes brought stability.

The British, under Pitt’s leadership, levied a tax on income in January 1799 that was so productive that the government collected enough money to pay for and win the war against Napoleon at Waterloo in 1815. After being repealed, income tax was levied again in England in 1842. Some parts of the original income tax legislation in England (1799) are still used in the current British tax legislation: “[F]oreign income has not changed over the past 200 years and still manages to work” (Avery Jones Tiley, 2004:16). Although the initial intention in England was to repeal the tax implemented in 1842 within three years, income tax is still in existence in the 21st century. The implementation of income tax by England was followed by the implementation of a similar tax in Austria (1849), Italy (1864), Japan (1887) and New Zealand (1891). The French held out against income tax until 1911, and the Swiss resisted income tax until 1939. Adams (2001:345) declares that for a government, income tax is the golden egg which collects more income than any other type of tax.

Although income tax provides stability, governments should ensure that income tax is also flexible. If flexibility is not observed in the income tax policy, it can corrupt a social order by providing justification for tax evasion in various ways, such as through illegal means, expatriation and transferring investments to tax havens. Carter (quoted in Eisenstein, 1961:4) comments on society’s attitude towards income tax that "those who feel the burden of taxation are naturally prone" to seek relief.

To ensure flexibility, the system should be under constant scrutiny, asking questions such as the following:

- What is the impact of the system and how do the taxes fit together?
- How have the conditions changed and what are the political issues?

The concept of flexibility was confirmed by the OECD in 1998. The international economic and political arenas are in constant flux. It is therefore important that the national tax system provide a measure of stability, but remain flexible to external and internal changes. The Henry Review (2010) confirms the importance of the stability of a tax system.

3.6.4.4 The country's international position should be compatible with its internal taxation system

Due to the phenomenon of globalization in the Modern Age, a country's internal tax system needs to be compatible with international trends in taxation. The alignment of a country's tax position with the international tax position is vital to encourage trade between countries and to ensure that double taxation does not occur. International trade is suppressed where a country's internal tax policies discourage foreign traders and investors. The importance of a country's internal and international taxation compatibility was confirmed in the UK's Meade Report (1978), when its authors refined Adam Smith's ([1776] 2000) four maxims for a good tax system to include the notion that a country's internal tax system must be compatible with the country's international position. A country's internal tax policy should therefore be unique to that country but should also take the international position into account.

3.6.4.5 Unwanted or inappropriate social behaviour can be manipulated through appropriate tax policies

One of the three guidelines for judging a tax system suggested by the Mirrlees Review (2011) is that the tax system should be able to change behaviour and should be able to correct market failures.

International trends and examples of tax policies attempting to change unwanted behaviour can be found in sin taxes, environmental taxes and fat taxes. Sin taxes can be levied on the percentage of alcohol in wines and spirits or on cigarettes. Environmental taxes can be implemented to curb the carbon emissions of cars (carbon emissions taxes) and pollutants expelled by factories (carbon taxes are to be implemented in South Africa in 2016[21]). Fat taxes can attempt to encourage healthy eating habits by increasing the price of processed or unhealthy foods.

Manipulating social behaviour through taxes has not proved to be very successful, as people seem to turn to the black market (for example, to buy cigarettes) where expensive products can be obtained at a lower price.

3.7 Concluding remarks

From the findings of Method 1, it is clear that history has yielded several Fundamental Principles of Taxation. The Principles were divided into periods where they emerged for the first time. From the period of the Ancient Kingdoms, five Fundamental Principles emerged, during the Dark and Middle Ages a further two Fundamental Principles were identified and finally the Modern Age produced five more Fundamental Principles. The question now arises whether Method 1 has adhered to Guidelines 1 and 2.

Guideline 1 states:

The point of departure should be the study of the history of a phenomenon or field of knowledge, as ideas and practices can only be identified as the basis for guiding principles by analysing and understanding the history of policies and practices that shaped it.

Guideline 2 adds:

The principles identified from the research of the history of taxation policies and practices should be reflected on and tested through a repeated process of thinking

[21] Please refer to footnote 18, where it was stated that: The National Budget speech delivered by The Minister of Finance, Nhlanhla Nene on 25 February 2015 confirmed the implementation of a carbon tax in 2016 (Budget Speech, 2015).

in a logical, judicious way in order to allow the mind to form grounded conclusions about possible Fundamental Principles of Taxation.

Concluding the historical overview and the subsequent construction of Fundamental Principles, the researcher wishes to claim that Method 1 did indeed adhere to Guidelines 1 and 2, as discussed in 3.8 below.

3.8 Do the principles derived from taxation history constitute Fundamental Principles of Taxation?

After applying Guidelines 1 and 2 in considering the history of taxation to identify the guiding principles of taxation and then constructing the Fundamental Principles of Taxation, the question arises whether this exercise has been sufficient. What were, for instance, the grounds for the formulation of the identified Fundamental Principles? The four maxims formulated by Smith ([1776] 2000:888) were grounded in his own economic experience, as well as in the observations he had made based on history. The Asprey Review (Asprey & Parsons, 1975) drew its principles from the terms of reference set for that review, whereas the Meade Report (1978) established its principles through the initial discussions of the members contributing towards the report, in which the members used their own background and experience as a point of departure. The Henry Review (Evans *et al*., 2010) endorsed the principles established by the Asprey Review and added another two principles identified by the panel discussing the tax system of Australia. Finally, Mirrlees (2011) referred back to Smith ([1776] 2000), and then added principles that were formulated by the review committee while contemplating the review of the UK tax system.

The grounds for the formulation of the identified Fundamental Principles in the current study are founded on history, current economic situations and personal experience. Therefore, is it possible to identify Fundamental Principles at this point? Has the research taken the historical facts into sufficient account? Can the principles identified by the earlier reviews and reports be used as a point of departure for the formulation of the Fundamental Principles of Taxation to be studied in the discipline of Taxation? When one moves into the international arena and/or into the future, further considerations may also arise, such as whether more principles could develop in the future that still need to be shaped and hammered out, and whether different principles are applicable in different countries. For instance, to what extent may issues in the national political arena, such as the issue of redress in South Africa, be permitted to influence the Fundamental Principles of Taxation in a country?

3.9 Continuing the search

In line with Guidelines 1 and 2 posited in Chapter Two (2.5), Fundamental Principles that were historically adhered to were synthesized from 3.5 and 3.6 through reflection and a repeated process of thinking in a logical, judicious way in order to allow grounded conclusions about possible Fundamental Principles of Taxation.

Method 2 will follow Guidelines 1 and 2 through a focus group activity using the Interactive Qualitative Analysis (IQA) model developed by Northcutt and McCoy (2004) that was conducted at the Tax Research Network (TRN) Conference in London in 2014. Guideline 1 was assumed to be adhered to as part of the background knowledge embedded in every Taxation expert. Guideline 2 was adhered to during the focus group that gathered leading minds in Taxation from various countries in the world to follow a repetitive process of thinking for the formulation of their version of Fundamental Principles of Taxation. The focus group reached consensus on the Fundamental Principles that they formulated.

Guidelines 1 and 2 were again followed in Method 3 of the study, which involved sending a single question to taxation experts to answer in writing. Individuals identified by the researcher as role-players in the field of taxation were requested to participate. Guideline 1 was satisfied by assuming that the taxation experts have intimate knowledge of the history of taxation. They could also have consulted other sources that summarised the history or principles that were formulated by other tax scholars or review committees which was also clearly evident from their written responses where they quoted from such sources. Guideline 2 was adhered to by obtaining the thoughtfully constructed responses about the Fundamental Principles of Taxation from the participants and through the process of performing a thematic analysis on the responses. From this analysis, a further set of Fundamental Principles of Taxation was formulated.

Only once the results of the historical overview, the IQA focus group and the responses to the single question posed to taxation experts had been processed fully was it possible to follow Guideline 3, which requires contemplation of whether the identified Fundamental Principles are truths (within a system that sustains other truths) that support or underpin Taxation, or upon which Taxation stands (Chapter Two, 2.5). Each Principle posited as fundamental in Methods 1, 2 and 3 of the research is therefore finally synthesised in a process of triangulation to establish whether it is indeed a truth that supports or underlies Taxation.

SECTION C: METHOD 2 –

INTERACTIVE QUALITATIVE ANALYSIS (IQA)

Section C presents the description and results of Method 2 of the study and consists of three chapters. Method 2 reports on an Interactive Qualitative Analysis (IQA), based on a focus group conducted at the TRN 2014 Conference at the University of Roehampton in London. Chapter Four provides the rationale for the IQA focus group, followed by a detailed description of the IQA research method. The IQA data collection is discussed and described in Chapter Five. The relationships between the different themes (affinities) are presented using a Systems Interrelationship Diagram. In the final chapter of this section (Chapter Six), the data analysis is discussed and presented as prescribed by the IQA. In conclusion, the Fundamental Principles of Taxation and the relationships between them, as identified and formulated by the focus group, are presented.

The research objectives addressed in this section of the study are:

- to conduct an Interactive Qualitative Analysis (IQA) (Northcutt & McCoy, 2004) with a focus group consisting of international role-players in the field of Taxation in order
- to formulate the Fundamental Principles for Taxation that are currently deemed relevant, and
- to generate relationships between the Principles.

CHAPTER FOUR

METHODOLOGICAL EXPLICATION

4.1 Rationale

Formulating the Fundamental Principles of Taxation is a process in which the input of various role-players over many centuries needs to be taken into account. Over the last 6000 years, many opinions, ideas, guiding principles and applications of taxation have emerged (see Method 1). Today, concurrent with the emergence of Taxation as a discrete discipline, there seems to be a noticeable movement towards identifying and formulating Fundamental Principles. In addition to historical views (Method 1), the prevailing international opinions, ideas, guiding principles and applications are vital when endeavouring to identify and formulate the Fundamental Principles of Taxation.

Method 2 of the research again follows Guidelines 1 and 2. When consulting international Taxation experts, it is assumed that they have a thorough knowledge of taxation history and development. Therefore, it is assumed that the international Taxation experts have already adhered to Guideline 1, understanding the history of the phenomenon. For Method 2, the voices of international Taxation experts were heard through a focus group activity that was conducted at an international conference on taxation research, namely the Tax Research Network (TRN) Conference hosted at Roehampton University in London. The focus group activity provided a unique opportunity to obtain the combined voice of a group of international Taxation experts. The focus group was conducted using an IQA process to support an iterative process of thinking in a logical and sensible way, adhering to Guideline 2. The IQA process continued after the focus group activity where the participants provided their written responses to further questioning.

4.2 Research methodology

A short general overview of what constitutes a focus group is provided below, followed by a description of the selection process used to identify the participants and of the data-collection procedures, and finally an explanation of the data analysis process.

4.2.1 Focus group: in general

The first documented use of focus groups as a research technique was at the beginning of World War II. At that time, the military used the technique to establish the effectiveness of morale-boosting radio programmes (Berg, 2007). From then on, various paradigms and various research designs have incorporated focus groups in different ways.

A focus group is a group interview with the fundamental purpose of listening and learning from people. The goal is improving the overall understanding of a construct, issue or phenomenon. The researcher listens to participants and learns from them, but the group also generates possible new lines of communication and idea construction between the researcher and the participants, as well as amongst the participants themselves (De Vos *et al*., 2005). The participants of a focus group follow a process of sharing and comparing concepts and ideas on the issue at hand, and can therefore be used to allow ideas to emerge. Although each participant may have his or her own ideas, when participants interact, a completely new set of data will emerge (Babbie & Mouton, 2004; Cohen *et al.*, 2002).

When conducting a focus group, the researcher acquires insight into possible differences and inter-subjective experiences that can be defined as experiences shared by a specific community or group (Terre Blanche & Durrheim, 2004). A focus group is thus a gathering of individuals who share similar experiences and who have been brought together by a researcher. However, Cohen *et al*. (2002) advise that the specific community represented in a focus group must, where possible, be constituted of participants who are strangers to one another.

The focus group activity may be observed by any number of researchers (Cohen *et al.*, 2002; Creswell, 2002; De Vos *et al*., 2005). The topic under consideration in such a focus group must be defined clearly and precisely (Saunders *et al.*, 2012). Terre Blanche and Durrheim (2004) suggest that a focus group discussion or activity should consist of four components, which are of vital importance to the optimal functioning of the group as a research unit. These components are procedure, interaction, content and recording:

- *Procedure* describes the set of rules that the group, together with the researcher, establishes at the beginning of the session. These rules explain what will be regarded as acceptable and unacceptable actions by group members.
- *Interaction* refers to the interpersonal communication that will take place amongst group members. The researcher must be alert to any kind of discrimination against a group member, dominance practised by any group member(s), or avoidance of topics.
- *Content* refers to the research question or questions, and the discussion(s) arising in response to these.
- Finally, the researcher should *record* the discussions that take place in the focus group. This can be done by taking extensive notes or by means of digital/video recording. The researcher must set aside time after the group session to complete the notes and to ensure that the detailed discussions have been recorded properly.

Interaction is not only a component of a focus group, but can also be seen as a function of the focus group, because it encourages individuals to bring together their individual points of view. A focus group promotes interaction between the group members that will bring different opinions together or create new points of view (Leedy & Ormrod, 2010; Salkind, 2012). The interaction gives participants an opportunity to discuss comments and opinions, often in order to reach consensus on the specific research problems (Babbie & Mouton, 2004; Creswell, 2002; Welman *et al.*, 2005). Other functions and possible outcomes of a focus group can be summarised as generating insight, gathering information and the further refinement of how members reach their decisions (Salkind, 2012).

There are several advantages to conducting focus groups. Important advantages seem to be that a focus group is highly flexible when it comes to the number of participants and groups; the group produces a large amount of data, and activities can be conducted in a short time at relatively low cost (Berg, 2007; Cohen *et al.*, 2004). A focus group can also contribute to explanations of a topic that has previously been misunderstood (Leedy & Ormrod, 2010; Salkind, 2012).

From the researcher's point of view, the ability to understand the thinking processes used by the individuals to arrive at a specific conclusion is important. The facilitator[22] of a focus group is actively involved in the focus group, mostly to facilitate the clarification and elaboration of comments made during the session. Therefore the facilitator has to create a protective and encouraging environment in which participants feel sufficiently secure to voice an experience, opinion or perception (De Vos *et al*., 2005; Salkind, 2012). However, even if all of the above factors are present, Salkind (2012) points out that the success of a focus group depends largely on the facilitator's ability to keep the members focused on the research question. An inherent risk when using a facilitator is that the facilitator has the ability to manipulate the outcome of the focus group activity with the questions he or she asks, and the responses of the group members he or she decides to pursue. The direction the facilitator chooses to take and the summaries he or she provides can also direct the thought processes of the group members, thus steering the outcome of the activity into a specific direction.

A strong limitation to using a focus group is the possibility that there may be participants in the group who feel unsafe about voicing their opinions on the research problem (Welman *et al*., 2005). This feeling can arise if individuals are biased about either the research problem or other members of the group. If the facilitator is unskilled, it could result in one or more participants' taking part more actively or even dominating the activity while the remaining members become more passive or accepting of the view(s) expressed. The outcome may be that some participants' voices remain unheard, or that their opinions are suppressed. Some members might refrain from participating because they accede to what they consider polite social behaviour (Berg, 2007; De Vos *et al*., 2005). However, focus group techniques such as the Interactive Qualitative Analysis (IQA) method build in procedures which allow the voice of each member of the group to be heard without the possibility that the researcher can influence the views of the participants (Northcutt & McCoy, 2004).

[22] The facilitator can be the researcher or an independent person acting as the facilitator.

Other disadvantages may be that confidentiality may be compromised when a focus group is used. Moreover, the research question may require group members to share experiences and opinions with the group, and some members may feel that the research question intrudes on their privacy. The researcher should therefore be aware that not all research questions are suitable for a focus group activity. For the current research, the research question was a question requiring factual input and did not require the participants to share personal experiences or even sensitive opinions.

4.2.2 Participant selection process

As a starting point, the researcher attended the TRN Conference in 2013 to discuss the possibility of facilitating a focus group at the TRN Conference in 2014. This discussion was held with the organising committee of the TRN Conference and the committee gave permission for the requested focus group to be held. The committee also committed to supporting the research as far as the committee was able to do within its mandate (see Appendix D).

During 2014, the organisers of the TRN Conference provided the researcher with a list of registered attendees at the doctoral colloquium and the main conference. The researcher selected the participants for the focus group by means of the non-probability convenience-type sampling technique (Cooper & Schindler, 2003). Non-probability sampling can also be called non-random or purposive sampling and includes a subjective element. The researcher's judgement was used to select the participants on the basis of their perceived ability to answer the research question and meet the objectives of the focus group activity, as recommended by Saunders *et al*. (2012). The specific sampling technique used was also a convenience sampling technique, also known as the availability sampling technique.

A refinement of the selection process can be found in the fact that the researcher attended the TRN Conference in 2013. At the 2013 Conference specific individuals were identified who might contribute significantly to the planned focus group. The selection took into account the country of origin of each possible attendee, as well as his/her contribution to the field of Taxation. In total, 54 people registered for the TRN 2014 Conference, including the doctoral colloquium. Of the 54 attendees, 38 were invited to participate in the proposed focus group. The TRN conference was targeted as this was a tax-specific conference and all attendees were focusing their research attention on the field of taxation. At this conference, only research applicable to taxation was presented. As not all attendees were personally known to the researcher, it was assumed that each individual that was selected and willing to participate in the focus group had something to say about the phenomenon under research.

A letter of invitation was e-mailed to each of the selected attendees. The letter included the rationale for the study, the purpose of the focus group, and the date, time and duration of the focus group session (see Appendix A). The venue was confirmed two days before the focus group by the organisers of the conference.

Of the invitees, 11 confirmed their attendance, but in the end, only nine of the invitees participated in the focus group, giving a 24% positive reaction to the original invitation. A focus group should have between eight and 12 participants (Babbie & Mouton, 2004; De Vos *et al*., 2005; Welman *et al*., 2005). Therefore the number of participants was adequate. Each of the participants signed a consent form and agreed to participate in the focus group, as well as in the follow-up correspondence.

Several issues regarding the attendance of the focus group were recognised. The most important issue was the timing of the focus group. Instead of having the focus group in the morning before the doctoral colloquium, it would have been more advantageous if it had been scheduled for the late afternoon of that day. Due to the travel arrangements of several of the invitees, they were unable to attend the focus group, because they only arrived at the conference venue during the afternoon. The dilemma with the scheduling was, however, that the researcher was presenting Method 1 of her research at the doctoral colloquium in the afternoon and did not want the participants of the focus group to be influenced by the findings of Method 1. Thus the earlier time was chosen, balancing the disadvantage of a smaller focus group against the advantage that the participants had not been exposed to or influenced by the findings using Method 1.

The final nine participants originated from eight different countries, including three First World countries,[23] one Second World country,[24] and four Third World countries,[25] thus giving the focus group a truly international flavour and providing a multi-level frame of reference in respect of policies and systems of taxation. A summary of the country of origin, gender, background and field of interest of the nine participants is provided in Table 4.1.

Table 4.1: Summary of focus group participants

COUNTRY	GENDER	BACKGROUND								INTEREST
		Economics	Law	Accountancy	Philosophy	Auditing	Marketing	Public Admin	Tax Admin	
Ghana	Male			X			X			Compliance, Tax Administration
Bangladesh	Female		X					X		Public policy
Jamaica	Female			X					X	Property tax, Morale, Fiscal studies
Ireland	Male			X						Morale, Compliance behaviour
Australia	Male	X								Tax, Fiscal federalism
Australia	Male	X	X	X						Comparative tax, Capital gains tax
South Africa	Male			X		X				Tax burden, Individuals
Wales	Male			X						Rule of power in tax policy
Poland	Female		X		X					Tax law, Tax avoidance and procedures

[23] The term "First World" refers to developed, *capitalist*, industrial countries, roughly, a bloc of countries aligned with the United States after World War II, with more or less common political and economic interests (Countries, 2015). In this study, the countries represented are Ireland, Wales, and Australia.

[24] "Second World" refers to the former *communist-socialist*, industrial states today (formerly the Eastern bloc, the territory and sphere of influence of the Union of Soviet Socialists Republic) (Countries, 2015). In this study, the country represented is Poland.

[25] "Third World" refers to all the other countries, today often used to roughly describe the developing countries of Africa, Asia and Latin America (Countries, 2015). In this study, the countries represented are South Africa, Jamaica, Bangladesh and Ghana.

Table 4.1 shows that the theoretical and experiential backgrounds of the participants included economics, law, accounting, philosophy, auditing, marketing, public administration and tax administration. The participants' fields of interest spanned tax compliance and avoidance, tax administration and procedure, public policy, tax morale and behaviour, fiscal federalism, comparative taxes, capital gains taxes and property taxes, tax burden and tax law. As Taxation can be seen as intertwined with several disciplines, the interdisciplinary nature of the selected participants was vital for the trustworthiness of the results.

4.2.3 IQA data collection and analysis

In the IQA process, the constructionist paradigm is evident in the very nature of the engagement, analysis and member checking that the participants perform themselves. Under the guidance of an independent facilitator and in complete silence, the focus group members commence with concept generation and then group the concepts into sets. During the process, the group members participate interactively in the activity despite maintaining silence. Thereafter, the independent facilitator enters into a process of clarifying the sets with the participants. Finally, each set is given a name by the group members themselves (Northcutt & McCoy, 2004). The data are thus generated via inductive reasoning (the process of naming) and deductive reasoning (the process of reorganising), described by John Dewey as the "double movement of reflective thought" (Cooper & Schindler, 2003; Northcutt & McCoy, 2004). In the IQA focus group activity, the data collection and analysis become part of the same process, where participants participate fully in drawing out themes and creating theory associated with the phenomenon that is being researched. The various stages in the IQA focus group activity and the different types of coding used in this study were the following (Northcutt & McCoy, 2004):

- participants generated data via the IQA method of brainstorming;
- participants sorted the data into categories of meaning (*deductive coding*);

- the facilitator assisted in expanding the clarification of meaning and naming (*inductive coding*) for the presented categories (called affinities[26]) *(axial coding)*;
- participants indicated the influences operant among all affinities in the system in the form of "if/then" statements, by completing a Detailed Affinities Relationship Table *(individual theoretical coding)*;
- the researcher focused on the group reality by compiling a group Affinities Relationship Table using the Pareto protocol *(group theoretical coding)*; and
- the researcher constructed the group reality through a process of rationalising the system by creating a group Systems Influence Diagram.

An independent facilitator began the focus group activity with some warm-up exercises consisting of relaxation exercises, giving the participants time for quiet reflection. During this period of quiet reflection, the independent facilitator then posed the research question: "What are the Fundamental Principles of Taxation?" Moving into the next stage, the participants were requested to write down their thoughts on flash cards. Each card reflected only one thought, expressed in words, phrases or pictures, for example, "confidentiality" or "property redistribution". The flash cards were stuck to a white board. This stage took place in total silence. Next, the participants were requested, again in silence, to sort the cards into sets containing notions that they perceived to be related or similar *(deductive coding).* They could use any criteria for sorting as long as they ultimately reached agreement that the sets represented the group's thoughts on the Fundamental Principles of Taxation. Finally, discussion followed, with the independent facilitator requesting clarification on each of the sets (concepts) that the participants had constructed *(axial coding).* Each set was provided with a heading or group name (*inductive coding*), for example, "public benefit" or "compliance". This step concluded the focus group activity.

After the focus group activity, the researcher listened several times to the recording of the focus group activity. She also consulted the recording whenever

[26] An affinity is described as a set of cards sorted together and given a name on account of the perceived relationship of the notions they represent, thereby, in this case, presenting a proposed single Fundamental Principle of Taxation as defined and described by the group.

clarification was needed. The researcher used the sets to construct a definition for each of the concepts (affinities) identified, for example:

> **Certainty (Affinity 1):** The tax system must be non-arbitrary.
>
> With this proposed Fundamental Principle the focus group described the importance of legal certainty, as well as administrative discretion in the tax system. Although discretion is an important aspect of taxation, the tax administrators should be consistent.

A document was compiled by the researcher containing the affinities in alphabetical order, and the participants' description of each affinity as constructed during the focus group activity and formulated by the researcher. Each participant in the focus group received the document via e-mail. The participants were requested to indicate whether there was a relationship between two affinities and, if so, also to indicate the direction of the relationship (in other words: does one affinity influence the other affinity? Does one affinity have power over another? Should one affinity be first and should it then be followed by another affinity? Is one affinity more important than another?). The IQA calls this a simple Affinities Relationship Table for each participant (Northcutt & McCoy, 2004). In other words, the participants decided individually which affinity of every two was the most influential.

To complete a more detailed Affinities Relationship Table *(individual theoretical coding),* the participants were asked to include a brief explanation of the relationship, using their own experiences and perceptions – these are called "if/then" statements (for example: ***If*** *a tax system has good internal organization and contains a well ordained set of rules and procedures,* ***then*** *it is predictable for taxpayers: thereby it offers them legal certainty*). The completed detailed Affinities Relationship Table documents were returned to the researcher, who used the information to construct a summarised Affinities Relationship Table for the focus group as a whole (Northcutt & McCoy, 2004). The summarised Affinities Relationship Table was constructed to reflect the focus group's mutual perception on the phenomenon, the Fundamental Principles of Taxation.

The main purpose of the IQA is ultimately to draw a picture of the system, called a Systems Influence Diagram, which represents a mind map of the group activity in respect of a specific phenomenon (Northcutt & McCoy, 2004), in this case, the Fundamental Principles of Taxation. A Systems Influence Diagram is a diagram drawn by using a group Interrelationship Diagram with a set of prescribed rules. An Interrelationship Diagram is the summary of all the theoretical codes in the system. Theoretical coding refers to all the possible influences or relationships amongst the affinities in a system. In this case, it refers to the affinities that evolved in the deductive, inductive and axial coding processes that took place. The group Interrelationship Diagram summarises the results of the group theoretical coding (Northcutt & McCoy, 2004).

Northcutt and McCoy (2004) suggest that using the Pareto principle[27] yields an acceptable group composite for the focus group. The principle is frequently used by management and systems theorists, who refer to it as the “trivial many and the significant few principle”, with specific reference to the idea that 20% of the variables in a system account for 80% of the total variation in the outcomes of that system (Northcutt & McCoy, 2004). Essentially, it means that a minority of relationships in any system account for the majority of disparity in that system. It is accepted that in any group there will be some disagreement on possible relationships. The Pareto protocol used is a rigorous and commanding technique to attain and document the degree of consensus in a focus group. The IQA process uses the Pareto rule of thumb to reach consensus within the group and to indicate which of the affinity pairs should be included in the Interrelationship Diagram.

The Interrelationship Diagram is a matrix containing the affinity pairs or relationships in the system. Through the process of indexing the degree of optimisation in the system, affinities are sorted as drivers,[28] outcomes[29] or pivots[30]

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[27] The Pareto principle is named after the nineteenth century economist Wilfredo Pareto (1843-1913) and states that ‘something like 20% of the variables in a system will account for 80% of the total variation in outcomes’ (Northcutt & McCoy, 2004:156).
[28] Primary drivers are elements that can be seen as the fundamental causes/sources of influence on affinities in a system. Secondary drivers are elements that are influenced by the primary drivers and are referred to as relative causes.
[29] Primary outcomes are significant effects caused by many of the affinities. Secondary outcomes reveal only relative effects.
[30] A pivot or circulator is an element that represents a position in the middle of the system where it is in equal measure influencing and being influenced by other affinities.

in order to draw the Systems Influence Diagram. First, a cluttered Systems Influence Diagram is drawn. This is then organised. Finally, it is uncluttered (Northcutt & McCoy, 2004). An uncluttered Systems Influence Diagram is created by the process of eliminating all the relationships that can possibly be substituted with another pathway on the diagram and presenting this visually.

For *Method 2,* data collection and analysis form part of the same process. The idea of the IQA focus group is not to interpret (Saunders *et al*., 2012), but to generate possible themes (Northcutt & McCoy, 2004), in this case, the Fundamental Principles of Taxation that can be used in the triangulation of the Fundamental Principles of Taxation.

4.3 Strengths and limitations of the research method

One of the strengths of the IQA is the fact that the participants of the focus group activity generate their own themes and then continue to code the data themselves (Bargate, 2014; Human-Vogel & Van Petegem, 2015; Northcutt & McCoy, 2004). The researcher is not involved in the process of data generation or data coding and therefore cannot influence the process or outcomes. A potential limitation of qualitative research is possible research bias by the researcher towards the data and its generation (Lasserre-Cortez, 2006). The IQA process addresses the risk of researcher bias (Northcutt & McCoy, 2004). The original voice of the focus group participants is thereby ensured. In the current study, bias was further addressed by using an independent facilitator to conduct the focus group session.

During the IQA process, themes are identified and coded, and then the relationships among the themes are explored. A strength of the process is that every relationship is explored and none is left out, ensuring that the various relationships are thoroughly examined, leading to a systematic illustration in the resulting Systems Influence Diagram (Human-Vogel & Van Petegem, 2015).

A further strength to be observed is the fact that an audit trail exists for the entire process followed during the research (Northcutt & McCoy, 2004).

Another potential limitation of the approach is the fact that the IQA process does not allow for individual voices to be distinguished after the focus group activity (Human-Vogel & Van Petegem, 2015), as the outcome of the focus group activity produces a combined voice. For the current research, this is not a problem, as the purpose of this method was to obtain a combined voice of the focus group participants. Although each participant did complete the Detailed Affinity Relationship Table, the documents were combined in the Pareto Analysis to obtain a combined Systems Influence Diagram.

A final possible limitation is the time required to complete the entire IQA process (Bargate, 2014). The focus group participants' time was required for them to attend the two-hour focus group activity. Then, after the focus group activity was completed, a document with the descriptions of the affinities was e-mailed to the participants for their attention. The time required for this activity was approximately 30 minutes. A final document containing the Detailed Affinity Relationship Table was e-mailed to the participants for completion. The time necessary to complete this document was approximately 45 to 60 minutes. As a summary, the time required from the participants for the entire research process was between three and four hours. This limitation was communicated to the participants from the beginning. The letter of invitation specified the time requirement. The independent facilitator also emphasized the different stages and the time required for every stage.

CHAPTER FIVE

THE DATA COLLECTION THROUGH THE INTERACTIVE QUALITATIVE ANALYSIS

5.1 Creating affinities

Diversity among the participants was of methodological importance in this study, as the Fundamental Principles of Taxation should be formulated by international role-players with interdisciplinary attributes (see Table 4.1). The participants for the focus group activity were therefore selected from a wide range of backgrounds and countries.

The organisers of the TRN 2014 Conference provided a suitable venue at Roehampton University in London where the focus group activity could be held. The venue had enough room, and had chairs and tables for all the participants. The walls could not be used for flash cards, so two portable whiteboards were provided. The focus group commenced at 8:00. This early start was crucial, because the focus group had to be concluded by 10:00, since the doctoral colloquium commenced at 10:30, and the participants were all either presenters or supervisors who had to attend this colloquium. On average, a focus group session of two hours is thought to be sufficient to yield credible results, and this also applies for the IQA method (Leedy & Ormrod, 2010; Northcutt & McCoy, 2004).

On entering the venue, each participant was welcomed by the independent facilitator and was given 30 flash cards and a whiteboard pen. The participants signed the consent forms (see Appendix E) and completed a short introductory questionnaire (see Appendix F). Before commencing, permission to record the focus group activity on a Dictaphone was obtained from the participants. The independent facilitator started the proceedings by explaining the IQA method that would be used in the focus group activity. To start the focus group activity, he quietened the participants and created an atmosphere of relaxation (by means of relaxation exercises) and reflection. In this serene atmosphere, the facilitator posed the following question: *What are the Fundamental Principles of Taxation?* He then requested the participants to write, in silence, as many ideas, concepts, phrases or principles as they wished on separate flash cards and then to stick these flash cards on one of the big whiteboards provided. The participants continued with this task until the independent facilitator judged that, for the moment, all ideas, concepts, phrases and principles were on the board. He explained that more flash cards could be added at any time.

Next, the participants were asked to sort the flash cards into sets, still maintaining complete silence. Participants could duplicate cards if they felt some needed to be in more than one set. The criteria for ordering the cards were to take form from the unspoken actions of the participants themselves. The process continued until the participants were satisfied that each idea, concept, phrase and principle written on a card had been accurately sorted and grouped.

The independent facilitator then engaged the participants in a clarifying and interactive discussion. The goal of the discussion was for the participants to name each set and reach agreement about the name given, then clarify and confirm whether each idea, concept, phrase and principle included in the set belonged there or needed to be moved to another set. This part of the process was time-consuming, as each flash card and set needed to gain consensus from all the participants.

After the process was completed, the independent facilitator thanked the participants for their time and contribution towards the research. The researcher observed the focus group activity and assisted the facilitator when necessary. She also recorded the session on a Dictaphone while making notes and observations.

During the focus group activity, all the participants were actively involved in all the stages. In total, the group generated 91 flash cards sorted into 10 sets. Cooperative discussions with the help of the independent facilitator assisted in clarifying the different sets. After some discussion, the participants agreed to the name given to a specific set. Language remained a barrier in cases where the participants were not first language speakers of English. In some instances, the nuances given to words posed a challenge. The facilitator addressed this challenge by requesting clarification on specific concepts where uncertainty was detected.

After the focus group session, the independent facilitator and the researcher spent time discussing the focus group activity and making additional reflective notes. The researcher then listened to the recording, adding to her notes to enrich her record of the session. Each set of flash cards with the name given was carefully analysed. Based on what was on the flashcard, and the recording and additional notes, the researcher formulated a description for each affinity, using the participants' ideas, concepts, phrases and principles, as written on their flash cards. An important aspect of the formulation was ensuring that the voice of the focus group was accurate, fully representative and clear in the description, thereby reflecting the group members' authentic words and meaning.

After completing the process, the researcher provided her supervisors with the flash cards and descriptions for further comments and questions. The purpose of the process was to ensure the confirmability and dependability of the descriptions through an inquiry audit, specifically, checking whether the ideas, concepts, phrases and principles as written on the flash cards were accurately represented in the final descriptions. After the descriptions had been approved, they were returned to the participants of the focus group via e-mail for their approval. The researcher requested the participants to check and, if necessary, revise the descriptions of the affinities and to declare that the descriptions as revisited by them were in fact the voice of the focus group activity as it was held. All the participants confirmed that they were satisfied with the descriptions, and no changes were suggested. Only then were the affinities with their descriptions accepted as a true reflection of the voice of the focus group.

5.2 Affinity descriptions (Fundamental Principles of Taxation)

The following affinity descriptions were accepted as having emerged specifically from the focus group activity in answer to the question: *What are the Fundamental Principles of Taxation?* The affinity descriptions are listed alphabetically. The listing does not reflect their relative importance.

Certainty (Affinity 1): ***The tax[31] system must be non-arbitrary.***

With this proposed Fundamental Principle, the focus group described the importance of legal certainty as well as administrative discretion in the tax system. Although discretion is an important aspect of taxation, tax administrators should be consistent.

Coherence (Affinity 2): ***A set of guiding principles and rules should be used as a yardstick to move from chaos to order in the tax environment.***

With this proposed Fundamental Principle, the focus group emphasised the importance of tax administration to develop procedures in order to apply the guiding principles and rules set out in tax legislation. Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system. The neutrality of the tax system should be protected by legislation.

Fairness (Affinity 3): ***Taxpayers with equal ability will contribute equally.***

The focus group described this proposed Fundamental Principle as the vital importance of tax ethics. The system should ensure the accountability and participation for all to create justice. The necessary procedures should be in place to promote adequate confidentiality while adhering to appropriate transparency. The principle of redistribution of property should be observed to create equity.

Obligation (Affinity 4): ***Taxpayers have a duty to contribute towards the cost of a country.***

With this proposed Fundamental Principle the focus group indicated that paying taxes is a "social and civic responsibility" of citizens in a civilized society. In theory, the contribution should be voluntary, but in practice it is compulsory.

Practicability (Affinity 5): ***There must be a feasible time to pay taxes.***

With this proposed Fundamental Principle, the focus group indicated that when a

[31] Tax: the shortened version for 'taxation' was used by the focus group activity participants and the two forms are therefore used interchangeably in this discussion.

tax payment is made, the payment must take place at the right moment, when it is most convenient to the taxpayer. The legislator should understand the business environment. The tax law must be structured to create a feasible situation where the tax law is neither too complex, nor oversimplified.

Public benefit (Affinity 6): ***A government should use its taxes to provide benefits and services to the public for development and the common good.***
The focus group strongly associated the payment of taxes and public services. Income redistribution should be beneficial to people's lives, as well as to society in general.

Raising revenue (Affinity 7): ***Government finances are dependent on sustainable revenue.***
With this proposed Fundamental Principle, the focus group indicated that government finances are dependent on sustainable revenue collected from a country's citizens. Two key concepts are the basic threshold, where the government must protect lower income earners, and the tax rate, to ensure that enough revenue is collected, while the taxpayer has a sustainable portion of income left.

Tax compliance (Affinity 8): ***A tax-paying culture is needed where there is a "willingness to voluntarily" pay taxes.***
With this proposed Fundamental Principle, the focus group emphasised the importance of the tax moral(s) in a country where trust should exist between taxpayers and the government. The government should support the taxpayers' perception that they are heard. Compliance relates to tax incentives. When tax morals are negative, the government will need stringent tax enforcement to deter taxpayers from avoiding and/or evading tax.

Tax understanding (Affinity 9): ***There is a need for a tax education system.***
With this proposed Fundamental Principle, the focus group suggested that the essence of an understandable tax system lies in tax education. The question then arises whether taxpayers are aware of the various taxes they may be liable to pay.

Value system (Affinity 10): ***There should be a general belief in an ideal tax system.***

The focus group associated this proposed Fundamental Principle with an understanding that the social construction of truth underpins an ideal tax system. When conflicting interests exist, discussion is needed to reach a final consensus. Undisputed tax moral(s) should be the foundation of a tax system.

5.3 Creating the Interrelationship Diagram

The researcher continued with the IQA process by creating a Detailed Affinities Relationship Table (see Appendix G). The Detailed Affinities Relationship Table was sent to the participants via e-mail, with a request to complete the document and return it to the researcher. Eight of the nine participants completed the Detailed Affinities Relationship Table and returned it to the researcher. One participant declared that he was not in a position to do so.

The returned documents were analysed and summarised. A Pareto Analysis was performed (see Table 5.1) on the summarized data. The MinMax Criterion of the Pareto Analysis provides criteria for deciding which relationships should be included in an Interrelationship Diagram. The cut-off relationship is identified at the point where the maximum variation in the system (the cumulative percentage based on frequency – see Box 5.1) coincides with the minimum number of relationships (cumulative percentage based on relation – see Box 5.2).

Box 5.1: Calculating the cumulative percentage (frequency) in Table 5.1

The percentages in this column are calculated by starting off with the "Frequency – descending" column. This column represents the total number of votes for each affinity pair sorted in descending order. The next column, "Cumulative frequency", is then an accumulation of the previous column, where each consecutive number of votes is added to the accumulated previous number. For example, No 3:

16 (the accumulated previous number)

+ 8 (the current number of votes)

= 24.

The column "Cumulative percentage – frequency" is then calculated by taking the "Cumulative frequency" column and dividing it by 243 (the total number of votes cast for this study). For example, No. 3:

24 (cumulative frequency) ÷ 243 (the total number of votes cast for this study) x 100 = 9.9% (rounded).

Box 5.2: Calculating the cumulative percentage (relation) in Table 5.1

The percentage in this column is based on the total number of relationships in this study, which is 90. Each relationship represents 1/90, as a percentage (rounded) of the total number of relationships, which is 1.1%. The column shows the percentage as an accumulation of all the previous percentages.

Table 5.1 represents only the first 50 relationships out of the total of 90 relationships, as the remainder of the relationships were below the cut-off point indicated by the power score (see the last column in Table 5.1). See Box 5.3 for the calculation of the power column. The power reaches its maximum of 31.0 at relationship number 41.

Box 5.3: Calculating the power in Table 5.1

For calculating the "Power" column, the "Cumulative percentage – relation" column is subtracted from the "Cumulative percentage – frequency" column. For example, No 3: 9.9 – 3.3 = 6.6 (see Table 5.1)

Relationship No 41 (shaded dark grey) is therefore the cut-off point. This means that the first 41 of the total of 90 relationships in the current system represent 76.5% of the variance in the system.

Table 5.1: Pareto Analysis

No	Affinity pair relationship	Frequency (descending)	Cumulative frequency	Cumulative percentage (relation)	Cumulative percentage (frequency)	Power
1	1 →8	8	8	1.1	3.3	2.2
2	2 →8	8	16	2.2	6.6	4.4
3	3→ 8	8	24	3.3	9.9	6.6
4	5→8	8	32	4.4	13.2	8.8
5	2 →9	7	39	5.6	16.0	10.4
6	8 ←9	7	46	6.7	18.9	12.2
7	4→8	6	52	7.8	21.4	13.6
8	7←8	6	58	8.9	23.9	15.0
9	8←10	6	64	10.0	26.3	16.3
10	1 →9	5	69	11.1	28.4	17.3
11	3 →4	5	74	12.2	30.5	18.3
12	3→10	5	79	13.3	32.5	19.2
13	4→ 6	5	84	14.4	34.6	20.2
14	4 →7	5	89	15.6	36.6	21.0
15	5 →7	5	94	16.7	38.7	22.0
16	6→ 8	5	99	17.8	40.7	22.9
17	7←10	5	104	18.9	42.8	23.9
18	1 →3	4	108	20.0	44.4	24.4
19	1 →4	4	112	21.1	46.1	25.0
20	1→7	4	116	22.2	47.7	25.5
21	2 →7	4	120	23.3	49.4	26.1
22	2→10	4	124	24.4	51.0	26.6
23	3 →7	4	128	25.6	52.7	27.1
24	4 ← 9	4	132	26.7	54.3	27.6
25	6→ 7	4	136	27.8	56.0	28.2
26	6← 7 (?)	4	140	28.9	57.6	28.7
27	7 ← 9	4	144	30.0	59.3	29.3
28	1 →2	3	147	31.1	60.5	29.4
29	1 ←2 (?)	3	150	32.2	61.7	29.5
30	1←3 (?)	3	153	33.3	63.0	29.7
31	1 →5	3	156	34.4	64.2	29.8
32	1 →6	3	159	35.6	65.4	29.8
33	1→10	3	162	36.7	66.7	30.0
34	2→ 3	3	165	37.8	67.9	30.1
35	2←3 (?)	3	168	38.9	69.1	30.2
36	2 →6	3	171	40.0	70.4	30.4
37	3← 6	3	174	41.1	71.6	30.5
38	4 ←5	3	177	42.2	72.8	30.6
39	6 ←9	3	180	43.3	74.1	30.8
40	6←10	3	183	44.4	75.3	30.9
41	9→10	3	186	45.5	76.5	31.0
42	2 →4	2	188	46.7	77.4	30.7
43	3←5	2	190	47.8	78.2	30.4
44	3 → 6	2	192	48.9	79.0	30.1
45	3 ← 7	2	194	50.0	79.8	29.8
46	3 → 9	2	196	51.1	80.7	29.6
47	3 ←9	2	198	52.2	81.5	29.3
48	3←10	2	200	53.3	82.3	29.0

No	Affinity pair relationship	Frequency (descending)	Cumulative frequency	Cumulative percentage (relation)	Cumulative percentage (frequency)	Power
49	4 ← 6	2	202	54.4	83.1	28.7
50	4 → 9	2	204	55.6	84.0	28.4

***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

Relationships Nos 1 to 41 were thus used to complete an unsorted Interrelationship Diagram (see Figure 5.1). For every relationship, two arrows were drawn. The first relationship is 1→8, which means that Affinity 1 has power over Affinity 8. In the unsorted Interrelationship Diagram (see Figure 5.1), the affinities are indicated from 1 to 10 on the horizontal axis, as well as on the vertical axis. To indicate the first relationship, one needs to start at Affinity 1 on the vertical axis, moving in the row (on the horizontal axis) to the column of Affinity 8. In accordance with the Pareto Analysis (see Table 5.1), the arrow must point upwards, indicating that Affinity 1 influences Affinity 8. For the second arrow, the point of departure is Affinity 1 on the horizontal axis, moving downwards in Column 1 to the row of Affinity 8 on the vertical axis. In line with the same result in the Pareto Analysis (see Table 5.1), the arrow must now point to the left, confirming that Affinity 8 is influenced by Affinity 1. The process is completed for every one of the 41 relationships. Once the process has been completed, all the arrows pointing upwards in a specific row are counted and recorded in the column titled “Out”. All the arrows pointing to the left in a specific row are counted and recorded in the column titled “In”. Then the delta (∆) is calculated for each row by subtracting the number under “In” from the number under “Out”.

Figure 5.1: Unsorted Interrelationship Diagram

	1	2	3	4	5	6	7	8	9	10	Out	In	Δ
1		↑	↑	↑	↑	↑	↑	↑	↑	↑	9	0	9
2	←		↑			↑	↑	↑	↑	↑	6	1	5
3	←	←		↑		←	↑	↑		↑	4	3	1
4	←		←		←	↑	↑	↑	←		3	4	-1
5	←			↑			↑	↑			3	1	2
6	←	←	↑	←			↑	↑	←	←	3	5	-2
7	←	←	←	←	←	←		←	←	←	0	9	-9
8	←	←	←	←	←	←	↑		←	←	1	8	-7
9	←	←		↑		↑	↑	↑		↑	5	2	3
10	←	←	←			↑	↑	↑	←		3	4	-1

***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

The Interrelationship Diagram in Figure 5.1 was then sorted according to the delta (Δ), from the highest to the lowest number. Figure 5.2 shows the sorted Interrelationship Diagram.

Figure 5.2: Sorted Interrelationship Diagram

	1	2	3	4	5	6	7	8	9	10	Out	In	Δ
1		↑	↑	↑	↑	↑	↑	↑	↑	↑	9	0	9
2	←		↑			↑	↑	↑	↑	↑	6	1	5
9	←	←		↑		↑	↑	↑		↑	5	2	3
5	←			↑			↑	↑			3	1	2
3	←	←		↑		←	↑	↑		↑	4	3	1
4	←		←		←	↑	↑	↑	←		3	4	-1
10	←	←	←			↑	↑	↑	←		3	4	-1
6	←	←	↑	←			↑	↑	←	←	3	5	-2
8	←	←	←	←	←	←	↑		←	←	1	8	-7
7	←	←	←	←	←	←		←	←	←	0	9	-9

***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

In the Pareto Analysis, four ambiguous relationships were identified: Relationships 1 and 3, 6 and 7, 1 and 2, and 2 and 3 (shaded pale grey in Table 5.1). Ambiguous relationships refer to the situation where the power between two affinities is strong in both directions, and both directions were included in the selection of relationships above the cut-off point. For example: Affinity 1 influences

Affinity 2 and Affinity 2 influences Affinity 1. These relationships with power in both directions were included in the 41 relationships identified through the Pareto Analysis (see Table 5.1). In the unsorted Interrelationship Diagram (see Figure 5.1), only one direction between two affinities can be included. As both relationships (e.g. 1→2 and 2→1) were selected by the Pareto Analysis, the ambiguity had to be resolved. According to Northcutt and McCoy (2004), there are two possible resolutions for ambiguity. The first possibility is that there is an "undetected common influence" that may be identified in the course of drawing the Systems Interrelationship Diagram. The second possibility is an "undetected feedback loop". These ambiguities may also usually be resolved during the creation of the Systems Influence Diagram (Northcutt & McCoy, 2004:162).

As a relationship in both directions cannot be included, the first occurrence (or the highest frequency) of the relationship must be chosen for inclusion in the Inter-Relationship Diagram (see Figure 5.1). The ambiguous relationships are usually resolved by identifying an undetected feedback loop or undetected common influence that emerges after the creation of the Systems Influence Diagram (Northcutt & McCoy, 2004). If the ambiguous relationship is not resolved by this method, then an alternative resolution has been advised by Northcutt in an unpublished revision of the theory (see Box 5.4 on page 137).

5.4 Drawing of the Systems Influence Diagram

The sorted Interrelationship Diagram (Figure 5.2) yielded drivers[32] and outcomes[33] in the system. Drivers are identified as positive deltas (∆) while negative deltas are outcomes. Drivers and outcomes can be classified as either primary or secondary. When a driver has no "In" count (Figure 5.2), it is classified as a primary driver. The same scenario can be applied to outcomes with no "Out" count. They are classified as primary outcomes. A driver or outcome with "In" and "Out" counts is classified as secondary. Tentative Systems Influence Diagram assignments (see

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[32] Primary drivers are elements that can be seen as the fundamental causes/sources of influence on affinities in a system. Secondary drivers are elements that are influenced by the primary drivers and are referred to as relative causes.
[33] Primary outcomes are significant effects caused by many of the affinities. Secondary outcomes reveal only relative effects.

Table 5.2) represent the identification of drivers and outcomes. The tentative Systems Influence Diagram assignments were used to create the cluttered Systems Influence Diagram (see Figure 5.3). Colour codes are used to assist the reader in following the process of drawing and interpreting the Systems Influence Diagram.

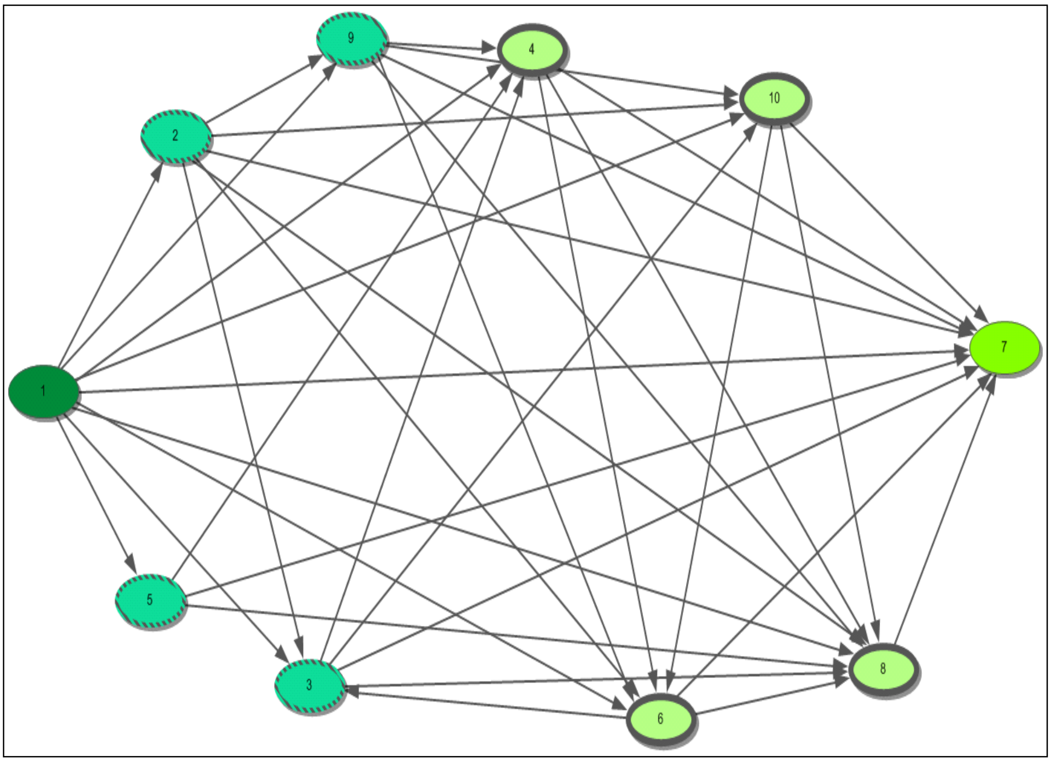
Table 5.2: Tentative Systems Influence Diagram assignments

Affinity number	SID assignments
1	Primary driver
2	Secondary driver
9	Secondary driver
5	Secondary driver
3	Secondary driver
4	Secondary outcome
10	Secondary outcome
6	Secondary outcome
8	Secondary outcome
7	Primary outcome

***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

In a cluttered Systems Influence Diagram, the primary drivers are plotted on the far left of the diagram, and the secondary drivers are placed to the right of the primary drivers. The primary outcome is placed on the far right of the diagram, with the secondary outcomes to the left of the primary outcomes. The sorted Interrelationship Diagram (see Figure 5.2) was used to draw the Systems Influence Diagram. All the arrows in the Interrelationship Diagram were indicated on the Systems Influence Diagram as arrows. The direction was the same as in the Interrelationship Diagram. If the Interrelationship Diagram indicated that 1→8 (1 influences 8), then the arrow would start at 1 with the tip of the arrow ending at 8. This procedure was followed for every relationship indicated in the Interrelationship Diagram. The product was a cluttered Systems Influence Diagram (see Figure 5.3).

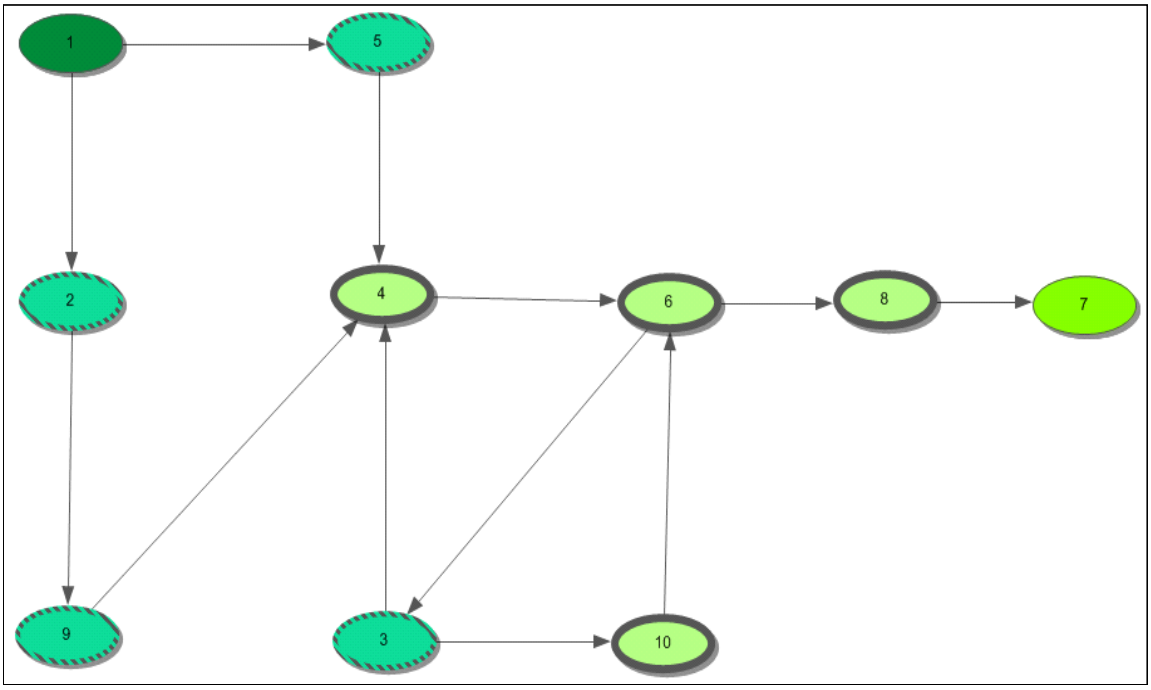
Figure 5.3: Cluttered Systems Influence Diagram



***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

The cluttered Systems Influence Diagram (see Figure 5.3) represents all the relationships that were selected by means of the Pareto Analysis and were included in the Interrelationship Diagram (see Figure 5.2). For each relationship between two affinities, only one pathway should exist. The process of uncluttering was therefore followed. The researcher commenced on the left side of Figure 5.3. For every direct relationship (for example: 1→8) marked, the researcher looked for an alternative pathway (1→5→8). When the alternative pathway was found, then the direct pathway was deleted. This was a very important process, as redundant pathways needed to be eliminated from the Systems Influence Diagram. The result is a Systems Influence Diagram that adheres to the principle of the “trivial many and the significant few”, called an uncluttered Systems Influence Diagram (see Figure 5.4).

Figure 5.4: Uncluttered Systems Influence Diagram



***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

According to Northcutt and McCoy (2004), ambiguous relationships should be resolved through the Systems Influence Diagram. The Systems Influence Diagram should identify the "undetected common influence" or the "undetected feedback loop" at this point (Northcutt & McCoy, 2004:162). However, in the current Systems Influence Diagram, the ambiguous relationships were not resolved. Researchers experienced in the use of IQA were consulted, to no avail. The researcher therefore requested assistance from Northcutt (the co-author of the book on the IQA methodology) in this regard via e-mail. Northcutt responded by sending an as yet unpublished revised chapter (Northcutt, 2015) on the Pareto analysis to the researcher to help to clarify the ambiguous relationships. The chapter provides an in-depth explanation of possible resolutions to ambiguous relationships (also called conflicts).

Using the new suggestions provided by Northcutt, the uncluttered Systems Influence Diagram (see Figure 5.4) was revisited to reconcile the conflicts. The process is described in Box 5.4. Based on these suggestions, the second occurrence or lowest frequency of each ambiguous relationship (see Table 5.1) was included in the uncluttered Systems Influence Diagram. The Systems Influence Diagram was examined focusing on the ambiguous relationships that created bi-directional ("double-headed") arrows. After the process of uncluttering, each bi-directional arrow was resolved by identifying a different pathway for that relationship. By means of the new systematic approach, all the conflicts could be resolved.

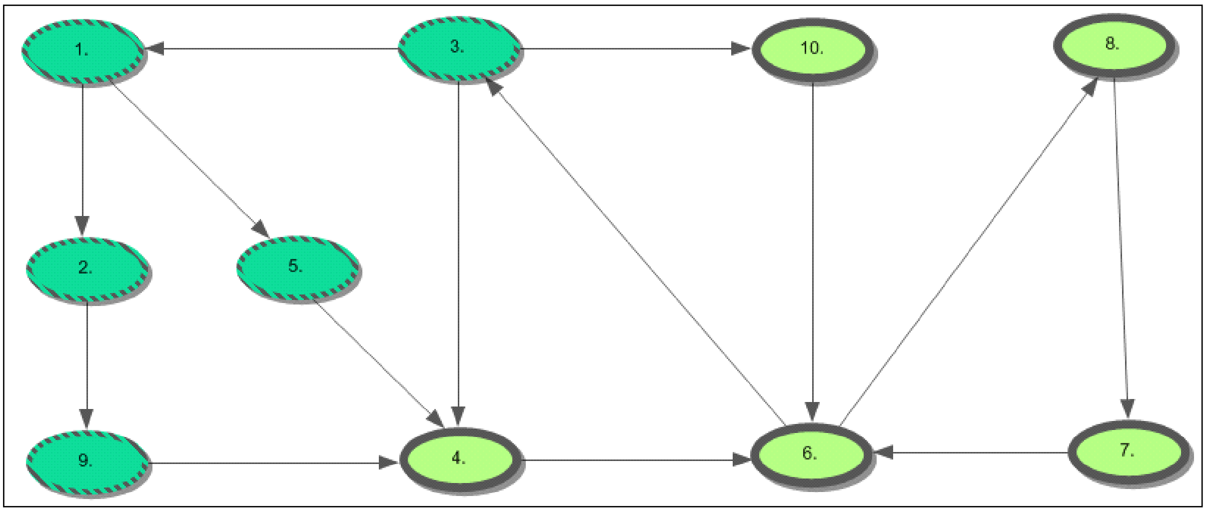
Box 5.4: Reconciling conflicts in the Systems Influence Diagram

Reconciliation process to consolidate the Systems Influence Diagram and the ambiguous relationships
Step 1: Remove all the redundant links from the cluttered SID. For each ambiguous relationship, insert the second relationship into the uncluttered SID still in the delta circular formation.
Step 2: Examine the system, noting conflicts that create a "double-headed arrow" situation.
Step 3: Starting from bottom right (primary outcome) to top left (primary driver) remove any double-headed arrow (conflicting relationship) if there is another path. Do not remove any of the original relationships that are part of the double-headed arrow pair. If there is no alternate path for the conflicting double-headed arrow, let it remain to be addressed later.
Step 4: Perform the backward arrow removal process as you would in any uncluttered SID. However, do not remove any of the original relationships.

Source: Northcutt (2015)

The final uncluttered Systems Influence Diagram (Figure 5.5) represents a mind map of the focus group session with regard to the proposed Fundamental Principles of Taxation.

Figure 5.5: Final uncluttered Systems Influence Diagram after resolving the ambiguous relationships



***Affinities**: **1**-Certainty, **2**-Coherence, **3**-Fairness, **4**-Obligation, **5**-Practicability, **6**-Public benefit, **7**-Raising revenue, **8**-Tax compliance, **9**-Tax understanding, **10**-Value system

CHAPTER SIX

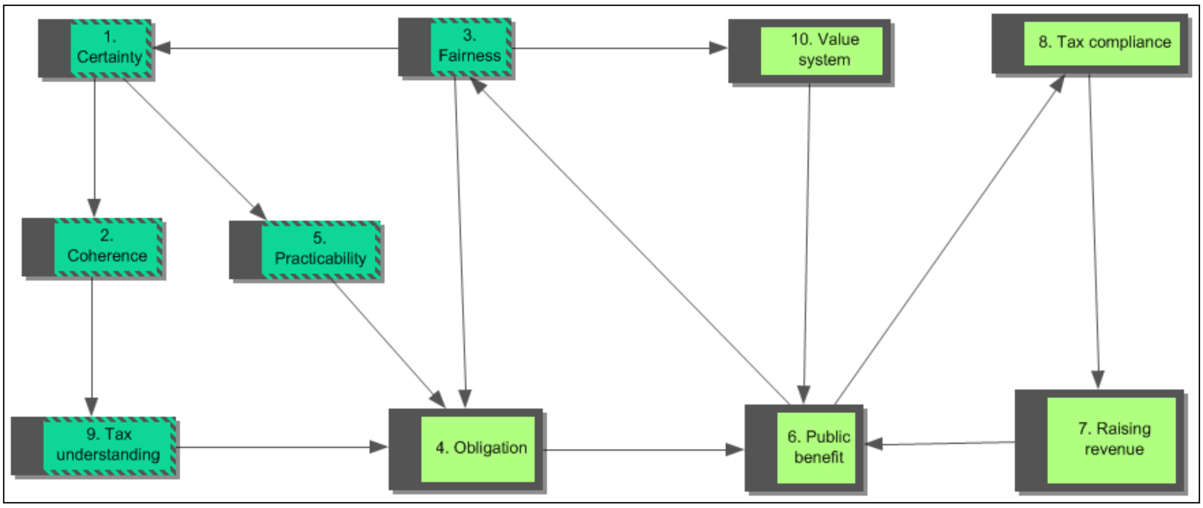
INTERACTIVE QUALITATIVE ANALYSIS DATA ANALYSIS: DISCUSSION OF FINDINGS

6.1 Discussion of the Systems Influence Diagram

6.1.1 Orientation

For ease of reference, the final uncluttered Systems Influence Diagram (Figure 5.5) has been enhanced to include the names of the affinities. The final Systems Influence Diagram is presented in Figure 6.1.

Figure 6.1: Final Systems Influence Diagram



To enhance understanding of the final Systems Influence Diagram (Figure 6.1), a number of points should be noted about the diagram.

Firstly, before the ambiguous relationships were resolved, the Systems Influence Diagram had a single primary driver and a single primary outcome (see Figure 5.4), suggesting that there was a definite and strong focus regarding both the drivers and the outcomes. After resolving the ambiguous relationships, Affinity 1 is still marked as a strong driver (the only one that directly influences two other secondary drivers), but it is no longer a primary driver. Affinity 7, formerly a primary outcome, has also become a secondary outcome.

A possible explanation could be that no single proposed Fundamental Principle can be seen as either a totally dominant point of departure or a totally dominant product of the system. Secondly, the need to copy a number of flash cards during the focus group activity for inclusion in more than one affinity also points to a circular motion. The four ambiguous relationships identified during the data analysis process are further evidence of this. An example of the circular motion can be found in the descriptions formulated for Affinity 1 and Affinity 2:

> **Affinity 1: Certainty** (A non-arbitrary tax system).
>
> **Affinity 2: Coherence** (A set of guiding principles and rules to be used as a yardstick to move from chaos to order in the tax environment).

These two brief descriptions of the affinities suggest that they address much the same notion from two different but related angles, although the affinity *names* denote two discrete concepts. The participants' associations on the basis of which these two proposed Fundamental Principles were formed therefore seem to be closely related to one another in the theoretical discipline of Taxation.

6.1.2 Feedback loops

6.1.2.1 Overview

The Systems Influence Diagram (Figure 6.1) finally presented five feedback loops. A feedback loop is a circular motion of affinities within a system, where there is no beginning or end. These loops are discussed in depth below.

- **Feedback Loop 1**: Affinity 3 → Affinity 1 → Affinity 2 → Affinity 9 → Affinity 4 → Affinity 6 → Affinity 3 → Continuous
- **Feedback Loop 2:** Affinity 3 → Affinity 1 → Affinity 5 → Affinity 4 → Affinity 6 → Affinity 3 → Continuous
- **Feedback Loop 3:** Affinity 3 → Affinity 4 → Affinity 6 → Affinity 3 → Continuous
- **Feedback Loop 4:** Affinity 3 → Affinity 10 → Affinity 6 → Affinity 3 → Continuous
- **Feedback Loop 5:** Affinity 6 → Affinity 8 → Affinity 7 → Affinity 6 → Continuous

The number of feedback loops in the system of Taxation is indicative of the complexity of the influential effects of the proposed Fundamental Principles on one another. The continual influences between the Principles at the various stages of the Systems Influence Diagram support the contention that the proposed Fundamental Principles should not be evaluated in isolation, one by one, but are all influenced by others.

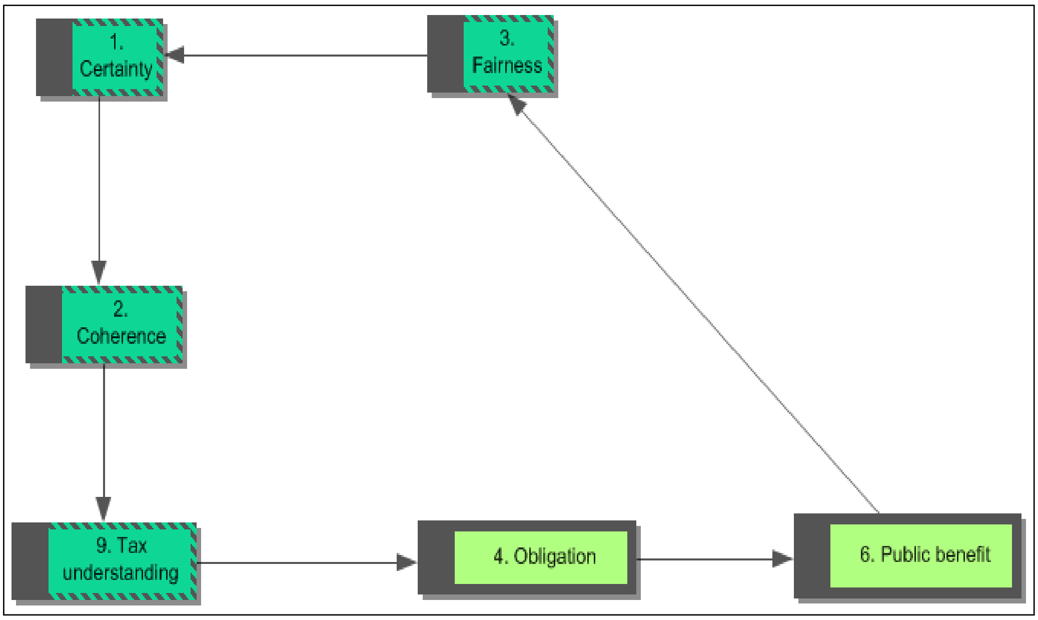
A further noteworthy finding is that **Affinity 6: Public benefit,** a secondary outcome, is part of all five feedback loops, suggesting that the participants regarded it to be an essential consideration in Taxation. It is therefore possible already to assume at this stage that the participants ascribed a conditional status to Affinity 6 in relation to all the affinities, and that they saw taxation as standing or falling on the basis of the public benefit principle.

6.1.2.2 Discussion

FEEDBACK LOOP 1

Feedback Loop 1 (see Figure 6.2) can be described as "Educated taxpayers will understand their duty and benefits in a fair and certain (unambiguous) set of guidelines"

Figure 6.2: Feedback Loop 1: "Educated taxpayers will understand their duty and benefits in a fair and certain (unambiguous) set of guidelines"



The discussion of the loop commences with the secondary driver, **Affinity 3: Fairness**. According to the affinity description of fairness by the focus group, Fairness describes the importance of tax ethics in a tax system. **Affinity 3: Fairness** influences **Affinity 1: Certainty**. The role of tax ethics in creating a non-arbitrary tax system should not be underestimated. Participants commented[34] that "*[i]f like cases are treated alike, then the treatment which a taxpayer will receive is predictable according to previous cases similar to his*" (P4) and "*if a taxpayer thinks the system is fair then she will not be so concerned when discretion is granted by the administrator*" (P6). This implies that a tax system is strengthened by tax ethics.

Affinity 1: Certainty influences **Affinity 2: Coherence**. A tax system should support the discretion of the administration where the administration is consistent in applying the rules and procedures in an efficient manner. One of the participants commented: "*If a tax system maintains certainty then it will be easier to ensure coherence*" (P2).

Coherence influences **Affinity 9: Tax understanding**. The participants held the opinion that a coherent tax system will be more understandable. In the words of a participant: "*If a tax system is ordered, then it is more lucid and understandable for taxpayers and they are more easily educated in it*" (P4). On the other hand, a breakdown of the relationship between the taxpayers and the tax administration/legislator may increase tax risks. This was confirmed by one of the participants, who commented: "*If there is no coherence between the administrative and the legal processes, then taxpayers may not understand the tax system properly and may interpret it to their advantage*" (P5).

Tax understanding leads to the outcome of **Affinity 4: Obligation**. The overall perception of the participants was that a better understanding of the tax system by the taxpayers will create a positive atmosphere for taxpayers to contribute their taxes. This was confirmed by a participant who stated that "*if there is a clear*

[34] Participants' comments are printed in italics to distinguish their voices from quotations from the literature. The participants' comments are quoted verbatim, and any minor grammatical changes or insertions are marked with square brackets.

understanding of the tax system, then the taxpayers will accept and honour their obligation within it" (P5).

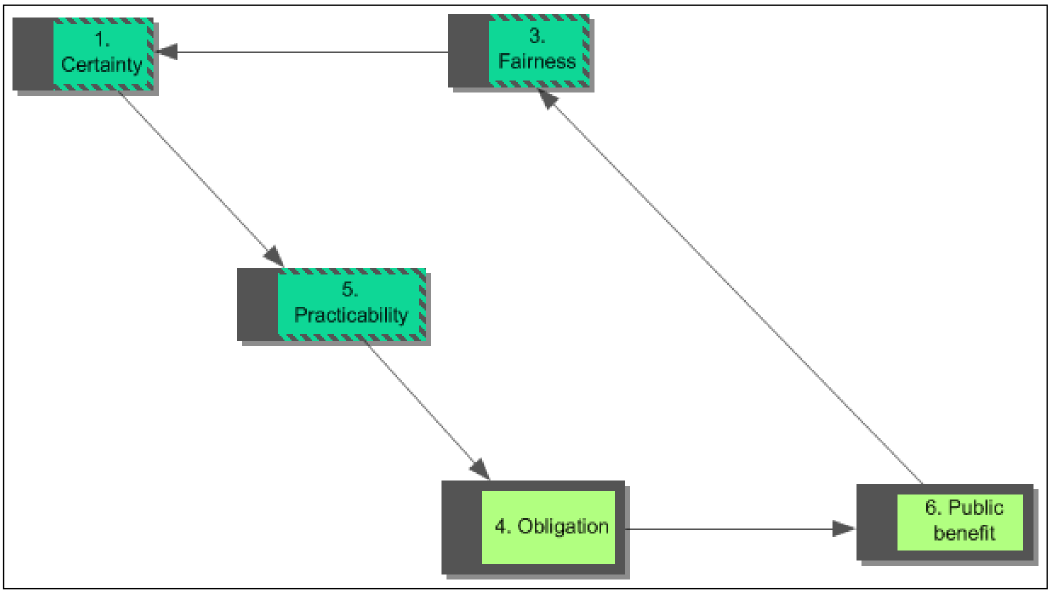
Obligation leads to the further outcome of Affinity 6: **Public benefit.** The relationship can resonate with various ideas about the tax system. The first idea is that "*the government can only use taxes for public benefit if taxpayers feel obligated to pay*" (P1). Another is that "*if a taxpayer is obliged to pay taxes, then [he or she] should be used for the public benefit*" (P4). A further idea could be that the obligation to pay tax obliges the government to spend the revenue to the benefit of the public. The various ideas raised lead to the possible conclusion that an obligation to pay and the benefits received by the public appear to be a multi-factorial relationship. These two affinities (as a pair) are in fact a part of three of the feedback loops (Feedback Loops 1, 2 and 3), always in the same direction of influence.

The final influence in Feedback Loop 1 is that of the secondary outcome, **Affinity 6: Public benefit** over the secondary driver, **Affinity 3: Fairness**. Public benefits should create justice for all – "*the distribution of public services has to be in fair manner*" (P8); and "*[t]axpayers are more likely to feel that a tax system is fair if tax revenue is used for the public benefit*" (P1). This relationship is the most important one, as it appears in four feedback loops (Feedback Loops 1, 2, 3 and 4).

FEEDBACK LOOP 2

Feedback Loop 2 (see Figure 6.3) can be described as "Convenience of payment contributes to a sense of fairness".

Figure 6.3: Feedback Loop 2: "Convenience of payment contributes to a sense of fairness"



The discussion of the second loop starts from the secondary driver of **Affinity 3: Fairness**, which influences **Affinity 1: Certainty**, which in turn influences **Affinity 5: Practicability**.

Legal certainty should create an environment where tax payments are feasible. According to the affinity description of Practicability by the focus group, Practicability describes the situation where tax payments are made at the right moment, when most convenient. A relevant statement is the comment that "*the system will be less complex if there is certainty*" (P1). Another remark is "*[i]f a tax provision indicates clearly who, when and what amount is obliged to be paid, then a taxpayer can arrange his business affairs in a way enabling him to pay it*" (P4). The last remark confirms the flow of the system to the next affinity in the loop, which is the secondary outcome of **Affinity 4: Obligation**. If taxes are levied at the right time and in the right place, then taxpayers are more willing to accept their duty to pay, as one participant noted: "*If the taxpayers are of the opinion that the payment of the tax is convenient, then they will accept it to be their duty to pay taxes*" (P3).

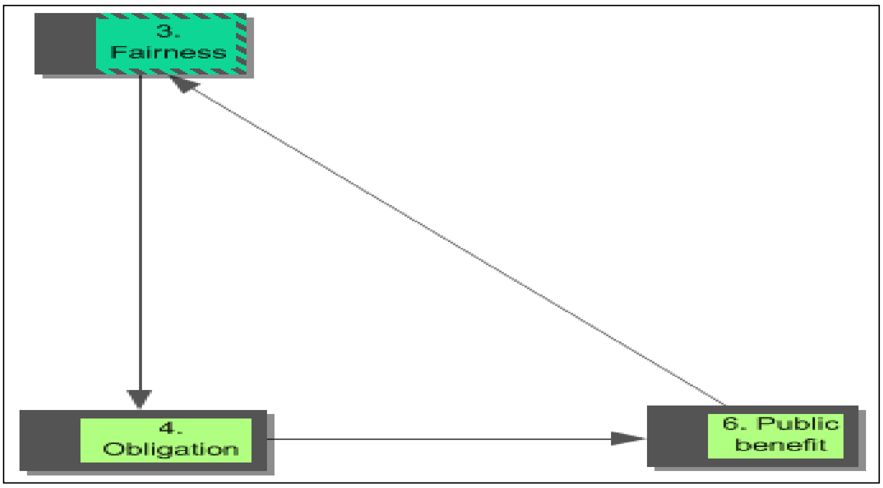
From this point onwards, the loop continues along the same circular motion of influence as Feedback Loop 1, from Obligation to the outcome of **Affinity 6:**

Public benefit, and returning to the secondary driver, **Affinity 3: Fairness**. In essence, the loop represents the process where legal certainty will feed into a convenient situation where taxpayers feel obliged to pay taxes for the public benefit, and thus back into a distribution of public services (**Affinity 3: Fairness**) that will further enhance a non-arbitrary tax system.

FEEDBACK LOOP 3

Feedback Loop 3 (see Figure 6.4) can be described as "Tax ethics motivates contribution to public benefits".

Figure 6.4: Feedback Loop 3: "Tax ethics motivates contribution to public benefits"



Feedback Loop 3 (Figure 6.4) seems to be a central cog in the circular motion of feedback loops, as the three affinities in the loop are all part of three or more feedback loops.

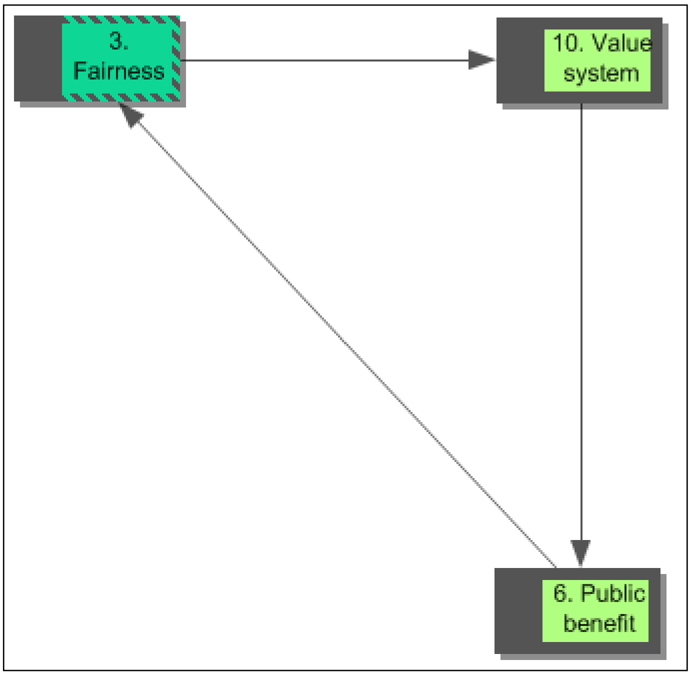
The discussion commences with the secondary driver **Affinity 3: Fairness** (entailing a perception of ethical tax levies, according to the affinity descriptor) that influences the secondary outcome **Affinity 4: Obligation**, as a sense of the "social and civic responsibility" of paying taxes, as formulated by the focus group. The participants of the focus group felt strongly about this relationship, confirming its importance in the following statements: *"Taxpayers are more likely to feel an obligation to contribute if they believe that the system is fair"* (P1); *"[i]f the tax system is perceived to be fair, then more taxpayers will deem it their obligation to contribute"* (P3); *"[i]f a tax system respects the principle of equality, then taxpayers* *can be obligated to pay taxes"* (P4); and *"[i]f the tax system is fair, or is perceived to be fair, then taxpayers are more likely to accept their duty to contribute"* (P6).

The secondary outcome **Affinity 4: Obligation** again influences the secondary driver **Affinity 3: Fairness** via **Affinity 6: Public benefit,** resulting in the situation that the outcome **Affinity 6: Public benefit** again feeds into **Affinity 4: Obligation** via **Affinity 3: Fairness –** a strongly circular concept of influence that the participants agreed upon and reiterated in the following statements: *"If the taxpayers are of the opinion that the benefits they get from government are relevant and effective, then they will more accept it to be their duty to pay taxes"* (P3); and *"[i]f a government uses its taxes to provide public benefits, then people will feel an enhanced obligation to contribute"* (P6).

FEEDBACK LOOP 4

Feedback Loop 4 (see Figure 6.5) can be described as follows: "An ideal tax system provides fair public benefits".

Figure 6.5: Feedback Loop 4: "An ideal tax system provides fair public benefits"



The discussion on Feedback Loop 4 (see Figure 6.5) commences with the secondary driver **Affinity 3: Fairness**. Then **Affinity 3: Fairness** exercises an influence over the secondary outcome **Affinity 10: Value system**, formulated in the affinity descriptor as an ideal tax system. The importance of tax ethics in a tax system is significant if one is to believe that an ideal tax system can indeed exist. The participants wanted to believe in an ideal tax system, as is evident from the following remark: *"If taxpayers perceive the tax system to be fair, then the tax system will be more perceived to be ideal"* (P3).

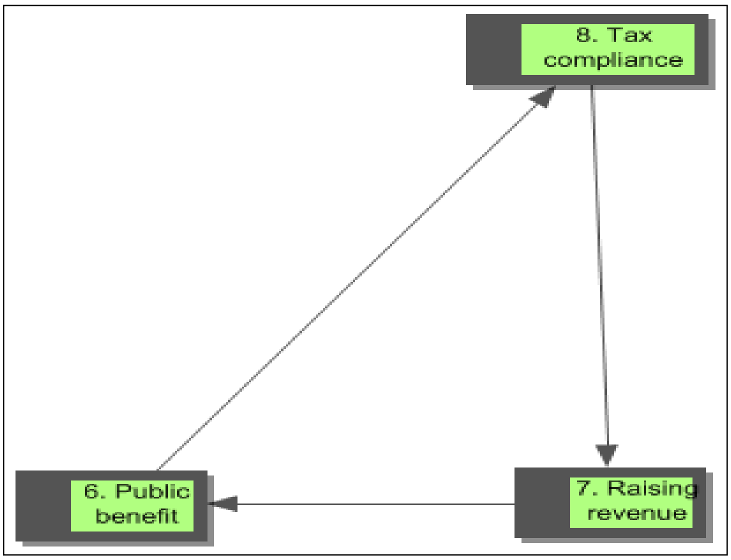
Affinity 10: Value system influences **Affinity 6: Public benefits**. In an ideal tax system, the redistribution of property and income would occur without coercion by a national policy or the law. The following statement confirms the perceived relationship: "*A tax system which is supported by a consistent value system is likely to create greater public benefit through increased compliance*" (P1).

Affinity 6: Public benefit also feeds back into **Affinity 3: Fairness**, as in the previous three feedback loops. The circular motion of Feedback Loop 4 is summarized by the following comments from the participants: *"If a tax regime follows fairness then it will be much easier to ensure public benefit by raising more revenue*" (P2), and "*[i]f the tax system is fair, then taxpayers will believe that taxes are providing benefits and serving the public good*" (P6).

FEEDBACK LOOP 5

Feedback Loop 5 (see Figure 6.6) can be described as follows: "Public benefits are sustained through a tax-paying culture"

Figure 6.6: Feedback Loop 5: "Public benefits are sustained through a tax-paying culture"



Feedback Loop 5 (see Figure 6.6) operates between three secondary outcomes. The discussion commences with **Affinity 6: Public benefit**, because this is the affinity that connects Feedback Loop 5 with the remainder of the Systems Influence Diagram.

Affinity 6: Public benefit influences **Affinity 8: Tax compliance**. The focus group participants believed that benefits and services for development and the public good stimulate a willingness to "voluntarily" pay taxes. The participants voiced their opinions in the following comments: *"If the taxpayers perceive the benefits from government to be relevant and rendered effectively, then they will be more compliant"* (P3); *"[i]f citizens practically, in their every-day life see public benefits for which taxes are utilized, then they are more inclined to pay taxes voluntarily"* (P4); *"[t]here will be [voluntary] tax compliance IF taxpayers have visible evidence that revenue collected is for public benefit"* (P5); and *"[t]o increase compliance, you have to offer good public services"* (P8).

The participants emphasised that a government can influence tax compliance through the public services rendered. **Affinity 8: Tax compliance** therefore exerts an influence over the further outcome of **Affinity 7: Raising revenue**. When taxpayers are more compliant, then the revenue received by the government is more sustainable. One participant said: "*If taxpayers are more compliant, then the government will be in a better position to create a sustainable revenue stream*" (P3). **Affinity 7: Raising revenue** might be seen by many as the final outcome of a tax system, but, according to the participants, as expressed by the feedback loop, revenue is in turn needed to create quality public benefits and thus continue the circular motion.

6.2 Concluding remarks

The feedback loops in the IQA process are the key to understanding the Systems Influence Diagram, which represents the focus group's formulation of the proposed Fundamental Principles of Taxation and the relationships between the Principles.

Revisiting the descriptions achieved in each of the five feedback loops sheds some light on the circular motion of influence of the proposed Fundamental Principles of Taxation:

1. “Educated taxpayers will understand their duty and benefits in a fair and certain (unambiguous) set of guidelines.”
2. “Convenience of payment creates a sense of fairness.”
3. “Tax ethics motivates contribution to public benefits.”
4. “An ideal tax system provides fair public benefits.”
5. “Public benefits are sustained through a tax-paying culture.”

From Figure 6.1, it is clear that all the affinities exercise an influence on other affinities to a greater or lesser extent. The significance of this observation lies in the fact that, according to the participants of the IQA focus group, all the Fundamental Principles identified and defined in fact influence each other. A Fundamental Principle of Taxation should therefore not be looked at in isolation, but should be interpreted and applied with all the remaining Fundamental Principles in mind.

The focus group believed that the Fundamental Principles of Taxation proposed for the 21st century should support fair and sustainable public services. They argued that if governments adhere to these proposed Fundamental Principles of Taxation, tax compliance will be voluntary, and there will be a minimal need for enforcement.

SECTION D: METHOD 3 –

SINGLE QUESTION IN WRITING TO TAXATION EXPERTS

Section D deals with Method 3 of the study (the single question posed in writing to Taxation experts). This section consists of two chapters. Chapter Seven sets out the rationale for sending the question in writing to Taxation experts and provides a detailed description of the research process. Chapter Eight discusses the execution of the data collection method, followed by a thematic analysis of the results, using the Atlas ti software program. In conclusion, the proposed Fundamental Principles of Taxation, as identified by this method, are presented.

The research aim addressed in this section of the study is to present a single question to present-day international Taxation experts to elicit a written response on the formulation of Fundamental Principles in Taxation.

CHAPTER SEVEN

METHODOLOGICAL EXPLICATION

7.1 Rationale

As already indicated, in the quest for the Fundamental Principles of Taxation, this study employs a triangulated multi-method research design. This implies that a number of qualitative research methods are applied to find an answer to the research question. The term triangulation implies the use of at least three methods. The three methods employed in the multi-method research design also adhered to Guidelines 1 and 2 as set out in Chapter Two (2.5). In Method 1, the Fundamental Principles of Taxation that have emerged from history were established. Thereafter, the study employed an IQA process to elicit Fundamental Principles of Taxation from an international group of Taxation experts (Method 2). The third method applied in this study was sending a single question in writing to Taxation experts across the world using an asynchronous approach. The input of these international Taxation experts was vital for the current research, as fundamental principles may have various focus areas and implications in different parts of the world. For Method 3, Guideline 1 was addressed by implication through the assumed prior historical knowledge of the international Taxation experts. They may have consulted various sources (including sources other than those consulted by the researcher) that summarised the history or principles formulated by tax scholars or review committees. The fact that these experts had indeed done so was also clearly evident from their written responses, in which they quoted from such sources. Guideline 2 required a repeated process of thinking about the phenomenon and this was adhered to during the data generation process and thematic analysis of the data.

7.2 Research methodology

In today's global society, it is easy to travel across the world, but consulting face-to-face with participants who would meet the selection criteria necessitated by this study was impossible, given considerations of time and money. For this reason, the research method of sending a **single question in writing to Taxation experts** was chosen.

The **single question sent** was one open (unstructured) question that allowed each participant to answer the question without interference from the researcher, and without being influenced by the researcher, as recommended by Welman *et al.* (2005). Open questions are often used for in-depth studies where detailed answers are required (Saunders *et al.*, 2012). A correctly worded open question enables participants to demonstrate their unique ways of looking at the world or defining a phenomenon (Cohen *et al.*, 2002). The wording of such a question is important, because the researcher needs to ensure that the required data are generated by the participant. Denzin (cited in Berg, 2007) provides the following guidelines for formulating an open question:

- the question should provide meaning to the participant;
- the participant should be motivated to get involved in the research and communicate his or her opinions, ideas, principles and applications;
- the participant should understand clearly what is expected; and
- the question should directly support the study as a whole.

The design of the question should encourage the participant to develop an extensive answer and may not reveal the researcher's attitudes towards the subject area and question. The researcher should take care not to ask a leading question that may result in researcher bias (Saunders *et al*., 2012). An open question strengthens and increases the evaluation of the answers of the participants. A further strength is that each person's answer is complete and addresses the entire topic.

A possible weakness of an open question could be that the standardized wording of the question may constrain or limit participants with regard to the relevance of the question and answers. There is a possibility that the findings may be difficult to compare because the degree of comparison between the answers is limited. Caution should be exercised in attempting to convert the findings in respect of open questions into numerical data, as such a conversion crosses the line between qualitative and quantitative data (Cohen *et al*., 2002).

In the current study, the participants received the single open question in writing, via e-mail. Therefore, the research took place in an asynchronous environment (not in real time, offline). In an asynchronous research environment, the researcher has to be confident that the desired person will answer the question. In this case, the question was sent to specific e-mail addresses to ensure this. The turn-around time for such questions may be between two and six weeks. According to Saunders *et al*. (2012), the response rate for a question via e-mail is generally between 30% and 50%.

An advantage of this asynchronous environment is that it overcomes the problems of limited time and distance. The time delay between sending and receiving the message is only a few seconds (Leedy & Ormrod, 2010). A researcher and a participant can work when they have time available in their busy schedules, without making a specific appointment. A further advantage of the asynchronous environment is that participants have time to think about the question, and formulate and re-formulate their thoughts before returning the answer to the researcher (Saunders *et al.,* 2012). Another advantage is that the correspondence is private – no one can add, delete or interrupt the exchange (Berg, 2007). An e-mail can also be accessed from anywhere, which has the advantage that a researcher can access the responses of the participants from any place that has an internet connection (Salkind, 2012).

A limitation of using an asynchronous environment is that a researcher has no control over the environment where the question is answered. A further limitation is that respondents cannot ask questions to clarify anything in real time before answering the question (Terre Blanche & Durrheim, 2004). In an asynchronous environment, problems may appear – for example, the internet server may be down, or viruses may corrupt a computer or a specific message (Salkind, 2012). Precautions should be taken to overcome this kind of problem.

Each participant responds to the question **by writing** an answer. This verbatim document is very valuable to a researcher, because it provides a rich source of untapped information (Welman *et al*., 2005). The researcher does not have to transcribe anything, since the document is ready to be used in the research. Unfortunately, a participant could be in a hurry, and may therefore respond very briefly instead of formulating a full, detailed and fluent response, or a participant may fail to answer the whole question, and may only provide a partial response (Berg, 2007).

The **Taxation experts** approached in this study were selected by using a non-probability sampling technique, namely the convenience and snowball sampling techniques. The researcher deemed a non-probability sampling technique appropriate because the research aim required participation by individuals from various countries who are international experts in the field of Taxation. In such a selection technique, an element of subjective judgment is involved, and therefore the wider population do not have an equal chance to be selected (Cohen *et al*., 2002). Such a sampling technique does not yield a representative sample of the total population, which implies that findings cannot be extrapolated to the entire population (Leedy & Ormrod, 2010).

A convenience type sampling technique is usually used when participants are selected on the basis of their accessibility (Saunders *et al*., 2012) and may in some cases be accidental (Cohen *et al*., 2002). For the current research, the population was delimited as everyone on the list of attendees at the TRN 2014 doctoral colloquium and conference in Roehampton, London. Then, the participants in the IQA focus group (Method 2) were eliminated from the list. Next, 20 of the remaining conference attendees were selected. However, it is not possible to tell whether any of the 20 attendees selected did attend the researcher's presentation at the doctoral colloquium. The researcher had to be cautious about bias and uncontrolled influences when using convenience type sampling (Saunders *et al*., 2012). The selection of the 20 was based on factors such as country of origin (in order to attain as wide a sample as possible) and the backgrounds of the attendees (in order to attain a representative sample from different fields of study). However, the over-arching factor was availability of the participants and that in itself was a limitation on the selection process.

After applying the convenience sampling technique, a snowball sampling technique was implemented. The snowball technique (also referred to as chain referral or respondent-driven sampling) is used when it is difficult to identify or access people who will meet the requirements set by the research itself (Berg, 2007). Snowball sampling involves asking already identified invitees to provide names of potential participants who meet the specific criteria set for the study (Saunders *et al*., 2012), in other words, in this case, potential participants who are international Taxation experts. For the current study, the invitees provided names of another 19 individuals. The researcher was aware that using this technique might lead to a homogeneous sample, potentially introducing some bias (Saunders *et al*., 2012).

A total of 39 experts in Taxation were invited to respond to the single question sent in writing to Taxation experts. Of the 39 invitees, 51% were selected by means of convenience type sampling, and 49% were selected by means of snowball sampling. Altogether, 18 of the invitees responded with a written answer to the question: *What are the Fundamental Principles of Taxation?* The response rate was 46%, falling inside the expected response rate of 30% to 50%. Table 7.1 presents a summary of the country of origin, gender and background of the participants.

Table 7.1: Summary of participants

	COUNTRY	GENDER	BACKGROUND		
			Law	Accountancy	Economics
1	The Netherlands	Male	X		
2	UK	Female		X	
3	UK	Female		X	
4	The Netherlands	Male	X		
5	UK	Male		X	
6	Estonia	Female	X		
7	UK	Male		X	
8	Israel	Female		X	
9	South Africa	Female			X
10	The Netherlands	Male	X		
11	UK	Female			X
12	UK	Male			X
13	South Africa	Male		X	
14	South Africa	Male		X	
15	South Africa	Male			X
16	South Africa	Male	X		

	COUNTRY	GENDER	BACKGROUND		
			Law	Accountancy	Economics
17	South Africa	Male			X
18	USA	Female		X	

As can be seen in Table 7.1, the 18 participants represented six countries, namely Estonia, Israel, the Netherlands, South Africa, the UK and the USA. Of the 18 participants, 11 came from First World countries, one from a Second World country (Estonia), and six from a Third World country (South Africa). This group of international Taxation experts came from different initial fields of study (Law, Economics and Accounting), making them a multidisciplinary group.

7.3 Data collection and analysis

Each of the 39 invitees received a personalised introductory e-mail and invitation (see Appendix B). After the initial invitation, a first and second follow-up e-mail were sent, again personalised, to non-responding invitees. Of the 39 invitees, 18 sent responses, of which nine consisted of fewer than 250 words. The length of an abstract for a journal article or thesis, which can range between 100 and 500 words, was chosen as an indication of length. The measure of 250 words was chosen, as it seems to provide a fair and more or less average guideline for text containing succinctly formulated content. The observed difference in the length of the responses was explored in the analysis process.

The documents containing the responses were saved on the researcher's computer and prepared according to the guidelines for using the Atlas ti software program. Atlas ti is useful in performing a thematic analysis to identify specific themes. In the coding process, every word from the 18 documents received was included either as a coded theme or under the heading "motivation for the study". The themes were allowed to emerge from the text as the process continued and were coded according to already emerged themes or as a newly emerging theme. The quotations are the exact words of the respondents and the coding was done by the researcher. During the coding process, the researcher attempted to understand the context of every quotation. Therefore, there was a possibility of differences in the coding itself. However, the allocation differences should be resolved during the triangulation process. Words have different meanings for different people; therefore there can always be some debate regarding the specific coding.

7.4 Strengths and limitations of the method

The current research method used is one of the strengths of the study. Sending a single question to Taxation experts in writing had several advantages. The single question focused each participant's attention on only one issue. The issue could then be explored through whatever means were available to the participant. The request made via e-mail could be answered when the participant had the time to do so. No time constraints were imposed, and no fixed appointments were required. The e-mail correspondence was private, with no opportunity for an outsider to tamper with the written response. The participant therefore had the time and means available to reflect on and construct a personal response to the research question.

A further strength of this method in this particular study was the willingness of a fair number of international Taxation experts to share their views on the research question, as a response rate of 46% was obtained from the invitees. However, the number of participants is also a limitation, in that 18 participants cannot be regarded as a representative sample of Taxation experts worldwide. Nevertheless, as the purpose of this study was not to extrapolate the findings to the larger population, but to provide a point of departure for a discussion on Fundamental Principles of Taxation, this number of participants is acceptable in the context of qualitative research, as described by Saunders *et al*. (2012).

A possible limitation could be that some of the respondents answered the research question by consulting specific source documents. In some cases, aspects of the responses were then a reiteration of the content of the source document and not the unique opinion or view of these international Taxation experts themselves. However, this should not necessarily be regarded as negative, as the source document would have been written by experts in Taxation, thereby strengthening the process by adhering to Guideline 1. A respondent might rely on such a source document because the respondent regarded the source document as an authority in the research area. In essence, the source document is the written answer to the research question by another Taxation expert. The process then flows naturally from Guideline 1 to Guideline 2.

The lack of wider international representation and the uneven distribution of the participants across countries may be deemed further limitations. The 18 participants represent only six countries in First, Second and Third Worlds, with six each coming from the UK and South Africa. According to the United Nations, there are 195 sovereign states today (Political geography now, 2015). If this number is applied to the study, a sample from six countries represents only 3% of the world's countries. However, as already indicated, a lack of representation is not critical for the current study, as the focus was on individual constructions of Fundamental Principles by experts in the field of Taxation, and generalisation is not a consideration in qualitative research. However, the researcher acknowledges that the results might be biased towards a specific political, economic and social construction by the countries represented.

A further question to be asked is admittedly what effects (if any) the political, economic and social circumstances of a country might have on the formulation of the Fundamental Principles of Taxation in that country. However, answering that question is not an objective of this study, which aims only to construct Fundamental Principles of Taxation that can be used as a foundation in establishing and developing the theoretical discipline of Taxation.

CHAPTER EIGHT

DATA ANALYSIS AND DISCUSSION OF THE FINDINGS

8.1 A summary of the findings

This chapter presents a discussion of the findings derived from the thematic analysis in Method 3, performed with the assistance of the Atlas ti program to identify the proposed Fundamental Principles of Taxation. The data were extracted from the 18 documents received in response to the invitation to submit a written answer to the single question *What are the Fundamental Principles of Taxation?* Figure 8.1 presents the eight proposed Fundamental Principles of Taxation that emerged from these data. The principles are listed clockwise, starting with the principle ranked highest (Neutral Understandable Legislation) at the top, and working around to the lowest ranked principle (Redistribution of Income or Wealth). The principles were ranked according to the number of quotations allocated to the specific principle. The data were merely sorted and not used to cross the line between qualitative and quantitative research; no interpretation of the data was based on the ranking process.

Figure 8.1: Proposed Fundamental Principles of Taxation

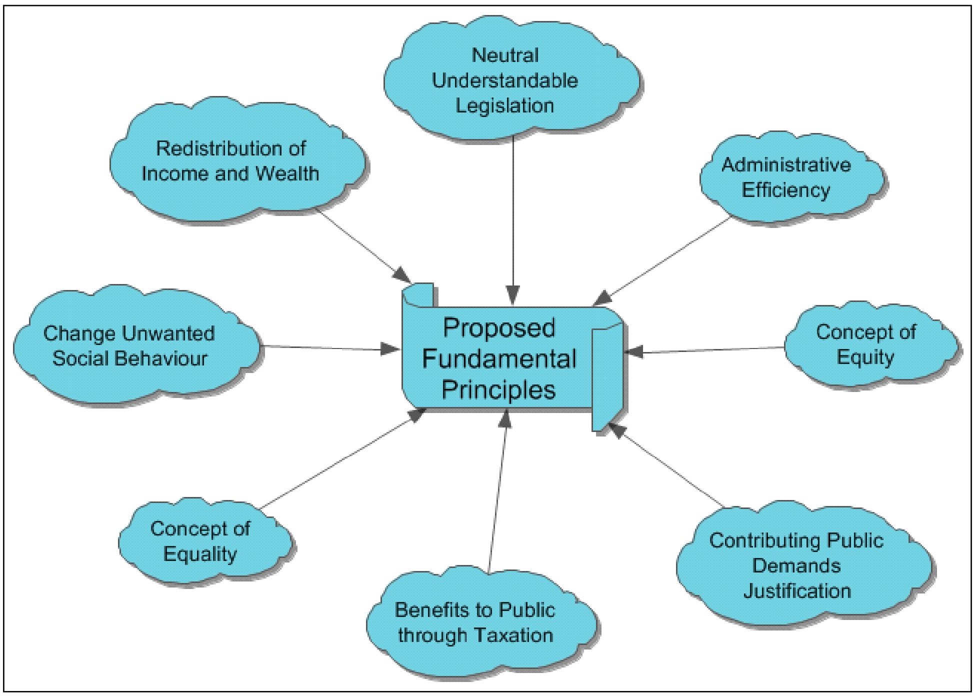


Figure 8.2 presents the ranking and number of quotations of the eight proposed Fundamental Principles of Taxation. The number of quotations includes the repetitions by participants of a specific principle and represents the emphasis the participants attached to that principle.

Figure 8.2: Ranking and number of quotations of the proposed Fundamental Principles

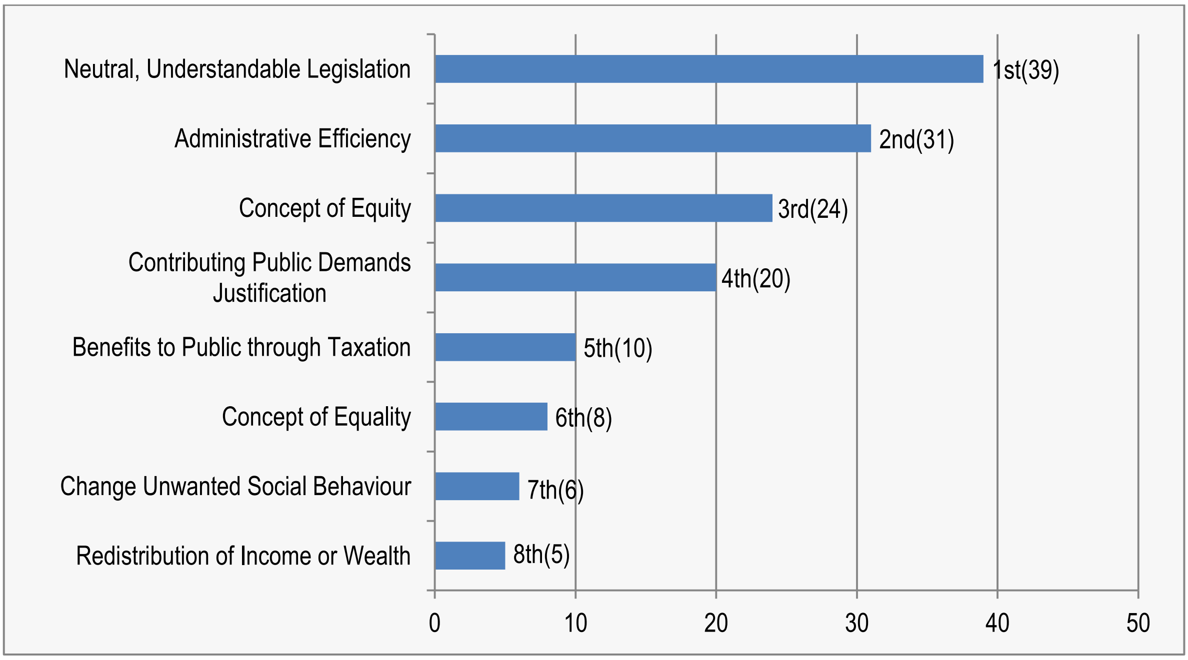


Figure 8.2 shows a clear division between the first four proposed Fundamental Principles (>20 allocations) and the last four (≤10). The two proposed Fundamental Principles most often mentioned in the 18 documents suggest a shared emphasis on legislation and administration across countries – they are Neutral, Understandable Legislation (39 quotations) and Administrative Efficiency (31 quotations). Pointing strongly to a different field of relevance and suggesting some recognition, albeit slight, of mutually-related social themes, the three proposed Fundamental Principles with fewer than ten quotations are Concept of Equality (eight quotations), Change of Unwanted Social Behaviour (six quotations) and Redistribution of Income or Wealth (five quotations).

8.2 Discussion of the findings

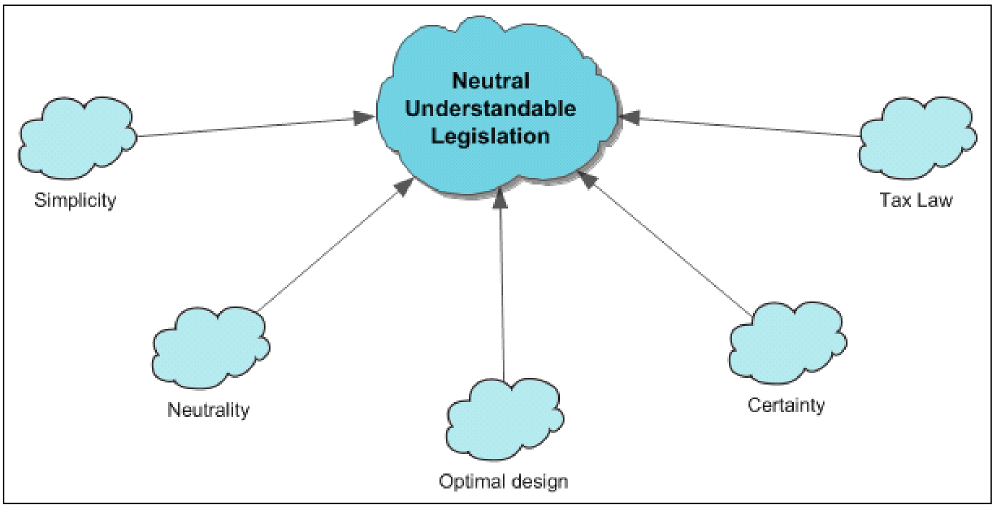
8.2.1 Preamble

The Fundamental Principles of Taxation proposed by the participants in Method 3 of the research are discussed according to their ranking, based on the number of quotations allocated in the Atlas ti analysis. The main ideas (those indicating the summarising concepts), are highlighted in blue and printed in bold, and are later used to compile the summary at the end of the section. All the documents received from the participants are available on request, and therefore the analysis refers to the specific documents of the participants for example: P4:4 (participant 4, quotation 4). .

8.2.2 Neutral Understandable Legislation (Ranking: 1)

The Proposed Fundamental Principle: Neutral, Understandable Legislation is shown in Figure 8.3. It contains five contributing concepts, ordered from left to right, namely Simplicity, Neutrality, Optimal design, Certainty and Tax Law. Participants based their statements about some of the supporting concepts on key texts. In 1776, Adam Smith listed the concept of certainty (P4:4) as one of his maxims of taxation. In 2001, the American Institute of Certified Public Accountants (AICPA) published the *Purpose of Tax Policy Concept Statement: The Ten Guiding Principles of Good Tax Policy*. Amongst these guiding principles, the concepts of Simplicity, Neutrality and Certainty can be found (P5:6, P5:7 and P5:3). The statements of the participants on the contributing concepts are presented below, concluding with a final summary of this Fundamental Principle. Each point is discussed in more detail, showing the relevant quotations.

Figure 8.3: Neutral Understandable Legislation



- Simplicity

  *"Taxes should be sufficiently **'simple' so that those affected can understand them**"* (P14:10 and P14:12). Simplicity (P2:2 and P17:3) implies that *"everybody should be able to understand the taxation system and the reasons for taxation"* (P17:3). Moreover, *"[t]axation must be applied according to a simple system/method"* (P16:4).

  In contradiction to the desirability of Simplicity, participants described taxation as complex: *"To make something **fairer may result in complexity** and from my experiences very little is straightforward in the tax world, in any case"* (P13:2); *"[s]ome would say the UK system is used for more than raising revenue, which makes the issue even more complex"* (P13:3).

- Neutrality

  Taxation should be **neutral** (P5:7, P11:5 and P16:8) *"regarding persons and kinds of activities; also income from illegal activities must be taxable"* (P16:8). The neutrality principle (P11:5) implies that legislation should ensure that when the legislator applies the rule of law, it can be done so objectively.

- Optimal design

  Participants stated that *"[t]axes should be chosen so as to minimize interference with economic decisions – excess taxes have to be minimized"*

(P14:8); ***"[t]axes should be so designed to minimize [their] harmful effects on the economy"*** (P14:14); *"…as I see it the most fundamental principle is that taxes have to be devised in such a way that the economic implications of the implementation thereof are optimised"* (P14:9), *"[i]n the developing world minimizing the excess burden of a tax, unfortunately, has not been sufficiently researched and needs much more attention from tax authorities"* (P14:24), and *"[e]very tax ought to be so contrived as to both take out, and keep out, of the pockets of the people as little as possible over and above what it brings into the public treasury of the State"* (P7:8). One participant remarked that *"tax should therefore be **sustainable**"* (P18:3).

- Certainty

  Regarding Certainty, two participants (P7:5 and P14:3) made exactly the same statement: *"The tax which each individual is bound to pay ought to be **certain and not arbitrary**. The time of payment, the quantity to be paid, ought all to be clear and plain to the contributor"*. Others wrote: *"A subject's tax burden should be **more or less predictable"*** (P17:8), *"both in amount and in timing of the collection"* (P12:6).

- Tax Law

  A tax is only justified when it is based on a **legitimate, democratically enacted law**. It was argued that, in drafting tax laws, the legislator has to pay attention to the concept of legal certainty (P1:7 and P11:8). Other participants added: *"Consequently, **tax laws have to be published, clear and definite and non-retroactive"*** (P1:7), and *"[i]n essence, good tax policy should translate into good, clear **tax laws that can be properly understood and efficiently administered"*** (P15:4).

  Regarding law, a participant said that the *"text of fiscal regulation should not be unclear"* (P16:5). Fundamental Principles of Taxation should also meet other legal principles (P11:8, P16:6, P16:7 and P17:1): *"In all these advancement[s] the basics (though a bit advanced) still remain that the state should **impose[…] tax in accordance with all constitutional requirements and other related legislation** (that ensures equity, certainty, economic efficiency and* *convenience)"* (P4:11); *"[t]axation must have a legal basis in domestic law (following from the principle of legal certainty)"* (P16:2); *"[t]ax laws must be accessible and also the case law regarding these tax laws"* (P16:3); and *"[t]he* Ne bis in idem *principle*[35] *should be observed"* (P11:11).

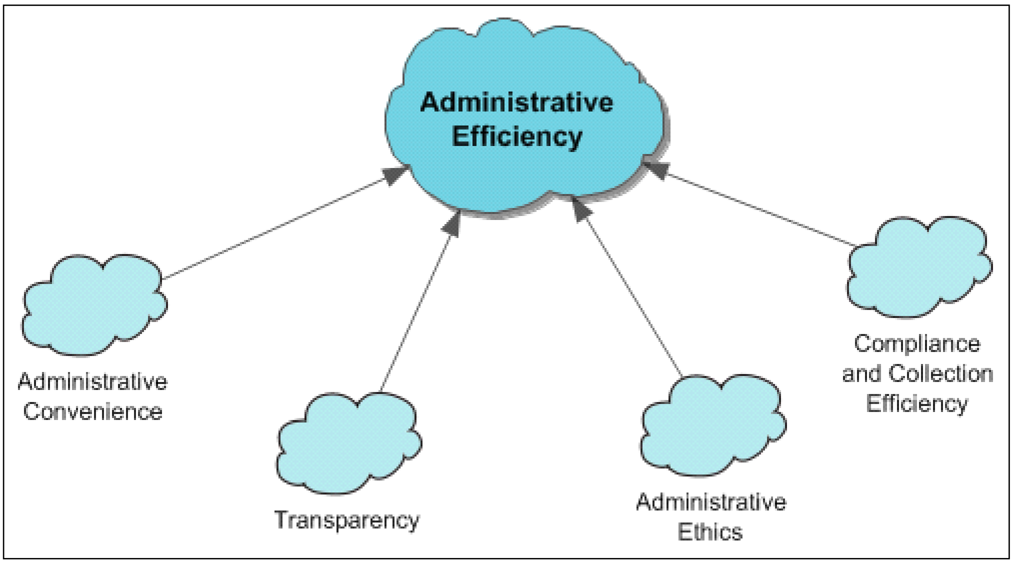
In summary, taxation should be imposed according to legitimate, democratically enacted laws that are in accordance with all constitutional requirements and other related legislation. Tax laws have to be published, properly understood, clear and definite and non-retroactive. Tax legislation should be simple enough to ensure that those affected can understand it, but should be complex enough to yield a fair result. Taxes should be designed so as to minimize their harmful effects on the economy. Tax laws should create neutral and sustainable circumstances where taxpayers can predict their tax liability with certainty and no arbitrary consequences will follow.

8.2.3 Administrative Efficiency (Ranking: 2)

The Proposed Fundamental Principle: Administrative Efficiency regarding legislation is shown in Figure 8.4 to contain four contributing concepts, namely Administrative Convenience, Transparency, Administrative Ethics and Administrative Efficiency. The statements of the participants on the contributing concepts are presented below, concluding with a summary for the Fundamental Principle: Administrative Efficiency.

[35] The legal ***principle*** of ***ne bis in idem*** restricts the possibility that a defendant will be prosecuted repeatedly on the basis of the same offence, act, or facts (Van Bockel, 2010).

Figure 8.4: Administrative Efficiency



- Administrative Convenience

  Administrative Convenience can be described in terms of payment (*"convenient in terms of payment"* (P2)), **timing and manner**. Two participants (P7 and P14) used exactly the same wording in stating that *"every tax ought to be levied at the time or in a manner in which it is most likely to be convenient for the contributor to pay it"*. Participant P12 added: *"That is, a subject should have the wherewithal to pay [his/her] tax burden, assuming that burden is predictable in amount and timing of collection"* (P12) and *"[t]axes should be imposed in a manner that is relatively convenient for subjects of a state to comply with the requirement to calculate and pay their tax burdens"* (P12).

  As reported in 8.2.2, Participants P4 and P5 again based their statements about convenience on seminal sources. P4:4 stated that the concept of convenience was also used by Adam Smith in 1776 "*as one of his canons of taxation… [which have been] used as a basis by both modern economists and those trying to define optimal tax theories"*. P5:4 pointed out that one of the principles listed by AICPA (2001) in its *Purpose of tax policy concept statement: The ten guiding principles of good tax policy* is convenience of payment.

- Transparency

  The **principle of Transparency** (P11) should describe the tax system as observed by all taxpayers (P9). AICPA (2001) includes "transparency and visibility" as one of the ten guiding principles of a good tax policy (P5:4).

- Administrative Ethics

  Ethics in the administration of taxation encompasses the principle of fair play: *"If you take into account the levying and collection of taxes, which of course is fundamental to taxation, principles of proper administrative behaviour should be taken on board"* (P11); ***"[t]ax administration is done in an ethical manner** and quality service to the general public is provided"* (P4).

- Compliance and Collection Efficiency

  ***"Taxation should be effective** – costs of the taxation and its administration should not be higher than the benefits"* (P17:5). AICPA (2001) includes "efficiency" as one of the ten guiding principles of good tax policy (P5:5).

The first concept to ensure efficiency seems to be **in the levying** (P2:3) and **collection of tax payments**: *"Tax should therefore be …collectable"* (P18:3). The collection of tax payments is the **responsibility of government** – comments such as *"[a]ccountability of government for collection"* (P2:9) and *"[t]ax payment needs to be enforced"* (P8:5) confirm this concept. Participants added: *"Taxes should be imposed in a manner that is relatively convenient for the government to enforce collection. That is, the cost of collection activity should be only a reasonably small portion of collected taxes"* (P12:4); *"[a]dministration and compliance cost has to be minimized"* (P14:9); and *"[c]ost of collection should be as low as possible"* (P14:13). Therefore, efficiency can also be seen as **keeping the cost of collection to a minimum**. Moreover, *"[t]ax should not be economically obstructive or distortive (costs and behaviour impact)"* (P9:4). Therefore administrative efficiency should be implemented to keep administrative and compliance cost to a minimum (P14:17). One participant was very specific:

> *The well-known adage, 'Tax administration is tax policy' (attributed to Casanegra de Jantscher, 1990) is often repeated as an essential principle of taxation. As*

stated by Bird (2003): 'Good tax policies are worth very little if these cannot be implemented effectively.' In essence, good tax policy should translate into good, clear tax laws that can ***be properly understood*** *and efficiently administered*. (P15:4)

A tax system can be defined as the *"rules, regulations and procedures necessary to administer and comply with tax legislation where provisions are defined and* ***communicated to the taxpayer****"* (P4:12), and a *"tax system is a practical means of taxing"* (P9:5).

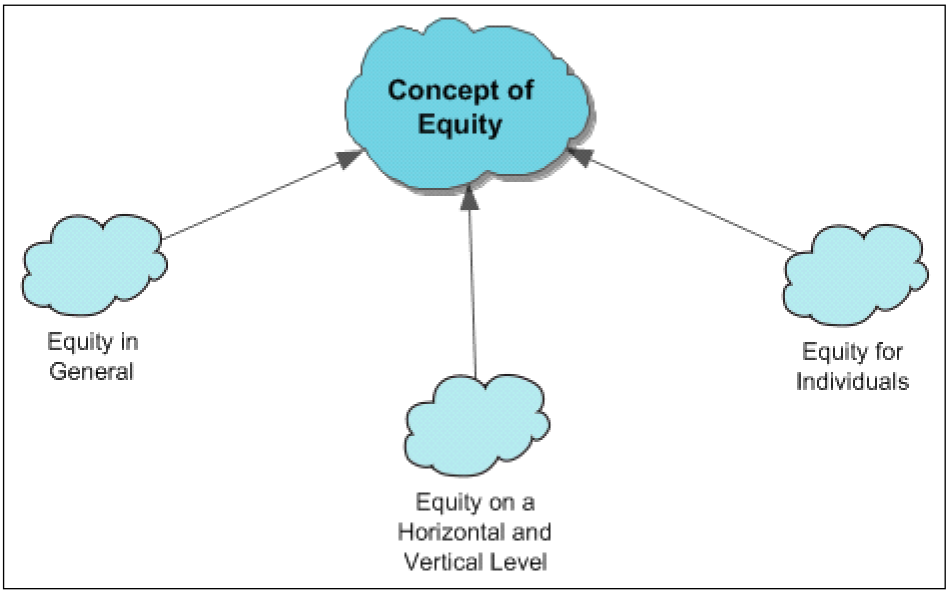
In a fair system, *"[t]axpayers are allowed to raise objections and appeals against assessments and any unjust procedural action with regard to their tax affairs"* (P4:14) and *"[t]here should be a mechanism for the* ***review of the tax system****"* (P9:7). One participant added: *"Reviewability might be considered to be part of the tax system itself but it can also relate to more fundamental change and as such is justified as a separate principle here. Its importance is emphasised by the evidently changeable needs of taxation"* (P9:8).

In summary, Administrative Efficiency can be described in terms of the timing and manner of all tax payments. The principle of Transparency should be applied in an ethical manner. Taxation should be effective when levying taxes, as well as when collecting tax payments. The collection of tax payments is the responsibility of the government, and tax collection should be conducted in such a way as to keep the cost of collection to a minimum (this includes compliance cost for the taxpayer). Taxpayers should be assisted to understand the tax system properly through up-to-date communication. The tax system should be constantly reviewed to ensure Administrative Efficiency.

8.2.4 Concept of Equity (Ranking: 3)

The Proposed Fundamental Principle: Concept of Equity is shown in Figure 8.5. It contains three contributing concepts, namely Equity in General, Equity on a Horizontal and Vertical Level, and Equity for Individuals. The statements of the participants on the contributing concepts are presented below, concluding with a final summary for the Fundamental Principle: Concept of Equity.

Figure 8.5: Concept of Equity



One of the participants (P6:4) commented:

> *Equity is also often quoted as being a foundational principle of taxation, yet there is no agreement as to what constitutes equitable taxation. Misinterpretations of Adam Smith's canons of taxation have led to over-emphasis on income as a measure of ability to pay. Economic analyses of the distribution of tax burdens are deeply flawed because of their failure to fully capture the minutiae of the impact of the tax system on individuals and groups. Discussions about payment of a 'fair share' of taxation miss the point that 'fairness' is in the eye of the beholder and we will all hold different views as to what is 'fair, or not fair'.*

A further difficulty can be found in language itself. There appear to be different connotations of the term "Equity", for instance, when it is used by additional language speakers of the English language, which leads to confusion with the term "Equality". For these reasons, a definition of "equity" is provided below to set the stage for the statements to be interpreted here.

For the purposes of this research, equity is defined as follows: Equity (the noun) and equitable (the adjective) refer to the quality of being fair and impartial. Equity requires fairness or justice in the way people are treated (Cambridge Dictionaries online, 2015; Dictionary.com, 2015a; *Merriam-Webster Encyclopedia*, 2015b, 2015c).

- Equity in General

  "Adam Smith (1776) used equity and economic efficiency as two of his canons of taxation" (P4:2 and P4:3). AICPA (2001) now includes equity as one of its ten guiding principles of good tax policy (P5:2).

  Tax should be **fair** (P18:2, P9:3, and P2:7) and **equitable** (P18:2, P3:5, P14:15) for it to be accepted by society (P8:4): *"Taxes have to be 'fair' but it is difficult to know what 'fair' means"* (P14:11); *"[t]he distribution of the tax burden should be equitable – everyone has to pay his/her fair share. In this case two principles that would ensure 'fair share' are the benefit principle and the ability to pay principle"* (P14:7); and *"[d]iscussions about payment of a 'fair share' of taxation miss the point that **'fairness' is in the eye of the beholder** and we will all hold different views as to what is fair, or not fair"* (P6:4).

  The extent to which taxpayers ought to contribute should be based on a concept of distributive fairness or justice (P1:4 and P11:2). The *"need to balance 'fairness' in the system to try and encourage"* (P13:4) compliance to tax legislation is implied. *"What 'fairness' is, is hard to say. In any case, a contribution can be considered 'fair' if a taxpayer contributes the same amount as any other taxpayers that are in the same position. **Equals are treated equally, unequals are treated unequally**"* (P1:5).

  The subjects of every state ought to contribute towards the support of the government, as nearly as possible in proportion to their respective abilities, that is, in proportion to the revenue which they respectively enjoy under the protection of the State (P7:3 and P14:2).

- Equity on a Horizontal and Vertical Level

  The first and second dimensions of equity can be described as **vertical and horizontal equity** respectively (P2:1, P3:7 and P14:11). Vertical equity describes levying tax proportionately to income. In other words, higher income earners should pay proportionately more tax than lower income earners. Meade (1978) confirms vertical equity as a distinction between rich and poor. Horizontal equity is described as the equal treatment of those members in society who are equally rich or equally poor. Such members should be treated "fairly and equally" (Meade, 1978:12). The economic efficiency of all taxes should be evaluated to ensure that the burden of the tax is imposed equitably, as taxes can lead to an excessive burden and distort taxpayers' behaviour (P4:3).

- Equity for Individuals

  Individual equity is a refinement of horizontal equity. Where horizontal equity prescribes the equal treatment of those in a social order, individual equity requires an emphasis on the individual circumstances of each person in the social order:

  > *There is a third dimension to equity that is absolute rather than relative. The amount of tax and associated costs e.g. compliance costs imposed by a taxation system should be* ***fair given taxpayers' circumstances****. This concept can be termed* ***'individual equity'****. It encompasses the concept of economic efficiency; if a tax is inefficient this adds to the cost or burden borne by taxpayers. The concept of 'individual equity' does not equate to the idea of fair exchange between tax paid and benefits received; this would depend on how 'taxpayers' circumstances' are defined, i.e. before or after benefits of taxation financed expenditure.* (P3:8)

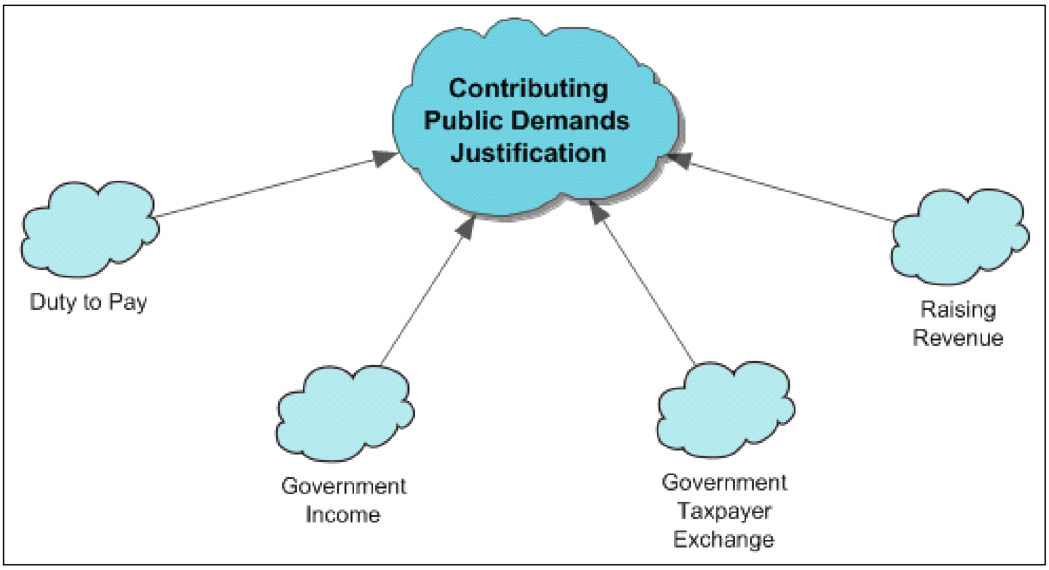
  Tax has to be flexible to adjust to the economic conditions of the individual (P2:6, P14:18 and P14:21).

In summary, the Concept of Equity means to be fair. Fairness is difficult to pinpoint because fairness is in the eye of the beholder. Three dimensions of equity exist, namely vertical equity (different levels of income should be taxed differently, unequals are treated unequally), horizontal equity (the same level of income should be taxed the same, equals are treated equally) and individual equity (the same level of income should be taxed differently, according to an individual taxpayer's circumstances).

8.2.5 Contributing Public Demands Justification (Ranking: 4)

The Proposed Fundamental Principle: Contributing Public Demands Justification is shown in Figure 8.6 to contain four contributing concepts, namely Duty to Pay, Government Income, Government Taxpayer Exchange and Raising Revenue. The statements of the participants on the contributing concepts are presented below, concluding with a final summary for the Fundamental Principle: Contributing Public Demands Justification.

Figure 8.6: Contributing Public Demands Justification



- Duty to Pay

  "Taxation in a democratic society must have a ***support among the population****"* (P16:1) because *"tax is necessary for the* ***functioning of society****"* (P8:1). *"The subjects of every State ought to contribute"* (P1:3) *"towards the* ***support of the Government****"* (P7:2) as *"nearly as possible in* ***proportion to their respective abilities****, i.e. in proportion to the revenue which they respectively enjoy under the protection of the State"* (P14:2); *"[t]ax collections should be drawn from the greater public, meaning all subjects in a jurisdiction should be subject to tax"* (P12:1).

- Government Income

  "Tax is necessary" (P9:1) and should *"****generate government income****"* (P1:1) because *"tax is the main source of revenue for governments from which infrastructure is built* ***to foster economic activity and growth****"* (P8:2). Any *"taxation system should reflect the basic principles of societal feeling and necessity of a state"* (P17:6).

- Government Taxpayer Exchange

  One participant said: *"One of the basic human rights of an individual is to be able to deal with the state"* (P3:6). This statement is in line with the comment of another participant:

  > *The theory of the social contract is used as a foundation to explain the taxpayer's role in the taxpayer-government relationship. According to this theory, taxpayers are prepared to sacrifice their state of nature in exchange for a social order. This social order can take the form of a government that looks after the well-being of society. This implies that the State is the most civilised form of society and that it is the taxpayer's duty to serve it (Matthews & Jacobs, 2010:262).* (P18:1)

  The same participant added: *"Taxpayers are* ***giving up financial means…in exchange for social order in the form of a government****"* (P18:2).

- Raising Revenue

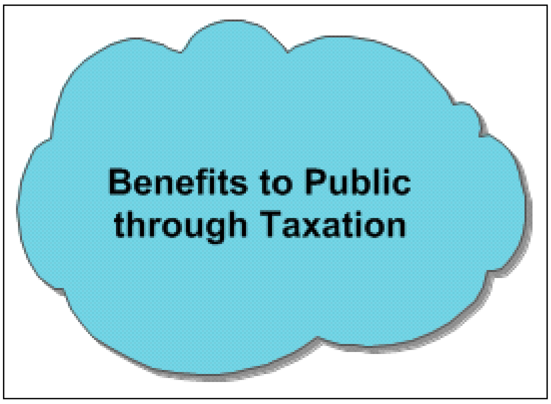
  One of AICPA's (2001) ten guiding principles is *"appropriate government revenues"* (P5:10). *"The purpose of taxation is to* ***raise revenue****"* (P3:1), but to *"add on to this in a democratic society is the duty to account by the state to its citizens on how state revenue is raised and spent"* (P4:7). *"With the advancement of constitutional development comes the right to protection of citizens' property as well as the right to impose a tax on the same citizens by the state"* (P4:9). However, *"tax is only levied* ***to the extent that it is justifiable by the State****"* (P9:2). *"Tax collections should cover the public spending needs of the state, but should not be more or less than what is required to keep the government serving its public role"* (P12:2). *"Every tax ought to be so contrived as both* ***to take out and keep out of the pockets of the people as little as possible*** *over and above what it brings into the public treasury of the State"* (P14:5).

In summary, the functioning of society should be supported by the public, which has to contribute by paying taxes as nearly as possible in proportion to their respective abilities. This will generate government income in support of the government to foster economic activity and growth. The public has to give up financial means in exchange for social order in the form of a government. When the government raises revenue, the expenses should be justified in order to support the idea of taking out and keeping out of the pockets of the people as little as possible.

8.2.6 Benefits to Public through Taxation (Ranking: 5)

The statements of the participants on the Proposed Fundamental Principle: Benefits to Public through Taxation (Figure 8.7) are presented below, concluding with a summary.

Figure 8.7: Benefits to Public through Taxation



The purpose of taxation is to raise revenue to fund the provision of **publically provided goods and services** (P3:2 and P10:5): *"This income can be used for public expenditure"* (P1:2); *"[t]ax collections should cover the public spending needs of the State, but should not be more or less than what is required to keep the government serving its public role"* (P12:2). The relationship is reciprocal: *"The taxpayer has the rights and obligations to administer his tax affairs and* ***demands a certain level of return from their taxes*** *through actual provision of public goods and services from the State"* (P4:15). It funds services: *"Tax is a social mechanism existing within a society and across societies by way of which certain types or categories of goods and services are supplied and/or made available to that society and individuals"* (P10:1). Stimulating cross-border trade is a service rendered by the State, and therefore *"taxes should not inhibit cross-border economic activity"* (P8:6).

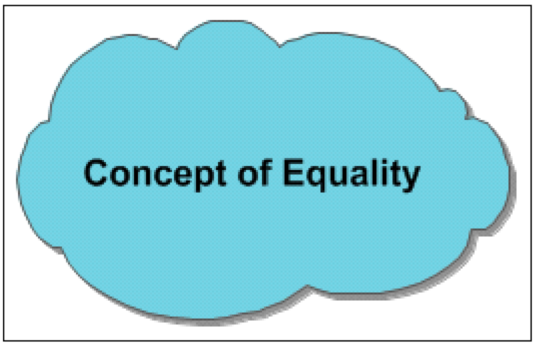
Participants reasoned as follows: *"With the advancement of constitutional development comes the right to* ***protection of citizens' property"*** (P4:8); *"[i]s* *taxation an infringement to the concept of private ownership/property? I think not. No taxes, no state. Without a state, private ownership cannot be protected (Murphy and Nagel, 'The myth of ownership', OUP 2002)"* (P1:6).

In summary, taxation should be used by the state to channel benefits to the public by providing goods and services. The citizens expect a certain level of return from their taxes, including protection of their property.

8.2.7 Concept of Equality (Ranking: 6)

The statements of the participants on the Proposed Fundamental Principle: Concept of Equality (Figure 8.8) are presented below, concluding with a summary.

Figure 8.8: Concept of Equality



The concept of "equality" poses similar challenges as those posed by "equity", in that language usage can confuse people on the meaning of the term. Therefore a definition for "equality" is provided. For the purposes of this study, equality can be defined as follows: Equality (noun) means the state of being equal (adjective), where equal refers to balanced, uniform in operation and adequate or sufficient in quality. Equality can further refer to the quality or state of having the same rights and social status (Dictionary.com, 2015b, 2015c; *Merriam-Webster Encyclopedia*, 2015d, 2015e). Equality may be opposed to the concept of equity to some extent, as equity may require a measure of inequality, in that being fair may imply that equals could be treated unequally on account of their individual circumstances.
One participant succinctly commented: ***"Taxes should equally affect all members within a group of subjects that face the same economic***

circumstances" (P12:5). The statement complies with the definition of "equality", as it describes a situation where individuals are treated similarly or equally.

Other participants also explored this concept: *"The expense of government to the individuals of a great nation is like the expense of management to the joint tenants of a great estate, who are all obliged to contribute in proportion to their respective interests in the estate"* (P7:4); and *"[t]axation has to be purposeful and optimal (**nobody should pay too much but everybody should contribute equally to the society**)"* (P17:4).

In summary, the Concept of Equality describes a situation where taxes should equally affect all members in a group of subjects who share the same economic circumstances. Nobody should pay too much, but everybody should contribute equally to the society.

8.2.8 Change Unwanted Social Behaviour (Ranking: 7)

The statements of the participants on the Proposed Fundamental Principle: Change Unwanted Social Behaviour (Figure 8.9) are presented below, concluding with a summary.

Figure 8.9: Change Unwanted Social Behaviour

Participants commented on this principle as follows: *"One of the principles underlying 'Taxation' is: **modify/change/direct the behaviour of individuals"*** (P10:5); *"[u]nder this description, the **effect of tax on behaviour** is very wide. Tax will not only, for example, result in individuals saving through the medium of tax* *efficient saving arrangements but also result in individuals becoming tax advisors or even tax-focused academics"* (P10:6). Some types or categories of individual human or collective human behaviour (sometimes in the form of organisations) in a society do or do not take place (whether such behaviour is (a) expected or (b) an unsurprising outcome, or (c) an unexpected consequence) (P10:3 and P10:4).

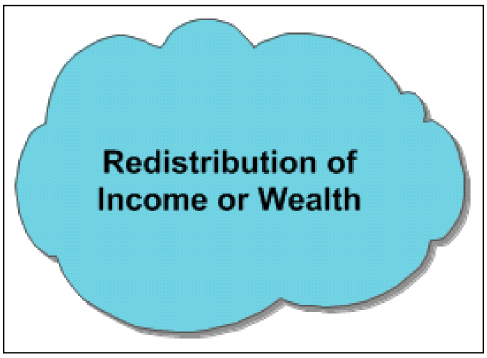
Participants argued as follows: *"Tax should not be economically obstructive or distortive (costs and behaviour impact)"* (P9:4); and *"[a]lthough a tax system can be used to* ***influence individual taxpayers' behaviour*** *e.g. reduce consumption of health damaging products, and while this aspect can be important, it is, in my view,* ***a subsidiary role of taxation****"* (P3:4).

In summary, taxation has the potential to change or direct individuals' behaviour. The effect of tax can therefore be to influence individual taxpayers' behaviour, but the question arises whether changing unwanted social behaviour is a Fundamental Principle of Taxation, or merely fulfils a subsidiary role.

8.2.9 Redistribution of Income or Wealth (Ranking: 8)

The statements of the participants on the Proposed Fundamental Principle: Redistribution of Income or Wealth (Figure 8.10) are presented below, concluding with a summary.

Figure 8.10: Redistribution of Income or Wealth



Participants commented: *"One of the principles underlying 'Taxation' is [to] redistribute wealth"* (P10:5); *"[t]he purpose of taxation is to* ***reduce inequality within a society****"* (P3:3); *"[i]f I had to focus on one principle these days I would* *have concentrated on equity since one of the main problems of the 21 century is the **wealth inequality** (recently reemphasized by the work of Piketty)"* (P5:11); ***"[w]ealth generated and residing in a society should be moved around"*** (P10:2); and *"[i]n the developing world (one of the) two issues that would be of paramount importance (is) addressing the **'skewness' of income distribution"*** (P14:23).

In summary, taxation should reduce disparities in the wealth of a given society by moving the generated wealth residing in a society around to address the distortion of income distribution.

8.3 Indicators identified through the analysis

8.3.1 Preamble

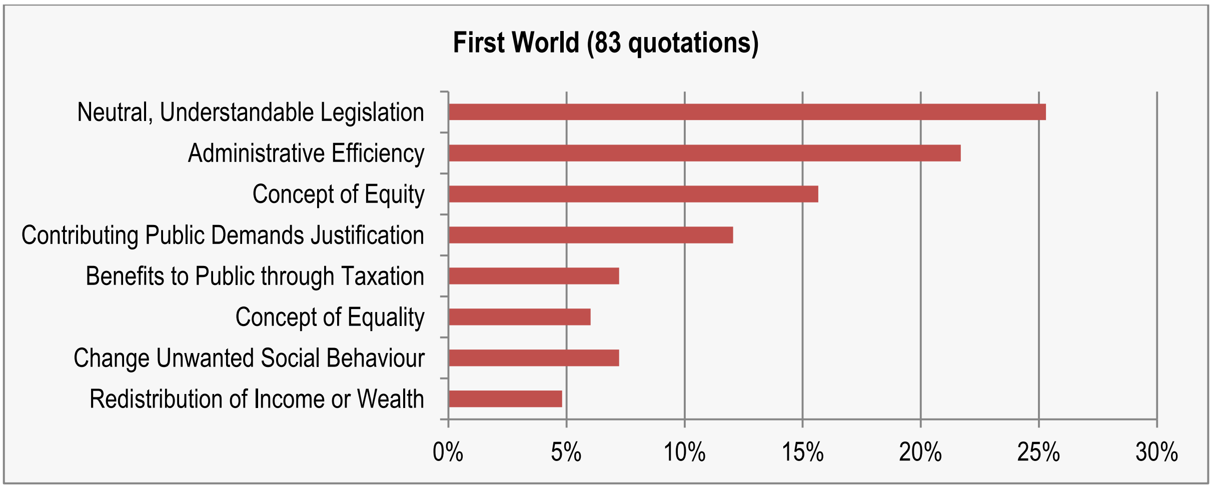
To enhance the data analysis and consider the trustworthiness of the research, three indicators were identified for a brief contemplation of factors, possibly contributing to disparities in the findings of Method 3. The three indicators are (a) whether participants came from the First, Second or Third Worlds (an indication of the international voice), (b) what participants' initial fields of study were (an indication of the multiple disciplines from which participants came), and (c) the length of the participants' responses (an indication of whether the number of words influenced findings). Each of these indicators is discussed in detail below.

8.3.2 First World vs Second and Third World (indication of the international voice)

The 18 international participants were from six different countries (Estonia, Israel, the Netherlands, South Africa, the UK and the USA). A comparison between the six countries would not provide a fully balanced view, as there was only one representative for each of three of the six countries (only one representative each from Estonia, Israel, and the USA). Of the 18 participants, 11 were from First World countries, and seven from Second and Third World countries. The findings from the study cannot be generalised given the small number and uneven geographical distribution of participants. However, a comparison may add value by giving some idea of which of the proposed Fundamental Principles seem to be more prevalent in the various world sectors. For this analysis, the Second and Third Worlds were grouped together, since both of these worlds are seen as being in the process of developing.

Figure 8.11 presents the distribution of the quotations by the First World participants, as allocated to each Fundamental Principle. The number of quotations per Fundamental Principle is expressed as a percentage of the total number of quotations (n=83). The positioning of the Fundamental Principles in Figure 8.2 (according to their overall ranking) is maintained to indicate differences in emphasis.

Figure 8.11: Number of quotations by First World participants (expressed as a percentage of the total number of quotations received from them)

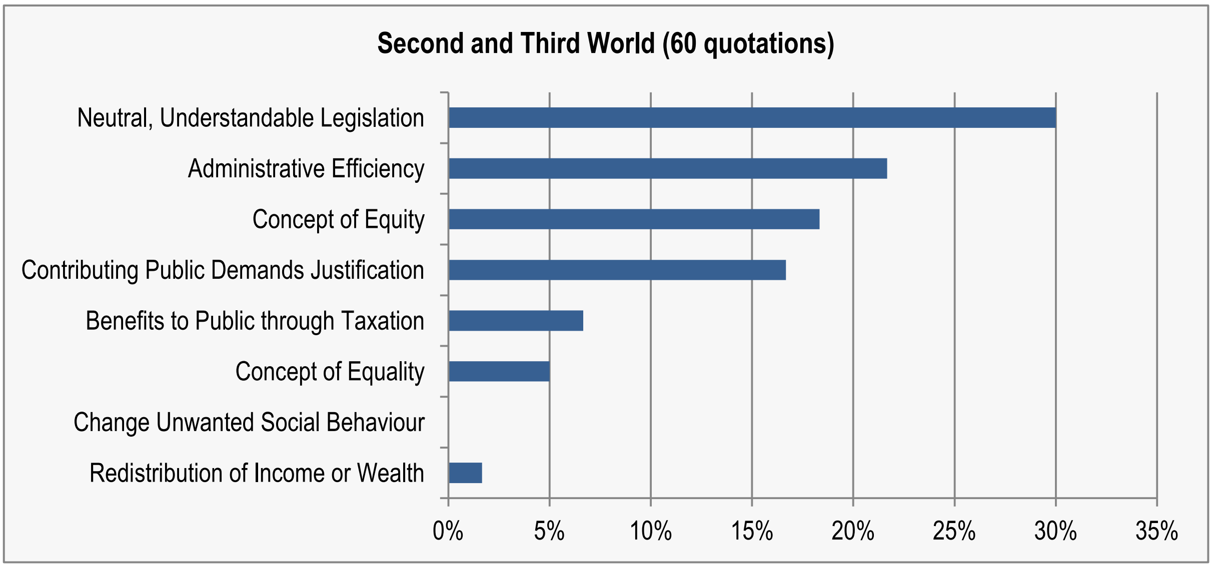


The ranking of the proposed Fundamental Principles in Figure 8.11 corresponds with the overall ranking in Figure 8.2, apart from Change Unwanted Social Behaviour, which has moved up from 7th position to share the 5th position with Benefits to Public through Taxation, suggesting that the participants from the First World perceived taxation as influencing social behaviour.

Figure 8.12 presents the distribution of the quotations from the Second and Third World participants, as allocated to each Fundamental Principle. The number of quotations per Fundamental Principle is expressed as a percentage of the total number of quotations (n=60). The positioning of the Fundamental Principles in

Figure 8.2 (according to their overall ranking) is maintained to indicate differences in emphasis.

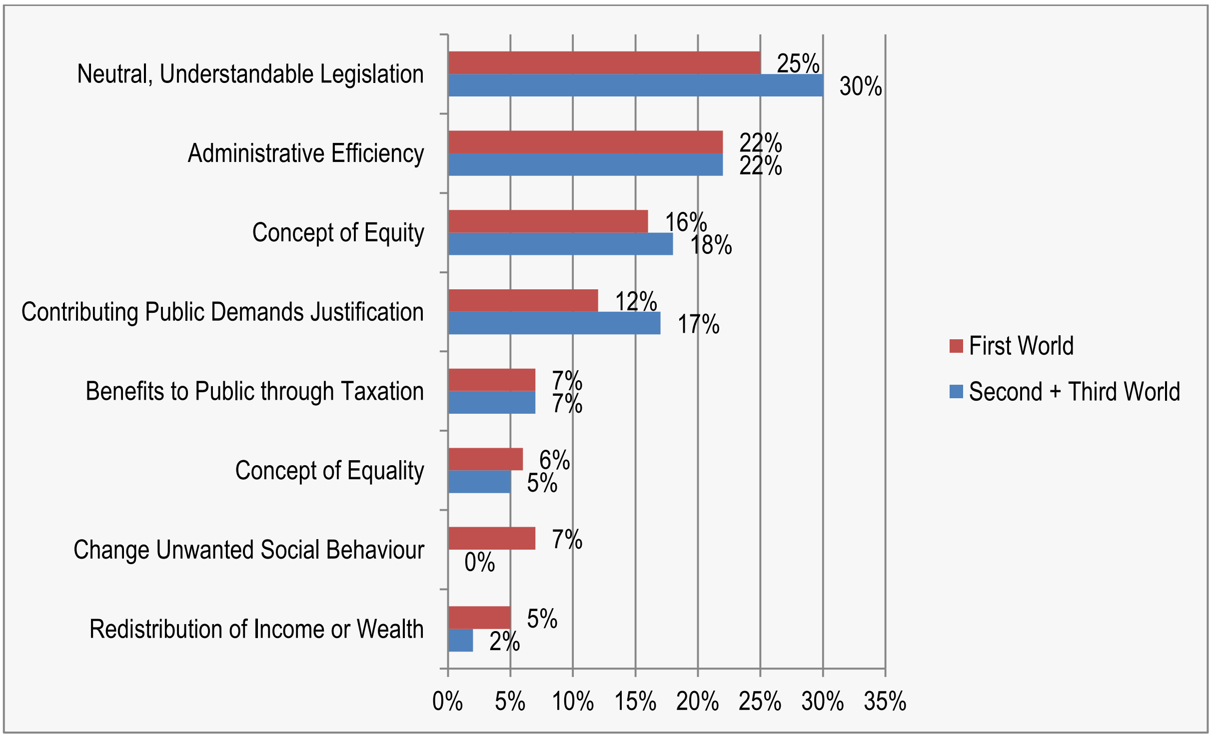
Figure 8.12: Number of quotations by Second and Third world participants (expressed as a percentage of the total number of quotations received from them)



Apart from the complete omission of Change Unwanted Social Behaviour by the Second and Third World participants (suggesting that social behaviour changes may not be a priority for them), the ranking of the proposed Fundamental Principles in Figure 8.12 corresponds with the overall ranking in Figure 8.2. A greater difference than in Figure 8.11 is observed between the quotation allocation of the first four proposed Fundamental Principles (17%-30%) and the last three (≤7%).

The comparison between the quotation allocations of the participants from the First World versus those from the Second and Third Worlds are presented as percentages in Figure 8.13. The positioning of the Fundamental Principles in Figure 8.2 (according to their overall ranking) is maintained to indicate differences in emphasis.

Figure 8.13: A comparison between the First World, and the Second and Third World participants' quotation allocations for the proposed Fundamental Principles of Taxation



With the exception of Administrative Efficiency (both 22%), Figure 8.13 shows a consistent tendency of the participants from the First World and the Second and Third Worlds to differ in the percentage of statements referring to their proposed Fundamental Principles: three of the strongly endorsed proposals show a higher quotation allocation by the participants from the Second and Third Worlds, whereas their quotation allocation for the three weakly endorsed proposals are all lower than those of the participants from the First World. The overall ranking of proposed Fundamental Principles (Figure 8.2) is consistent for the participants from both sectors in respect of the four strongly endorsed ones. Only one of the more weakly endorsed set of proposed Fundamental Principles (Change Unwanted Social Behaviour) is out of line with the rest, leading to the apparent variance in the ranking of this set. Another observation is that the four lowest ranked principles for the First World reflect 25% of the total statements made by the First World participants, in contrast to 14% by the Second and Third World participants. This suggests that these four principles of Taxation tend to enjoy more awareness and/or recognition in the First World than in the Second and Third Worlds. From the overall distribution of the quotations, one may also deduce that the First World participants recognise the relevance of a wider spectrum of Fundamental Principles than the participants from the Second and Third Worlds do.

8.3.3 Participants' initial field of study (multidisciplinary nature of participants)

Regarding the backgrounds of the 18 participants, the findings show that the participants commenced their academic careers in the study fields of Law (five), Accounting (eight) or Economics (five). From there on, the participants qualified themselves further in the field of Taxation (amongst others). Experts' backgrounds in Law, Economics and Accounting were thus taken as an indication of the multidisciplinary background of participants. A comparison could add value to the study in giving some idea of which proposed Fundamental Principles individuals from each field of training appear to focus on. However, no comparison is made between different perspectives held by participants from the three fields of study. Figure 8.14 presents the percentage of quotations made in respect of each proposed Fundamental Principle by the participants who have training in Law (68 quotations), Accounting (57 quotations) and Economics (32 quotations).[36] The positioning of the Fundamental Principles in Figure 8.2 (according to their overall ranking) is maintained to indicate differences in emphasis.

[36] The total number of quotations in 8.3.3 differs from the total number of quotations in 8.3.2 because there was some duplication in the quotation allocation. A specific quotation may belong to more than one principle. This occurrence is responsible for the discrepancy in the total number of quotations.

Figure 8.14: A comparison of participants' quotation allocation for the proposed Fundamental Principles of Taxation in terms of initial fields of study (expressed as percentages)

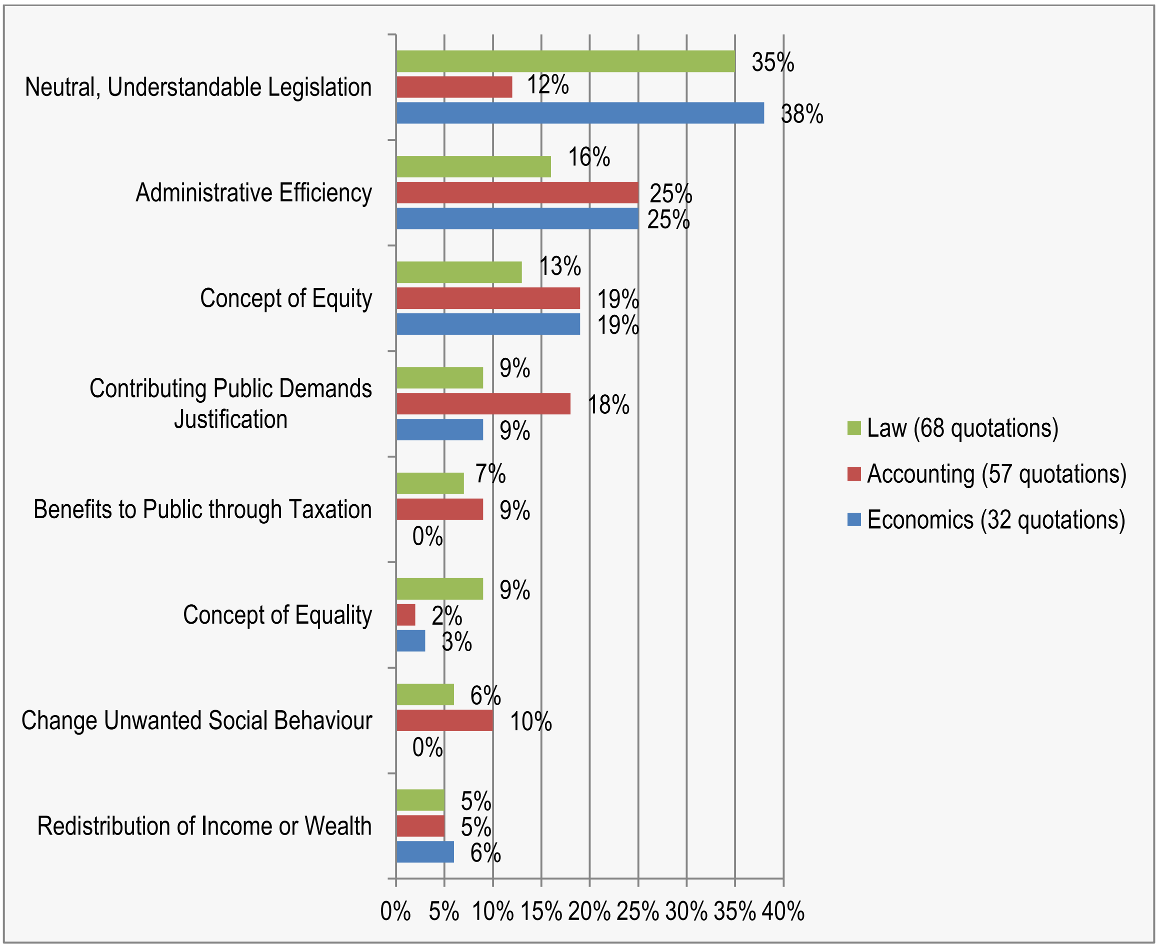


Figure 8.14 shows that the participants from a Law background allocated 35% of their statements to the proposed Principle of Neutral, Understandable Legislation, and their remaining statements were distributed among the remaining principles, with 16% as the highest and 5% as the lowest percentage.

Participants from an Accounting background made statements about all the proposed Fundamental Principles and allocated their statements more evenly. Significantly, however, they ranked Neutral, Understandable Legislation fourth, whereas this proposed Principle was ranked first overall (see Figure 8.2), as well as by all other groupings (see Figures 8.11 to 8.16).

Figure 8.14 further indicated that 82% of the statements by participants from an Economics background focused on the top three proposed Fundamental

Principles, ranked similarly to the top three in Figure 8.2. Two Fundamental Principles proposed by participants from the other two academic backgrounds, namely Benefits to Public through Taxation and Change Unwanted Social Behaviour, did not feature in their thinking at all, and the remaining three each drew statement percentages below 10%.

Table 8.1 presents a comparison between the number of participants from each of the three academic backgrounds and the number of quotations per background.

Table 8.1: Comparison of number of participants and the number of quotations per background

BACKGROUND	QUOTATIONS		PARTICIPANTS	
	Number	Percentage	Number	Percentage
Law	68	43%	5	28%
Accounting	57	36%	8	44%
Economics	32	21%	5	28%

The participants with a background in Law constituted 28% of the total number of participants, and provided most (43%) of the comments. By comparison, the participants with an Economics background constituted the same proportion (28%) of the participants, but contributed the smallest number (21%) of comments.

Table 8.1 shows that the ranking of the quotation allocations did not correspond in the same order to the number of participants. This may indicate that participants from a background in Law are more frequently confronted with the concepts of Fundamental Principles of Taxation due to their legislative responsibility and involvement. The participants from an Accounting and Economic background mostly implement the legislation and are therefore more involved in the practical interpretation and execution of the legislation. Another possible explanation may be that participants from the study field of Law use language to express themselves more often than the participants from an Accounting or Economic background, who mainly use numbers as their channel of communication. The information on the different roles played by the participants from various backgrounds is therefore relevant in the quest to formulate the Fundamental Principles of Taxation, as each focus point is essential for the outcome of the research.

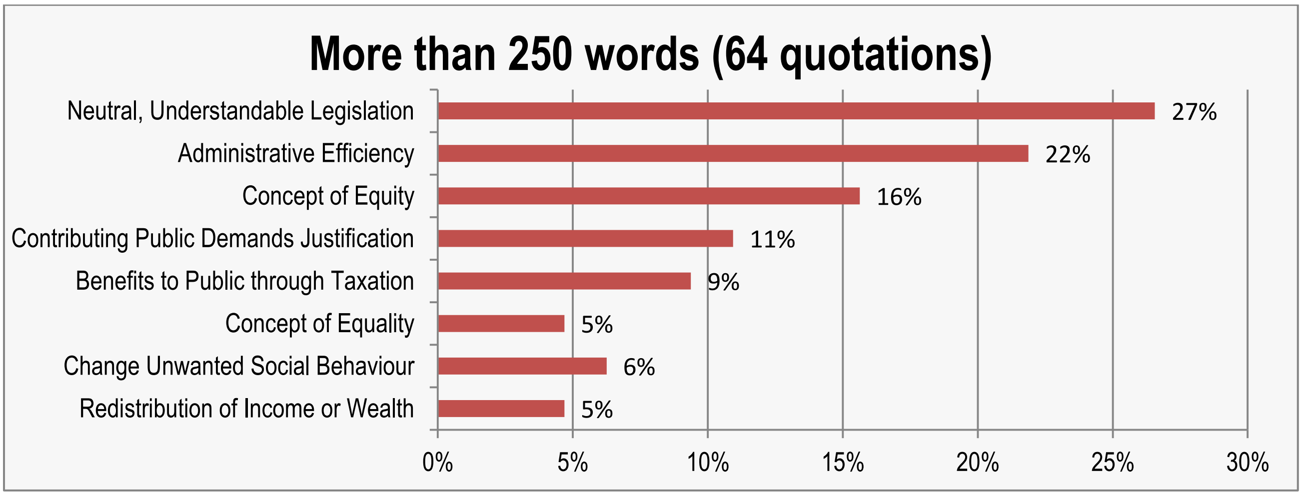
The above discussion suggests the relevance of studying Taxation from a multidisciplinary perspective, as taxation experts from different fields of initial training appear to hold different perspectives on the various aspects of Taxation which are proposed as Fundamental Principles. Researchers must be clearly aware of the possible bias that may exist in the constitution of a group of participants from different academic backgrounds.

8.3.4 Length of the participants' responses

In how many words can one express oneself adequately to construct Fundamental Principles? The answer to this question is complex and may have implications for the interpretation of the results of the research. The question was examined by dividing the documents received from the participants into two sets, according to their word counts. The number of words used in an abstract was chosen as a guideline, as an abstract is usually limited to the smallest number of words necessary to provide the most salient facts of an academic paper. The prescribed word count for an abstract varies between 120 and 500 words (Leedy & Ormrod, 2010; Salkind, 2012; Saunders *et al*., 2012). The criterion for the analysis chosen was 250 words. Eight documents contained more than 250 words and ten of the documents contained fewer than 250 words. A comparison of the results of the two sets could possibly cast some light on whether the number of words in the responses influenced the findings of the study.

Figure 8.15 presents the percentage of statements made in respect of each proposed Fundamental Principle by the participants who submitted documents with more than 250 words. The total number of quotations for this group is 64, thus averaging eight per document. The highest quotation count in a document was 24, and the lowest was five. The positioning of the Fundamental Principles in Figure 8.2 (according to their overall ranking) is maintained to indicate differences in emphasis.

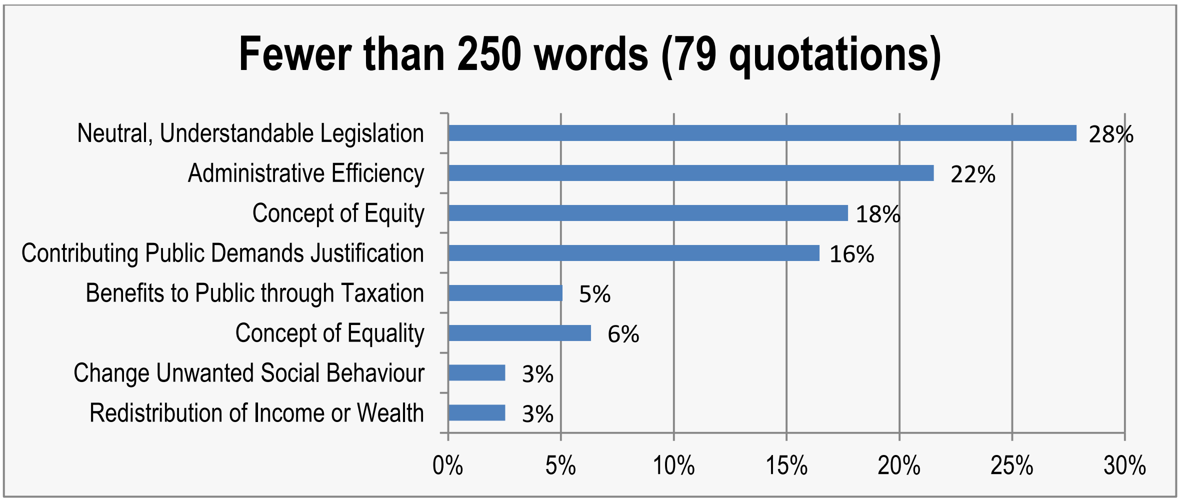
Figure 8.15: Number of quotations in the eight documents with more than 250 words (expressed as percentages)



In Figure 8.15, the distribution is fairly even except that the proposed Fundamental Principle: Change Unwanted Social Behaviour is ranked 6th instead of 7th, as it was in Figure 8.2.

Figure 8.16 presents the percentage of statements made in respect of each proposed Fundamental Principle by the participants submitting documents with fewer than 250 words. The same ranking of the Fundamental Principles is used as in Figure 8.2 to indicate the difference in emphasis. The total number of quotations for this group was 79, thus averaging 7.9 per document. The highest quotation count in a document was 12 and the lowest was three.

Figure 8.16: Number of quotations in the ten documents with fewer than 250 words (expressed as percentages)



The ranking of the Fundamental Principles in Figure 8.16 is similar to the ranking in Figure 8.2, except for the principle of Concept of Equality, which is ranked 5th instead of 6th.

The average quotation allocations per document (8 and 7.9) for the two groups suggest that the number of words in a specific document did not greatly influence the data, even though the document with the most quotations in those with more than 250 words contained 24 quotations, versus 12 in those with fewer than 250 words. However, the documents with more than 250 words included far more detail and description in respect of each quotation than the documents with fewer than 250 words. This phenomenon added value, as the only source of information the researcher had was the written documents of the participants and therefore the details in the documents assisted greatly in understanding and interpreting the essence of the meaning conveyed by those participants.

A comparison between the documents with more than 250 words and those with fewer than 250 words is presented in percentages in Figure 8.17. The ranking of the Fundamental Principles in Figure 8.2 is maintained to indicate the difference in emphasis.

Figure 8.17: A comparison of participants' quotation allocation for the proposed Fundamental Principles of Taxation for documents with more than and fewer than 250 words

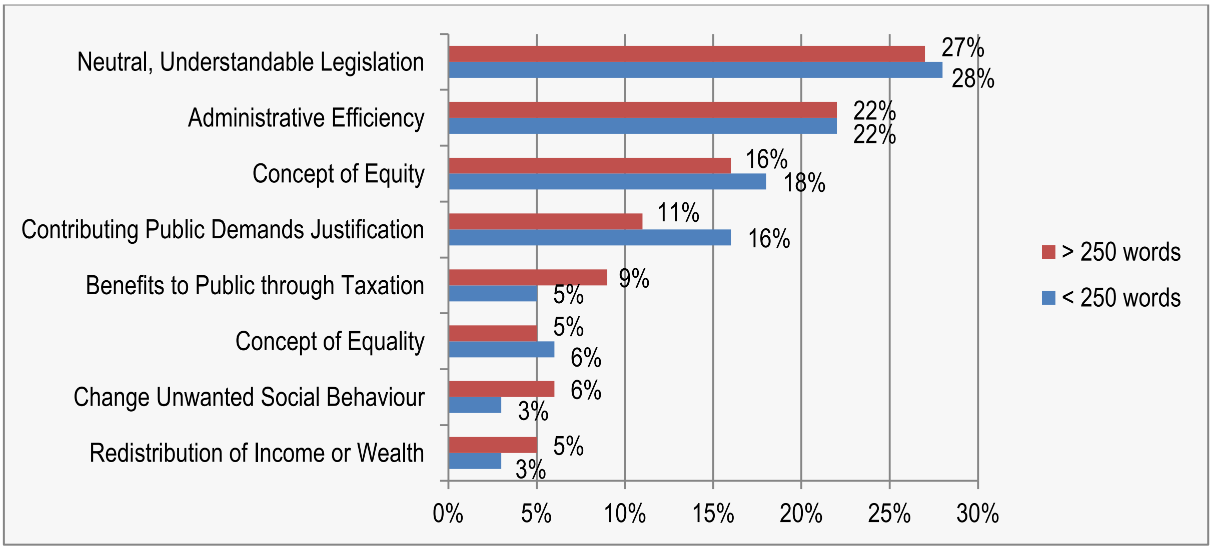


Figure 8.17 reveals that the three proposed Fundamental Principles with the highest and lowest quotation allocations differed little in the two sets. Thus, text volume does not appear to be sufficiently relevant to be viewed as an indicator.

In Figure 8.2, the proposed Fundamental Principle called Concept of Equality was ranked 6th. For the documents with more than 250 words, the principle was ranked 7th and for the documents with fewer than 250 words, this principle was ranked 5th. For the indicator relying on word count, Figure 8.2 appears to represent the average.

The word count in a document thus does not appear to be an indicator relevant to the outcome of the research, as the ranking of the Fundamental Principles of Taxation according to quotation allocation derived from these documents is very similar.

8.4 Concluding remarks

The description for each of the eight proposed Fundamental Principles holds the key to understanding each of these principles. Therefore, it is deemed relevant to repeat the summary for each proposed Fundamental Principle here.

- **Neutral Understandable Legislation:**
  Taxation should be imposed according to legitimate, democratically enacted laws that are in accordance with all constitutional requirements and other related legislation. Tax laws have to be published, properly understood, clear and definite, and non-retroactive. Tax legislation should be simple enough to ensure that those affected can understand it, but should be complex enough to yield a fair result. Taxes should be designed so as to minimize their harmful effects on the economy. Tax laws should create neutral and sustainable circumstances where taxpayers can predict their tax liability with certainty, and no arbitrary consequences will follow.

- **Administrative Efficiency:**
  Administrative Efficiency can be described in terms of the timing and manner of

all tax payments. The principle of Transparency should be applied in an ethical manner. Taxation should be effective when levying taxes, as well as when collecting tax payments. The collection of tax payments is the responsibility of the government, and tax collection should be conducted in such a way as to keep the cost of collection to a minimum (this includes compliance cost for the taxpayer). Taxpayers should be assisted to understand the tax system properly through up-to-date communication. The tax system should be constantly reviewed to ensure Administrative Efficiency.

- **Concept of Equity:**
  The Concept of Equity means to be fair. Fairness is difficult to pinpoint because fairness is in the eye of the beholder. Three dimensions of equity exist, namely vertical equity (different levels of income should be taxed differently, unequals are treated unequally), horizontal equity (the same level of income should be taxed the same, equals are treated equally) and individual equity (the same level of income should be taxed differently according to an individual taxpayer's circumstances).

- **Contributing Public Demands Justification:**
  The functioning of society should be supported by the public, which has to contribute by paying taxes as nearly as possible in proportion to their respective abilities. This will generate government income in support of the government to foster economic activity and growth. The public is giving up financial means in exchange for social order in the form of a government. When the government raises revenue, the expenses should be justified in order to support the idea of taking out and keeping out of the pockets of the people as little as possible.

- **Benefits to Public through Taxation:**
  Taxation should be used by the state to channel benefits to the public by providing goods and services. The citizens expect a certain level of return from their taxes, including protection of their property.

- **Concept of Equality:**
  The Concept of Equality describes a situation where taxes should equally affect all members in a group of subjects who share the same economic circumstances. Nobody should pay too much, but everybody should contribute equally to the society.

- **Change Unwanted Social Behaviour:**
  Taxation has the potential to change or direct individuals' behaviour. The effect of tax can therefore be to influence individual taxpayers' behaviour, but the question arises whether changing unwanted social behaviour is a Fundamental Principle of Taxation, or merely fulfils a subsidiary role.

- **Redistribution of Income or Wealth:**
  Taxation should reduce disparities in the wealth in a given society by moving the generated wealth residing in a society around to address the distortion of income distribution.

A final conclusion may question the equal importance of all eight proposed Fundamental Principles. For instance, one of the participants stated: *"Although a tax system can be used to* ***influence individual taxpayers' behaviour*** *e.g. reduce consumption of health damaging products, and while this aspect can be important, it is, in my view,* ***a subsidiary role of taxation****"* (P3:4). What does this imply for the ranking of the Fundamental Principles of Taxation? The top ranked principle was endorsed by 39 statements, while the lowest ranked principle was endorsed by five statements. Is the difference in the number of statements made an indication that one principle is more important than another? Can it be assumed that the lower ranked principles should be classified as secondary to the higher ranked principles? Are all the principles fundamental to Taxation or are there some that can rather be classified as influential or manipulative? Or maybe all the principles are interdependent and all should be included in the formulation of the Fundamental Principles of Taxation?

In the triangulation of the findings of the three methods in the next section of the research, possible over-emphasis or distortion of some of the proposed

Fundamental Principles has to be borne in mind. Considerations to keep in mind would be the varied representations by participants from the First, Second and Third Worlds and participants from different academic backgrounds.

SECTION E:

FINAL INTEGRATION AND SIGNIFICANCE OF THE STUDY

Section E deals with the triangulation of the findings drawn from the three methods of the research and the conclusion of the study. This section consists of two chapters. Chapter Nine presents the rationale for the triangulation and then leads via a description and critique of the research method to the final synthesis of the research findings, presented as the proposed Fundamental Principles of Taxation. Chapter Ten contains a critical evaluation of the research, a summary of the findings and the contribution of the study, considerations for future research and final remarks on the research question:

What are the Fundamental Principles of Taxation?

The research aim addressed in this section of the study is to triangulate the three sets of principles as drawn from the different methods of the research, in order to posit a set of Fundamental Principles for Taxation.

CHAPTER NINE

SYNTHESIS OF THE FINDINGS

9.1 Rationale for synthesising the findings through triangulation

In Chapter Two (2.5) of this study, three guidelines were compiled using Philosophy as a point of departure for the identification of a Fundamental Principle. Guideline 1 states:

The point of departure should be the study of the history of a phenomenon or field of knowledge, as ideas and practices can only be identified as the basis for guiding principles by analysing and understanding the history of policies and practices that shaped it.

The guideline was followed in Methods 1, 2 and 3 of the study, which entailed the identification of guiding principles of Taxation by visiting or referring to the historical principles that emerged from the flow of historical events. For Method 1, an historical overview was performed by the researcher. Methods 2 and 3 implicitly assumed that Guideline 1 was being adhered to. One reason for this assumption was that international Taxation experts would know about the history of taxation and could think iteratively about the principles of Taxation. Another methodologically more important reason for not providing an historical overview to the participants in Methods 2 and 3 was to avoid potential researcher bias in the form of an historical summary compiled by the researcher.

Guideline 2 states:

The principles identified from the research of the history of taxation policies and practices should be reflected on and tested through a repeated process of thinking in a logical, judicious way in order to allow the mind to form grounded conclusions about possible Fundamental Principles of Taxation.

The guideline was adhered to in Methods 1, 2 and 3 of the study. For Method 1 (Chapter Three), the historical overview resulted in a set of Fundamental Principles of Taxation through a thematic analysis. In Method 2 (Chapters Four to Six), an IQA focus group was conducted to elicit Fundamental Principles of Taxation from a group of international Taxation experts. Method 3 (Chapters

Seven and Eight) dealt with the written answers of a selection of international Taxation experts to the following research question: *What are the Fundamental Principles of Taxation?*

At this point, the final part of the process to construct the Fundamental Principles of Taxation can now proceed, by implementing Guideline 3, which is addressed in this chapter. Guideline 3 states:

The next step in the process is to ascertain whether the identified Fundamental Principles are the truths (within a system that sustains other truths) that support or underpin Taxation, or upon which Taxation stands.

In terms of Chapter Two (2.3), a **truth is defined as a fact or reality that is verified or proven according to the current knowledge available to humanity.**

In order to adhere to Guideline 3, the study employed the method of triangulation. The term triangulation implies three data collection strategies (Methods 1, 2 and 3). The three sets of Fundamental Principles of Taxation that emerged from Methods 1, 2 and 3 were triangulated to ground the conceptualisation and understanding of the Fundamental Principles of Taxation. The triangulation attached equal value to the three sets of findings during the triangulation process, as recommended by Creswell (2002).

9.2 The research methodology of triangulation

The concept of triangulation describes the search for an in-depth understanding of the richness and complexity of a phenomenon (Cohen *et al.*, 2002:112-116; Denzin & Lincoln, 2003:8). In this study on *the Fundamental Principles of Taxation*, this method of examining the overlap between the three sets of data was used to build a confirmatory structure, leading to consistent conclusions and demonstrating concurrent trustworthiness, as advocated by Cohen *et al*. (2002), Denzin and Lincoln (2003) and Welman *et al.* (2005). Contradictions that occur in the structure need to be reconciled. This is a powerful way to demonstrate trustworthiness, reduce research bias and enhance certainty in the findings (Cohen *et al*., 2002). Triangulation is best used when a complex phenomenon with controversial aspects needs to be illuminated (Cohen *et al*., 2002), and is thus applicable to the challenges of identifying Fundamental Principles in Taxation. The decision to strive for the triangulation of data made it possible to enlarge the landscape of the inquiry in this study, and held the promise of a deeper and more comprehensive picture (Tobin & Begley, 2004) of the Fundamental Principles of Taxation. Therefore, triangulation was not used to confirm existing data, but in a synthesis of the three data sets, and it assisted with the emergence of Fundamental Principles of Taxation.

Triangulation of the proposed Fundamental Principles of Taxation was achieved through a thematic analysis. For the triangulation, the thematic analysis was done by hand. The software program Atlas ti was employed where a large amount of data needed to be micro-analysed (as was the case in Methods 1 and 3). In the triangulation, the data used were the findings from Methods 1, 2 and 3, and it was important throughout to be mindful of the macro-context, namely the relations between the various elements and meanings within each method, as well as across methods. The amount of data was limited and could therefore be accurately examined by hand in this unique form of thematic analysis.

The findings of Methods 2 and 3 were synthesised first, to establish grounded conclusions about possible Fundamental Principles of Taxation in accordance with Guideline 2. A similarity in the basis of the data sets was the fact that the participants for both these methods were international Taxation experts. Their knowledge of the history of taxation policies and practices could therefore safely be assumed, with the added advantage that each expert could therefore be assumed to have individually worked through some reflective, grounding processes concerning Taxation. Furthermore, analysing Methods 2 and 3 first provided a summarized idea of the concepts that are currently active in the international arena. The analysis was conducted by starting with the findings of Method 3, and then integrating the findings of Method 2 with those of Method 3. This order was followed in order to commence with the individual voices of the international Taxation experts from Method 3, and then to continue with the consensual voice of the focus group from Method 2. The first step of the triangulation process concluded with a synthesised, doubly grounded set of proposed Fundamental Principles of Taxation, based on the findings derived from Methods 2 and 3.

Continuing with Guideline 3, a subsequent thematic analysis was performed by hand, using the findings of Method 1 and the synthesised set of principles from Methods 2 and 3. The final set of Fundamental Principles of Taxation constructed through this process is the findings of the triangulation, and adheres to Guideline 3, as the **facts or realities that are verified or proven according to the current knowledge available to humanity** that support or underpin Taxation, or upon which Taxation stands.

9.3 Strengths and limitations of the research process

Triangulation enhanced the research because it drew on different data collection strategies to corroborate the findings (Saunders *et al.,* 2012). The collection of data from multiple sources reduced researcher bias, and increased confidence in the results (Babbie & Mouton, 2004; Cohen *et al*., 2002; De Vos *et al*., 2005), in addition to lending support to Taxation theory by confirming consistent conclusions and reconciling contradictions (Leedy & Ormrod, 2010). Triangulation is indeed one of the best ways to enhance validity (Babbie & Mouton, 2004; Cohen *et al*., 2002; Saunders *et al*., 2012), reliability and credibility (Babbie & Mouton, 2004).

However, it should not be assumed that multi-sourced data are automatically more reliable than single-sourced data. Using multiple sources does not in itself increase validity, reduce bias or bring objectivity to the research (Cohen *et al*., 2002). In the current research, three different data collection strategies were employed, thereby supporting the methodological imperative that the findings should be trustworthy, and in this chapter, the researcher reflects on whether the multi-sourced data did actually enrich the findings or merely added to the complexity of the phenomenon.

9.4 The triangulation of the three sets of proposed Fundamental Principles of Taxation

9.4.1 Orientation

For the analysis process, the findings from the three methods remained colour-coded according to the specific method (Method 1 is represented in brown, Method 2 in green and Method 3 in blue). The wording of the findings from each method remained intact throughout the analysis in order to stay as close to the findings as possible. Thus, each Fundamental Principle is first presented with a descriptive title, followed by the findings from each method allocated to that principle, colour-coded for ease of reference and to enhance readability. The findings allocated to each Fundamental Principle have been sorted according to themes, creating sub-principles for each Principle. After every sub-principle, a sub-summary has been constructed, using the words printed in bold in the description of the sub-principle. The sub-summaries are ultimately combined into a final summary for the Fundamental Principle. Where only one principle has been identified, no sub-summary is provided. Triangulation supports the process of including every proposed Fundamental Principle, even though a proposed Fundamental Principle may have been identified by only one method. This stands in contrast to crystallization, where outliers are discarded in order to obtain a crystal clear idea of the phenomenon. Only the essence remains when applying the process of crystallization. For the current study, it was important to include every finding, as the aim was to construct the Fundamental Principles of Taxation. As the newly constructed Fundamental Principles of Taxation form the foundation for a discussion on these proposed Fundamental Principles, it was also important to include every finding, as discussion may be necessary to clarify the decision to include the proposed Fundamental Principle.

The triangulated Fundamental Principles were ranked according to **three criteria**:

- The Fundamental Principles were first sorted according to their prevalence. The Principles identified by all three methods are placed first (Fundamental Principles 1 to 5). Then comes the Principle that featured in two methods (Fundamental Principle 6).
- As the next step, the Fundamental Principles were sorted according to the number of sub-principles in each Principle, as an indication of their complexity and richness (for example, the sub-themes for Fundamental Principle 1 were constructed as eight sub-principles).
- Finally, Principles ranked equal in terms of Criterion 1 or 2 were sorted alphabetically (Fundamental Principles 3 and 4).

A summary of the ranking and occurrences of each Fundamental Principle by the three methods of the study is provided in Table 9.1. For some Fundamental Principles, the triangulation drew on more than one affinity or proposed Principle. This situation occurred when the descriptors of an affinity or Principle included elements that were reorganised and reallocated during the final process of analysis. It should be noted that Affinity 10 from Table 9.2 (Value system) is present in all six the Fundamental Principles of Taxation (Table 9.1). In the construction of every Fundamental Principle of Taxation, the starting point should thus be the ideal tax system. Affinity 10 describes this general belief that an ideal tax system exists in principle. Harbouring such a belief is the reason for including Affinity 10 in every Fundamental Principle. The relevant elements of Table 9.1 are discussed at the start of the discussion of each Fundamental Principle. Tables 9.2 and 9.3 provide condensed lists of the affinities (Method 2) and proposed Principles (Method 3), for ease of reference.

Table 9.1: Summary of the ranking and occurrences of the findings from the three methods of the data collection

FUNDAMENTAL PRINCIPLE AS TRIANGULATED	SUB-PRINCIPLES	METHOD 1 (periods)	METHOD 2 (affinities*) Single or as combination		METHOD 3 (proposed Principles**) Single or as combination	
	Number	Time of occurrence	Drivers	Outcomes	Ranked	Number of quotations
1: Efficient administration and communication	8	Ancient Kingdoms Dark and Middle Ages Modern Age	2, 3, 5, 9	4, 8, 10	2nd	31
2: Certain, Neutral, Understandable Legislation	5	Ancient Kingdoms Dark and Middle Ages Modern Age	1, 2, 5	10	1st	39
3: Equity influencing different levels of society	3	Ancient Kingdoms Modern Age	3	6, 10	3rd 8th	24 5
4: Taxpayers' duty to contribute to society versus the government's duty to strike a balance between taking too little and taking too much	3	Dark and Middle Ages Modern Age		4, 7, 10	4th 6th	20 8

FUNDAMENTAL PRINCIPLE AS TRIANGULATED	SUB-PRINCIPLES	METHOD 1 (periods)	METHOD 2 (affinities*) Single or as combination		METHOD 3 (proposed Principles**) Single or as combination	
	Number	Time of occurrence	Drivers	Outcomes	Ranked	Number of quotations
5: Benefits to Public from Taxation	2	Ancient Kingdoms Dark and Middle Ages Modern Age		6, 10	4th 5th	20 10
6: Change Unwanted Social Behaviour	2	Modern Age		10	7th	6

* Listed in Table 9.2
** Listed in Table 9.3

Table 9.2: "Affinities" as the findings of Method 2

AFFINITY NUMBER	AFFINITY NAME	CONDENSED DESCRIPTOR
1	Certainty	The tax system must be non-arbitrary.
2	Coherence	A set of guiding principles and rules should be used as a yardstick to move from chaos to order in the tax environment.
3	Fairness	Taxpayers with equal ability will contribute equally.
4	Obligation	Taxpayers have a duty to contribute towards the cost of running a country.
5	Practicability	There must be a feasible time to pay taxes.
6	Public benefit	A government should use its taxes to provide benefits and services to the public for development and the common good.
7	Raising revenue	Government finances are dependent on sustainable revenue.
8	Tax compliance	A tax-paying culture is needed where there is a "willingness to voluntarily" pay taxes.
9	Tax understanding	There is a need for a tax education system.
10	Value system	There should be general belief in an ideal tax system.

Table 9.3: "Proposed Principles" as the findings of Method 3

RANKING	CONDENSED PRINCIPLE DESCRIPTOR
1st	Neutral Understandable Legislation
2nd	Administrative Efficiency
3rd	Concept of Equity
4th	Contributing Public Demands Justification
5th	Benefits to Public from Taxation
6th	Concept of Equality
7th	Change Unwanted Social Behaviour
8th	Redistribution of Income or Wealth

9.4.2 The Fundamental Principles of Taxation as triangulated

9.4.2.1 Fundamental Principle 1: Efficient[37] and effective[38] administration and communication

Table 9.1 shows that Fundamental Principle 1 consists of eight sub-principles. In the Method 1 data, these sub-principles emerged in the Ancient Kingdoms, throughout the Dark and Middle Ages, up to the Modern Age. In Method 2, four of the affinities that were included in Fundamental Principle 1 were drivers, and three were outcomes. The proposed Fundamental Principle formulated from the responses of the participants in Method 3 was ranked second, with 31 quotations. The Fundamental Principle: Efficient and effective administration and communication is thus powerfully present in the findings based on all the methods of this study. Included in this Principle are four drivers, indicating that this principle is a directing force in Taxation. The fact that it was ranked second in Method 3 may show that this principle is significant for Taxation. The sub-principles are the following:

- *Apply legislation to collect tax effectively:*

  Taxation should be **effective when levying taxes** as well as in the **collection of tax payments**. The collection of tax payments is the responsibility of the government. Coherence implies that a set of guiding principles and rules should be used as a yardstick to move from chaos to order in the tax environment. The focus group emphasised the importance of tax administration to develop procedures in order to **apply the guiding principles and rules** as set out in the tax **legislation**. Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system.

  Sub-summary: Tax administration should be **effective** in **applying legislative guiding principles** when **levying taxes** and **collecting tax payments**.

- *Convenience of payment:*

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[37] Efficient is defined for this study as a system where maximum productivity is achieved through minimum waste and expenses (*Oxford Dictionaries*, 2015a).

[38] Effectiveness is defined for this study as successful in producing a desired or intended effect (*Oxford Dictionaries*, 2015b).

Administrative efficiency can be described in terms of **the payment, timing and manner of all tax payments**. Practicability implies that there must be a feasible **time** to pay taxes (when a tax **payment** is made). The payment must take place at the right moment, when it is most **convenient** for the taxpayer. Taxpayers should know with certainty **when, how much, and how** they are liable to pay in taxes.

Sub-summary: Tax **payments** should be **convenient** for the taxpayer in terms of their **timing and the manner of payment**.

- *Compliance and tax morals:*

  Tax **compliance** requires a **tax-paying culture** where there is a "willingness to voluntarily" pay taxes. In theory, the contribution should be voluntary, but in practice it is compulsory. The focus group emphasised that **compliance** relates to tax incentives. The importance of **tax moral(s) is emphasized** in a country where trust should exist between the taxpayer and the government. When **tax morals** are negative, the government will need stringent tax enforcement measures to deter taxpayers from avoiding and/or evading tax. **Compliance** with specific tax legislation should be enforced by means of vigilant procedures.

  Sub-summary: Tax **compliance** should be supported by positive **tax morals** to ensure a **tax-paying culture**.

- *Cost of collection:*

  Keep the **cost of collection** to a minimum. The **cost of administering a tax** system should be **minimized** by **effective procedures** and minimal loss of efficiency through waste.

  Sub-summary: Efficient and effective administrative procedures should **minimize the cost of collection.**

- *Transparency*:

  The principle of **Transparency** should be applied in an ethical manner. The necessary procedures should be in place to **promote adequate confidentiality** while adhering to **appropriate transparency**. The general public should **perceive** the tax system to be **transparent**.

Sub-summary: Tax systems should be **perceived** as **appropriately transparent** while **promoting adequate confidentiality**.

- *Constant Review*:
  The tax system should be constantly **reviewed** to ensure Administrative Efficiency.
  Sub-summary: The tax system should be constantly **reviewed** to ensure Administrative Efficiency.

- *Understanding leads to awareness:*
  The tax system should be properly **understood by the taxpayer** through up-to-date **communication**. Tax understanding implies that there is a need for a **tax education** system. The focus group suggested that the essence of an **understandable tax** system lies in **tax education**. The question then arises whether **taxpayers are aware** of the various taxes they may be liable to pay. The general public should perceive the tax system to be **understandable.** The government should support the taxpayers' perception that they are heard.
  Sub-summary: Tax education should support an **understandable** tax system through **communicated awareness**.

- *A general belief in an ideal tax system:*
  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.
  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Efficient and effective administration and communication*

Tax administration should be **effective** in **applying legislative guiding principles** when **levying taxes** and **collecting tax payments**. Tax **payments** should be **convenient** in terms of their **timing and manner** for the taxpayer. Tax **compliance** should be supported by **positive tax morals** to **ensure a tax-paying culture**. **Efficient and effective administrative procedures** should **minimize** the **cost of collection**. Tax systems should be **perceived** as **appropriately transparent** while **promoting adequate confidentiality**. The tax system should be constantly **reviewed** to ensure administrative efficiency. **Tax education** should support an **understandable** tax system through **communicated awareness**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

9.4.2.2 Fundamental Principle 2: Certain, neutral, understandable legislation

As Table 9.1 shows, Fundamental Principle 2 consists of five sub-principles. In Method 1, it was clear that these sub-principles were already discussed in the Ancient Kingdoms, Dark and Middle Ages and again in the Modern Age. In Method 2, three of the affinities that were included in Fundamental Principle 2 were drivers and one was an outcome. This proposed Fundamental Principle formulated from the responses of the participants in Method 3 was ranked first, with 39 quotations. The Fundamental Principle: Certain, neutral, understandable legislation was thus identified by all the methods of this study. The fact that there are mainly drivers for this principle suggests that it is an influential force in Taxation. Being ranked first in Method 3 draws the attention to this Principle and its importance for Taxation. The sub-principles are discussed below.

- *Legislation:*

  Taxation should be imposed according to **legitimate, democratically enacted, law** that is in accordance with all constitutional requirements and other related legislation. A tax system that is **impartial and lawful** should lead to honest taxpayers. Tax laws have to be published, properly understood, clear and definite, non-retroactive and efficiently administered. The legislator should understand the business environment.

  Sub-summary: Taxation should be supported by **legitimate, democratically enacted**, **impartial** law.

- *Simple vs complex:*

  Tax legislation should be **simple** to ensure that those affected can understand it, but should be **complex** enough to yield a fair result. Tax law must be structured to create a feasible situation where tax law is neither too **complex**, nor **oversimplified**.

  Sub-summary: Tax law should be neither too **simple** nor too **complex**.

- *Neutral and sustainable (stable):*

  Tax law should create **neutral** and **sustainable** circumstances. The **neutrality** of the tax system should be protected by legislation. Taxation should create a society with the ability **to sustain** itself. The tax system should be **stable**, while being perceived as flexible.

  Sub-summary: Tax law should create **neutrality**, **sustainability** and **stability** in the tax system.

- *Non-arbitrary legal certainty:*

  The taxpayer can predict tax liability with **certainty**, and **no arbitrary** consequences will follow. The tax system must be **non-arbitrary**. The focus group described the importance of **legal certainty** as well as administrative **discretion** in the tax system. Although **discretion** is an important aspect of taxation, the tax administrators should be **consistent**. Taxpayers should know with **certainty** when, how much, and how they are liable to pay in taxes.

  Sub-summary: Tax law should lead to a tax liability that is certain and **non-arbitrary**.

- *A general belief in an ideal tax system:*

  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.

  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Certain, neutral, understandable legislation*

Taxation should be supported by **legitimate, democratically enacted, impartial law**. Tax law should create **neutrality**, **sustainability** and **stability** in the tax system, should be neither too **simple**, nor too **complex**, **and** should lead to a **non-arbitrary, certain tax liability**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

9.4.2.3 Fundamental Principle 3: Equity influencing different levels of society

As shown in Table 9.1, Fundamental Principle 3 consists of three sub-principles. In Method 1, these sub-principles were noted in the time of the Ancient Kingdoms and the Modern Age. In Method 2, one affinity included in Fundamental Principle 3 was a driver and the other two were outcomes. This proposed Fundamental Principle formulated from the responses of the participants in Method 3 was ranked third, with 24 quotations, and eighth with five quotations. The Fundamental Principle: Equity influencing different levels of society is thus present for all the methods of this study.

- *Concept of equity:*
  The Concept of **Equity** means to be **fair. Fairness** is difficult to pinpoint as fairness is in the eye of the beholder. **Fairness** implies that taxpayers with equal ability must contribute equally. The focus group described this as vitally important for **tax ethics**. The system should ensure the accountability and participation for all to create justice. There are three dimensions to **equity**, namely **vertical equity** (different levels of income should be taxed differently, unequals are treated unequally), **horizontal equity** (the same level of income should be taxed the same, equals are treated equally). Entities/individuals should be taxed according to their economic status in the same way as their economic equals. The third dimension is **individual equity** (at the same level of income, but according to an individual taxpayer's circumstances). Entities/individuals should be taxed impartially on their sustainable value.
  Sub-summary: Tax **equity** should support **fairness** and **tax ethics** in the tax system through **three different dimensions**, namely **vertical, horizontal** and **individual** equity.

- *Redistribution:*
  The principle of **redistribution of property** should be observed to create **equity**. **Redistribution** of Income or **Wealth** implies that Taxation should reduce the **wealth inequality** in a **society** by **moving the generated wealth** residing in a society around to address the distortion of income distribution. **Income redistribution** should be beneficial for people's lives, as well as for

society in general. Taxation should lead to the **redistribution of national income** to create a **society** with the ability to sustain itself.

Sub-summary: Tax **equity** should lead to the **redistribution of national income** and **property** by **moving the generated wealth** in **societies**.

- *A general belief in an ideal tax system:*

  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.

  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Equity influencing different levels of society*

Tax **equity** should support **fairness** and **tax ethics** in the tax system through **three different dimensions**, namely **vertical, horizontal** and **individual** equity. Tax **equity** should lead to a **redistribution of national income** and **property** by **moving the generated wealth** within **societies**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

9.4.2.4 Fundamental Principle 4: Taxpayers' duty to contribute to society versus the government's duty to strike a balance between taking too little and taking too much

As is shown in Table 9.1, Fundamental Principle 4 consists of three sub-principles. In Method 1, the sub-principles emerged during the Dark and Middle Ages, and continue to be relevant in the Modern Age. In Method 2, the three affinities that were included in Fundamental Principle 4 were all outcomes. This proposed Fundamental Principle formulated from the responses of the participants in Method 3 was ranked fourth, with 20 quotations, and sixth, with eight quotations. The Fundamental Principle: Taxpayers' duty to contribute to society versus the government's duty to strike a balance between taking too little and taking too much was thus found by all three methods of this study, presenting an fundamental aspect of Taxation that should be present to ensure the feasible application of Taxation.

- *Taxpayers' duty to contribute to society:*

  The contributing public demands justification. This implies that the functioning of **society** should be **supported by the public** by means of their contributing tax. Taxpayers have an obligation – taxpayers have a **duty to contribute** towards the cost of running a country. The focus group indicated that paying taxes is a "**social and civic responsibility**" of citizens in a **civilized society**. Everybody should contribute equally to the society. Governments should receive **income from the citizens** of the country.

  Sub-summary: Taxpayers have a **social and civic responsibility** to **contribute** towards the **support of civilized society**.

- *Government's duty to strike a balance between taking too little and taking too much:*

  Nobody should pay too much. When the government raises revenue, the expenses should be justified in order to support the idea of **taking out and keeping out of the pockets of the people as little as possible**. Raising revenue refers to the fact that a government's finances are dependent on sustainable revenue. The focus group indicated that government finances are dependent on sustainable revenue collected from its citizens. Two key concepts are the basic threshold, where the government must **protect the lower income earners**, and the tax rate, to ensure that **enough revenue is collected**, while the taxpayer has a **sustainable portion of income left**. Taxpayers should contribute as nearly as possible **in proportion to their respective abilities** when generating government income. The concept of equality describes the situation where taxes should **affect all members equally** in a group of subjects that face the same economic circumstances. Government should observe the balance between **taking too little and taking too much**. Tax should be levied on the portion of income that is **not needed to generate sustainable income for the future**.

  Sub-summary: The government should ensure that **income earners** are **able to generate sustainable income** for the **future** by **not paying too much tax**.

- *A general belief in an ideal tax system:*

  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.

  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Taxpayers' duty to contribute to society versus the government's duty to strike a balance between taking too little and taking too much*

Taxpayers have a **social and civic responsibility** to **contribute** towards the **support of civilized society**. The government should ensure that **income earners are able to generate sustainable income** for the **future** by not **paying too much tax**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

9.4.2.5 Fundamental Principle 5: Benefits to public through taxation

As is shown in Table 9.1, Fundamental Principle 5 consists of two sub-principles. In Method 1, the sub-principles emerged in the Ancient Kingdoms, the Dark and Middle Ages and in the Modern Age. In Method 2, the two affinities that were included in Fundamental Principle 5 were outcomes. This proposed Fundamental Principle formulated from the responses of the participants in Method 3 was ranked fourth, with 20 quotations, and fifth, with 10 quotations. The Fundamental Principle: Benefits to public through taxation is thus present in the findings for all the methods of this study, presenting the idea that Taxation should be returned to the public in the form of benefits.

- *Benefits to public through taxation*

  Taxation should be used by the state to channel **benefits to the public** by providing goods and services. The citizens **expect a certain level of return** from their taxes, including protection of their property, and support **from the government** to foster economic activity and growth. The country's international position should be compatible with its internal taxation system. A public benefit refers to the fact that a government should use its taxes to **provide benefits and services to the public** for development and the common good. The focus group strongly associated the payment of taxes and public services. The public gives up financial means **in exchange for social order** in the form of a government. Taxes should result in **sustainable public benefits**.

Sub-summary: Taxpayers expect a **certain level of return** on their taxes **from the government** in the form of **sustainable public benefits** and **social order**.

- *A general belief in an ideal tax system:*

  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.

  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Benefits to public through taxation*

Taxpayers expect a **certain level of return** on their taxes **from the government** in the form of **sustainable public benefits** and **social order**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

9.4.2.6 Fundamental Principle 6: Change unwanted social behaviour

As is shown in Table 9.1, Fundamental Principle 6 consists of two sub-principles. Method 1 revealed that the sub-principles emerged in the Modern Age. In Method 2, the affinity that was included in Fundamental Principle 6 was an outcome. This proposed Fundamental Principle was formulated from the responses of the participants in Method 3, and was ranked seventh with six quotations. The Fundamental Principle: Change unwanted social behaviour was thus found in the findings from Methods 1, 2 and 3. This principle emerged only in the Modern Age and can therefore be classified as a relatively “young” or “new” principle. Although this is true, the importance of the principle cannot be ignored in an age where people seem in need of an incentive to do the “right” thing.

- *Change unwanted social behaviour*

  Taxation has the potential to change or direct the **behaviour of individuals**. The effect of tax can therefore **influence individual taxpayers' behaviour** but the question arises whether the changing of unwanted social behaviour is a Fundamental Principle of Taxation, or merely fulfils a subsidiary role. **Unwanted or inappropriate social behaviour** can be **manipulated** through appropriate tax policies.

  Sub-summary: Taxation should be used to **influence** or **manipulate unwanted social behaviour**.

- *A general belief in an ideal tax system:*

  The social construction of truth **underpins an ideal tax system**. When there are conflicting interests, discussion is needed to reach a final consensus. **Undisputed tax moral(s) should be the foundation of a tax system**.

  Sub-summary: The foundation of a tax system should be underpinned by undisputed tax moral(s) and a **general belief in an ideal tax system.**

FINAL SUMMARY: *Change unwanted social behaviour*

Taxation should be used to **influence** or **manipulate unwanted social behaviour**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

A summary of the findings of the research are presented in Chapter Ten as part of the final conclusion of the study.

9.5 Critically evaluating triangulation as a research method

Can a process of triangulation using three discrete sets of findings on Fundamental Principles generated through three different research methods yield a synthesised finding? Can the multi-sourced data on Fundamental Principles actually enrich the findings, or does triangulation only increase the complexity of the phenomenon of Fundamental Principles of Taxation?

In order to answer these questions, the research question and processes of the research must be revisited. The research question was the following: What are the

Fundamental Principles of Taxation that are essential to Taxation internationally as a discipline, both in the present, and as Taxation evolves into the future?

Evaluating the research question, it was clear that the data necessary to answer the question needed to be gathered from various sources. Elements in the question indicated that the concept of "development over time" plays a role and therefore the history of taxation was a source of data. Role-players identified through the question were experts from the international Taxation community, who became a further source of data. Multi-sourcing data was thus the route to follow in answering the research question.

The various elements required different research methods to gather appropriate data. Moreover, adopting a multi-method research approach to answering the research question enriched the findings by adding different angles to approach the multi-sourced data. Method 2 of the research used the IQA method to gather the data. During the IQA, a set of 10 affinities (Fundamental Principles) were identified through the focus group. The set of 10 Fundamental Principles was used in the triangulation process. The IQA also included a further process where the participants were required to indicate the relationship or power between every two Fundamental Principles. The findings from this process indicated that the participants did not regard any one single Fundamental Principle as a primary driver or as a primary outcome of Taxation. Furthermore, the process resulted in a system consisting of five feedback loops, showing up the circular effects and relationships of the Fundamental Principles. Although the circular relationships in the integrated system of Fundamental Principles were strongly significant for Method 2, an examination of relationships or power possibly existing between the Fundamental Principles was not part of the data-gathering processes for Methods 1 and 3, and therefore these findings were not included in the triangulation process. The relationships between the Proposed Fundamental Principles (affinities) that emerged in Method 2 are, however, an important result that should be noted and explored in future research.

It was possible to combine the three sets of findings that emerged from the multi-method research approach in the triangulation process, yielding an enriched set of findings. For most Fundamental Principles, the triangulation also confirmed the findings. Except for Affinity 10 in Method 2 (the Value system), all the other findings were confirmed and endorsed by their occurrence in at least one other set of findings. Therefore, triangulation can indeed be said to have demonstrated the complexity of the phenomenon, and it also produced a set of Fundamental Principles of Taxation that have emerged as trustworthy through the findings.

CHAPTER TEN

CONCLUSION

10.1 Overview of the research

The aim of the research was to construct Fundamental Principles for Taxation. The first essential ingredient for achieving the aim was the formulation of guidelines for the identification of fundamental principles. These guidelines were compiled by briefly consulting the origins of Philosophy as a First Science. Three guidelines were formulated.

Guideline 1:

The point of departure should be the study of the history of a phenomenon or field of knowledge, as ideas and practices can only be identified as the basis for guiding principles by analysing and understanding the history of the policies and practices that shaped it.

Guideline 2:

The principles identified from the research of the history of taxation policies and practices should be reflected on and tested through a repeated process of thinking in a logical, judicious way in order to allow the mind to form grounded conclusions about possible Fundamental Principles of Taxation.

Guideline 3:

The next step in the process is to ascertain whether the identified Fundamental Principles are the truths (within a system that sustains other truths) that support or underpin Taxation, or upon which Taxation stands.

These guidelines were then followed in the process of constructing the Fundamental Principles of Taxation. In order to adhere to Guideline 1, the history of taxation was reviewed to extract the guiding principles of taxation adhered to by various regimes and policies through the ages. Method 1 of the research explicitly adhered to Guideline 1, and Methods 2 and 3 implicitly adhered to Guideline 1.

Guideline 2 required a repeated process of thinking in a logical, judicious way in order to allow the mind the opportunity to form grounded conclusions about possible Fundamental Principles of Taxation. Methods 1, 2 and 3 followed this guideline. Method 1 performed a thematic analysis of the historical overview of Taxation. Methods 2 and 3 consulted international Taxation experts to comply with the guideline. For Method 2, an Interactive Qualitative Analysis (IQA) with a focus group consisting of international role-players in the field of Taxation was conducted at an international Taxation conference. For Method 3, a single question in writing was sent to present-day Taxation experts to elicit a written response on the construction of Fundamental Principles in Taxation. Methods 1, 2 and 3 combined thus adhered to Guideline 2.

Finally, the research moved on to address Guideline 3. The process required the researcher to ascertain whether the identified Fundamental Principles are the truths that support or underpin Taxation, or upon which Taxation stands. The findings from Methods 1, 2 and 3 were triangulated in order to posit a set of Fundamental Principles for Taxation.

10.2 Critical evaluation of the research

10.2.1 Methodological considerations

The trustworthiness of the research as established in this section should provide sufficient grounds for international Taxation experts to pay attention to the findings of the study in the theoretical field of Taxation.

The response to the question of whether the research meets the criterion of trustworthiness hinges on the four underpinning concepts, namely credibility, transferability, dependability and confirmability (see Chapter One (1.3.5)).

The multi-method research design and associated multi-sourcing of data led to the triangulation of the findings and resulted in a credible set of Fundamental Principles of Taxation. Credibility was further enhanced by the responses of the international Taxation experts sourced by the researcher to participate in Methods 2 and 3. In a constructionist paradigm, it is unlikely that complete transferability can be achieved, as the focus is on language, not as a tool of research, but as a subject for disclosing meaning and truth itself. The Fundamental Principles of Taxation have been constructed by means of a social and psychological process through language over time. The complexity of Taxation becomes apparent through the integration of facts emerging throughout the historical review. The data analysis in Method 3 clearly indicated that the disciplines in which the participants were initially trained and/or work influenced their perspectives on the proposed Fundamental Principles of Taxation. However, the raw data collected and used by means of Methods 1 and 3, together with the processes applied in Method 2, testify to the intensive rigour and reflexivity of the research. The rich and detailed descriptions of the processes followed during the data collection, analysis and finally the triangulation of the findings enhanced the dependability and confirmability of the research.

The research was designed in such a way as to include various research methods. The combination of methods was intentionally chosen for their strengths and to limit the impact of the weaknesses of each of the methods on the research as a whole. The use of three different data collection strategies also provided a control against the risk of researcher bias in the findings.

For this research, it was obviously important to use data sources that would illuminate the research question. Commencing this study with a review of the history of taxation drew on the practices and ideas of role-players in the field of taxation for over 6000 years. Then moving on to more recent role-players, an international voice was given to the current study by the participants of the IQA focus group, as well as the participants who responded to the single question in writing. A reflection of the impact of time on Taxation is thus included in the study, as well as a representation of geographical space in the international participation that was achieved in the research. Although the study is not a representation of time and space, it has provided a foundation to include a far more representational presence in time and space.

The specific applications of the research methods used in the study can be regarded methodologically as a contribution to the larger research arena. In Method 2, the application of the IQA method at an international conference for the purpose of gathering data systematically from international role-players in a particular field of study was an extension of the more traditional applications of the IQA. For the data collection in Method 3, the single question posed in writing to international Taxation experts as a research method qualifies as a further innovation. Various research methods have been combined in this research in order to achieve the goals of the study. A single open (unstructured) question was sent in writing in an asynchronous environment, requiring the participants to formulate a response, using any resources and as much time as they would need, by writing an answer and thereby providing verbatim, individually constructed data.

The idea that the researcher was the data collector as well as the data analyser might be seen as a limitation of the study. However, it may also be argued that the fact that one and the same person managed the entire study contributed towards consistent and hopefully dependable interpretation of the data.

The qualitative nature of the data could be regarded as a limitation if the findings from the thematic analysis applied in Methods 1 and 3 are seen as potentially biased because a single researcher analysed the data sets. However, the researcher did not influence the findings yielded by the IQA focus group in Method 2. The outcome from the triangulation process, where all three sets of data were layered and compared, resulted in a single set of Fundamental Principles of Taxation, and this fact argues strongly against researcher bias.

English was the language used in this research. However, the researcher is a second language speaker of English. The participants in the research originated from various countries; hence, they constituted a combination of first, second and additional language speakers of English. The mixed levels of language proficiency could challenge the trustworthiness of the research findings, as the connotations attached to words and concepts may have varied. An example of differences in interpretations might apply to the use of the concepts “equity” (see Chapter Eight (8.2.4)) and “equality” (see Chapter Eight (8.2.7)).

The international representation of participants in the research was not sufficient to extrapolate the findings. It could still be viewed as a limitation of the research, although extrapolation of the findings was not an aim of the research. Future research should include all the continents and sub-continents of the world as well as a greater representation of countries.

Taxation is multi-disciplinary in nature, so the relatively small number of disciplines included in the study could be seen as a limitation. Future research should therefore focus on including more disciplines in research on the Fundamental Principles of Taxation, such as Taxation behaviour, Ethics and Sociology.

10.2.2 Contribution to the theoretical field of Taxation

Acknowledging the fact that over many centuries, in various countries, through individuals/reviews/committees principles of taxation were compiled, discussed and documented, the question remains whether these contributions were based on scientific research or was it merely a reiteration of previous contributions? To what extend were these contributions influenced by political, economic and social factors?

This study attempted to construct the Fundamental Principles of Taxation through a triangulated scientific research process to form the foundation for further research and discussion in order, at some time in the future, to formulate a set of Fundamental Principles of Taxation that might be accepted at an international level, albeit with specific emphases and applications per country.

Revisiting Table 3.2, where an extract of the history of formulating guiding principles of Taxation was provided, and comparing the content of Table 3.2 with the findings of the study, it is clear that there are similarities and disparities. The newly constructed Fundamental Principles 1, 2 and 3 are also included in Table 3.2. This finding points to the prominent and popular notion that the theory of Taxation consists mainly of tax policy. However, Fundamental Principles 4 and 5, addressing the *government's duty to balance between taking too little and taking too much*, as well as *Benefits to Public through Taxation,* appear to be moving to the forefront today, and into the same sphere of theory as tax policy. The recognition of a government's duty to taxpayers in the form of delivering services and benefits to the public is endorsed by the fact that SARS has included this as a strategic risk in its 2015/2016 Annual Performance Plan (SARS, 2015).

In attempting to validate the contribution of the research, it is imperative to take criticism from international and expert participants in the study seriously. One participant wrote: *"My belief is that there are no fundamental principles of taxation,* *at least not in the sense of universal principles that apply across time and space"* (P6:1 – Method 3). In addressing this notion, two points that the participant makes need to be considered: firstly, that there is no universal set of Fundamental Principles of Taxation, and secondly, the question of whether there should be such a set of Fundamental Principles.

Does the idea that there is no universal set of Fundamental Principles of Taxation arise from the knowledge that constructing such a set would be extremely complex and problematic, especially in the light of the fact that the economic borders between countries are disintegrating and are being replaced with agreements and treaties? From the perspectives of practice, education and research, it is clear that Taxation is evolving into a specialised discipline worldwide. In practice, examples of the evolving nature of Taxation include facts such as that the real world now includes a virtual world where political and economic borders are less relevant, where the European Union allows people to move freely across borders, and where the movement of goods is becoming easier every day. The urgency of constructing a universal set of Fundamental Principles of Taxation is therefore increasing, and such Fundamental Principles should serve as criteria in the further development of theory and practice in the field of Taxation.

Some experts who participated in the study felt that attempting to construct Fundamental Principles of Taxation might be a futile exercise, an exercise that should even perhaps be viewed with suspicion. Some comments representing this stance are the following:

- *Society is constantly changing, and varies considerably from country to country, region to region, culture to culture, any attempt to crystallize fundamental principles is extremely difficult and possibly futile* (P6.2 – Method 3).
- *We need to be deeply suspicious of attempts to formulate uniform principles because they can have the effect of disguising exercises of power and also masking inequalities in society* (P6.3 – Method 3).
- *I found this difficult enough as I am not sure that there are any such principles* (P10.8 – Method 3).

The researcher acknowledges the reservations of the participants and certainly agrees that every country has a unique situation with unique challenges. Therefore it is fully acknowledged that the Fundamental Principles of Taxation will have to be applied selectively, and will possibly even have to be extended for every country, as is confirmed by the following comment: *"This gives tax also a national character meaning that apart from the more generic fundamentals a tax also has to address the unique characteristics of a country"* (P14:22 – Method 3).

Every attempt was made to avoid the influence of power in the construction of the Fundamental Principles of Taxation. If the Fundamental Principles are applied in the interdisciplinary field where they belong, then no single Principle may have complete power over the field of Taxation. The interdisciplinary nature of Taxation was confirmed by the following comments from participants in Method 3:

- *The field of taxation now needs to borrow and probably expand from [the] principles of law, auditing, accounting, ethics, public administration, psychology, management and finance while balancing these with the foundational principles of economics.* (P4:10 – Method 3)
- *I would think perhaps a fundamental principle of taxation is that it needs to be studied alongside other disciplines as various aspects are intrinsically linked with it.* (P13:6 – Method 3)
- *Taxes have to function within a very specific social, political, economic and legal environment. Although economics and law are crucial, political and social realities are important issues too.* (P15:3 – Method 3)

The findings from Method 2 strongly suggest that the Fundamental Principles were seen as interdependent, as no single Principle was a primary driver or primary outcome of Taxation. The notion that Taxation should be seen as an entire system rather than as an independent collection of discrete Principles is endorsed by the following statement: *"Evaluating a tax system and [its] effect requires a holistic view that takes into account how it works and acknowledges the tensions between theory and practice"* (P6:5 – Method 3). The idea of viewing Taxation as a holistic system is supported by the finding in this research that, there is a general belief, encompassing all the identified Fundamental Principles, that there is (or should be) an ideal tax system. The construction of Fundamental Principles therefore implies a value system that is necessary for undisputed tax morals. This research then strongly suggests that the notion of an ideal tax system is the point of departure – the absolute Fundamental Principle – for Taxation to move forward as a grounded discipline.

In contemplating these ideas, the international Taxation experts' responses in Method 3 were taken into account. One declared: *"I believe that the discussion on fundamental principles of taxation is very important and long-standing"* (P5:1 – Method 3). Another participant referred back to history: *"Even as far back as 1921, Josiah Stamp reiterated the need to revisit the fundamental principles of taxation over time as the architecture of the tax environment is constantly changing"* (P4:6 – Method 3). Taking a step even further back into history, revisiting the four maxims formulated by Adam Smith in 1776, one participant commented: *"In* The Wealth of Nations *in 1776 [Adam Smith] set out the four principles, which in my view have never been refuted or replaced, because they are ageless"* (P7:1 – Method 3). By contrast, another international Taxation expert challenged this view by declaring that the four maxims of Adam Smith *"may not be adequate to the practical task of bringing under judgement the many difficult issues that modern economies are being confronted with"* (P14:6 – Method 3).

The construction of the Fundamental Principles of Taxation is therefore an exercise that might always be controversial due to the interdisciplinary role of Taxation in the international economic and socio-political environment, where policy and the implementation of tax systems are embedded in the context of the unique circumstances of every country. The role of taxation in the management and development of a country should direct the focus of adjustments to the Fundamental Principles of Taxation for that particular country. Given the crucial role that taxation plays in the economy today, and the complexity of taxation legislation, Taxation has become a highly specialised field of enquiry. Taxation is intrinsic to every business transaction, and the tax consequences of every transaction need to be acknowledged and addressed at an international level. As Taxation is an international phenomenon, international Taxation experts were involved in the construction of the Fundamental Principles of Taxation.

The current research has attempted to scientifically construct a set of Fundamental Principles of Taxation but acknowledges the fact it may not be a final set that will be accepted in the global community. The aim of the research was to open the conversation and propose a baseline set of Fundamental Principles of Taxation for further contemplation, research and discussion in a more representative global forum.

10.3 Findings of the study

The single set of Fundamental Principles of Taxation emerging from this research is the following:

Efficient and effective administration and communication

Tax administration should be **effective** in **applying legislative guiding principles** when **levying taxes** and **collecting tax payments**. Tax **payments** should be **convenient** in terms of their **timing and manner** for taxpayers. Tax **compliance** should be supported by **positive tax morals** to **ensure a tax-paying culture**. **Efficient and effective administrative procedures** should **minimize** the **cost of collection**. Tax systems should be **perceived** as **appropriately transparent** while **promoting adequate confidentiality**. The tax system should be constantly **reviewed** to ensure administrative efficiency. **Tax education** should support an **understandable** tax system through **communicated awareness**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

Certain, neutral, understandable legislation

Taxation should be supported by **legitimate, democratically enacted, impartial law**. Tax law should create **neutrality**, **sustainability** and **stability** within the tax system, should be neither too **simple**, nor too **complex and** should lead to a **non-arbitrary, certain tax liability**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

Equity influencing different levels of society

Tax **equity** should support **fairness** and **tax ethics** in the tax system through **three different dimensions**, namely **vertical, horizontal** and **individual** equity. Tax **equity** should lead to the **redistribution of national income** and **property** by

moving the generated wealth within **societies**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

Taxpayers' duty to contribute to society versus the government's duty to find a balance between taking too little and taking too much

Taxpayers should have a **social and civic responsibility** to **contribute** towards the **support of civilized society**. The government should ensure that **income earners are able to generate a sustainable income** for the **future** by not **paying too much tax**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

Benefits to the public through taxation

Taxpayers expect **from the government** a **certain level of return** on their taxes in the form of **sustainable public benefits** and **social order**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

Changes to unwanted social behaviour

Taxation should be used to **influence** or **manipulate unwanted social behaviour**. **The foundation of a tax system should be underpinned by undisputed tax moral(s)** and a **general belief in an ideal tax system.**

10.4 Future research

The findings from the current research cannot claim to be more than the starting point for research and discussion on a more representative international scale. The findings from the research should be disseminated to experts in Taxation from as many countries as possible with the following questions:

- To what extent does the taxation applied in the country adhere to the proposed Fundamental Principles of Taxation?
- Why are some of the proposed Fundamental Principles of Taxation deemed less important in this country?

- Explain the unique situation in the country that could justify additional proposed Fundamental Principles of Taxation?
- How could the proposed Fundamental Principles of Taxation be adapted to include/exclude principles specific to the country?

Collaborative research will increase the possibility of including as many countries in the research as possible. The participants consulted should consist of an equally balanced contingent from countries from every continent and international sector (for example, it should include the Far East) and should represent different regimes, ideologies, religions and cultures (for example, it should include countries adhering to the principles of Islamic finance).

The research should also accommodate the interdisciplinary nature of Taxation. In this regard, the research should ensure that all relevant disciplines are represented, extending the fields of discipline used in this study to include, for example, sociology, psychology, administration, political sciences, the behavioural sciences and philosophy of Taxation.

The Fundamental Principles of Taxation as constructed through this study, could be dissected and then investigated for their deeper meaning in applying these principles in practice.

When future research is contemplated, the words of Hegel (quoted in Verene, 2008:142) should be revisited at regular intervals: “Only at the completion of the whole course is the despair of incomplete thinking relieved.” He declared that the “course” is in fact a circular system where the end meets up with the beginning, making it a perfect but continuous motion. The quest for the Fundamental Principles of Taxation is therefore a process that has a beginning and an end, but the end meets up with the beginning, setting the entire process in motion again.

10.5 A final remark

Reflecting on the journey of constructing the Fundamental Principles of Taxation that this study followed, it is clear that this study can only represent the beginning of the research on the topic. Aristotle (quoted in Marais, 1967:63) declared that whoever “considers things in their growth and origin ... will obtain the clearest view of them". With the wisdom of Aristotle as a point of departure, it must be concluded that the continuous quest to construct a universal set of Fundamental Principles of Taxation will be a long-term venture. Marais (1967:1) states: "To know precisely what to rely on, man needs a fundamental and universal certainty … in order to live and arrange the other partial certainties." The quest "to know precisely" what the Fundamental Principles of Taxation should be is positioned at the heart of Taxation itself. Taking a step back in evaluating the heart of Taxation, the wisdom of Philosophy may hold the key to the map required to complete the quest: "Only philosophy can help us to confront the world, confront ourselves, rethink the world, rethink ourselves" (Higgs & Smith, 2003:151).

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APPENDICES

Appendix A: Invitation to participate in the focus group

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Taxation

26 August 2014

Prof XXXXX
University of XXXXX

Focus group for research at TRN 2014
During the closing ceremony at the TRN 2013 Conference, the organisers endorsed the possibility of hosting a focus group of pivotal importance at the TRN 2014 Conference.

In your position as a key role player in Taxation in your country, you are hereby most cordially (and especially) invited to participate in this focus group to contemplate:

What are the fundamental principles of Taxation?

The relevance of this research lies at the very basis of your thinking about Taxation since such conceptualisation should be giving direction to academics, taxation specialists and expert practitioners alike.

Although Taxation was first mentioned 5 500 years ago, it has always been deemed of lesser importance than other fields of study, for example, accounting, law and economics. Through the years, Taxation has, however, become such an important part of everyday life that the relevance thereof cannot be ignored anymore. This is evident from the international Taxation conferences held and the international Taxation journals that are published. Yet, for Taxation to take its place as an independent field of study, it needs to be grounded on fundamental principles. This research aims to initiate the conversation on the fundamental principles of Taxation at this time in history.

Your participation is eagerly requested at the focus group activity to be held on 3 September between 8:00am and 10:00am at the TRN 2014 Conference at Roehampton University in London, UK. The focus group will require 2-3 hours of your time. Thereafter a document will be prepared for your attention. This document will reach you in early October 2014. Completion of the document will take approximately 1 more hour of your time.

Participation in this focus group promises to be a stimulating exercise with regard to methodology as well as theory. The importance of the focus group lies in the fact that various taxation experts from different countries and a variety of backgrounds will be invited to participate. The input of these taxation experts will be invaluable to all persons attending as well as for the research.

I sincerely hope that you are in a position to enter the conversation through the focus group as I am convinced of the significant value of the contribution that you will make.

I wish to extend my sincere appreciation to the TRN Organising Committee for endorsing this focus group.

Please confirm your participation by e-mailing me at: hanneke.dupreez@up.ac.za

Kind regards

Hanneke du Preez

Senior lecturer
Department of Taxation
University of Pretoria

Appendix B: Invitation to respond to the single written question via e-mail

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Taxation

13 October 2014

Dr XXX
E-mail address
University of XXX

Dear Dr XXX

This is a request to participate in electronic-based research to contemplate the following question:

What are the fundamental principles of Taxation?

This research process is important as a theme-generating method.

Due to your vast experience as a tax academic, as well as you practical experience with a wide range of tax issues, I wish to invite you to participate in Phase 3 of my research. Your multi-national research into tax compliance with data being collected from four continents make you an ideal participant to contribute to the conversation regarding the formulation of fundamental principles of Taxation. Your contribution will be highly regarded and is very valuable to my research.

The relevance of this research lies at the very basis of your thinking about Taxation, since such conceptualisation should be giving direction to academics, taxation specialists and expert practitioners alike.

Although Taxation was first mentioned 5 500 years ago, it has always been deemed of lesser importance than other fields of study, for example, accounting, law and economics. However, over the years, Taxation has become such an important part of everyday life that the relevance thereof cannot be ignored any longer. This is evident from the international Taxation conferences held and the international Taxation journals that are published. For Taxation to take its place as an independent field of study, it needs to be grounded on fundamental principles. This research aims to initiate the conversation on the fundamental principles of Taxation at this time in history.

Your participation is eagerly requested. Participating in this phase of the research will require the following from you:

> Please write down your ideas on: *What are the fundamental principles of Taxation?* This can be in the form of a paragraph, bulleted points or any other format of your choosing. There is no requirement with regard to the length of this document (1 paragraph or 1 page, this is your choice). If possible, please return this document to me within 2 weeks (27 October 2014) via e-mail (hanneke.dupreez@up.ac.za).

I will, through a thematic analysis of all the returned documents using Atlas ti, prepare the fundamental principles according to the returned documents and process the principles in order to allow their relationship or structure to emerge.

I sincerely hope that you are in a position to enter the conversation through this phase in the research as I am convinced of the significant value of the contribution that you will make. This appeal is only made to 25 tax academics and tax policy influencers in eight different countries around the world.

If you are not in a position to participate in this phase of the research, please decline this invitation by e-mailing me (hanneke.dupreez@up.ac.za).

Yours sincerely

Hanneke du Preez

Senior lecturer
Department of Taxation
University of Pretoria

Appendix C: Ethical Clearance

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

FACULTY OF ECONOMIC
AND MANAGEMENT SCIENCES

RESEARCH ETHICS COMMITTEE
4 September 2014
Tel: +27 12 420 4102
E-mail: berendien.lubbe@up.ac.za

Prof M Stiglingh Department of Taxation

Strictly confidential

Dear Professor Stiglingh

Project: Researcher:
Student No: 04208005
Promoter: Prof M Stiglingh
Co-promoter: Prof C Bouwer
Department:Taxation

Towards a framework of the fundamental principles of taxation H du Preez

Thank you for the application you submitted to the Committee for Research Ethics, Faculty of Economic and Management Sciences.

I have pleasure in informing you that the Committee formally approved the above study on 27 August 2014. The approval is subject to the candidate abiding by the principles and parameters set out in the application and research proposal in the actual execution of the research.

The approval does not imply that the researcher, student or lecturer is relieved of any accountability in terms of the Codes of Research Ethics of the University of Pretoria if action is taken beyond the approved proposal.

The Committee requests that you convey this approval to the researcher. We wish you success with the project.

UNIVERSITEIT VAN PRETORIA
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Appendix D: Permission to conduct a focus group

Mrs H du Preez
Private bag X20 Hatfield,
Pretoria 0028
University of Pretoria,
Pretoria
Republic of South Africa

6th February 2014

Dear Hanneke

Further to our conversation at TRN 2013 in Exeter and subsequent emails, I have spoken with the organisers of the TRN's 2014 Doctoral Colloquium. I can confirm that we would like you to run your focus group during the Colloquium. In due course can you liaise with Professors Boden and Oats to finalise the administrative arrangements.

I wish you the best in your research and look forward to learning of your results, hopefully at a future TRN Annual Conference.

Yours sincerely

Kevin Holland

Chair
Tax Research Network.

Professor of Accounting and Taxation
Cardiff Business School
Hollandk2@cardiff.ac.uk

[Email received on 2014-02-06 at 06h44 from Hollandk2@cardiff.ac.uk to hanneke.dupreez@up.ac.za]

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Appendix E: Consent form for focus group

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences

Consent for participation in research study
Department of Taxation
University of Pretoria

Research conducted by:
Mrs H du Preez
E-mail: Hanneke.dupreez@up.ac.za
Cell: 082 879 7121

Dear Participant

You are invited to participate in an academic research study conducted by Hanneke du Preez, a senior lecturer engaged on her PhD, from the Department of Taxation at the University of Pretoria.

The purpose of the study is to gather leading minds in taxation at an international conference in an attempt to formulate a preliminary set of fundamental principles for taxation.

Please note the following:

- Your participation in this study is very important to us. You may, however, choose not to participate and you may also stop participating at any time without any negative consequences.
- Please participate in this focus group with open-mindedness and honesty. This should not take more than 150 minutes of your time.
- The results of the study will be used for academic purposes only and may be published in an academic journal. We will provide you with a summary of our findings on request.
- Please contact my study leader, Prof Madeleine Stiglingh (madeleine.stiglingh@up.ac.za) if you have any questions or comments regarding the study.

Please sign the form to indicate that

- you have read and understand the information provided above; and
- you give your consent to participate in the study on a voluntary basis.

Participant's signature ………………………………….. Date………………………

Researcher's signature ………………………………….. Date………………………

Yours sincerely
Hanneke du Preez (Department of Taxation)

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Appendix F: Questionnaire for focus group

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YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Taxation

3 September 2014

Research: Focus group
TRN 2014

Please complete the following:

1) Name and surname: ______________________________

2) Current institution: ______________________________

3) What is your background?

Economics	
Legal	
Accounting	
Philosophy	
Sociology	
Auditing	
Other	

Other (please specify): ______________________________

4) What is your research interest? ______________________________

____

5) Please provide contact details for correspondence after the conference.

____

____

Appendix G: Detailed Affinities Relationship Table invitation

UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Faculty of Economic and Management Sciences
Department of Taxation

21 October 2014

IN SEARCH OF THE FUNDAMENTAL PRINCIPLES OF TAXATION

Dear Dr XXX

Your continuous support for my research is highly appreciated.

You are invited to participate in the final stage of this phase of the research project aimed at initiating the conversation on the fundamental principles of Taxation.

Your participation in this research project is voluntary and confidential. You will not be asked to reveal any information that will allow your identity to be determined.

If you are willing to participate in this study, please sign this letter as a declaration of your consent, i.e. that you participate in this project willingly and that you understand that you may withdraw from the research project at any time.

Dr. XXX's signature ....: Date: …………….

Researcher's signature ....: Date: …………….

Yours sincerely

Hanneke du Preez (Department of Taxation)

FUNDAMENTAL PRINCIPLES OF TAXATION FORMULATED BY THE FOCUS GROUP:

Principle descriptions

---

1 CERTAINTY: *A non-arbitrary tax system*

With this principle the focus group described the importance of legal certainty and administrative discretion in the tax system. Although discretion is an important aspect of taxation, the tax administrators should be consistent.

---

2 COHERENCE: *A set of principles and rules to be used as a yardstick to move from chaos to order in the tax environment*

With this principle the focus group emphasized the importance for a tax administration to develop procedures in order to apply the principles and rules as set out in the tax legislation. Procedures in the tax system and in the courtroom should support existing policies in creating an efficient administrative system. The neutrality of the tax system should be protected by legislation.

---

3 FAIRNESS: *Taxpayers with equal ability will contribute equally*

The focus group described this principle as the vital importance of tax ethics. The system should ensure the accountability and participation for all to create justice. The necessary procedures should be in place to promote adequate confidentiality while adhering to appropriate transparency. The redistribution of property should be observed to create equity.

---

4 OBLIGATION: *A duty to contribute towards the cost of a country*

With this principle, the focus group indicated that paying taxes is a “social and civic responsibility” of citizens in a civilized society. In theory, the contribution should be voluntary, but in practice, it is compulsory.

---

5 PRACTICABILITY: *A feasible time to pay taxes*

With this principle, the focus group indicated that when a tax payment is made it must take place at the right moment when it is most convenient. The legislator should understand the business. The tax law must be structured to create a feasible situation where the tax law is not too complex, or oversimplified.

---

6 PUBLIC BENEFIT: *A government that uses its taxes to provide benefits and services to the public for development and common good*

The focus group drew a strong association between the payment of taxes and public services. Income redistribution should beneficially impact on people's lives as well as society.

7 RAISING REVENUE: *Government finances are dependent on sustainable revenue*

With this principle the focus group indicated that government finances are dependent on sustainable revenue collected from a country's citizens. Two key concepts are the basic threshold where the government must protect the lower income earners and the tax rate to ensure that enough revenue is collected while the taxpayer has a sustainable portion of income left.

8 TAX COMPLIANCE: *A taxpaying culture where there is a "willingness to voluntarily" pay taxes*

With this principle the focus group emphasized the importance of the tax moral(s) in a country, where trust should exist between the taxpayer and the government. The government should support the taxpayer's perception that he is heard. Compliance relates to tax incentives. When tax morals are negative, the government will then need stringent tax enforcement to deter taxpayers from tax avoidance and evasion.

9 TAX UNDERSTANDING: *The need for a tax education system*

With this principle the focus group suggested that the essence of an understandable tax system lies in tax education. The question to be asked is whether the taxpayer is aware of the different taxes he may be liable to pay.

10 VALUE SYSTEM: *A general belief in an ideal tax system*

The focus group associated this principle with an understanding that the social construction of truth underpins an ideal tax system. When conflicting interests exist, argumentation is needed for a final consensus. Undisputed tax moral(s) should be the foundation of a tax system.

DETAILED AFFINITY (PRINCIPLE) RELATIONSHIP TABLE (DART)

Please complete the attached table below by indicating what you think the direction of the relationship between two principles is. Use the principle descriptions that are supplied with this table to help you with this task.

For example:

If you think that 1 influences 2, then indicate 1 → 2
If you think that 2 influences 1, then indicate 1← 2
If you think that there is no relationship between 1 and 2, then indicate 1 < > 2.

PLEASE NOTE: An arrow may only go in one direction. Although you may feel that the direction of the relationship can go both ways, you must indicate the direction you think illustrates the strongest or most important influence.

Example:

An example of an IF/THEN statement in the case where 1 → 2 may look as follows:
If a tax administrator uses discretion when assessing a tax return, then the same discretion should be used in similar taxpayers' assessments.

PLEASE NOTE: Use a specific example from your own experience to illustrate your point rather than a vague statement.

Thank you for the time and effort that you are willing to put into this research project.

Below is the list of the principles you are requested to consider. Please also refer to the list of principle descriptions for completing the table below. Remember that an arrow can go either left or right, but not in both directions.

Principles	**Possible relationships**
1. Certainty 2. Coherence 3. Fairness 4. Obligation 5. Practicability 6. Public benefit 7. Raising revenue 8. Tax compliance 9. Tax understanding 10. Value system	If Principle 1 influences Principle 2 then: 1 → 2 If Principle 2 influences Principle 1 then: 1 ← 2 If there is no relationship between principles: 1 < > 2

Principle pair			Give an example in natural language using an IF/THEN statement to explain the relationship according to your personal experience
1		**2**	
1		**3**	
1		**4**	
1		**5**	
1		**6**	
1		**7**	
1		**8**	
1		**9**	
1		**10**	
2		**3**	
2		**4**	
2		**5**	
2		**6**	
2		**7**	
2		**8**	

2		9	
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7		8	

7		**9**	
7		**10**	
8		**9**	
8		**10**	
9		**10**	

Thank you for your participation!

-oOo-