

RESEARCH FINDINGS: THE PROGRESS OF SOUTH AFRICAN REVENUE SERVICE ON ITS SERVICE QUALITY JOURNEY

S. Smulders
Department of Taxation
University of Pretoria

M. Stiglingh
Department of Taxation
University of Pretoria

ABSTRACT

The South African Revenue Service (SARS) introduced its Service Charter in 2005, to be fully effective from the beginning of the 2008 tax year. The intention of this Charter is to set out specific service delivery targets which SARS aims to achieve. To get an indication of the progress made by the SARS on its service quality journey, *firstly* a questionnaire was administered with the aim of establishing the perceptions of tax practitioners towards the service quality of specific services mentioned in the Service Charter. *Secondly*, reforms subsequently introduced by SARS were analysed in relation to the findings of the survey and positive correlations were found.

INTRODUCTION

Calls for businesses to pay attention to the quality of the service they deliver to their customers have increased over the past few decades and as the community's expectations of service from private-sector organisations have increased, so have their expectations of the service provided by the public sector (Dhillon & Bouwer 2005:2; Schneider & White 2004:1). As far as the public sector is concerned, revenue agencies worldwide have, since the start of the 21st century, typically been the first to redefine the relationship between the government and taxpayers (Stoke, Regan & Stauffer 2005:1). Revenue agencies began to concentrate on improving external aspects, such as their relationship with clients and the service they provide for them (Rettie 2005:1). Their

relationship management strategy is based on bringing taxpayers into the system, investing time on the relationship to help clients understand how to comply with their duties as taxpayers, and maintaining the relationship with taxpayers as customers in the long term (Dhillon & Bouwer 2005:7). Revenue agencies now consider taxpayers as customers, offering a choice of convenient channels to facilitate compliance, and using customer insight to provide tailored services and compliance activities (Rettie 2005:1; Stoke, Regan & Stauffer 2005:5).

In line with the international trend of focusing on customer services, the South African government, in nurturing its maturing democracy, adopted the *Batho Pele* principle (*Batho Pele* is the isiZulu term for *putting people first*). The South African Revenue Service (SARS) pioneered this shift towards service by developing a capability model and transformational strategy that will propel it to higher levels of efficiency and service delivery (Areff & Mabaso 2005). One component of this strategy is customer management, the bastion of the reorganisation effort toward improving service delivery, by taking the service to the people and empowering the *front end* of SARS (Areff & Mabaso 2005).

In order to meet this new service delivery strategy, SARS has, over the last three years, begun to benchmark its service standards against international best practice (SARS 2005a:2). On 19 October 2005, the final SARS Service Charter (SARS 2006) setting out its service standard guidelines was released. In the spirit of *Batho Pele*, it sets standards publicly for the expected levels of service from SARS officials to taxpayers. SARS indicated that the service standards would be phased in gradually from 2005 to 2007, over an eighteen-month period (SARS 2005a:2). Taxpayers can therefore expect the Charter to be fully implemented by the beginning of the 2008 tax year (Croome 2006:1).

The Service Charter is intended to ensure that public expectations of service delivery are matched by achievable and measurable performance standards (SARS 2005:26). SARS has committed itself to being taxpayer- and trader-centric, as well as proactive and accessible in its approach to improving levels of service and providing additional channels of customer interaction (Croome 2005a:4; SARS 2005:57). Notwithstanding the changes it has already made, SARS is still facing the challenge of fully transforming itself into a customer-focused and innovative revenue administration. The Service Charter will be a useful tool with which to hold SARS accountable for the level of the services it delivers to taxpayers, even in the short term (SARS 2005a:2).

RATIONALE FOR THE STUDY

Non-compliance with tax legislation persists in South Africa whether due to ignorance, carelessness, recklessness or deliberate evasion (SARS, 2005:47). Pravin Gordhan, however, believes that a significant shift has taken place with the emergence of a *citizenship culture*, translating into higher levels of tax compliance (Ensor 2004:1).

Voluntary compliance is maximised with a better customer service that makes compliance easier (Dhillon & Bouwer 2005:2). It is also argued that levels of tax

compliance are enhanced when taxpayers believe they are being treated fairly (Croome 2005:29). The quality of SARS' services is therefore crucial, because this directly influences the task of complying with tax obligations.

Currently there are conflicting views on these services. Pravin Gordhan believes that SARS has taken considerable strides towards delivering a complete service from its service branch offices to its stakeholders (SARS 2005:33). Various press releases from Gordhan's office have also led readers to believe that SARS is operating extremely efficiently, but a very different picture from that presented by SARS emerges from partners operating tax compliance divisions in accounting and legal firms (Mitchell 2001:81, Croome 2006:1). Dissatisfaction with SARS, its personnel and their actions is confirmed by various taxpayers, who claim victimisation and lack of consideration for the law on the part of SARS personnel (Divaris 2006:2; King 2006:5; Manik 2005:2; Suliman 2006; Nel, in Visser 2006;Webb 2006:30).

Currently there are no formal processes allowing either SARS or taxpayers to evaluate the merits of these conflicting views. SARS has clearly stated that, in addition to the evaluation done by the SARS Service Monitoring Office (SMMO), when the Service Charter is introduced, it will enable taxpayers to evaluate SARS on the levels of service it provides, in terms of achievable and measurable performance standards (SARS 2005:26). Croome (2006:2) argues that the acid test of the efficacy of the Service Charter will be the levels of service actually experienced by taxpayers measured against those that are prescribed. Croome (2005) is also of the opinion that it is important for SARS to report regularly on the service levels experienced by taxpayers and on the measures taken to address deficiencies in the service levels.

The performance standard expected of SARS should be high, given its significance in the economy (Dhillon & Bouwer 2005:9). It is therefore important to determine the public perceptions of the service levels provided by SARS and to use this information to fine-tune any service strategies to ensure that tax compliance in South Africa continues to improve.

RESEARCH AIM

The primary research objective of this study could be encapsulated in the following research question:

"What is the progress of SARS on its service quality journey?"

To achieve this aim, it is important to determine the perceptions of the tax practitioners with regard to the service quality of specific services mentioned in the SARS Service Charter. It must, however, be acknowledged that the service quality of SARS as perceived by tax practitioners should be considered within the context of an interdependent social interaction. Additional information on the internal monitoring of service quality by SARS could be used to validate or refute the tax practitioners' perceptions. The results of these perceptions were therefore made available to SARS. SARS responded by either providing its internal data and statistics (where available) which either complemented or contradicted

the survey results. To take this process one step further, the reforms introduced by SARS subsequent to the survey were considered to establish how the shortcomings found in the survey were addressed.

Understanding what is generally understood by the term *perceived service quality* will therefore be covered next as this is what is initially being established in the study. Thereafter the findings of the empirical study and SARS' responses to them (either in the form of their internal data or subsequent reforms introduced) will be presented.

PERCEIVED SERVICE QUALITY

Perception is defined by the *Concise Oxford Dictionary* as "the ability to see, hear, or become aware of something through the senses". This definition focuses on the senses and their use. The five senses, sight, hearing, touch, taste and smell, all affect people's perceptions. O'Brien (2004:1) expresses a similar view, defining perception as "the process by which we acquire information about the world around us using our five senses". Lumsden and Lumsden (2000:93) acknowledge that perception is subjective, arguing that perception is "the way people ... pay attention to a stimulus and how they interpret that stimulus for themselves".

It is clear that various factors (for example, motives, needs, drives, wants, experiences, culture, language and gender) influence how people form perceptions. Perceptions are experiential states of mind and are not necessarily real (Haywood-Farmer 1988:19). Nevertheless, the perceived service quality approach still seems to form the foundation of much of the ongoing service quality research and theory development in services marketing (Grönroos 1988:11; Parasuraman, Zeithaml & Berry 1986:1; Schneider & White 2004:10).

Grönroos (1984:37) defines perceived service quality as the result of the consumer's perception of the service itself. This implies, as Parasuraman *et al.*, (1986:3) put it, that perceived quality refers to "the consumer's judgment about a service's overall excellence or superiority. It differs from objective quality, it is a form of attitude, it is related but not equivalent to satisfaction, and it results from a comparison of expectations with perceptions of performance". Haywood-Farmer (1988:19) also suggests that customers form their judgment of perceived service quality by comparing their perceptions of what they receive to their expectations of what they should receive. Boothe (1990:65) regards perceived service quality as "the customer's feel for the quality of the service that has been provided".

To summarise this definition, perceived service quality was found to be influenced by various factors; is perceived subjectively by the tax practitioner and it is represented by the difference between perception of performance and expectations.

It is thus acknowledged that the information provided by tax practitioners was probably based on their recollections of their experiences with SARS, and not necessarily on recorded data. This would detract from the precision of the measurement. The aim of the research was to establish perceptions, which are inherently difficult to measure accurately, and no claim is made that the results are accurate in a scientific sense. It is

then this perceived service quality that is empirically measured and the findings thereof are set out below.

EMPIRICAL RESEARCH FINDINGS

Research Design and Methodology

Although SARS provides services to taxpayers in respect of a wide range of taxes, this study focused only on its services in respect of Income Tax, Pay-As-You-Earn (PAYE), Provisional Tax and Value-Added Tax (VAT). Furthermore, because of time and cost constraints, not all of the services provided by SARS were considered. Only the following services were assessed in the survey:

- registration of taxpayers;
- processing their tax returns;
- payment of refunds to taxpayers;
- responding to an objection;
- responding to written correspondence; and
- answering telephones, personal assistance and addressing enquiries.

In order to establish perceptions of professional accountants and bookkeepers (referred to as “tax practitioners” for the purposes of this article) towards these services provided by SARS, research was conducted throughout South Africa among tax practitioners registered with the South African Institute of Chartered Accountants (SAICA), the South African Institute of Professional Accountants (SAIPA) or the South African Institute of Certified Bookkeepers (SAICB). A database of all the members of SAICA (20 279), SAIPA (5 294) and the SAICB (2 174) was obtained (27 747 participants in total) and the entire population was surveyed.

Tax practitioners were chosen as the target population because they play a crucial role in enhancing the efficiency of tax collection by communicating SARS’ intentions to their clients (Friedman 2003:13). They fulfill an important mediating role and serve as a conduit for SARS by passing information to the most affluent taxpayers, which may inevitably influence taxpayers’ decisions (Smith 2003:11). Even if they try to think of ways of “beating the system”, they remain cogs in its workings (Friedman 2003:13).

South African businesses make extensive use (between 60% and 80%) of tax practitioners in dealing with the burden of tax compliance (SBP 2005:49; UNISA 2005:114; Upstart Business Strategies CC 2004:36). In South Africa, not only businesses rely on tax practitioners. Turner, Smith and Gurd (1998:99) argue that individuals have limited leisure time and when their disposable incomes are large enough, they are prepared to pay tax practitioners to complete their tax returns; this is faster and more convenient than trying to master the requirements themselves.

It is submitted that tax practitioners represent the majority of taxpayers, and that the frequency of their interaction with SARS is probably much higher than that of the

individual taxpayer. This means, therefore, that they would probably be best able to judge the quality of the services provided by SARS.

An electronic internet-based questionnaire administered by BLUEtub Design and Production was selected as the research instrument for conducting the research. The questionnaire was developed by a team consisting of the World Bank survey experts and a South African consultant, a senior lecturer in the Department of Taxation at the University of Pretoria. Pre-identified tax experts from local and international universities, as well as from SARS and the National Treasury, were selected to review the survey questionnaire for relevance, structure, flow and content.

A pilot study was run from 15 September 2006 to 4 October 2006. The overall response rate of the pilot study was 14,5%. The final questionnaire was sent out on 1 November 2006 and access to it was closed on 5 January 2007. The overall response rate was 15,75% (3 429 respondents). The pilot response rate and the overall response rate appear to be similar to those received for online surveys (Hamilton, n.d.).

It should be noted that tax practitioners' perceptions of SARS' services were obtained during the period 1 November 2006 to 5 January 2007. The tax practitioners were not given a specific time frame (for instance in the last month or last twelve months) for their perceptions of SARS' services. However, it was anticipated that they would probably have related their most recent experiences with SARS when responding to the questionnaire.

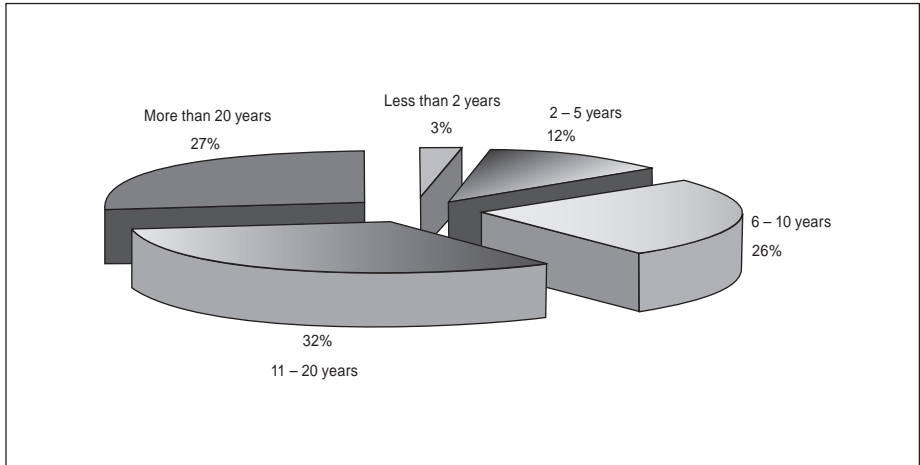
Profile of respondents

The largest category of respondents (44%) was from Gauteng (a province in South Africa). However, at least 3% of the respondents came from each of the remaining eight South African provinces, with the exception of the Northern Cape, which had a 1% representation. This appears to be in line with the demographics of the institutions' members; the survey team was informed that, for example, SAICA has fewer than 40 members in the Northern Cape (Coates 2006:1). The cities with more than 7% representation were Johannesburg (12,8%), Pretoria (14,6%), Cape Town (10,8%) and Durban (7,1%). As these are the four largest cities in South Africa, it was deemed to be appropriate that they provided a higher percentage of the responses.

Among the respondents, 11% reported that their offices were situated in a rural area. Rural areas could therefore be perceived as being under-represented in the survey results. Using an electronic-based questionnaire might further have limited the response from these areas. However, tax practitioners, not their clients, were the respondents in this study, possibly suggesting that the tax practitioners themselves might not be situated in a rural area but could be representing rural clients.

As far as the experience levels of the tax practitioners was concerned, it was found that at least 85% of the respondents have more than five years' experience in assisting clients in taxation matters, while 59% have had more than 11 years' experience of this task (Figure 1). The majority of the respondents thus appear to be suitably qualified and experienced. Their responses would therefore provide credibility to the results of the research.

Figure 1: Years of professional experience in assisting clients with taxation matters



FINDINGS PER SERVICE RENDERED

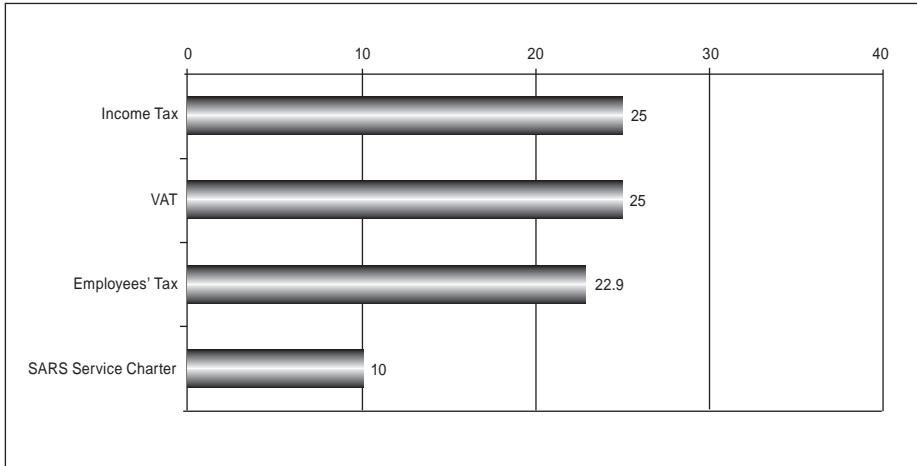
Receipt of registration number

According to the SARS Service Charter, it should take ten days for a taxpayer to receive any tax registration number. The tax practitioners were requested to indicate how long it took to receive an income tax, VAT and employees' tax registration number from SARS (no separate registration number is needed for provisional tax) in respect of their clients once all the necessary documentation had been submitted and the necessary procedures correctly completed.

The results of the survey, as shown in Figure 2 below, showed that the receipt of an income tax and VAT registration number takes the longest (*twenty-five working days*). Receipt of an employees' tax registration number takes on average almost *twenty-three working days*. SARS had clearly not yet met the criteria set out in its Service Charter with regard to the provision of tax registration numbers and would therefore have to reduce the time it takes to perform this function by more than half if it were to achieve its aims.

As registration is the taxpayer's first step towards becoming tax compliant, it is crucial for this process to be streamlined, efficient and, above all, simple and quick. Many taxpayers would be willing to pay their taxes due, but experience the process of registration as complex, time-consuming and cumbersome (Citizen Surveys, 2008). This is therefore one of the priority areas on which SARS must focus to ensure that taxpayers who are willing to pay their taxes in fact do so, in the process broadening the tax base. Registration for tax (all taxes) should be straightforward and quick. Forms should be simple, short and easy to read. Immediate processing of information and receipt of a registration number should be the performance standard.

Figure 2: Average time taken (working days) to receive a registration number

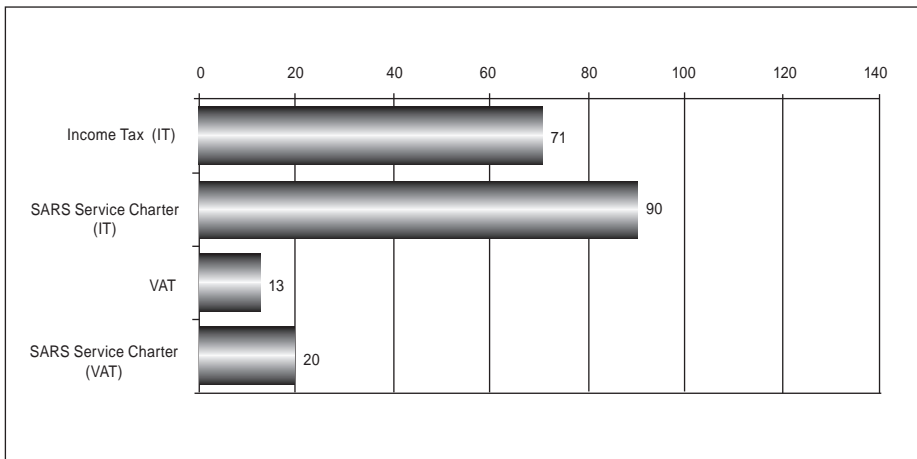


Process a tax return

In terms of its own Service Charter, it is SARS' aim to process and assess 80% of correctly completed and signed income tax returns within ninety working days from the date of receipt during peak periods (July to February) and within thirty-four working days in off-peak periods (March to June). In respect of VAT returns, this period is twenty working days from receipt of the return.

Tax practitioners were asked to indicate how long it takes SARS to process a tax return for their clients, assuming the form is completed correctly and submitted on time.

Figure 3: Average time taken (working days) to process a tax return



The survey found, as indicated in Figure 3 below, that it takes *seventy-one working days* in respect of income tax and *thirteen working days* in respect of VAT for SARS to process the tax returns.

According to operational reports set out in an email from a SARS official (Kirsten 2007:1), for the year ending March 2007 SARS processed 86% of income tax returns within eighty days in peak periods and 91% of income tax returns within eighty days in off-peak periods. SARS processed 92% of VAT returns within the stipulated twenty days, an average processing time per return of 9,8 days.

As confirmed by SARS reports referred to above and as shown in Figure 3 above, SARS appears to be well within the guidelines laid down in the Service Charter in respect of processing tax returns, assuming that the tax practitioners were referring to income tax returns being submitted during the peak periods. The survey did not clearly distinguish between peak and off-peak periods, thus should the tax practitioners be referring to off-peak periods, then from an income tax perspective, SARS would not have achieved its standards contained in the Service Charter. This would agree with SARS' internal data.

While SARS' efforts in respect of the processing of tax returns are highly commendable, a note of caution should be sounded. SARS should not sacrifice quality for quantity, that is, they should not assess returns as quickly as possible without considering all the issues at hand. A number of taxpayers, in answer to a question put to them about the burdensome aspects of the objection process, cited incorrect assessment (and subsequently incorrect penalties and interest) as an area of concern. A further area of concern raised by the tax practitioners and potentially linked to the first problem, was the lack of technical knowledge on the part of some of the SARS personnel. Correcting and resolving these areas of concern would take time and would involve compliance costs for the taxpayers. It is therefore recommended that SARS continually ensures that its assessors have the required knowledge and skills. SARS could also institute a review process to ensure the continued timely and, most importantly, accurate processing of tax returns.

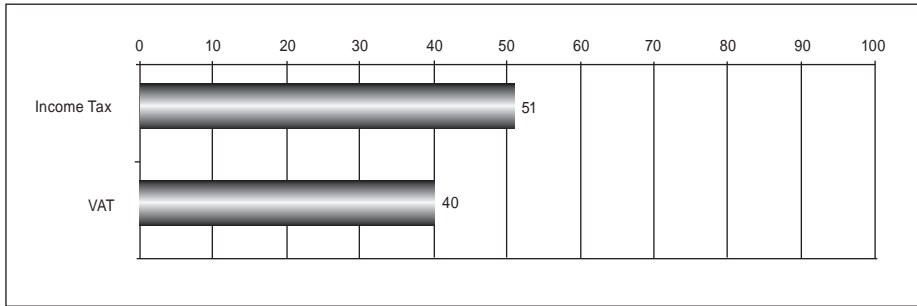
Response to letters of objection

The SARS Service Charter did not provide a time standard within which it had to respond to letters of objection from taxpayers. However, in terms of section 81, read with section 107A of the *Income Tax Act 1962* and section 32 the *Value Added Tax Act 1991* SARS has *90 days* in which to respond to an objection.

Tax practitioners were asked how long it takes SARS to respond to a letter of objection prepared by themselves on behalf of their clients. The results of the survey, as set out in Figure 4 below, found that it takes *fifty-one working days* for income tax and *forty working days* for VAT for SARS to respond to a letter of objection. SARS therefore appears to be well within the time limits set in terms of the Income Tax and VAT Acts and should be congratulated on this achievement.

Notwithstanding this performance, 82% of tax practitioners found that this period, as laid down in the relevant acts, is burdensome. They argue that this period is too long for them to wait to get final clarity on the matter under objection. The 'pay now, argue later'

Figure 4: Average time taken (working days) by SARS to respond to an objection



principle is potentially one of the reasons why this period was regarded as burdensome. A possible review of this period should therefore be considered by SARS bearing in mind that it is already achieving its goals set out in the Service Charter. It is suggested that a time period of perhaps 50 days should be the new criteria contained in the relevant Acts.

Payout of a refund

Uncertain cash flows are one of the constraints faced by small businesses in South Africa (Hudson, 2003:3). Refunds have been a cause for concern amongst businesses especially small businesses (UNISA, 2006:61). The cash flow stress experienced by the owners of businesses can only be compounded by delays in refunds from SARS. VAT refunds generally arise more frequently than income tax refunds owing to the shorter submission periods of the returns, compared to an annual tax return.

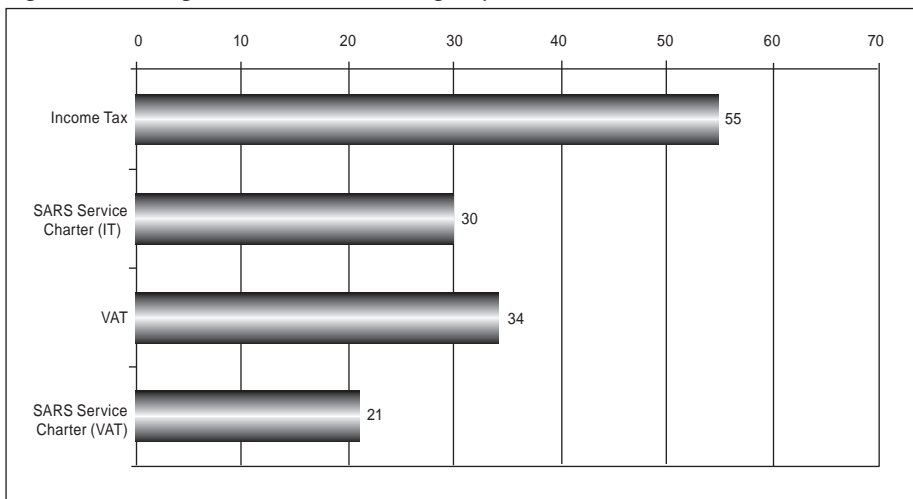
In terms of the SARS Service Charter, if a refund is due to the taxpayer, it is SARS' aim to:

- process income tax refunds within thirty working days from the assessment date;
- process VAT refunds within twenty-one days from the assessment date.

The tax practitioners were asked what percentage of their clients had had a VAT refund due to them as calculated on their VAT returns, since 1 January 2006 and how long, on average, it took to receive the refund. Taken overall, 7,61% of their clients had a VAT refund due to them. According to the findings of the survey, it takes an average of *fifty-five working days* to receive an income tax refund, compared to *thirty-four working days* to receive a VAT refund. This information is set out in Figure 5 below.

In terms of SARS' records, it processes, on average, 81% of income tax refunds within the stipulated thirty days, unless incomplete submissions or inadequate information have been furnished. However, in terms of the survey data, 53,5% of respondents receive their income tax refund after forty-five days or more, with 33,4% receiving it only after 135 days. It is possibly owing to the data from these respondents that a higher overall average number of working days as calculated above have been experienced. Notwithstanding,

Figure 5: Average time taken (working days) to receive a refund from SARS



it is still evident that the majority of respondents are of the opinion that refunds are not received within the period stipulated by SARS in its Charter.

Similarly in terms of SARS' records, SARS processes on average 84% of VAT returns within the stipulated period of twenty-one days. Delays may be due to incomplete submissions or inadequate information provided by the taxpayer or tax practitioner. In these cases the taxpayer or tax practitioner is required to make the necessary corrections and/or submit the outstanding documentation before a refund can be issued. If the survey data is examined in more detail, it is evident that 42,2% of respondents received their refunds after forty-five or more working days. It is once again possibly due to these respondents that a higher overall average number of working days as calculated above has resulted. However, their representation is high enough enough to indicate that their experiences cannot be ignored.

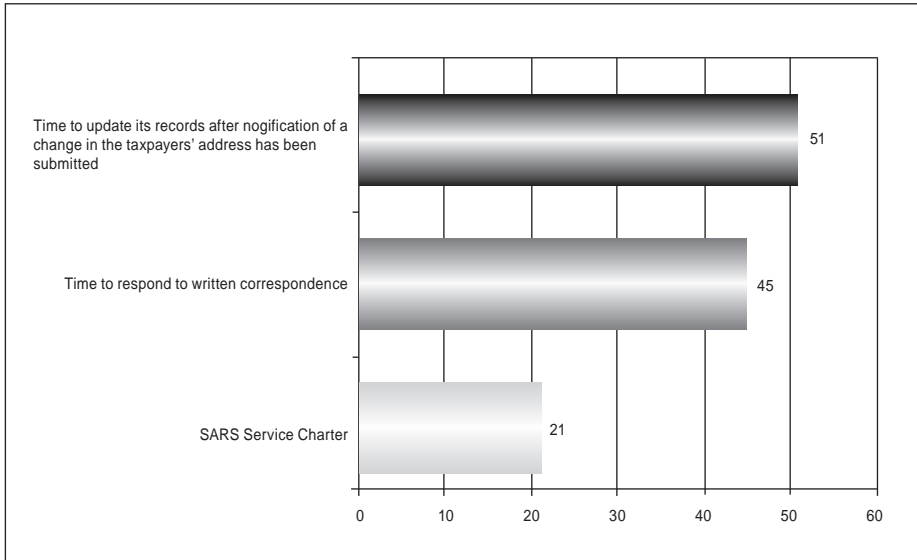
In respect of both income tax and VAT, SARS, on average and in total, still appears to fall short of its time commitments in terms of its Service Charter to pay refunds. These delays could have serious financial implications for the small businesses (UNISA, 2006:61) and thus should be a high priority focus area for SARS.

Response to written correspondence

SARS aims to respond to 80% of all correspondence (physical and electronic) within twenty-one working days of receipt. Where a resolution is not possible within a reasonable period of time, the tax practitioner will be informed why this is not possible and when s/he can expect a full reply.

The tax practitioners were asked for their perceptions of SARS' services regarding written correspondence, specifically the time taken to change the taxpayer's address.

Figure 6: Average time taken (working days) for SARS to respond to written communication



In terms of the survey findings (see Figure 6 below), it takes *fifty-one working days* for SARS to update its records after notification of a change in the taxpayer's address has been submitted. It takes *forty-five working days* for SARS to respond to written correspondence.

SARS thus falls short of its aims and should be investigating the matter to resolve the time lag in dealing with written correspondence of any kind.

Answer telephone calls, personal assistance, address enquiries sufficiently

In terms of the SARS Service Charter, SARS aims to:

- answer 90% of calls within 20 seconds;
- provide first time resolution; and
- attend to 95% of walk-in taxpayers within 15 minutes of arrival without an appointment.

The timeousness of responses to tax practitioners' personal and telephonic interactions and written communications with SARS were measured in the survey. The results (set out in Figure 7, 8 and 9 below) indicate that a taxpayer is on hold for more than *six and a half minutes* before SARS answers the telephone, has to wait *twenty-six minutes* at SARS before being attended to (without an appointment) and has to make *four calls* before his/her enquiry is addressed sufficiently.

According to operational reports as set out in an e-mail received from a SARS official (Kirsten 2007:1), commenting on the results of this study, it was mentioned that for the financial year ending 31 March 2007 the SARS call centre received 4,2 million calls. Of the 4,2 million calls received, 95% were answered. Only 5% of these calls were abandoned by the call centre. Out of the 95% calls answered, 71% were answered within 20 seconds. It could not be established whether this excludes time *on hold* in between the call being answered and transferred to someone to deal with the issue.

It is, however, encouraging to note that the call centre intends to achieve the target (90% of the calls will be answered in 20 seconds) set out in the Service Charter in the 2008 financial year (Kirsten 2007:1). The experience of a taxpayer in July 2007 was published in the *Finweek* (Kelly, 2007:17). The caller said that his call was answered in

Figure 7: Average time (minutes) 'on hold' before SARS answers telephone calls

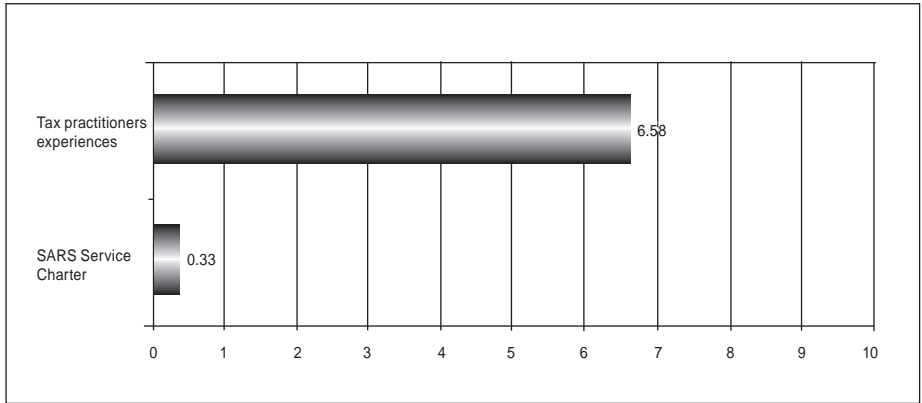


Figure 8: Average time (minutes) waited at SARS prior to being attended to (with no appointment)

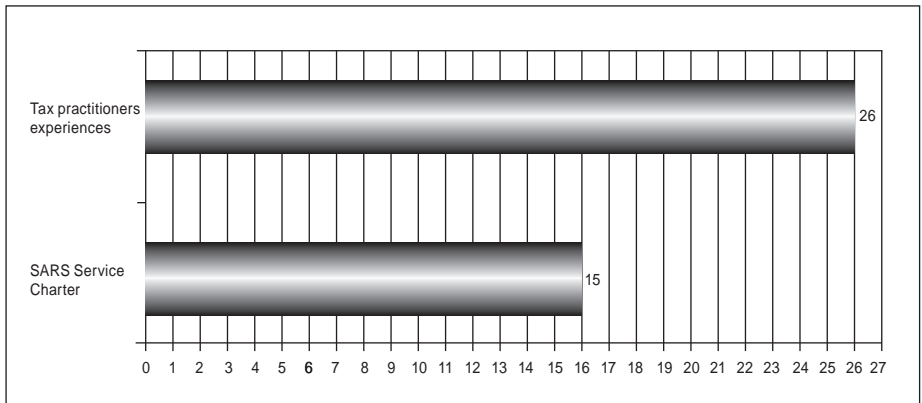
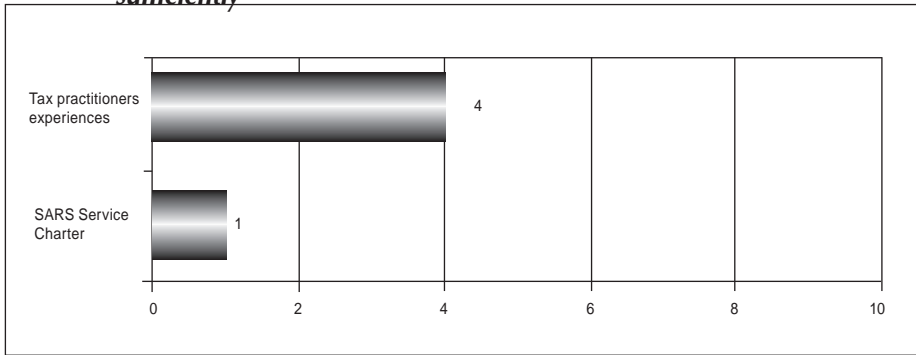


Figure 9: Average number of calls to SARS prior to enquiry being addressed sufficiently



less than 30 seconds (most of that taken up by the formalities at the beginning of the call) and every one of his questions was answered.

Although SARS has made progress, the organisation has not yet met its commitment in terms of the Service Charter in respect of the following:

- time waited at SARS prior to being attended to (with no appointment);
- time *on hold* before SARS answers telephone call; and
- average number of calls prior to enquiry being addressed sufficiently.

Telephonic communication via the call centre is one of the major concerns raised by tax practitioners when asked if they would like to send a message to SARS. This being the case, then written communication becomes even more crucial in ensuring that taxpayers become and remain tax compliant. Extended time delays and continually having to make follow-up enquiries with SARS can result in the taxpayers wasting more time and incurring more costs, which they may not be able to afford. It is therefore recommended that SARS improve on its current service levels to meet its promise in this respect in terms of its Service Charter. More extensive use of the e-filing facility has the potential to substantially reduce businesses' compliance costs. Judging by the positive feedback on this service from various tax practitioners, SARS could focus on making more extensive use and application of this service.

EMPIRICAL FINDINGS

The findings of the study were presented to SARS and National Treasury in May 2007 and it was the researcher's hope that these findings would be used by SARS to confirm some of its strategies and interventions already underway or to introduce new initiatives to improve its services in the future.

It is the belief of the researchers that the findings of this survey (amongst other factors) did just that. During the 2007 and in the beginning of the 2008 calendar year various reforms were introduced by SARS which specifically addressed certain of the service issues

and concerns raised in the survey. The first of these being the simplification of the income tax returns and the extension of e-filing of income tax returns to individuals, companies and trusts as released in the press statement by SARS (2007). This would ensure quicker and more accurate assessments and refunds and the payment of refunds electronically into the taxpayer's bank account (SARS, 2007). The second reform is the ability to lodge objections electronically (SARS, 2007) and the introduction of two new forms to speed up and simplify the objection process (SARS, 2007b). The third reform introduced by SARS was the vastly simplified and streamlined VAT registration process which came into effect on 1 February 2008 (SARS, 2008). A reduction in the number of pages and supporting documentation required to be submitted to SARS as well as the immediate receipt of a VAT registration number significantly reduce the paperwork required for registration and enhances the registration efficiency for taxpayers (SARS, 2008).

Communication with SARS during the relevant filing season was drastically enhanced by the availability of the following:

- dedicated e-mail address for tax practitioners to use for all e-Filing queries;
- call centre enhancements for tax practitioners (centralisation of all tax practitioner's queries and additional agents trained on e-Filing);
- training sessions on eFiling and income tax were arranged if required by tax practitioners and a television broadcast was aired to provide basic information required to complete the new tax returns;
- quick guides developed specifically for tax practitioners to help tax practitioners with various issues regarding submission of tax returns (SARS, 2007a).

Summarised in Table 1 below are the findings of the survey and the SARS reforms as mentioned above that were instituted/proposed and that specifically addressed, either in total or partially, the areas where SARS did not meet its promised service delivery standards.

Table 1: Comparison of survey results and reforms introduced by SARS

KEY:

IT = Income Tax

VAT = Value Added Tax

ET = Employees' Tax

No.	Procedure	SARS Service Charter (working days)	Tax practitioner experience (working days)	Service Charter standard met?	Reform instituted after survey performed	Problem solved?
1.	Receipt of a registration number	- IT } - VAT } 10 - ET }	} 25 } 22.9	- No - No - No	- IT: None. - VAT: Instant receipt of registration number. - ET: None.	- No - Yes - No
2a.	Process a tax return – peak periods	IT 90 VAT 20	71 13	- Yes - Yes	E-filing of all tax returns result in faster and more accurate turn-around times.	} } N/A
2b.	Process a tax return – off-peak periods	IT 34 VAT 20	Per SARS inter-nal data } 80 } 20	- No - Yes	E-filing of all tax returns result in faster and more accurate turn-around times.	- Partially (only for returns submitted electronically) - N/A

No.	Procedure	SARS Service Charter (working days)	Tax practitioner experience (working days)	Service Charter standard met?	Reform instituted after survey performed	Problem solved?
3.	Response to letter of objection	<ul style="list-style-type: none"> - IT } 90 (in terms of Act) - VAT } 	<ul style="list-style-type: none"> 51 40 	<ul style="list-style-type: none"> - Yes - Yes 	<ul style="list-style-type: none"> Automated objections can be lodged via E-filing. 	<ul style="list-style-type: none"> N/A
4.	Payout of a refund	<ul style="list-style-type: none"> IT 30 VAT 21 	<ul style="list-style-type: none"> 55 34 	<ul style="list-style-type: none"> - No - No 	<ul style="list-style-type: none"> Quicker assessment and payment made electronically into taxpayers' bank account. 	<ul style="list-style-type: none"> - Partially (only for returns submitted electronically)
5.	Written correspondence	21	45	- No	Dedicated tax practitioner email for eFiling queries.	- Partially (only partially for tax practitioners and eFiling)
6.	Answer telephone calls	20 seconds	6.58 minutes	- No	Tax practitioner call centre centralised and additional staff deployed to assist during filing season.	- Partially (only partially for tax practitioners and only during filing season)

No.	Procedure	SARS Service Charter (working days)	Tax practitioner experience (working days)	Service Charter standard met?	Reform instituted after survey performed	Problem solved?
7.	Attend to you if no appointment has been made	15 minutes	26 minutes	- No	None	- Partially (only partially for tax practitioners and only during filing season)
8.	Number of calls before query addressed sufficiently.	1 call	4 calls	- No	None	- No

From Table 1 above it is clear that SARS introduced reforms to address most of the areas of the Service Charter (and the Acts) that proved to be problematic from the survey results. Only in respect of the following areas were reforms not specifically introduced:

- receipt of an income and employees' tax registration number;
- attendance to taxpayer by SARS if no appointment was made; and
- number of calls before a query was addressed sufficiently.

Where reforms were introduced, the following areas are those where the reform initiatives only partly solved the shortcoming of SARS as found in the survey performed:

- processing a tax return during off-peak periods;
- responding to written correspondence; and
- answering telephone calls by SARS.

Both these areas, that is, those where no reforms were introduced and those where reforms were introduced, but which only partially solved the problem, should provide SARS with sufficient justification for promoting the areas that it will be focusing its attention on in respect of future reform initiatives.

CONCLUSION

Tax practitioners assist clients in becoming and remaining tax compliant by interacting with SARS. Should SARS' services not be up to standard, it could result in a loss of billable income or additional costs for tax practitioners and, indirectly, their clients and this could again impact on the compliance culture of taxpayers.

Despite SARS not yet being obliged to meet all the targets in the Service Charter at the time the research was carried out, this study assisted the organisation in identifying focus points for improvement in order to meet these targets. Based on the findings of this survey presented to SARS and other internal findings by SARS, SARS introduced reforms to address certain of the areas of concern raised by tax practitioners. SARS should be commended on this proactive approach as it does truly represent the beginning of an exciting journey in the interaction between SARS and some 7 million registered taxpayers (Engelbrecht 2007). SARS is encouraged to continue on this journey by continually reassessing its service standards. One of the ways it could do this is to monitor the findings of this survey over a period of time to determine whether there are any changes in the current service standards offered by SARS and to establish whether the strategies adopted have been effective.

The study ends on a note of hope that, unlike the electricity services, the services rendered by SARS will continue to improve and that all taxpayers will be willing to register for and pay their taxes cheerfully because they are satisfied with the services they receive. Should bad come to worse, however, we are certain that "load shedding" of the tax burden would be a welcome step for many taxpayers.

ACKNOWLEDGEMENTS

The survey and its findings could not have been carried out without the assistance and funding from the Foreign Investment Advisory Service (FIAS), with co-financing from the Government of Switzerland. Sincere gratitude is also due to Jacqueline Coolidge and Domagoj Ilic from FIAS, Gregory Kisunko from the World Bank, Hrvoje Corak and BLUETub Design and Production for making the survey and its results possible.

BIBLIOGRAPHY

- Areff, S. and Mabaso, T. 2005. Maximising responsiveness at the South African Revenue Service. *Revenue Matters*, 1 (6).
- Berry, L.L., Zeithaml, A. & Parasuraman, A. 1985. Quality counts in services, too. *Business Horizons*.
- Boothe, R. 1990. Who defines quality in service industries? *Quality Progress*.
- Citizen Surveys. 2008. *Draft Formal SMME Tax Compliance Survey Report*
- Coates, W. 2006. (willic@saica.co.za) 2006. Re; A Tax Compliance Cost Survey. [E-mail to:] Smulders, S.A. (sharon.smulders@up.ac.za) 30 November 2006.
- Croome, B. 2005/2006. SARS and the taxpayer. *Accountancy South Africa*.
- Croome, B. 2005a. SARS finally releases its Service Charter. *Moneyweb's Tax Breaks*.
- Croome, B. 2006. High expectations from SARS' charter. *Real Business [net]work*. [Online] Available from: <http://www.realbusiness.co.za/Article.aspx?articleID=3615>. (Accessed: 5 October 2006).
- Dhillon, A. & Bouwer, J.G. 2005. Reform of tax administration in developing nations. *Revenue Matters*, Tax 1(6), July. [Online] Available from: <http://www.revenueproject.com/documents>. Accessed: 19 September 2006.
- Divaris, C. 2006. A call to worry. *Tax Shock, Horror Newsletter*.
- Engelbrecht, L. 2007. SARS moves taxpayers to e-filing, 10 May 2007. [Online] Available from: http://www.mydigitallife.co.za/index.php?option=com_content&task=view&id=963&Itemid=84. (Accessed: 23 April 2008).
- Ensor, L. 2004. Gordhan's smarter, hi-tech SARS casts net further. *Business-Day*. 27 September. [Online] Available from: <http://www.businessday.co.za/Articles/TarkArticle.aspx?ID=1259777>. (Accessed: 4 October 2006).
- Friedman, S. 2003. Sending them a message: Culture, tax collection, and governance in South Africa. *Policy: Issues and Actors*, 16 (3).
- Grönroos, C. 1984. A service quality model and its marketing implications, *European Journal of Marketing*, 18(4).
- Grönroos, C. 1988. Service quality: the six criteria of good perceived service quality. *Review of Business*, Winter 9(3).
- Hamilton, M.B. n.d. Online Survey Response Rates and Times- Background and Guidance for Industry. [Online] Available from: http://www.supersurvey.com/papers/supersurvey_white_paper_response_rates.htm. (Accessed: 26 February 2007).

- Haywood-Farmer, J. 1988. A conceptual model of service quality. *International Journal of Operations & Production Management*, 8(6).
- Hudson, J. 2003. RIAS and private sector development: Some thoughts from the South African context. [Online] Available from: <http://www.competition-regulations.org.uk/conferences/mcrria03/conf8.pdf>. (Accessed: 29 June 2006).
- Kelly, B. 2007. Rating the call centres. *Finweek*, 5 July 2007:17.
- King, D. (antonvds@pix.co.za) 2006. Pravan Gordhan vs Dave King. [E-mail to:] Divaris. C. (cdivaris@icon.co.za) 14 August 2006.
- Kirsten, L. (lkirsten1@sars.gov.za) 2007. Comments on draft Compliance Cost Survey: Tax Practitioners. {E-mail to:} Smulders, S.A. (sharon.smulders@up.ac.za) 12 July 2007.
- Lumsden, G. and Lumsden, D. 2000. *Communicating in groups and teams – sharing leadership*. 3rd edition. Belmont, CA: Wadsworth.
- Manik, S. 2005. Reform in developing nations: South African Revenue Services. *Revenue Matters*, Tax 1(6), July. [Online] Available from: http://www.revenueproject.com/documents.asp?d_ID=3306#. (Accessed: 19 September 2006).
- Mitchell, L. 2001. Zip the lip. *Tax Planning*, 15(4) August:81-83.
- O'Brien, D. 2004. The epistemology of perception. *The Internet Encyclopedia of Philosophy*. [Online] Available from: <http://www.iep.utm.edu/e/epis-per.htm>. Accessed: 13 June 2006.
- Parasuraman, A., Zeithaml, V. and Berry, L.L. 1986. *Servqual: A multiple-item scale for measuring customer perceptions of service quality*. Cambridge, MA: Cambridge Marketing Science Institute.
- Rettie, A. 2005. High-performance revenue agencies: an outlook for delivering public sector value. *Revenue Matters*, Tax Volume 1, 6 July. 1-3.
- SARS. 2005. Annual Report. [Online] Available from: http://www.sars.gov.za/media/annual_reports.htm. (Accessed: 9 October 2006).
- SARS. 2005a Press statement on the launch of the SARS Service Charter. [Online] Available from: <http://www.sars.gov.za>. (Accessed: 13 October 2006).
- SARS. 2006. *SARS Service Charter*. [Online] Available from: <http://sars.gov.za/about/charters/servicecharter.pdf>. (Accessed: 20 October 2006).
- SARS. 2007. *Media Statement by the Minister of Finance, Trevor A. Manuel (MP), on the announcement of new income tax returns and filing procedures*. Press Statement issued on Wednesday, 9 May 2007. [Online] Available from: <http://www.sars.gov.za>. (Accessed: 10 May 2007).
- SARS, Practitioners Unit (PractitionersUnit@sars.gov.za) 2007a. News from SARS: Efiling; common errors; capital gains tax. [E-mail to:] Smulders, S.A. (sharon.smulders@up.ac.za) 18 September 2007.
- SARS. 2007b. *Successful end to Phase 1 of Filing Season*. Press Statement issued on Wednesday, 28 November 2007. [Online] Available from: <http://www.sars.gov.za>. (Accessed: 31 March 2008).
- SARS. 2008. *VAT Registration Process Simplified*. Press Statement issued on Friday, 1 February 2008. [Online] Available from: <http://www.sars.gov.za>. (Accessed: 3 February 2008).
- Schneider, B. and White, S.S. 2004. *Service quality: Research Perspectives*. Thousand Oaks, California: Sage Publications.

- Smith, L. 2003. The power of politics: the performance of the South African Revenue Service and some of its implications. *Policy: Issues and Actors*, 16(2), April. Johannesburg: Centre for Policy Studies. Or [Online] Available from: www.cps.org.za. (Accessed: 18 September 2006).
- South Africa. 1962. *Income Tax Act, 1962* (Act 58 of 1962). Available for SAICA legislation handbook: Butterworth.
- South Africa. 1991. *Value Added Tax Act, 1991* (Act 89 of 1991). Available for SAICA legislation handbook: Butterworth.
- Stoke, M., Regan, D. and Stauffer, C. 2005. High-performance revenue agencies in the future. *Revenue Matters*, 1 (6).
- Strategic Business Partnerships for business growth in Africa (SBP). 2005. *Counting the cost of red tape for business in South Africa – Main Report, June 2005*. Johannesburg: Strategic Business Partnerships
- Suliman. 2006. SARS wants cash, not to help citizens. *The Star*, 11 May.
- Visser, A. 2006. SAID 'wil net help' met brief wat superrykes ontstel. *Sake-Beeld*, 8 Desember.
- Turner, J.L., Smith, M. and Gurd, B. 1998. Auditing income tax self-assessment: the hidden cost of compliance. *Journal of Managerial Auditing*, 13(2).
- Tustin, D.H(a)., Abrie, W., Basson, J.P.C., de Clercq, B., De Hart, K.L., Doussy, E., Graham, C.R., Hammel, E.H., Howell, R., Olivier, P., Posthumus, L.C., Steyn, M., Swanepoel, A., Ungerer, M., Venter, J.M.P., Wentzel, M.S.I. 2005. Refer to UNISA, 2005.
- Tustin, D.H.(b)., de Clercq, B., and Venter, J.M.P. 2006. Refer to UNISA, 2006a and 2006b.
- University of South Africa (UNISA), 2005. Refer to Tustin, D.H(a). *The status of Tax Management and Administrative Skills of SME Manufacturers: Gauteng 2005 – Report 1*. October 2005. Pretoria: Department of Taxation, UNISA.
- University of South Africa (UNISA), 2006. Refer to Tustin, D.H.(b). *The impact of taxation on SME Retailers in Gauteng – Report 2*. 2006. Pretoria: Department of Taxation, UNISA.
- Upstart Business Strategies CC. 2004. *Measurement of Value Added Tax Act and Regional Services Councils Act-induced administrative burdens for South African small businesses*. Final Report. Johannesburg: Upstart Business Strategies.
- Visser, A. 2006. SAID 'wil net help' met brief wat superrykes ontstel. *Sake-Beeld*, 8 Desember.
- Webb, P. 2006. Alice in wonderland. *Accountancy South Africa*.